INTEGRATED ANNUAL REPORT 2014

DISTELL

Highlights

Total sales volumes grew

3,1%

Total revenue increased

12,8%

Operating profit up

22,9%

Normalised operating profit up

8,1%

Headline earnings up

40,4%

Normalised headline earnings up

1,7%

Final dividend maintained at

183,0 cents

per share

All products mentioned in this integrated annual report are not for sale to persons under the age of 18 years. Enjoy our products responsibly.

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Supplementary Information

Approach to Integrated Reporting

Background and scope

This is our fourth integrated annual report. It provides a high-level overview and performance review of Distell Group Limited, its subsidiaries, associates and joint ventures (collectively referred to as 'Distell', 'we' or 'our') for the period 1 July 2013 to 30 June 2014.

One exception to the standard reporting period used in this report is the broad-based black economic empowerment (B-BBEE) statistics measured for the period July 2012 to June 2013. These are valid until December 2014.

While the majority of our products are manufactured within South Africa, we have a worldwide distribution network and investments in countries that include Angola, France, Ghana, Kenya, Mauritius, Namibia, Scotland, Tanzania and Zimbabwe.

Reporting standards employed

The financial statements presented in this report are prepared in accordance with the International Financial Reporting Standards (IFRS) and the reporting guides provided by SAICA's Accounting Practices Committee (APC) and the South African Companies Act (No. 71 of 2008). This year we have incorporated a number of new standards, interpretations and amendments which came into effect on 1 January 2013. The Group's 2013 and 2012 results have therefore been restated to account for the changes in accounting policies. For more detail on these changes, please refer to page 121.

Furthermore, this report contains indicators from the Global Reporting Initiatives' (GRI) G3.1 reporting guidelines. Additional sustainability information can be found in our online sustainability report. Similar to previous years, the non-financial data and statistics in this report relate to Distell's operations within southern Africa only, unless otherwise stated.

A number of minor restatements of past statistical data have been made. These are clearly marked and explained in this report.

Report assurance

Following the principles of combined assurance, our financial statements have been audited externally, while our non-financial disclosures and performance data have been audited and validated through an internal auditing process. While the Group has not sought third-party assurance over its non-financial data, its B-BBEE performance has been independently assessed and verified.

We continue to develop Group reporting standards and will make our disclosures increasingly meaningful and measurable for Distell's stakeholders.

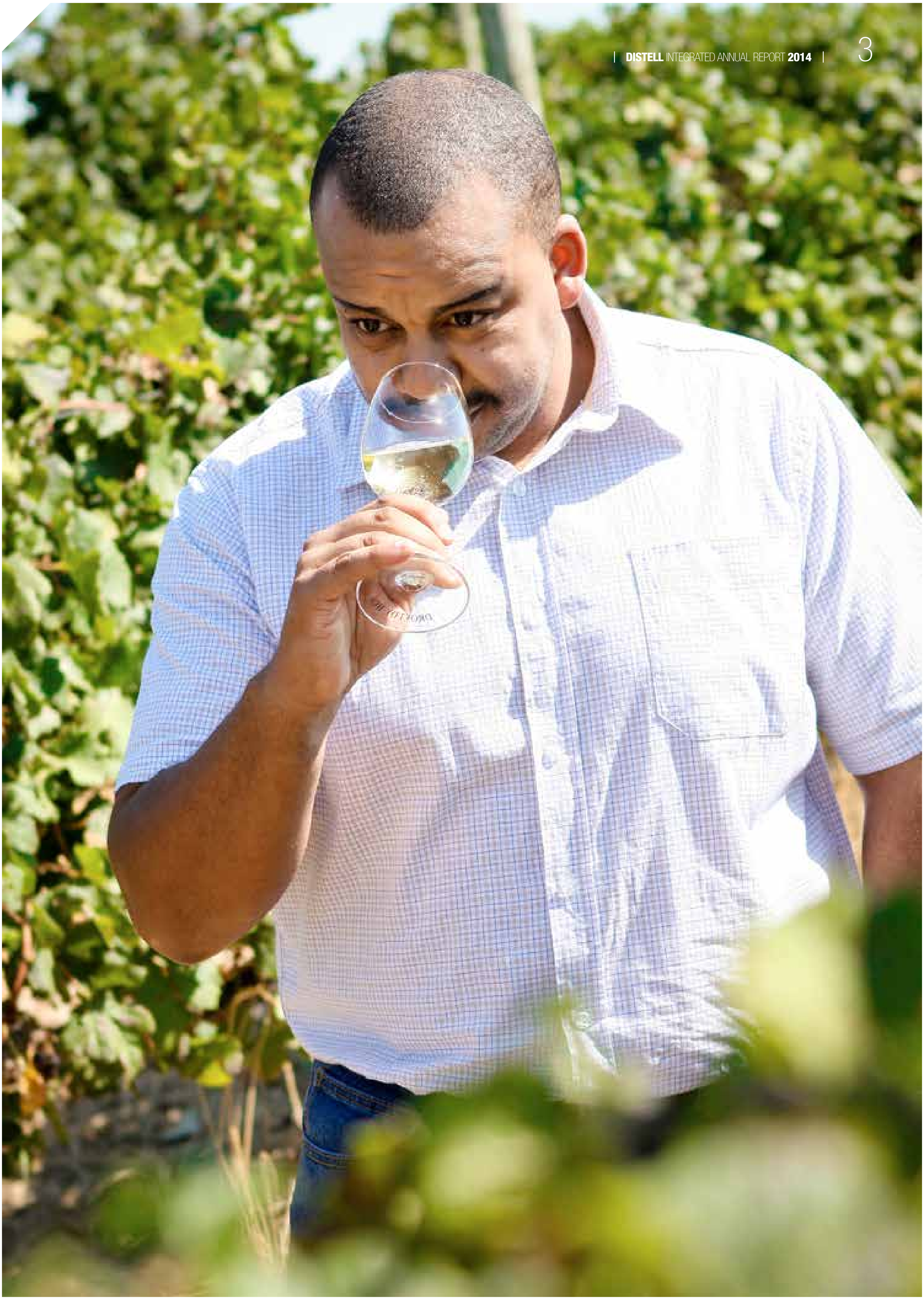
Further information

For any comments or queries regarding our annual reports, contact our corporate affairs department.

E-mail: info@distell.co.za

Tel: +27 (0)21 809 7000

All products mentioned in this annual report are not for sale to persons under the age of 18 years. As we always do, we appeal to consumers who have chosen to drink alcohol to enjoy our products responsibly.



CREATING AND SHARING VALUE FOR STAKEHOLDERS

Our Business Philosophy

Who we are
Distell Group Limited is Africa's leading producer and marketer of spirits, fine wines, ciders and ready-to-drinks. Distell employs about 5 300 people worldwide and has an annual turnover of R17,7 billion.

Our mission
We craft distinctive alcoholic beverage brands, enhance memorable moments and inspire responsible enjoyment. The value we create enriches the lives of our people, shareholders and the communities within which we live and work.

Our vision
We are a proud African alcoholic beverages company with heritage, global reach, world-class people and the ability to do extraordinary things!

Our purpose
We exist to provide unique moments of social enjoyment through the responsible marketing of well crafted ciders, wines and spirits.

Our key strengths
- Differentiated brand and product portfolio straddling all key occasions
- Brands with rich provenance and authenticity
  - South Africa's Winelands
  - Historic French cognac region
  - Wind-swept Scottish Isles
- Portfolio ideally suited to intermediate premiumisation in developing markets
- Strong balance sheet position
- Impressive agricultural asset base with potential to unlock value
- Organisational culture that thrives on innovation
- A diverse pool of talented professionals

Our values

- A sense of ownership
- Entrepreneurial spirit
- Performance-driven culture
- Customer and consumer market orientation
- Respect for the individual
- A global mind-set responsive to change

Our aspirations

- Dominant regional alcoholic beverage brand and route to market owner
- #1 cider company globally
- #2 alcoholic beverages company in SA
- Leading regional alcoholic beverages player in Africa
- Diversify geographic base and step-change growth
  – One or two other continents
  – Drive scale not possible through organic growth
- Continue to integrate BSD and leverage our single malt Scotch whiskies
- Differentiated player – premium spirits and wines
- Enhance operating margins, improve cost and working capital efficiency
- Unlock value from our wine brand portfolio and farm assets
- Explore strategic alliances to address opportunities and gaps

Our Brands

Ciders and ready-to-drinks (RTD's)

Our cider and RTD portfolio includes a comprehensive range of low-alcohol (3% to 6% by volume) flavoured alcoholic beverage (FAB) products which include spirit coolers to suit all tastes and lifestyles. Brands in this portfolio include Hunter's, Savanna, Bernini and Esprit.

Celebrating a decade of cider

Hunter's

The refreshing story of an African icon

Hunter's was launched in 1988 as a 'Twister' (Hunter's Gold Twister) prior to the establishment of cider in the SA market. It was positioned as a refreshing beverage with a strong masculine identity and was priced higher than beer to ensure a premium appeal. The product was significantly lower in alcohol than the 7% fruit-flavoured wines. At 4,5% ABV, it was closer to beer but would be refreshing enough to draw new drinkers and women. It was to be given a strong masculine identity to ensure a mainstream appeal.

Hunter's growth to the number one cider in SA

Hunter's has consistently seen double-digit volume growth since 2009, and is now a significant contributor to Distell's profits. It is the world's second-largest cider by volume and is available in more than 35 countries globally. Hunter's has also celebrated over 26 years of delivering 'refreshment like nothing else on earth'. It is an authentic mix of a real product, and a brand tone that talks directly to its peers, resulting in consistent demand for this premium, masculine cider brand. This has led to its growth in South Africa where it enjoys the number one cider brand status. Hunter's is also becoming a significant global cider player in Africa, Asia and Europe.

Savanna

Savanna isn't any ordinary cider. Since its inception Savanna has been a brave and confident brand. Like the African savannah from where our name is taken, we've always been a little bit 'out there'. When Savanna Dry launched in 1996, everyone was drinking out of cans, so we decided to launch Savanna in a dumpy-shaped bottle instead. Unlike sweet ciders, we are dry – best enjoyed ice cold from the bottle with a lemon in the neck. Through the years we have won over the hearts and funny bones of South Africans with our witty, dry humour and our well-known pay-off line 'It's Dry. But you can drink it'. Savanna has since gone global – becoming the world's fourth largest selling cider, distributed in over 60 countries around the world. Savanna is also South Africa's leading cider export.

How cider is made

Ripe apples are harvested, sorted, washed and pressed. After pressing, the juice is concentrated to ensure a steady supply all year round. The concentrate is then stored until required. When production continues water is added to reconstitute the apple juice, which is fermented dry, using specially cultured yeasts. The fermentation is completed at 23°C to 27°C over a 14 to 21-day period. The cider reaches alcohol levels of around 12% to 13%, after which it is cross-filtered. The next stage involves blending to achieve the desired flavour profile. It is chilled, triple-filtered and chilled again. In South Africa, because the preference is for a sparkling product, the cider is carbonated before it is bottled and distributed.

Award-winning whiskies

Our multi-awarded single malt whiskies have put Distell firmly on the world map.

Bain's Cape Mountain Whisky won the World's Best Grain Whisky award at the 2013 World Whisky Awards ahead of those from traditional whisky-producing countries such as Ireland, Scotland and the USA. This accolade follows just a year after Three Ships Premium Select 5 Year Old received the World's Best Blended Whisky award at the same competition in 2012.

Our master distiller, Andy Watts, creates whiskies which are innovative and unique in profile to offer a spectrum of styles that appeal to a broad whisky consumer base.

The range of Three Ships whiskies (Three Ships Select, Three Ships Premium Select 5 Year Old, Three Ships Bourbon Cask and the limited release, Three Ships 10 Year Old single malt) and Bain's Cape Mountain Whisky are produced at The James Sedgwick Distillery in the picturesque Boland town of Wellington in the Western Cape, South Africa.

Our Scotch single malts are impressive too. They are produced in small batches, bottled at 46,3% ABV and un-chilled filtered, in the traditional way, so that novices and aficionados alike, can enjoy the full depth of flavours, aromas and character that makes these brands award winners.

Bunnahabhain picked up 11 awards at the 2014 International Wine & Spirits Competition (IWSC), World Whisky Awards (WWA) and San Francisco World Spirit Competition (SFWSC) including a Double Gold at the SFWSC for its 12 Year Old and Best Islay Malt (WWA) for the 25 Year Old.

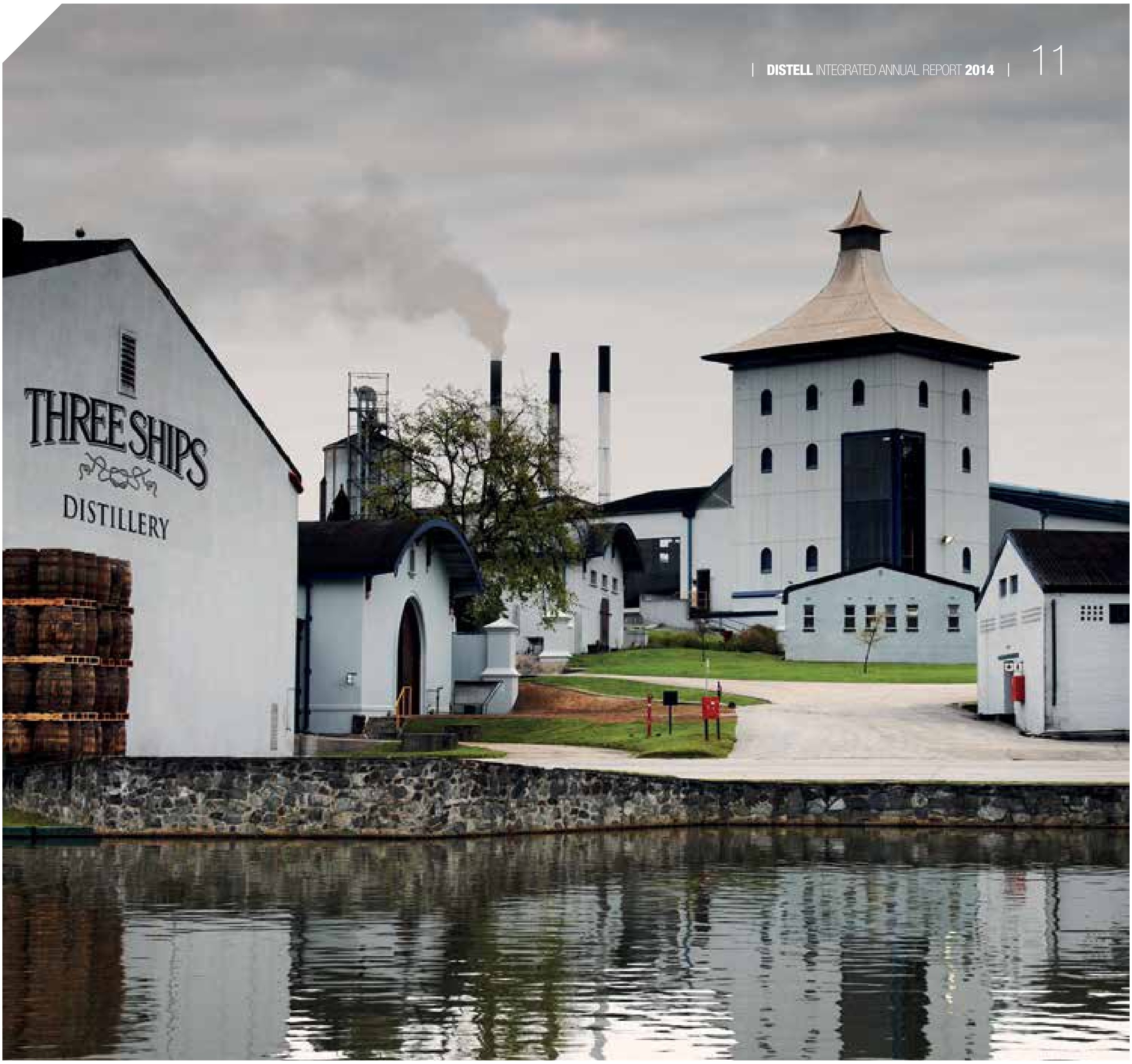
Leading single malts, Tobermory, with its extremely smooth taste profile, the robustly peated Ledaig and Deanston, an outstanding Highland whisky which is handmade, un-chilled filtered, are all award winners. Deanston's seven awards this year include a Gold Outstanding (IWSC) and Double Gold (SFWSC) for the 12 Year Old. Ledaig (10 Year Old) also picked up awards at the SFWSC.

Black Bottle, our premium, award-winning blended Scotch whisky, has been recognised as the World's Best Re-launch at the WWA design awards.

Spirits

Our spirit portfolio consists of super premium and premium brandies, cognacs, white spirits, whiskies and liqueurs. Brands in this portfolio include Amarula, Bain's Cape Mountain Whisky, Black Bottle, Bisquit, Bunnahabhain, Collison's White Gold, Deanston, Flight of the Fish Eagle, Klipdrift, Ledaig, Mainstay, Oude Meester, Richelieu, Scottish Leader, Three Ships, Tobermory, Van Ryn's and Viceroy.

For a comprehensive list of our brands visit www.distell.co.za


THREE SHIPS
DISTILLERY


DEANSTON
TOBERMORY
1798
LEDAIG
BAIN'S
Cape Mountain Whisky
THREE SHIPS
WHISKY
Bunnahabhain

Amarula, our African original

Amarula is a one-of-a-kind creation and has made its mark throughout the world. Its origins are in Africa, where it's grown and produced, using the unique African marula fruit. 'African Original' reflects the authenticity and superiority of this brand.

Launched as a cream liqueur in 1989, its name has become virtually synonymous with South Africa. One of South Africa's most successful exports, it's the only local product to make it on to the list of the *world's top 100 premium spirits brands, and is a favourite amongst duty-free travellers across the globe. This year alone it has been awarded gold at the San Francisco World Spirits Competition and in Europe at Concours Mondial in Brussels. It also recently won gold at the International Wine & Spirit Competition (IWSC) in London. Amarula Cream sells in over 100 countries.

Its universal popularity has been the catalyst for a new expression of Amarula in Amarula Gold, a clear premium spirit made for mixing and launched earlier this year. Like Amarula Cream, it is produced from the fruit of the marula tree. The support for both keeps on growing, thanks to their very unique and authentic marula taste profiles.

Did you know that every time you buy chocolate or fudge infused with Amarula Cream, you're helping to sustain impoverished rural communities and promote animal conservation? That's because a percentage of the retail price of your purchase goes to the not-for-profit Amarula Trust.

The Amarula Trust runs several job creation programmes and funds research into elephant behaviour for developing conservation management plans in southern African private and public game parks. Amongst its many other projects, it also provides bursaries for basic studies in field guiding for deserving rural candidates in South Africa, Namibia and Botswana.

*Amarula Cream is the only South African brand featured on the 2014 Impact Databank World's Top 100 Premium Spirits list, in 81st position. In 2013 Amarula was identified as the seventh most frequently requested liqueur amongst the world's top style bars by *Drinks International*. Amarula Cream is the 33rd biggest spirits brand sold in duty-free, according to IWSR research.

Celebrating Nederburg's Heroes

Nederburg's story begins more than two centuries ago in 1791 with Philippus Wolvaart, who was marked by a singular passion that served to create a legacy of wine excellence. With few resources and little in the way of infrastructure he established a flourishing winery that has evolved into one of South Africa's most significant wine brands with an internationally award-winning reputation.

His vision and courage have inspired those who have come after him, prompting an ongoing quest amongst generations of winemakers to continually master their craft. They recognise that theirs is a never-ending pursuit with no room for complacency. Their goal is to keep on bettering their best efforts.

Nederburg is founded on an assiduous attention to detail driven by a passion to master wine in a process that extends from soil to bottle. It begins with ongoing research into the best viticultural management practices. It explores grape varieties both established and lesser known. It focuses on existing and new wine-growing areas, climate change and environmental sustainability, and it encompasses cellar technique and technology.

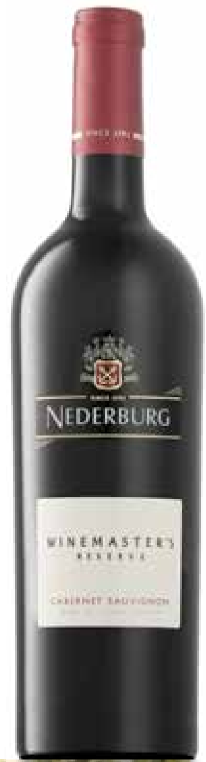
This passion is infused by a spirit of innovation, bringing new ideas, new skills and new methods but where respect for the grape remains paramount. You can taste it across the multi-tiered range, starting at the base with the fresh and fruity Foundation, moving on to the bright and smooth-drinking 56HUNDRED, the bold Baronne and classically-styled Winemaster's Reserve wines and rising to the specialty offerings that include Fair Selection, Manor House, Heritage Heroes and reaching the apex where you will find the Ingenuity and finally the Private Bin wines sold on the Nederburg Auction.

It is an approach that encourages originality from South Africa's first noble late harvest wine, made in 1969 and that debuted at the Nederburg Auction 40 years ago to trailblazing, contemporary blends and new ways with wood to surprise and delight connoisseur and regular winelovers.

Nederburg's cellar-master is Razvan Macici, one of South Africa's most awarded winemakers.

The team are inspired by their forebears, many of whom have redefined South African winemaking through their pioneering innovations. Personalities such as Wolvaart, Johann, Ilse and Arnold Graue and Günter Brözel are their heritage heroes.

Set against the backdrop of the majestic Drakenstein Mountains, Nederburg's 1800 manor house stands as the testimony to the hopes and aspirations of Wolvaart. Now a national monument, it is the centre piece of the farm, one of South Africa's most popular wine destinations for domestic and international wine tourists.



Wines

Distell's wine portfolio boasts a wide spread of well-known brands. These include Chateau Libertas, Drostdy-Hof, Durbanville Hills, Fleur du Cap, J.C. Le Roux, Nederburg, Neethlingshof, Sedgwick's Old Brown, Two Oceans and Zonnebloem.

For a comprehensive list of our brands visit www.distell.co.za

Corporate Strategic Risk and Mitigation

Distell has identified the following nine strategic risks which occur during our business operations. In order to continue to create sustainable returns for our shareholders, we have contextualised these risks and have developed corresponding risk mitigating initiatives to address them. These can be seen in the table below:

Context	Risk
Industry consolidation and geographic risks	
Consolidation in the alcoholic beverages industry is evident on both a geographic and global alcohol category basis across the industry value chain. Multinational companies are fast expanding their local footprint in Africa and other key emerging markets. Alcohol categories such as spirits and RTDs are also becoming increasingly consolidated at a global level. We are increasingly mindful of the need to address geopolitical risk. Specifically the economic volatility in emerging markets observed post the recession argues for diversifying business interests across several markets.	Consolidation increases both the transactional power of competitors in-market and supports their cost-efficiencies via economies of scale. Consolidation in retail enhances retailers' buying power, making it more costly to do business in formal retail channels. Failure to effectively execute Distell's new business development strategy (entry into new markets and categories) will hamper the company's ability to effectively counter the risks associated with industry consolidation. Failure to create economic value from new acquisitions.
Business transformation	
A key strategic imperative for Distell is to continuously drive business improvement to improve operational efficiencies and reduce costs. In addition, successful change management is required to effectively execute the organisational changes required in Distell's revised corporate strategy.	Failure to deliver on our targets for business. Ineffective change management to sustainably entrench our new organisational structure, management roles, accountability, and routines, to drive the successful execution of Distell's strategy.
Unfavourable changes in the regulatory environment	
Globally regulators and the World Health Organisation (WHO) are focusing on reducing the health burden of non-communicable diseases, including alcohol as a leading risk factor. South Africa's Inter-Ministerial Committee on Substance Abuse proposes via their programme of action several regulatory policy interventions, including banning of alcohol advertising. Other focus areas addressed by this programme include overall reduction in alcohol consumed, binge drinking, underage alcohol consumption, drinking and driving, the correlation between HIV-infection and alcohol, and illicit trade.	Growing anti-alcohol lobby. Legislative changes placing restrictions on sales, marketing and distribution of alcohol to address harmful use of alcohol that is not fact-based and which has negative effects on the commercial functioning of the alcohol industry. Exclusion of the alcohol industry to participate in alcohol policy development. **South Africa:** Government targets a 10% reduction in the availability of alcoholic beverages; and 20% reduction in alcohol consumed per capita.
Sustainable supply of raw materials	
Efficient procurement and supply chain management are important business imperatives to ensure continuous product availability of suitable quality at competitive prices. The nature of our products and activities necessitates a long-term view of the market and consumer demand for our products, requiring close collaboration and planning with our suppliers.	Unavailability of grapes and bulk wine to meet demand for our wine brands across the quality and cultivar spectrum. Unavailability of bulk wine for the distillation of brandy. Unavailability of apple juice for the production of ciders. Scarcity of water supply. Rising energy prices. Environmental taxes.

Potential impact on Distell	Mitigation measures
Failure to reach significant scale and relevance in the global alcohol industry will lower Distell's future earnings potential, profitability and will increasingly challenge the company's competitive position in-market.	Effective new business development strategy and capability to identify business opportunities ahead of the curve; acquire at a competitive cost; and successfully integrate these within Distell's business to drive synergies and create economic value.
Delay progress to improve on operational, including cost-efficiencies. Reduced competitive advantage over the medium term. Failure to achieve our company strategic financial and non-financial goals.	Dedicated resources to drive the change management process. Clear communication on change management objectives and continuous tracking and reviewing of progress. Management and staff buy-in and commitment to execute changes required.
Legislative changes placing restrictions on sales, marketing and distribution of alcohol which lessen competition in-market and impede our ability to craft brands. Excessive excise changes can disrupt the price-competitiveness of Distell products compared to those of competitors.	Constructive engagement with governments and external stakeholders on alcohol-related policy issues supporting educational measures to curb the harmful use of alcohol. Support for the principle of self-regulation and ensuring company compliance to industry codes. Close co-operation with industry bodies to address alcohol abuse. Building scientific evidence-based policy advocacy within South Africa. Establishing a corporate social responsibility strategy that aims to reduce the harmful impact of alcohol abuse.
Limited access to raw materials will negatively impact on our supply capability and in-market stock levels. Profitability could also come under severe pressure if prices of raw materials are high due to limited availability.	Establishing and protecting long-term relationships with grape and wine producers whose viability, financial stability and success are of critical importance to us. Close collaboration with our suppliers to ensure the sustainability of the supply chain at cost-competitive levels. Identifying areas for higher-yielding grape production with lower input costs. Establishing a global supply network that gives us access to better product, service and pricing options and that also helps to counter local supplier capacity constraints.

Corporate Strategic Risk and Mitigation (continued)

Context	Risk
Illicit trade in alcoholic beverages	
Globally illicit trade in alcoholic beverages remains a key business challenge, including trade in counterfeit products. This trend is exacerbated by rising excise duties in select geographies.	Increasing share of illicit trade with particularly cheaper products taking share from legal products. Counterfeit – Failure to effectively protect intellectual property rights.
Management capacity and talent management	
The quality of our people provides a competitive advantage. To recruit, develop and maintain talented employees who can enhance our management capability throughout the organisation is a key business imperative.	Failure to recruit, identify, develop and retain a sufficient talent pool that enables the Group to pursue current and future strategies and business initiatives. Failure to build skills in line with South Africa's employment equity requirements.
Security of business information	
ICT technology is rapidly advancing, with increasing sophistication of cyber-attacks to invade business information systems. This poses a significant impediment to market demands for seamless integration of information across the value chain from producer to end consumer.	Dysfunction of ICT systems could cause major disruptions in business operations. Loss of valuable and sensitive company data, with potential risk of leakage to competitors. Failure to comply with legislative requirements on security of information leading to penalties.
Swift changes in consumer consumption trends	
Consumer tastes and consumption patterns are continuously changing, and are further accelerated by instant access to information on new product innovations. Increasing sophistication of innovation drives a blurring of traditional alcohol category lines (examples – spirit flavoured beers, sparkling vodka in wine formats).	Failing to proactively identify with reasonable accuracy future growth opportunities that drive business service and product innovation. Failing to deliver brand value propositions which are relevant to changing consumer preferences.
Successful integration and development of newly-acquired businesses and/or brands	
Acquisition of new businesses and/or brands requires rapid integration into Distell's business. These types of transactions need to be supported by rigorous strategies and business plans to unlock economic value.	Failure to develop strategies for new acquisitions that will successfully unlock economic value. Failure to ensure successful integration of new acquisitions into Distell's business.

For an overview of our material corporate responsibility issues please see page 130.

Potential impact on Distell	Mitigation measures
Loss of market share to illicit operators in market. Negative impact on company sales volumes and revenue growth. Counterfeit – Reputational damage if counterfeit goods has defects which cause harm.	Collaboration with local government authorities to quantify illicit trade for monitoring purposes; and assist in the effective enforcement of local legislation.
Talent management failures will hamper Distell's capability to successfully execute its business strategies and achieve key strategic goals. Lower long-term profitable growth.	Securing a pool of leadership and specialist skills and talents through our formal Talent Management Programme. Increasing the focus on training and development. Offering attractive remuneration and other incentives. Accelerating transformation.
Loss of intellectual property (business know-how) will negatively impact on Distell's competitive advantage. Disruption to business operations will have negative impact on the overall financial position of the company. Reputational damage through publicised leakage of Distell's business information.	Enforcement and training on Distell's ICT security policies. Continued best practice monitoring on information security protection systems.
Market shares could be negatively impacted. Missed market opportunities drive lower revenue and profitability growth.	Apply rigorous consumer and market insights to continuously assess future market opportunities for innovation. Ensure the value proposition of our brands resonates with targeted consumer groups.
Suboptimal returns on investment post-acquisition or, at worst, impairment of investment.	Apply best practice process for commercial evaluation of potential acquisitions . Embed Distell's disciplines on key operational processes and systems in newly-acquired businesses. Drive focused integration effort with dedicated resources. Continued performance monitoring of investment against strategic plans and targets.

Seven-year Financial Review

for the years ended 30 June

	Seven-year compound growth % p.a.	2014 IFRS	2013 IFRS Restated	2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS
Statements of financial position (R'000)								
ASSETS								
Non-current assets								
Property, plant and equipment		**3 882 077**	3 388 950	2 647 304	2 349 699	2 157 912	1 773 480	1 546 159
Biological assets		**104 559**	101 287	122 638	131 827	138 915	146 375	122 024
Financial assets, investments in associates and joint ventures		**517 677**	466 497	199 296	166 505	133 159	112 768	117 537
Intangible assets		**1 798 065**	1 505 647	230 404	221 331	205 680	244 685	39 373
Retirement benefit assets		**265 293**	273 000	47 504	42 391	49 656	58 150	114 588
Deferred income tax assets		**71 210**	58 777	74 571	74 915	47 122	24 861	21 870
Total non-current assets		**6 638 881**	5 794 158	3 321 717	2 986 668	2 732 444	2 360 319	1 961 551
Current assets								
Inventories		**6 872 615**	6 259 836	4 489 281	3 961 917	3 818 661	3 681 022	3 235 895
Trade and other receivables		**1 839 808**	1 776 816	1 436 255	1 242 200	1 344 701	1 155 381	954 036
Current income tax assets		**56 818**	33 180	145 088	62 945	62 187	74 381	62 968
Cash and cash equivalents		**451 611**	355 575	462 429	229 850	243 038	178 472	193 673
Total current assets		**9 220 852**	8 425 407	6 533 053	5 496 912	5 468 587	5 089 256	4 446 572
Total assets	14,9	**15 859 733**	14 219 565	9 854 770	8 483 580	8 201 031	7 449 575	6 408 123
EQUITY AND LIABILITIES								
Total shareholders' equity		**8 601 155**	7 277 535	6 205 979	5 694 009	5 238 301	4 809 374	4 432 200
Non-current liabilities								
Interest-bearing borrowings		**3 114 090**	447 143	347 932	423 336	422 467	422 386	2 938
Retirement benefit obligations		**25 176**	22 604	80 954	73 790	21 099	18 300	15 623
Deferred income tax liabilities		**584 221**	479 226	231 067	234 732	230 380	198 288	168 266
Total non-current liabilities		**3 723 487**	948 973	659 953	731 858	673 946	638 974	186 827
Current liabilities								
Trade payables and provisions		**2 770 339**	3 202 359	2 803 208	2 042 347	1 932 591	1 659 814	1 533 268
Interest-bearing borrowings		**761 761**	2 786 771	180 501	865	336 657	324 267	226 027
Current income tax liabilities		**2 991**	3 927	5 129	14 501	19 536	17 146	29 801
Total current liabilities		**3 535 091**	5 993 057	2 988 838	2 057 713	2 288 784	2 001 227	1 789 096
Total equity and liabilities		**15 859 733**	14 219 565	9 854 770	8 483 580	8 201 031	7 449 575	6 408 123
Income statements (R'000)								
Revenue	11,6	**17 739 609**	15 725 608	14 176 047	12 327 786	11 808 884	10 863 728	9 409 597
Operating expenses		**(15 744 401)**	(13 972 438)	(12 762 506)	(10 889 439)	(10 413 146)	(9 454 968)	(8 107 434)
Trading income	8,7	**1 995 208**	1 753 170	1 413 541	1 438 347	1 395 738	1 408 760	1 302 163
Dividend income		**6 150**	6 279	7 645	5 180	1 493	1 552	1 503
Net financing costs		**(217 627)**	(239 727)	(31 905)	(42 584)	(68 652)	(23 224)	6 384
Share of equity-accounted earnings		**86 266**	65 169	37 160	37 950	32 412	30 058	23 523
Profit before exceptional items and taxation	7,3	**1 869 997**	1 584 891	1 426 441	1 438 893	1 360 991	1 417 146	1 333 573
Exceptional items		**172 114**	10 649	(1 216)	(1 756)	(2 821)	1 273	11 667
Profit before taxation		**2 042 111**	1 595 540	1 425 225	1 437 137	1 358 170	1 418 419	1 345 240
Taxation		**(517 846)**	(512 409)	(454 365)	(477 557)	(417 655)	(464 707)	(416 705)
Non-controlling interest		**(961)**	5 203	(1 790)	1 093	1 041	–	453
Net profit attributable to equity holders	8,7	**1 523 304**	1 088 334	969 070	960 673	941 556	953 712	928 988
Statements of cash flows (R'000)								
Cash generated from operations	4,0	**1 559 892**	1 022 676	1 728 426	1 771 957	1 555 285	1 030 406	824 911
Dividend income		**6 150**	6 279	7 645	5 180	1 493	1 552	1 503
Net financing costs		**(232 395)**	(185 501)	(31 644)	(42 868)	(70 764)	(10 810)	(46 132)
Taxation paid		**(459 101)**	(374 235)	(558 505)	(491 875)	(394 737)	(451 523)	(476 654)
Cash generated from operating activities		**874 546**	469 219	1 145 922	1 242 394	1 091 277	569 625	303 628
Exceptional items		**–**	–	–	–	–	–	65 934
Net cash generated from operating activities		**874 546**	469 219	1 145 922	1 242 394	1 091 277	569 625	369 562
Cash outflow from investment activities		**(671 770)**	(2 341 232)	(479 410)	(410 872)	(542 516)	(591 749)	(6 551)
Proceeds from ordinary shares issued		**17 640**	30 789	15 573	20 723	21 992	4 094	15 098
Non-controlling interest		**(12 201)**	12 982	–	–	–	–	–
Proceeds from interest-bearing borrowings		**546 719**	1 881 516	104 232	848	16	419 386	(327 942)
Dividends paid		**(708 049)**	(616 281)	(556 023)	(516 304)	(514 931)	(513 727)	(426 194)
Cash outflow from financing activities		**(155 891)**	1 309 006	(436 218)	(494 733)	(492 923)	(90 247)	(739 038)
Increase in net cash, cash equivalents and bank overdrafts		**46 885**	(563 007)	230 294	336 789	55 838	(112 371)	(376 027)

	Seven-year compound growth % p.a.	2014 IFRS	2013 IFRS Restated	2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS
Performance per share (cents)								
Earnings								
attributable earnings basis	7,9	**725,8**	536,8	479,3	476,2	468,1	475,3	464,6
headline basis	9,1	**721,3**	531,7	479,7	476,8	469,1	475,2	471,0
cash equivalent basis	8,5	**836,0**	849,1	848,9	619,8	622,1	561,9	536,8
EBITDA basis	8,6	**1 198,9**	1 007,4	821,3	832,8	800,8	796,0	752,0
Dividends	8,0	**337,0**	335,0	295,0	256,0	256,0	256,0	236,0
Cash flow	0,3	**416,7**	231,4	566,8	615,8	542,5	283,9	184,8
Net asset value	10,2	**3 884,3**	3 579,7	3 059,6	2 813,3	2 596,1	2 391,6	2 208,8
Liquidity and solvency								
Financial gearing ratio		**0,40**	0,40	0,01	0,03	0,10	0,12	0,01
Total liabilities on total equity	Avg 0,6	**0,84**	0,95	0,59	0,49	0,57	0,55	0,45
Interest-free liabilities on total assets		**0,18**	0,23	0,29	0,25	0,24	0,23	0,25
Dividend cover (times)		**2,1**	1,6	1,6	1,9	1,8	1,9	2,0
Current ratio		**2,61**	1,41	2,19	2,67	2,39	2,54	2,49
Acid test ratio		**0,66**	0,36	0,68	0,75	0,72	0,70	0,68
Returns (%)								
Trading income on turnover		**11,2**	11,1	10,0	11,7	11,8	13,0	13,8
Pre-tax return on equity	Avg 25,7	**23,7**	21,9	23,0	25,2	25,9	29,5	30,4
Effective tax rate		**25,4**	32,1	31,9	33,2	30,8	32,8	31,0
Return on equity	Avg 17,7	**17,6**	14,8	15,6	16,9	18,0	19,8	21,3
Attributable earnings on total assets		**9,6**	7,7	9,8	11,3	11,5	12,8	14,5
Attributable earnings on turnover		**8,6**	6,9	6,8	7,8	8,0	8,8	9,9
Dividend yield		**2,5**	3,1	4,1	3,6	4,0	5,4	4,1
Productivity								
Cash value added (R million)	8,8	**6 759,4**	6 025,5	5 940,9	5 329,3	4 877,8	4 063,5	3 636,6
Net asset turn (times)		**2,1**	2,2	2,3	2,2	2,3	2,3	2,1
Net assets per employee (R'000)	8,6	**1 648,4**	1 466,7	1 315,1	1 214,3	1 144,2	1 074,0	1 020,5
Revenue per employee (R'000)	8,4	**3 399,7**	3 169,2	3 004,0	2 629,1	2 579,5	2 426,0	2 166,6
Number of employees		**5 218**	4 962	4 719	4 689	4 578	4 478	4 343
JSE								
Price per share (cents)								
highest during the year		**16 600**	13 226	9 001	8 100	7 000	6 000	6 500
lowest during the year		**11 500**	8 699	5 699	6 510	5 500	3 850	3 960
closing at year-end		**14 000**	12 194	9 001	7 150	6 550	5 500	4 595
weighted average		**13 281**	10 736	7 214	7 036	6 394	4 703	5 732
Price-earnings ratio		**19,4**	22,9	18,9	15,0	14,0	11,6	9,8
JSE Actuaries' price index at year-end (2007: 100 cents)								
Distell Group Limited		**259**	225	166	132	121	102	85
Closing price/net asset value per share		**3,6**	3,4	2,9	2,5	2,5	2,3	2,1
Weighted average number of shares in issue ('000)		**209 881**	202 752	202 185	201 742	201 143	200 667	199 974
Number of shares traded ('000)		**25 768**	6 988	5 771	5 454	6 791	10 079	4 190
Shares traded/shares in issue (%)		**11,6**	3,4	2,9	2,7	3,4	5,0	2,1
Value of shares traded (R'000)		**3 422 312**	721 825	416 339	383 721	434 248	474 024	240 224
Number of transactions		**18 581**	8 332	3 112	2 701	3 814	4 814	1 813
Number of shareholders		**6 081**	5 118	4 364	4 398	4 278	3 775	3 576
Market capitalisation (R million)		**31 001**	24 790	18 257	14 471	13 216	11 060	9 220
Net asset value/market capitalisation		**0,28**	0,29	0,34	0,39	0,40	0,43	0,48

For definitions of financial abbreviations and a description of terms refer to page 159.

fastFACT

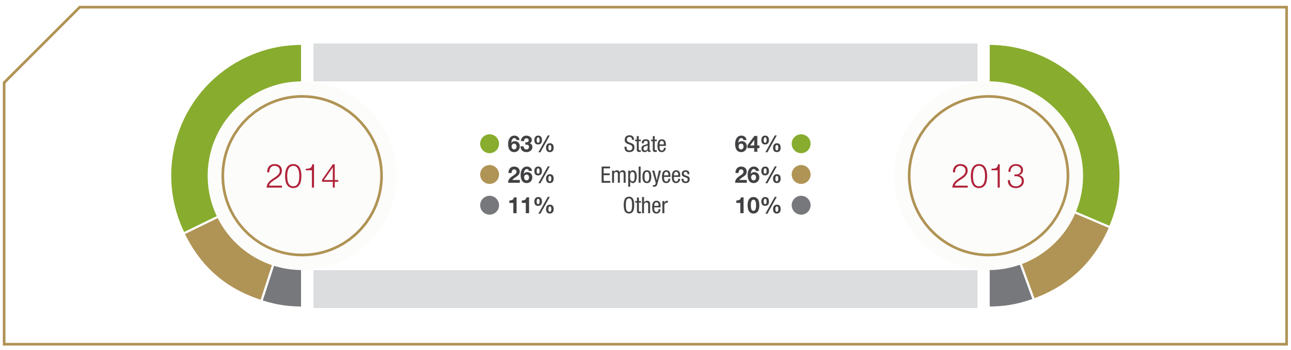
Over a 10-year period we have contributed R46,1 billion to South Africa's economy.

Creating and Sharing Value

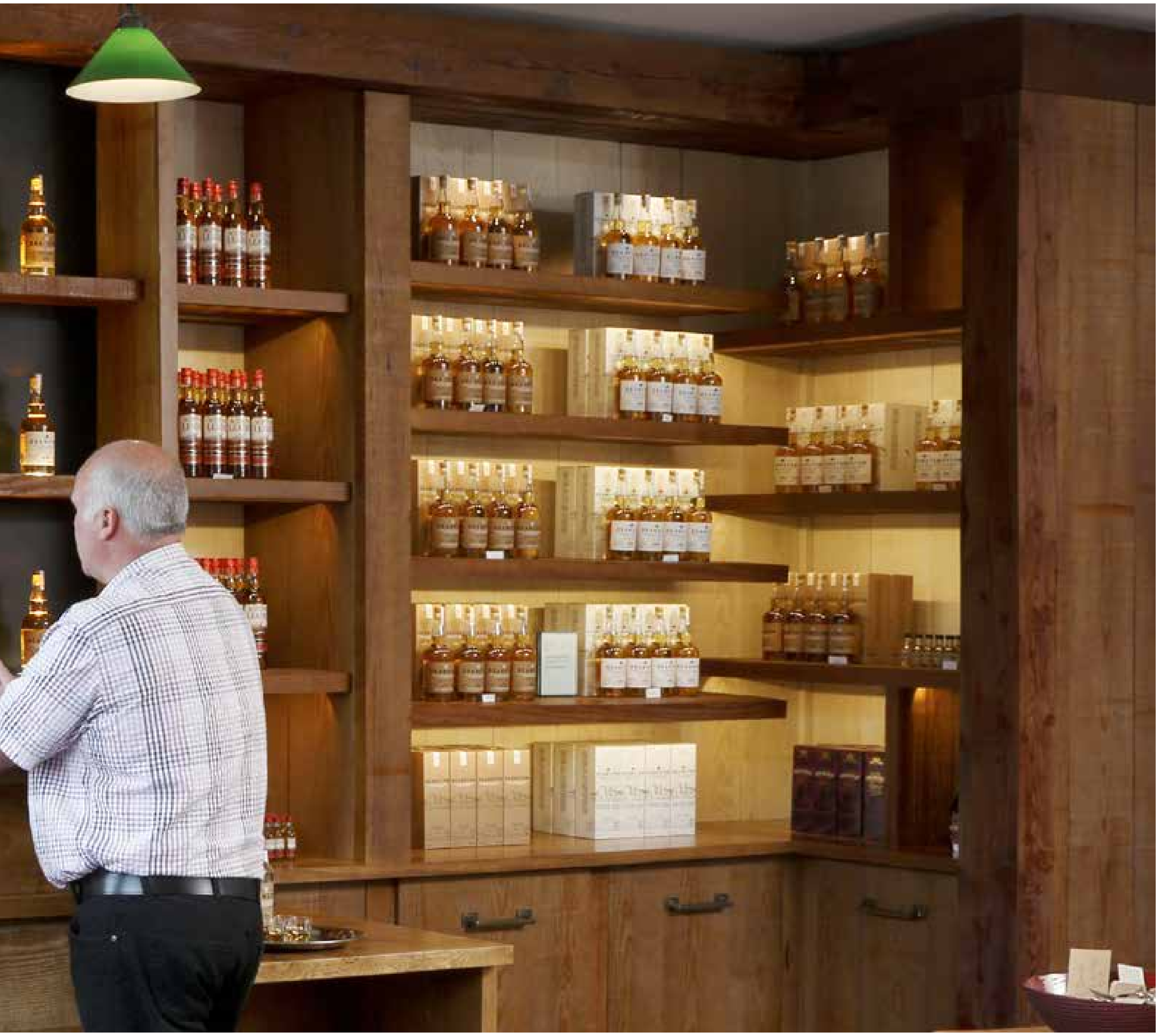
Cash value added statement

for the years ended 30 June

	GROUP	
	2014 R'000	2013 R'000 Restated
Cash generated		
Cash derived from sales	**17 676 617**	15 357 923
Net financing costs paid	**(232 395)**	(185 501)
Income from investments	**6 150**	6 279
Cash value generated	**17 450 372**	15 178 701
Cash payments to suppliers of materials and services	**(10 690 982)**	(9 153 205)
Cash value added/wealth created	**6 759 390**	6 025 496
Cash utilised to:		
Pay excise duty to the State	**3 701 055**	3 603 334
Pay tax on income to the State	**459 101**	374 235
Remunerate employees for their services	**1 724 688**	1 578 708
Provide shareholders with a return on the use of their risk capital	**708 049**	616 281
Cash disbursed among stakeholders	**6 592 893**	6 172 558
Net cash retained from operating activities	**166 497**	(147 062)
Reconciliation with cash generated		
Cash value added (above)	**6 759 390**	6 025 496
Less: Remuneration to employees for their services	**(1 724 688)**	(1 578 708)
Net financing costs paid	**232 395**	185 501
Payment of excise duty to the State	**(3 701 055)**	(3 603 334)
Cash generated from operating activities	**1 566 042**	1 028 955
State taxes		
Excise duty	**3 701 055**	3 603 334
Tax on income	**459 101**	374 235
Value added tax	**685 174**	636 964
Employees' tax deducted from remuneration	**292 899**	251 589
Property taxes	**47 415**	38 067
Channelled through the Group	**5 185 644**	4 904 189



BOARD AND MANAGEMENT



Distell Directorate

1 **Piet Beyers (64)**
BCom LLB, MBA

Formerly a director of, inter alia, Remgro, Richemont Société Anonyme and British American Tobacco. Appointed to the Distell board in 2000.

2 **Merwe Botha# (61)**
Chief financial officer

BCom (Hons) (Taxation), BCompt (Hons), CA(SA)

Merwe joined the Group in 1980. He was appointed financial director in 1997 and to his present position at Distell in December 2000. He is responsible for financial planning and control, information technology and statutory reporting.

3 **Johan Carinus* (65)**
BCom

Wine farmer and director of Het Jan Marais fund. Appointed to the Distell board in 2000.

4 **Gugu Dingaan* (38)**
BCom (Accounting), H Dip Acc, CA(SA)

Investment executive at WIPHOLD and non-executive board member and audit committee member of ABB SA, MCG Industries, Landis+Gyr and SA Corporate Real Estate Fund Managers. She is also a non-executive board member of Adcorp Holdings Limited. Appointed to the Distell board in 2005, as member of the audit and risk committee in 2006 and as chairperson of the social and ethics committee in 2012.

5 **Jannie Durand (47)**
BAcc (Hons), MPhil (Oxon), CA(SA)

Chief executive officer of Remgro and a director of, amongst others, RCL Foods, RMB Holdings, Capevin Holdings, Discovery Holdings, Grindrod, Mediclinic International, RMI Holdings and Unilever SA Holdings. Appointed to the Distell board on 1 July 2012.

6 **Dr Edwin Hertzog (65)**
MB ChB, MMed, FFA, PhD (Honoris Causa)

Chairperson of Mediclinic International and non-executive deputy chairperson of Remgro. Appointed to the Distell board in 2000.

7 **Joe Madungandaba* (56)**
CFA(SA)

Group chief executive officer of Community Investment Holdings Group, non-executive chairperson of Schneider Electric, non-executive deputy chairperson of Jasco Electronic Holdings and non-executive director of Air Liquide Healthcare and of Afrocentric Limited. Appointed to the Distell board in 2000.

8 **Louisa Mojela* (58)**
BCom

A founder and group chief executive officer of Women Investment Portfolio Holdings (WIPHOLD). Serves on the boards of Sun International and Life Health, amongst others. Appointed to the Distell board in 2005 and as member of the remuneration and nominations committee in 2006.

1 2 3 4 5 6 7 8

9 **David Nurek*** **(64)**

Diploma in Law, Graduate Diploma in Advanced Company Law

Chairperson of the board. Regional chairperson of Investec Western Cape, chairperson of Clicks Group, TFG, Lewis Group and, amongst others, also a director of Trencor. Appointed to the Distell board, audit and risk, and remuneration and nominations committees in 2000.

10 **Chris Otto*** **(64)**

BCom LLB

Founder director of PSG Group, Capitec Bank Holdings and Zeder Investments. Also non-executive director of Kaap Agri Investments, Agri Voedsel Beleggings, Capevin Holdings and Capespan Group. Serves on selected audit and remuneration committees. Appointed to the Distell board in 2011.

11 **André Parker*** **(63)**

MCom

Chairperson of Tiger Brands. Retired managing director of SABMiller Africa & Asia, served on several boards of SABMiller subsidiaries in these territories and was also an executive committee member of SABMiller plc. Also a director of Standard Bank. Appointed to the Distell board in 2008 and as chairman of the remuneration and nominations committee in 2013.

12 **Richard Rushton#** **(51)**

Managing director

BCom

Richard joined Distell on 1 November 2013. Richard's role is to ensure that the company delivers on its key objectives. He is also responsible for building a high performance culture within the company.

13 **Catharina Sevillano-Barredo*** **(51)**

BCom (Hons), CA(SA)

Founder, director and chief financial officer of the Universal Healthcare group of companies. Director and honorary treasurer of the Johannesburg Chamber of Commerce. Appointed to the Distell board in 2008 and as chairperson of the audit and risk committee in 2009.

14 **Ben van der Ross*** **(67)**

Dip Law

Director of FirstRand, Naspers, Pick n Pay Stores, Lewis Stores and MMI Holdings, as well as several other non-listed companies. Appointed to the Distell board in 2008.

* Independent # Executive

Duimpie Bayley resigned 16 October 2013

Jan Scannell retired 31 December 2013

Lucas Verwey resigned 5 May 2014

9 10 11 12 13 14

Distell Executive Team

1 **Richard Rushton (51)**

Managing director

BCom

Richard joined Distell on 1 November 2013. Richard's role is to ensure that the company delivers on its key objectives. He is also responsible for building a high performance culture within the company.

2 **Merwe Botha (61)**

Chief financial officer

BCom (Hons) (Taxation), BCompt (Hons), CA(SA)

Merwe joined the Group in 1980. He was appointed financial director in 1997 and to his present position at Distell in December 2000. He is responsible for financial planning and control, information technology and statutory reporting.

3 **Wim Bührmann (48)**

Chief executive officer: Southern Africa

BAcc (Hons), CA(SA)

Wim joined the Group in 1994, was appointed head of new business development in 2007 and took up his present position in July 2010. He is responsible for our business functions in South Africa and BLNS countries, including sales, distribution and marketing operations.

4 **Pieter Carolin (59)**

Distribution director: Southern Africa

Pieter joined the Group in February 1977. In 2001 he was appointed Group general manager: Distribution and in September 2010 to his current position, with responsibility for the distribution function in South Africa and BLNS countries

5 **Vernon de Vries (56)**

Director: Corporate affairs

BA (Hons), MBA

Vernon joined Distell in 2007 as general manager: corporate affairs. He was appointed as a director in 2011. Corporate affairs is responsible for communication, social responsibility (via the Distell Foundation), stakeholder relations and reputational issues, and functions and events.

6 **Don Gallow (56)**

International director

Don joined the Group in 1986. He was appointed Distell's international director in 2005 and is responsible for the international and Africa business.

7 **Carina Gous (50)**

Business director: wine

MSc (Chemistry), MBA

Carina joined the Group in 1998. She took up her present position in September 2010 and is responsible for the profitability and sustainability of Distell's global wine business.

1 2 3 4 5 6 7

8 **Donovan Hegland (40)**

Marketing director: Southern Africa

BCom (Hons) (Business Economics)

Donovan joined Distell as marketing director for southern Africa in October 2010, after 12 years in the tobacco industry. His role is to lead the development and execution of effective consumer engagement strategies across the portfolios in South Africa and BLNS countries.

9 **Schalk Klopper (53)**

Operations director

BAcc (Hons), CA(SA)

Schalk joined the group in 1993 as cost accountant. He took up his present position in October 2009 and oversees the operations of the Group, which include bottling, distribution, technical services, procurement, supply chain management and risk management.

10 **Dr Marius Lambrechts (48)**

Quality management and research director

MSc Agric, PhD Agric

Marius joined Distell in 2001 as research manager and was appointed as director in August 2009. His role is to ensure total quality management is implemented throughout the Group and that ongoing research and innovation lead to new products and processes.

11 **Nantha Moodley (55)**

Sales director: Southern Africa

BA, NDip

Nantha joined the Group in 1989 and has experience in sales, training and distribution. He was appointed as sales director in May 2008. Nantha's role is to ensure that we retain and improve our market leadership in southern Africa. He oversees all our sales forces in South Africa and BLNS countries.

12 **Kay Pillay (47)**

Business director: ciders and RTDs

Kay joined the Group in 1995 and was appointed to his current position in May 2008. Kay is responsible for the profitability and sustainability of Distell's business in the cider and ready-to-drink categories globally.

13 **Dr Caroline Snyman (39)**

Business director: spirits

BEng (Chemical), MSc, PhD, CWM

Caroline joined Distell in January 2000 as technical manager: spirits and was appointed to her current position in November 2004. She is responsible for the profitability and sustainability of Distell's spirits interests globally.

14 **Johan Venter (55)**

Primary production director

MSc

Johan joined the Group in 1990 and took up his present position in January 2009. He is responsible for our farms; grapes, wine, brandy and other raw material procurement; distillation, winemaking and blending.

8 9 10 11 12 13 14

Chairman's Report

"Our commitment and willingness to succeed has prevailed in the face of tough trading conditions and strategic business changes."

Economic and trading conditions

The recovery of the global economy remains fragile, slow and tenuous. Growth has been modest and unevenly spread. Geopolitical risks have surfaced, although they have not as yet had significant global macroeconomic repercussions.

Emerging market growth continues to outpace that of developed economies and across sub-Saharan Africa economic activity has remained fairly buoyant. This region is an increasing source of both revenue and investment for the Group.

Greater volatility in emerging market currencies has had a significant impact on the rand, which has depreciated by almost 19% against the basket of currencies in which Distell trades. Although this has positively impacted our export performance, it has also raised the costs of our key commodity inputs, especially those traded on an import parity basis.

Domestic trading conditions have proved challenging as competition intensifies and South Africa's consumer spend on non-durable goods (food, tobacco and beverages) remains under pressure, given ongoing real declines in disposable income. Consumer confidence and business sentiment continue to be eroded by political uncertainty, infrastructure constraints and deteriorating local economic conditions.

Whilst official unemployment levels have once again breached the 25% level, all indications are that the problem is more acute. Unable to take advantage of the recent improvement in growth amongst some of South Africa's key trading partners, the country has seen ongoing job losses in the formal as well as the informal sectors as output potential is further constrained by electricity generation shortages, infrastructure deficiencies and a lack of key skills and competencies.

Distell's financial performance

The Group's strategy is aimed at enhancing shareholder value, through sustained growth in revenue and earnings. At the same time it aspires to deliver real opportunities for economic and social value creation for all stakeholders.

The Group continued to deliver value to shareholders, notwithstanding the prevailing adverse business conditions. Revenue improved 12,8% to R17,7 billion. EBITDA rose 23,2% to R2,5 billion. Normalised EBITDA, excluding abnormal items set out on page 47, grew 11,4% to R2,4 billion.

Although global economic conditions have led to a more challenging business environment, we believe our strategic direction remains relevant. We therefore continue to invest in strategic areas of the business, such as marketing, route to market, people development, strategic inventory, production and sales capability.

Net operating assets increased 19,3% to R11,7 billion. Investment in fixed assets and inventory increased by 14,6% and 9,8% respectively.

The Group remains in a strong financial position with a debt-to-debt plus equity ratio of 28,5%.

The regulatory environment

Globally the role of alcohol in society has come under increasing scrutiny as regulatory bodies seek to mitigate the harmful use of alcohol, while acknowledging the economic and social benefits that alcoholic beverages also provide.

Alcohol has been identified as a leading risk factor for non-communicable diseases, along with other lifestyle risk factors. Interventions to address non-communicable diseases have become a global priority as institutions such as the United Nations and the World Health Organisation drive a global action plan aimed at reducing the health burden they impose. It has become increasingly important for governments and players in the alcohol industry worldwide to co-operate in mitigating these factors and in sharing research and best practice in this regard.

According to World Health Organisation estimates, South Africa ranks amongst the leading countries in Africa as far as both per capita alcohol consumption and heavy episodic drinking are concerned. As the foundation for tackling these issues, we believe there needs to be far better co-ordination of existing domestic legislation between various authoritative bodies, and a rigorous enforcement of regulations.

In supporting government, the South African alcohol industry follows a rigorous process of self-regulation and complies with a stringent code of marketing conduct. It also drives a combination of behaviour modification campaigns through life skills programmes and education, as well as programmes to promote community cohesion and job creation. It runs skills development projects amongst licence holders to develop business capacity and to promote the responsible sale of alcohol within existing legal parameters. It also works with the authorities to combat illicit trade.

Distell is actively engaged with our fellow members of the South African alcohol industry in such programmes. Under our strategic theme of 'Care and Contribute' we are actively supporting community-based projects and are treating the prevention of fetal alcohol spectrum disorder (FASD) and educating youth to make prudent choices as company priorities.

We recognise the urgent need to promote the responsible consumption of alcohol and continue to collaborate with government at a national, provincial and local level to promote regulatory and other policy interventions that we believe can successfully address abuse. We are also in consultation with the authorities on proposed measures that we consider to be counterproductive in that they will not achieve their desired outcomes. More details about our stance in this regard can be found in our electronic sustainability report.

fastFACT

Distell paid over half a billion rand after tax, to more than 4 000 permanent staff as part of the company's BEE scheme.

Strategic review

Richard Rushton, our new managing director, has been working closely with Distell's leadership, management, employees and other key stakeholders to review and adjust the company's corporate strategy and business plans. This includes its strategic aspirations and business goals, as well as the organisational capabilities required to anticipate and respond to the dynamics of the fast-changing environment in which we operate.

Distell is no longer simply a South African company that exports to the world. It is a company that is developing its routes to market, on its own and in partnership with others, in territories across Africa, Europe, Asia and the Americas. It has a unique, high-quality portfolio of brands and products that enables it to compete with the best in selected markets across focused consumer segments and occasions.

It is this significant challenge and opportunity that today confronts and defines Distell. The challenge to defend increasingly competitive home markets whilst building the capability, agility and ingenuity to grow in countries far away from its home base, while balancing shareholder returns with the need to invest deeply in its people and in new route-to-market capabilities to support and sustain long-term market success in Africa and in select global markets. This is a challenge that I am confident Distell will face with courage, fortitude, innovation and disciplined execution.

Distell's opportunities and challenges have necessitated a new approach and new structures, which are currently being put in place within the business (refer to the managing director's report on page 36). The focus on strategy crafting, validation, articulation and effective execution are helping to reconnect and re-energise Team Distell as it builds on the company's sturdy foundation, expertise, diverse people and inherent business strengths.

The board has been fully engaged in the new developments. We have every confidence in the new course being followed, with its goal to make us a better and bolder company and corporate citizen, while creating sustained value for all our stakeholders. More details about the project are provided in the managing director's report.

Corporate governance and sustainability

The board of directors is responsible for both the stewardship and governance of the Group.

The Group aims to achieve best governance practice and fully recognises that sound corporate governance is an important precondition for long-term value creation.

The Group's governance framework is based on the King III Code of Governance principles (King III) and the board confirms that the Group has in all material respects applied the principles of the code during the financial period. Governance processes are also continually enhanced to ensure compliance with legislation, regulation and the JSE Listings Requirements.

As part of its role the board assesses and authorises strategic and business plans submitted by management, including key risks and risk mitigation responses, and agrees on key performance indicators. The board oversees the executive management who are tasked to implement strategies and business plans and who carry out the operational running of the business.

The board is also charged with reporting to shareholders on the Group's performance.

We believe that our board has the diversity and mix of skills, experience and knowledge of the Group to enable it to discharge its responsibilities successfully.

Further details on corporate governance appear in the corporate governance report on pages 144 to 150. In presenting this report we seek to explain how the company is directed and controlled by describing roles, functioning and membership of the board and its committees.

BEE ownership restructure

In line with our commitment to transformation and broad economic empowerment we concluded a BEE ownership transaction in 2005, introducing a BEE consortium, through a shareholding in WIP Beverages (WIPB), as indirect shareholders in South African Distilleries and Wines (SA) Limited (SADW), Distell's primary operating company.

The board identified WIPHOLD as its strategic BEE partner and agreed to its 40% shareholding in WIPB through WIPHOLD DISTILLERIES. An Employee Share Ownership Programme trust was allocated 45% of the shares in WIPB with a CSI trust holding the remaining 15% interest.

The eight-year partnership between Distell and WIPB, during which WIPHOLD supported management of Distell in realising Distell's growth objectives, was unwound in January 2014 when the consortium opted to exercise its put option.

Distell acquired all the shares in WIPB at a price determined by a formula set out in the original agreement. The purchase consideration was settled through the issue of Distell Group shares to the members of the BEE consortium.

Distell then entered into an agreement with the CSI trust in terms of which the trust acquired all the shares in WIPB from Distell in exchange for its direct holding in Distell. Through this transaction Distell introduced the CSI trust as its new BEE partner, enabling it to maintain its BEE ownership status. The transaction enhances the financial sustainability of the CSI trust, enabling it to effectively fund its corporate social investment programme. WIPHOLD remains a vested shareholder in Distell.

Distell's BEE ownership initiative has created significant value for all its stakeholders.

Board of directors

On behalf of the board, I wish to thank former managing director, Jan Scannell, for the outstanding role he played in turning Distell into the formidable business it has become. We also warmly welcome his successor, Richard Rushton, who brings impressive experience, particularly in emerging economies, as he energetically and ably builds on this legacy.

Our gratitude is also extended to Duimpie Bayly for his wise and erudite insights as a long-standing and much-valued member of our board. We wish him well in his retirement.

Thanks too must go to Distell's former company secretary and previously director of corporate development, Stoffel Cronjé, who has also retired. He played an integral role in the strategic focus and development of the company. We welcome Lizelle Malan who succeeds him.

Lucas Verwey, who served as a non-executive director on the board from 2013 until earlier this year, is now providing the benefit of his skills at an executive level within the company, driving business transformation.

Acknowledgement

Our commitment and willingness to succeed has prevailed in the face of tough trading conditions and strategic business changes. We are heartened by the tenacity of both management and staff, as well as the enthusiastic and focused way in which they have embraced the new leadership and the business strategy that will steer our future growth.

We are very grateful for such commitment and allegiance. Our appreciation also goes to our shareholders, partners, customers and suppliers for their continued support.

DM Nurek
Chairman

Stellenbosch
25 August 2014

Managing Director's Report

"The strength, appeal and diversity of Distell's portfolio of brands, as well as our broad geographic footprint across a range of economies and regions, provide Distell with opportunities to further unlock real stakeholder value in a trading environment which is en route to recovery, albeit at modest levels."

Introduction

Distell is a company with a proud heritage, an unrivalled portfolio of standout products and brands, highly capable and committed people and an enviable global reach. It has delivered exceptional returns to shareholders over many years and can be justifiably proud of its track record of global awards for outstanding product quality.

Like every corporate in today's fast-changing, competitive global market, however, it cannot afford to rest on its past success. It needs to adapt, change and innovate, otherwise all of its past growth and achievements will matter little in a dynamic, uncompromising world.

The world facing Distell is a very different world to the one that confronted it even five years ago. The global alcohol beverages industry has consolidated with a small number of powerful, highly efficient, highly competitive, acquisitive players all focusing on a limited range of market opportunities. This means that the window of opportunity is closing fast as competitors entrench their positions and as markets formalise and develop.

Growth in mature, established markets has slowed and the only real opportunities for significant future growth lie in emerging markets in Africa, Asia and the Americas. These are not markets for the faint-hearted. They require an appetite for risk, bold, courageous and decisive people and a significant investment in the infrastructure and know-how required to build successful, sustainable routes to market.

These are markets already ably represented by tough and street-smart local and international players who understand their markets and defend their share with passion and vigour. They are markets with substantial, consuming populations and rising disposable incomes that allow them to demand increasing value, quality, enhanced consumer experiences and global premium brands. These consumers expect integrity and ethical conduct, local management that they can relate to, a long-term perspective and a commitment to contribute to local economies.

Old forms of competitive advantage are constantly eroded as consumers look to new, creative, often aspirational and emotive brands and innovative sources of packaging and value. What was successful yesterday is no guarantee of tomorrow's success. Ongoing innovation, creativity in products and brands, effective routes to market and business models, talented leadership and committed people form the currency of future success. The traditional export-focused model used by many corporates including Distell is diminishing in impact and influence.

This is the world that Distell faces today. In facing this world it has a number of important competitive differentiators:

- It has an extensive, high-quality brand and product portfolio that incorporates distinctive, competitive offerings across many consumer segments and consumption opportunities. It has a portfolio that is ideally suited to intermediate premiumisation in many developing markets.
- It has unique brands with provenance and spirit of place that are authentically grounded in the heart of South Africa's Winelands, in historic French cognac houses and in wind-swept Scotch whisky distilleries.
- It has a diverse pool of talented people around the world. These are people who are not strangers to hard work and testing environments and who have the tenacity, creativity and passion to be resilient and successful.
- It has highly competent professionals who have implemented sound operating models, financial disciplines, governance structures and management routines.
- It has a culture that is constantly challenging, thrives on innovation and values the contribution of its people.

Distell is a company that thrives on change. A short time ago wine and spirits dominated the value delivered to shareholders. Yet it has rapidly and successfully transformed a marginal cider category into a world-leading, high-volume, efficient cider business that currently contributes more than 60% of Distell's value. Distell is currently the second-largest cider producer in the world and now has ambitions to become the leading cider producer in the world.

In looking to the future it is clear that Distell needs to diversify its geographical presence in order to mitigate currency, economic, regulatory and other risks. In growing its global footprint it has the challenge of establishing economies of scale through efficient local routes to market, including production, sales and distribution. Success requires the right mind-set and an unrelenting focus on efficiency, coupled with creative marketing and local brand activation. This also demands an extensive investment in partner relations and the appropriate local resources to ensure that Distell is able to effectively compete with highly motivated, competent global and local competitors. Over the past six months we have engaged in an extensive, robust and challenging review of our corporate strategy. This review has been based on rigorous analysis, deep engagement with our leaders and people and a critical assessment of the global alcohol market. Distell does not have the time, energy and resources, financial or otherwise, to be a global player focusing on a multitude of markets and opportunities. It is essential that we make purposeful choices based on our competitive strengths and that we execute decisively and with speed.

fastFACT

66% of our wine producers are WIETA-accredited compared to 18% in the previous year.

It is for this reason that our corporate strategy is based upon a number of important, strategic choices:

- We will focus on Africa and utilise our African roots and expertise to be the leader in selected marketplaces.
- We will build a meaningful position in one other carefully selected and validated global regional marketplace.
- We will optimise our brand portfolio, investing in selected power brands that will win in important regional marketplaces and divest from brands that contribute to complexity without significant returns.
- We will build, over time, a focused portfolio of premium spirits brands to complement and supplement our cider, wine and accessible spirits portfolio.
- We will invest in owning the route to market, including local production and distribution in selected geographies where we believe we will have maximum impact, market penetration and returns over the long term.
- We will create a lean and efficient supply chain in order to respond with agility and speed to changing market conditions whilst delivering enhanced customer service, reliability and quality at lower costs.
- We will entrench trade marketing, revenue management and other important disciplines to inform the allocation of our resources and focus the work of our people while engaging our consumers and customers.
- We will invest in appropriate technology, our people and in benefiting the communities within which we do business. In so doing we will improve our agility, decision-making and earn our licence to trade.

These choices have informed the crafting of our new **Vision** and **Mission**:

Our Mission

We craft distinctive alcoholic beverage brands, enhance memorable moments and inspire responsible enjoyment. The value we create enriches the lives of our people, shareholders and the communities within which we live and work.

The **six themes** that underpin our future strategic journey have been carefully crafted in support of our vision and mission as well as the strategic choices that we have made. They contain the aspirations and commitments that will guide us on our future strategic journey:

Lead selected markets

- We will establish and grow a portfolio of alcoholic beverages businesses that are regional leaders in selected emerging markets.
- We will grow strong, dominant brands that win across consumer segments and occasions. We will be the world's leading cider company.

1

Craft distinctive and compelling brands

- We will market a differentiated and distinctive product and brand bundle of wines, spirits and ciders that appeal to relevant consumer needs in the most important consumer occasions.
- We will craft a portfolio of distinctive, niche premium spirits and wine brands that will complement our mainstream, accessible high-volume wine, spirits and RTD brands.

2

Own the last mile

- We will increase our market penetration, coverage and service offering by championing trade and consumer insights, delivering distinctive in-outlet consumer and shopper programmes, implementing scientific revenue management practices and building effective and efficient sales and distribution capabilities.
- We will win through a clear focus on the appropriate channels to market and on owning the route to market in selected geographies around the world. We will also carefully build a strong network of partnerships to accelerate our growth.

3

Scale up excellence

- We will drive operational efficiency in ways that enable consistent quality, competitive pricing and improved returns.
- We will drive an efficient, end-to-end supply chain supported by innovation and world-class operating practices.
- We will unlock value from any underperforming or underutilised assets.

4

Shape the future

- We will build the capabilities required to win, grow and evolve in a complex, ever-changing world.
- We will develop industry foresight, business insights and accelerate the pace with which we translate these into action.
- We will build a pipeline of innovation opportunities including digital marketing and we will be relentless in reducing unnecessary complexity in our operations.
- We will invest wisely in our talented, diverse people, ensuring an inclusive, well-aligned Distell.

5

Care and contribute

- We will establish and maintain Distell's reputation as a caring, responsible corporate citizen who contributes to the countries and communities in which it invests.
- We will implement environmentally sustainable and ecologically friendly business practices.
- We will promote responsible alcohol consumption.
- We will champion transformation and ethical business practices.

6

The reality is that the road ahead will be challenging. We will need to invest ahead of the curve in building distinctive capabilities both at our corporate centre and in our market-facing business units. We will need to overcome past shortcomings by investing heavily in our people, appropriate technology and in ways of competing in the 'last mile' for the right to directly and effectively serve our customers and engage with our end consumers.

Our investors, shareholders and partners will need to have realistic expectations regarding our short-term returns as well as the patience required to share the rewards of our long-term journey with us.

This is not a race that is won through expediency in the short term but rather a rewarding investment in building sustainable competitive capability. We respect our competitors and the success that they have achieved through disciplined focus and relentless execution. We expect no less of ourselves and are totally committed to the journey that lies ahead. Our leadership will guide this journey and our people will be our mainstay throughout.

The road ahead – structuring for success

As indicated earlier, there are a number of critical strategic capabilities that Distell will need to build in order to effectively support and execute our revised business strategy. In order to focus the development of these capabilities, we shall be making a number of changes to our organisational structures during the current year. These key changes include:

- introducing **separate management structures** to champion our premium, luxury and our accessible, mainstream brands. These two distinctive groupings of brands require very different competencies to drive value creation and consumer engagement in their respective market segments. Consequently we have appointed an executive director to head up each of these brand portfolios and to champion their growth going forward;
- integrating our **portfolio of wine properties and agricultural support units** into one business unit – Distell Vineyards & Estates – in order to further unlock value from our wine brand portfolio and farming assets;
- introducing a business unit with an organisation-wide **focus on innovation** as a key driver of future revenue growth and competitive advantage;
- integrating our procurement, production, quality management, and technical services functions into a **single end-to-end supply chain division** to enhance efficiencies, accountability and asset optimisation;
- establishing an independent, **strategically aligned human resource function** with representation at a director level; and lastly
- establishing a **corporate development function** tasked with spearheading strategic foresight, strategic planning and new business development within Distell.

The strategic risks we face

As we embark upon our challenging strategic journey we are mindful of proactively identifying, mitigating and addressing the key strategic risks that face us. Risk management remains an integral component of the day-to-day running of our business. It is our responsibility to maximise our opportunities and to minimise the threat that any given risk presents.

We have developed a well-structured process for identifying, monitoring and managing the principal risks that Distell faces. (Refer to our corporate governance report on page 144.)

The board of directors reviews these risks on an annual basis. The recent review reveals nine key strategic business risks, pertaining to:

1) Industry consolidation and geographic risks
2) Business transformation
3) Regulatory environment
4) Illicit trade in alcoholic beverages
5) Management capacity and talent
6) Sustainable supply of raw materials
7) Security of business information
8) Changes in consumer consumption trends
9) Successful Burn Stewart integration

Kindly refer to our Strategic Risk register on page 14.

Current performance

Business conditions globally remain challenging and volatile. Despite unfavourable trading conditions and headwinds faced in several markets, the Group's underlying business is sound, enabling us to confidently pursue our strategic course and deliver ongoing value to shareholders.

Sustained revenue growth, improved operating margins and the efficient use of assets are key drivers of value creation in Distell.

Revenue grew 12,8% to R17,7 billion on a sales volume increase of 3,1%. Our businesses in both the domestic and international markets contributed to revenue growth, benefiting from both a weaker rand as well as the incorporation of the Burn Stewart brand portfolio.

Our approach is to drive revenue growth by developing and optimising superior brand and product portfolios that are relevant to consumers in the markets where we operate. It is also important that we deliver quality at competitive prices and maintain responsible margins.

To be able to afford incremental marketing investment whilst at the same time protecting margins requires that we continue to drive efficiencies across the business. Efficiencies gained in procurement, production, distribution and support services have enabled us to substantially increase investment in sales and marketing activities without sacrificing margins.

Reported EBITDA increased 23,2% to R2,5 billion. Normalised EBITDA grew 11,4% to R2,4 billion while the EBITDA margin was maintained at 13,5%.

Delivering value through the efficient use of our asset base remains a strategic priority. A significant investment in bulk spirits in maturation, to support longer-term consumer demand, especially in whisky and cognac, has contributed to the increase in total assets and deterioration in asset turn.

Future prospects

Global economic activity has broadly strengthened, but conditions are expected to remain volatile in 2014 – 2015. Much of the impetus for this growth has come from the recovery in advanced economies whilst growth in emerging markets will be lifted by stronger exports to advanced economies.

The balance of risks has improved but remains on the downside. There are also three caveats to this view held by the IMF. Firstly, emerging market risks have increased, there are risks posed by lower-than-expected inflation in advanced economies and significant geopolitical risks have resurfaced. Additional downside risks include continued economic volatility, particularly for emerging market currencies, as well as the potential for increases in global oil prices in 2015. Conversely, economic growth in sub-Saharan Africa is expected to continue at a robust pace.

According to the Bureau for Economic Research tough trading conditions are expected to persist in the South African economy, but it is possible that they could be ameliorated by a marginal improvement in real consumer disposable income in 2015.

The strength, appeal and diversity of Distell's portfolio of brands, as well as our broad geographic footprint across a range of economies and regions, provide Distell with opportunities to further unlock real stakeholder value in a trading environment which is en route to recovery, albeit at modest levels. Substantial investments will be made in Distell's new corporate strategy to position the business for sustainable growth on the African continent and in select emerging markets globally. This, coupled with the growing diversity and expertise of Distell's people and brand footprint across the world, offers us the real promise to turn Distell into a regionally diversified and relevant player.

Corporate responsibility

Responsible corporate citizenship is key to Distell's long-term sustainability and to improving the overall quality of life of the communities we serve. We recognise that we have a responsibility to address a number of important areas of concern to our stakeholders – both internal and external to Distell.

These issues include:

- Responsible drinking
- Excise and illicit trade
- Community development
- Employment equity
- Enterprise development
- Personal growth and well-being
- Transformation
- Responsible supply chain management
- Environmental sustainability.

We are committed to enriching the lives of the communities we serve through employment creation and enterprise development. We recognise the potential that exists to partner with entrepreneurs and communities to produce the raw materials required by our business as close as possible to our production facilities. In South Africa we are excited by the potential to increase the local supply of apple concentrate through black economic empowerment and small enterprise development, using cultivars and geographical areas that have not traditionally produced apples.

As we continue to grow and expand in Africa we will investigate the possibility of local cultivation of crops such as grapes and cassava. We will apply the deep technical expertise that exists within our newly established Distell Vineyards & Estates business unit to support and further develop such initiatives. Distell is also exploring ways to develop partnerships, unlock supply opportunities and create other potential enterprise development opportunities within its portfolio of businesses.

We recognise our obligation to ensure that our leadership and management ranks are reflective of the demographics of the countries in which we operate. We are committed to improve our track record in this regard and to building a diverse, inclusive and representative workforce. We will meet this challenge by proactively developing our people and by applying the necessary guidance through our employment policies and practices. In a highly competitive world in which talent is increasingly scarce and mobile we will always ensure that diversity is matched by competence and leadership effectiveness.

Kindly refer to our corporate responsibility report on page 130 and to our electronic sustainability report for further details.

Acknowledgements

This past year has been a very demanding year for Distell. It has been a year of leadership transition and of refocusing the business on its opportunities and challenges. It has been a year of integration, consolidation and of setting up new, well-focused business units designed to accelerate and sustain corporate growth. We have started to make significant investments in our people and in new game-changing capabilities that will drive future growth.

This is a company with a proud heritage, strong integrity and values and deeply skilled, committed and passionate people. We are excited about the future and about our aspiration to make Distell's brands and products market leaders in selected regions in the world. In reshaping our business we are infusing it with a refreshed energy to build an even better Distell capable of achieving extraordinary things. It is a time that calls for courage, resolve and disciplined execution on the part of Distell's ever-growing, diverse and globalised community of employees. We are now, more than ever before, *'leaning in to aim higher'*. By this we mean collaborating with one another, constantly challenging one another to become more efficient, innovative and to raise our game.

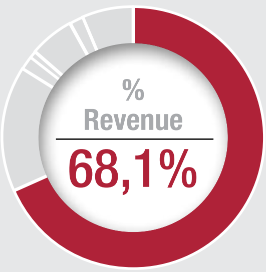
I want to extend my thanks to the team of exceptional directors, managers and people throughout Distell who are leading these changes with me. They bring their passion, strategic insights, depth of knowledge, experience and genuine commitment to Distell to work with them every day. Through our common purpose and hard work we will deliver on our vision to achieve extraordinary things!

RM Rushton
Managing Director

Stellenbosch
25 August 2014

Regional Performance Report

South Africa



%	2014	2013
Revenue	68,1	73,0
Volumes	73,4	73,8

Domestic trading conditions have been challenging in an environment of persistently sluggish growth, worsening unemployment, protracted labour unrest and reduced output from the mining and manufacturing industries.

Household consumption expenditure on non-durable goods (food, beverage and tobacco) declined considerably, with a reduction in real growth in consumer disposable income from 3,2% a year ago to 2,1% in 2014.

This decline, coupled with a significant deterioration in the South African consumer confidence index, has had a major impact on non-durable consumer spend. Inflation has also remained above the South African Reserve Bank's target of 6%.

Against the backdrop of sluggish economic conditions and poor consumer sentiment sales volumes in the South African alcoholic beverage market decreased by 4,2%, while value rose 3,9%, according to Nielsen data for the off-consumption trade. A steep increase in excise duties contributed to increased prices and increased sales value. Mindful of the price pressures already faced by consumers we have maintained competitive pricing in the market.

Distell's domestic sales volumes grew by 2,6%, with revenue rising 5,2% to R12,1 billion. We have succeeded in maintaining our value share of 21% of the total liquor market, even with the entry of additional players and competitor products. Our decision to exercise price restraint, coupled with our broad portfolio offering of both premium and accessible brands, has enabled us to compete and grow effectively in the market, despite mixed results in some segments. During the year under review we conducted an evaluation of many of our segments and brands and as a consequence some of our priority brands are being repositioned and are undergoing packaging upgrades. This is an extensive process which will continue in the year ahead. Significant investment is being made in our priority brands to support these changes.

At the same time we are embarking on a major project to enhance the efficiency and effectiveness of our domestic sales force. Intended to expand our national market reach, this initiative is introducing new ways of working, tools, technology and systems to improve our real-time market insights and to raise our trade marketing and sales capabilities. Our sales teams are now better equipped to enhance their productivity and service levels. We expect these efforts to translate into improved growth during the current year.

Ciders and RTDs

Led by Distell brands, the cider category has continued to significantly outperform the average volume and value growth of most other alcohol categories in South Africa over the past few years. However, after a phase of rapid expansion, the pace of growth is slowing and the segment is becoming increasingly competitive.

Hunter's cider was the star performer this year, benefiting in particular from a resurgence in support for Hunter's Gold. The introduction of the 440 ml can has also proved very appealing to consumers. Klipdrift's RTD offering also put in a very good showing.

Savanna, now one of South Africa's most successful and iconic alcoholic beverage brands with a strong presence in the social media space, also experienced growing demand for its larger-sized, 500 ml bottle format. The recently launched Savanna Dark, a longer-matured, fuller-bodied cider, is bringing new consumers and consumption opportunities to the brand.

Spirits

SALBA data reflect a 2,5% decline in domestic spirits sales volumes for the reporting period and we also saw a slight deterioration in our value share of the market according to Nielsen data. This was largely because of the continued weakening of the brandy segment, which experienced an 8,4% volume decline over the same period.

The whisky category has proven more resilient, posting 2,2% volume growth, with strong gains coming from the premium segment. We have been able to sustain our value share of whisky and believe that we are well positioned to benefit from future growth in this category with a portfolio of both strong local brands and Scotch whisky brands. Our Bain's Cape Mountain Whisky has tested very well in both local and export markets and we are excited by its potential.

Distell has frequently highlighted the impact of increasingly onerous annual hikes in excise duties on brandy sales in particular. With this year's 12% spirits hike in the Southern African Customs Union the tax burden specifically on brandy has increased to the extent that excise and VAT together account for an estimated 50% of the average brandy retail price. This significantly exceeds the government's tax burden target of 48% for the total spirits market in South Africa.

In our efforts to stem the decline of brandy we have repositioned and invested substantially to drive the premiumisation and growth of our leading brands. In particular, the launch of the luxury Klipdrift Black Gold liqueur, a blend of potstill brandy infused with coffee and chocolate, has been well received by the market. We are also working on accelerating the growth of our sophisticated Oude Meester offering, with a new marketing campaign unveiled recently. The brand's credibility has been significantly boosted with the 18-year-old Souverein winning the best brandy title at the 2014 World Brandy Awards.

We are confident that our strategy will ensure that we recover ground in the brandy segment utilising a targeted, well-positioned range of brands. This is a long-term initiative and we expect gains to be modest in the immediate term but to pick up pace over the next few years.

The revival of the total brandy category in South Africa is not only a company strategic imperative but also one of great importance in realising the strategic aspirations of South Africa's National Development Plan. Brandy contributes substantially to the agricultural sector and to the growth of local manufacturing value added, as well as employment creation in both spheres.

Despite the overall decline in total spirits sales volumes, South Africa's premium whisky, cognac and most white spirits categories have reflected healthy growth and this is mirrored in our results.

Three Ships and Bain's Cape Mountain Whisky both delivered exceptional growth, demonstrating the demand for top-quality whiskies of South African provenance. They continue to earn international acclaim, winning best-in-class, gold outstanding and gold medals at the International Wine & Spirit Competition, the International Spirits Challenge and the New York International Spirits Competition. Vigorous marketing and activations by both brands to introduce newcomers to the South African whisky category have seen sales volumes rise by double digits.

Our cognac brand Bisquit is enjoying a growing penetration of the top end of the spirits market and achieved strong volume growth for the reporting period.

Amarula, arguably South Africa's most famous export alcohol beverage brand, was able to further enhance its relevance with the launch of Amarula Gold as a companion to Amarula Cream. The new 30% ABV clear, golden spirit, made to be mixed and served as a tall drink, was launched in March. Consumer response has dramatically exceeded even our most ambitious expectations. This new brand extension is heightening Amarula's visibility and strengthening brand equity at a time of intensified competition in the cream liqueur category.

Wines

SAWIS figures show a relative buoyancy in the wine market compared to other alcohol categories, with a 3,8% growth in natural wines in South Africa for the 12 months ending May 2014. The performance of sparkling wine, however, faced strong headwinds, with local sales volumes declining by 3,4% over the same period. From a value perspective, data from Nielsen indicated 4,2% value growth for domestic wine retail sales.

South Africa's per capita consumption of wine, at less than seven litres a year, remains one of the lowest amongst wine-producing nations. With government earning more from each bottle of wine sold through VAT and excise than the producers, concerted and co-ordinated industry efforts are required to successfully communicate the job multiplier of the wine industry, whilst improving pricing, profitability and the long-term accessibility of wine in South Africa.

Distell was able to maintain its volume share of natural wine and we are still the leader in the sparkling wine category. We also gained market share in basic wines priced at the value end of the wine price continuum.

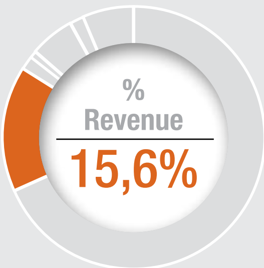
Our premium portfolio held its own, thanks to excellent volume gains achieved by Durbanville Hills, Zonnebloem and Fleur du Cap, as well as estate brands Neethlingshof, Allesverloren and Uitkyk. The performance of all these brands, now managed by the Distell Cape Legends team, underscores the merit in the decision to expand this specialist wine division to address the very specific needs of the premium end of the wine market. Cape Legends, which will operate within the Distell Vineyards & Estates business unit, also successfully represents Nederburg's connoisseur wines, which are selling well.

The entire sparkling wine segment proved particularly susceptible to the drop in disposable consumer income and J.C. Le Roux sales have come under pressure. However, as South Africa's dominant player in the category, it enjoys considerable brand equity and has achieved top wine brand status for the fourth consecutive year in the TGI Icon Brand Survey. The brand's non-alcoholic sparkling range performed extremely well, indicating both the extent of the brand's status, as well as the potential in the domestic market for alcohol-free sparkling wines. Pongracz, positioned as an exclusive MCC sparkling wine brand and catering to a less price-sensitive audience, produced strong sales growth.

The innovative, everyday and accessible 4th Street brand maintained its outstanding growth momentum whilst Drostdy-Hof remained stable. This brand has now been revitalised with a more distinctive positioning, premium packaging and a new advertising campaign. Early reaction from trade and consumers has been very promising.

Rest of Africa

(including the BLNS countries bordering South Africa)
(BLNS: Botswana, Lesotho, Namibia and Swaziland)



%	2014	2013
Revenue	15,6	14,7
Volumes	18,4	17,3

Despite several disruptions to trade in Africa, intensified competition from the major global players, the strong presence of cheap Indian imports and the imposition of high import duties in several countries, Africa delivered pleasing growth.

Sales volumes grew by 9,6% and revenue by 20,0%, reflecting improved margins and a more favourable sales mix.

Investment in brands and infrastructure to grow the Group's presence on the continent continues. As a result EBIT rose 29,8%. The region now contributes approximately 28,0% to Group EBIT.

The four countries bordering South Africa are key markets for Distell, representing an important revenue stream. They also account for healthy sales volumes across the overall brand portfolio. As a unit they delivered a sales volume increase of 17,0%, with revenue rising by 21,7%.

In Namibia, one of the most significant regional markets outside of South Africa, ciders and RTDs recorded excellent gains, together with Amarula, Klipdrift and Tassenberg, while relative newcomer 4th Street has also proved to be very popular. In Lesotho a similar pattern has emerged, with ciders, RTDs and 4th Street all delivering outstanding growth. In Swaziland, in addition to Hunter's, top-performing brands have included Autumn Harvest Crackling, Cellar Cask and Drostdy-Hof. In Botswana performance was impeded by an already very high alcohol levy raised to 50% during the review period (2013: 45%).

The market hardest hit by high increases in duties on imports was Angola. Over the review period import taxes were raised from 30% to 50% on an ad valorum basis on most alcoholic beverages (excluding wine), notwithstanding the conditions on import duty increases set in terms of the Southern African Development Community (SADC) trade protocol. Whilst the more accessibly priced Hunter's was able to maintain satisfactory growth momentum, sales of Savanna and Esprit declined, in a market characterised by aggressive discounting. However, since introducing a smaller, more affordable 250 ml format, Savanna sales have begun to regain momentum. Angola has become an increasingly important market for J.C. Le Roux, as well as for Amarula, which saw volumes increase substantially.

To comprehensively address the import duty setbacks to which our RTD brands are proving vulnerable, we are pursuing in-market production in Angola. Such facilities will also allow us to further explore the manufacture of local beverages that has already begun on a modest scale. We have acquired land in Luanda and production is expected to come on stream in 2015.

In Zambia both Savanna and Hunter's performed very well, along with wine brand Autumn Harvest and spirit brands Richelieu and Klipdrift.

In Nigeria wine brands Drostdy-Hof and Two Oceans delivered very good results, as did Amarula. However, J.C. Le Roux and Savanna were both negatively impacted by competitor discounting. Savanna came under further pressure with the entry of cheaper alternatives into the RTD market. Plans are under way to establish in-market production in Onitsha. We are the major stakeholder in a joint venture with local partners and the intention is to start bottling RTDs, as well as a selection of popular, well-priced spirits.

In Ghana Distell is now the lead partner in a venture with established distribution strengths in the country, as well as in neighbouring markets. The operation, trading as Distell Ghana, opened a bottling facility in Accra in April 2014. It is producing both RTDs and a range of spirits, bringing these popular brands to Ghanians at more accessible prices, given the cost-efficiencies of producing in-market. The premium-positioned Savanna, as well as Hunter's and our local spirits, stand to benefit from this development.

Despite the security setbacks that have impacted the tourism sector, Kenya delivered excellent sales in wines. Brands that excelled included Cellar Cask, Drostdy-Hof, 4th Street, Overmeer and Nederburg, whilst Amarula also achieved strong volume growth. The impact of counterfeit spirits, however, inhibited the growth of Viceroy brandy sales, which remained flat.

The purchase of a 26% stake in the formerly government-owned KWA Holdings East Africa Limited (KHEAL) was confirmed after year-end, following the passing of legislation in July 2014 to permit its privatisation. Our relationship with the company dates back to 1998 and our equity acquisition takes the partnership to a more sustainable level. We are able to focus on growth, build new capabilities and extend the brand strengths already established in Kenya. KHEAL is the country's dominant spirits player, operating five distribution centres in Kenya, one in Uganda, as well as a wholly-owned subsidiary in Rwanda. The company also sells products through duty-free outlets in Kenya and Rwanda.

Sales of RTDs and wines were uniformly buoyant in Mozambique, benefiting from the country's continued strong economic growth, thanks to intensified investment in infrastructure and the raised output from the extractive sector. Stellar performances were delivered by Hunter's and Savanna and, amongst the wine brands, by Drostdy-Hof, Cellar Cask, J.C. Le Roux, Nederburg and Autumn Harvest.

In the DRC, brands performing well include Savanna, Amarula, Nederburg, Fleur du Cap and Two Oceans.

The Zimbabwean economy has continued to ail, contrary to expectations that there would be a recovery after the July 2013 elections. Limited disposable income, compounded by a 25% import surcharge, saw our brands such as Savanna, Hunter's and Amarula, that are imported into the country, come under pressure in this market. However, local spirits produced by Zimbabwean-listed company, African Distillers Limited, in which Distell is a significant shareholder, sold well. Its production facilities are currently being expanded to enable the production of our cider and RTD brands towards the last quarter of 2014. The company's financial results are very pleasing, spurred by volume growth, cost management and improved productivity, despite the very difficult trading environment characterised by a slowdown in consumer spending and tight liquidity conditions.

We look forward to the positive outcome of the continued trade negotiations to establish free trade areas between the members of the Common Market for Eastern and Southern Africa (COMESA), the SADC and the East African Community (EAC). Should a single market materialise for goods and services by 2017, as is hoped, it could ultimately lead the way for a continental customs union that would facilitate trade significantly and allow Distell to further capitalise on the continent's growing affluence.

International markets outside of Africa

We have reported on our international markets on an organic growth basis and have excluded the results of the newly acquired Burn Stewart Distillers. Performance details of this operation appear separately in this report on page 44.

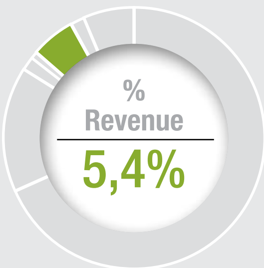
Our international business outside of Africa produced subdued revenue growth. Market conditions have proved extremely difficult in many of the regions where we trade. The subdued growth in most of the Eurozone and ongoing discounting by our competitors has made this a challenging area of our business. We have however remained steadfast in our view that brand equity must be protected. As a consequence sales volumes dropped by 10,3%, although there were some notable and very positive exceptions which are highlighted in detail below. Overall, sales revenue rose 7,1% on the back of rand depreciation.

In our wine category we were able to achieve notable gains in key strategic markets such as the US. Amarula was once again the only South African representative on the Impact Databank World's Top 100 Premium Spirits Brands for 2013. It also features as one of the IWSR top-selling spirits brands currently sold in the travel retail environment.

EBIT derived from international operations outside of Africa rose 23,6% and contributed approximately 15,5% to Group EBIT.

European markets

%	2014	2013
Revenue	5,4	6,0
Volumes	4,3	5,4



Europe's EBIT contribution grew by an impressive 57,9%, with revenue rising 8,0% on the back of a weaker rand. However, an uneven performance on the continent saw sales volumes contract.

We saw pleasing revenue growth from Germany, Denmark and the Netherlands, as well as from Belgium, Finland, Norway and Eastern Europe. However, the UK proved a disappointment, with volume losses sustained in wines, spirits and ciders. In the UK wine sales were affected by a disruption in route to market and aggressive competitor discounting. Nederburg's 56HUNDRED tier of contemporary, bright, fresh and accessibly priced wines has made good headway.

During the review period distributors SHS maintained distribution for Savanna in multiple grocers and we can expect cider sales to accelerate now that the brand has extended its packaging formats with a 330 ml can, which is very popular in this market.

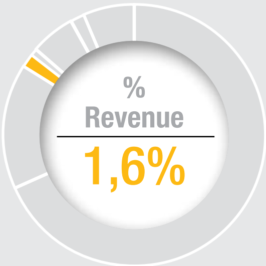
In Germany Amarula has further strengthened its popularity, growing sales from an already well-established base.

In Sweden Drostdy-Hof, one of Systembolaget's most enduring and successful wine brands, has continued to hold its own and initial responses to its updated packaging have been encouraging.

A positive outcome to the continuing negotiations between the EU and SADC on the Economic Partnership Agreement will raise the amount of wine allowed into Europe on a duty-free basis from 47 million litres to 110 million litres, with significant potential benefits for the South African wine industry and for Distell as a major wine exporter. The agreement still has to undergo legal vetting and all signatory States still have to ratify the accord.

North American markets

%	2014	2013
Revenue	1,6	1,6
Volumes	1,0	1,1



Volume increases in North America were modest, largely because of disappointing sales of wine and Amarula in Canada. EBIT declined 10,6%.

Two Oceans in Canada came under volume pressure and has since been given a packaging update to better reflect the refreshing and contemporary styling of the wines in the range. Early results are encouraging.

In response to market demand for a contemporary styled premium red wine blend, Distell launched Inception into the Canadian market with excellent results.

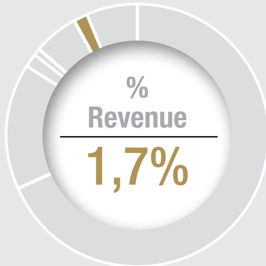
Amarula came under pressure from regional Canadian competitors in an already subdued market for the cream liqueur category. A stronger promotional focus during the current year will allow the brand to recover lost ground.

In the US Distell has taken the first step towards direct importation. Brands have responded well, significantly increasing share of the South African bottled wines segment. Two Oceans, Nederburg and Fleur du Cap delivered excellent volume growth.

The South African wine industry currently benefits from duty-free access for wine exports to the US under the African Growth & Opportunity Act (AGOA) which is set to continue until September 2015. South Africa's status as a beneficiary under AGOA thereafter is currently under review by the US Government. We firmly believe that the extension of South Africa's duty-free access is crucial if we are to sustainably grow our wine exports in this strategic market.

Asia Pacific markets

%	2014	2013
Revenue	1,7	2,1
Volumes	1,6	1,9



EBIT contribution remained stable, despite revenue declines of 5,1%. Results in Asia Pacific were mixed with some highlights but overall performance was disappointing and volumes declined.

Amongst the markets delivering good growth were United Arab Emirates, South Korea, Hong Kong, Malaysia and Thailand, where brands to benefit included Amarula, Savanna and Cellar Cask.

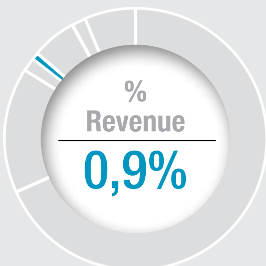
Wine sales in both Australia and New Zealand suffered because of aggressive discounting by competitors.

As was to be expected, sales of Bisquit were adversely affected by China's austerity measures, including the crackdown on government ostentation and gift-giving.

In order for Distell to increase its focus on future opportunities in China we recently acquired full ownership of CJ (China) Wine & Spirits. We are in the process of establishing a management team in China to drive not only Bisquit and Amarula, but also Scottish Leader and selected wine brands.

Latin American markets

%	2014	2013
Revenue	0,9	0,9
Volumes	0,4	0,4



EBIT contribution rose by a significant 60,8%. Revenue grew by 16,0%, although volumes remained flat in the face of volatile market conditions.

Over the review period Distell brands accounted for over 50% of South Africa's packaged wine sold in the region, with both Fleur du Cap and Two Oceans performing well.

Amarula remains the brand leader in the cream liqueur category in Brazil, even though the devaluation of the real has forced up prices in this market.

South Africa's continued efforts to strengthen trade ties within BRICS has created the scope for improved trading opportunities for South African exports, which should impact positively on Distell's brands.

Regional Performance Report (continued)

Duty-free markets

Our travel retail arm has pursued a programme of focused expansion, recently appointing seasoned leaders to manage duty-free business in Europe and Asia Pacific. The benefits have been immediate with sales values for the year rising by double digits.

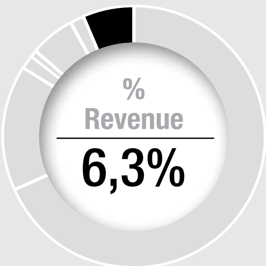
This increasingly important channel to Distell's business responded very enthusiastically to Amarula Gold, launched in March 2014 in duty-free markets in South Africa, Mauritius, Dubai, Brazil, Germany, Russia and Australia. The launch has augmented interest in the parent Amarula Cream brand and its African Original brand story, to see it recording double-digit volume and revenue growth over the past financial year.

Several wines in the Cape Legends portfolio sold well, as did Scottish Leader.

Integrating new acquisitions

Burn Stewart Distillers

%	2014	2013
Revenue	6,3	1,2
Volumes	0,8	0,1



In April 2013 Distell acquired Burn Stewart Distillers Limited (BSD), a fully-fledged producer of both blended and single malt Scotch whiskies. Global whisky sales are on the rise and all indications are that this trend will continue. This confirms that the acquisition of BSD was prescient and will contribute significantly to Distell's future growth. First steps have been taken to integrate the BSD business and much work in this regard will continue in the immediate future. In addition to its brands and products, the acquisition of BSD has also provided Distell with a strong route to market in Taiwan, where Scottish Leader is the market leader.

Efforts to integrate the BSD acquisition have included investigating new ways of extracting value, adjusting marketing priorities, realigning the total whisky portfolio, tailoring offerings for specific geographies and recalibrating whisky stocks. We have begun implementing our refocused marketing strategy and whilst we have seen promising initial results, the full impact will take some time to fully reflect. We are confident that BSD will add significant value as the business becomes fully integrated and aligned into Distell structures.

Revenue for the year ended 30 June 2014 rose 2,4% to £62,1 million. Promising growth in both blended and single malt portfolios was partly off-set by declines in revenue derived from non-core private label business. Growth in the single malt portfolio, while impressive, was constrained by inventory availability.

The recently repackaged Black Bottle was also successfully launched in both the UK retail and on-trade environment and the demand for single malt whiskies from the Burn Stewart portfolio has continued to climb.

BSD's earnings for the first year was impacted by increased investments in marketing and inventory. These investments position the business well to drive sustained brand revenue growth in the years ahead, both within the current key market distribution footprint and through expanded distribution in regions such as Africa and South East Asia.

KWA Holdings East Africa Limited (KHEAL)

KHEAL is Kenya's leading spirits manufacturer, bottler and distributor with strong and established local mainstream brands. Subsequent to the financial year-end Distell has entered into a definitive agreement to acquire 26% of KHEAL for 860 million Kenyan shillings (about R105 million).

Our stake in KHEAL will allow us to fully develop brands such as Viceroy Brandy, Amarula, Savanna, Castle Brand Aperitif, Clubman Punch, Drostdy-Hof and Cellar Cask in Kenya. Given our newly-cemented partnership with KHEAL, we can now accelerate our growth in this important region.

The transaction also paves the way for us to expand our production and distribution footprint in leading East African markets.

Chief Financial Officer's Report

"Over a 10-year period Distell has delivered a total shareholder return of 30,9% per annum, performing ahead of other major international competitors in the alcoholic beverage market."

Creating value

Our ultimate governing objective is to create value for all stakeholders and for shareholders in particular.

The value a company generates for its shareholders is best measured by total shareholder return (TSR), a combination of share price appreciation and dividends over the medium to long term. Internally we assess our progress in this regard by measuring the key components of value: growth in earnings before interest, tax, depreciation and amortisation (EBITDA); investment; and free cash flow.

Over a 10-year period Distell has delivered a TSR of 30,9% per annum, performing ahead of other major international competitors in the alcoholic beverage market. This compares favourably to the JSE's Top 40 10-year compound annual growth rate (CAGR) of 17,5%.

Sharing value

The value Distell creates and how it is shared and distributed amongst stakeholders is reflected in the cash value added statement elsewhere in this report.

Over a 10-year period we have contributed R46,1 billion to the country's economy. A total of R43,0 billion was distributed in cash to stakeholders, the main beneficiaries being the government, who received 63,6% or R27,4 billion by way of taxes, and our employees, who were allocated 25,5% of the distribution by way of emoluments. Shareholders received R4,7 billion.

Key performance indicators

We measure our ability to maximise value within a comprehensive 'value-based management' framework that comprises four pillars, applied both at a corporate and business unit level. These include: revenue growth; profitability through operating margin improvement; asset efficiency, and sustainability and corporate responsibility.

This report aims to provide a balanced view of our performance in the context of these four criteria.

Strategic financial goals

To comprehensively plan and monitor our performance in line with our strategic objectives we use a range of financial and non-financial key performance indicators to monitor progress and to adapt to changes in the external environment. A selection of key performance indicators are included in employee performance and incentive contracts to ensure alignment of interests of shareholders and employees.

Distell's strategy is to deliver consistent value creation for stakeholders over the longer term by:

- driving top-line growth and margin expansion in a sustainable and responsible way; and
- growing the business organically and through acquisitions.

More specifically, we aim to:

- deliver a return to shareholders that exceeds the Top 40 Index of the JSE over the longer term;
- achieve annual returns that exceed the weighted average cost of capital (WACC) by at least 5%;
- deliver at least double-digit top-line growth;
- enhance EBITDA margin to at least 17,0%; and
- achieve an annual free cash flow conversion of at least 6,5% on an organic basis.

The strategic priorities identified enable us to achieve these financial goals appear in the report of the managing director.

Our current performance

Operating profit

Operating profit, as reported, increased 22,9% to R2,2 billion.

Revenue grew 12,8% to R17,7 billion, while operating costs increased 12,7% to R15,7 billion. Trading profit, as a result, rose 13,8% to R2,0 billion and trading margins improved from 11,1% to 11,2%.

In April 2013 the Group acquired Burn Stewart Distillers Limited (BSD). The purchase consideration for this acquisition included a contingent consideration of £10 million, payable within 12 months of the closing of the transaction, provided the business was able to deliver a specified EBITDA target for its financial year, ended 31 December 2013. The contingent consideration has now been remeasured and reversed and an amount of R159,0 million is reflected in "other gains" in this regard.

Normalised operating profit, which excludes the remeasurement of the contingent purchase consideration, as well as the full impact of new business acquisition expenses in the previous year, increased by 8,1%.

The financial results for the period, supported by satisfactory overall revenue growth, were positively influenced by a weaker rand. Steep increases in excise duties and marketing expenses were partially off-set by foreign currency gains, the benefits of improved efficiencies in the business and the normalisation of certain raw material input costs.

We also report EBITDA (earnings before interest, taxation, depreciation and amortisation) as this is a key performance metric used internally to manage and evaluate operating performance. EBITDA, on a normalised basis, grew 11,4% to R2,4 billion, while EBITDA margin was maintained at 13,5%.

Revenue

The 12,8% increase in revenue was achieved through a combination of:

- overall volume growth of 3,1%;
- selective price increases; and
- a change in sales and brand mix.

The rand, on a weighted average basis, deteriorated by 18,8% against the currencies of the countries in which we trade and thus positively impacted revenue derived from international operations.

Overall volume growth was driven by volume increases from our operations in South Africa and other developing markets in the rest of Africa. In overseas markets value contraction in Europe and Asia Pacific was partly off-set by growth in North and Latin America.

Revenue derived from operations outside of South Africa, on a non-duty paid basis, now comprises 36,6% of Group revenue.

Revenue delivered by the newly-acquired Burn Stewart Distillers grew to R1,1 billion, and contributed 6,3% to Group revenue.

Operating costs

Our strategic priorities include:

- sustaining our strong position in the domestic market, increasing the revenue and profit contribution from our international operations;
- increasing investment in customer and consumer-facing activities and route-to-market capabilities; and
- improving operating margin.

To support these priorities and achieve our financial goals demand that we enhance operational effectiveness and efficiency across the business. This is done through continued business process improvement, already a well-established capability in the business.

Total operating costs grew 12,7% to R15,7 billion compared to revenue growth of 12,8%. Operating costs, excluding sales and marketing expenses, grew 11,4% to R13,2 billion.

The benefits flowing from increased throughput and improved efficiencies in transport and logistics, procurement and working capital management delivered savings of R222,3 million, allowing us to reinvest in strategic areas of the business, particularly in support of brands, stepping up marketing initiatives and extending marketing and sales capabilities in key markets.

Gross margin improved from 34,2% to 34,6%. Favourable results flowing from business process improvement projects and the beneficial impact of the weaker rand on international revenue and earnings were partially off-set by the steep increases in excise duties, trade incentives and certain raw material costs.

Costs of goods sold increased 12,2% compared to volume growth of 3,1%, resulting in an 8,9% increase per unit sold. This compares favourably with a revenue per litre increase of 9,4%.

Overheads in distribution rose 7,5% compared to an increase in domestic sales volumes of 2,6%, resulting in a 1,0% increase in cost per unit. This is substantially below inflation and average sales price increases.

Other overheads, excluding sales and marketing expenses, increased to R569,0 million.

Sales and marketing expenses, including advertising, increased 20,0% to R2,5 billion and comprise 14,1% of total revenue (2013: 13,3%).

Share of equity-accounted earnings

The Group's share of equity-accounted earnings comprises its share of the after-tax profits of associated companies and joint ventures.

Our investment in associated companies includes a 35% share in Tanzania Distillers Limited and a 26% interest in the Mauritian company Grays Inc. Limited. Tanzania Distillers continued its growth path, delivering earnings growth of 15,2%. Grays produced excellent results, achieving earnings growth of 169,4%. Our share of profits from associates increased 27,0%.

Investment in joint ventures comprises the Group's 50% share in each of African Distillers Holdings Private Limited, which is a Zimbabwean company; and LUSAN Holdings, which is a wine-producing operation. Our share of profits from joint ventures increased from R7,5 million to R13,0 million.

Finance costs and cash flow

Total interest-bearing borrowings, net of cash and cash equivalents, increased R545,9 million to R3,4 billion.

Net cash generated from operations, before working capital movements, declined 2,2% to R2,3 billion.

Working capital increased by 22,9% resulting in a cash outflow of R755,7 million.

As a result, cash generated from operations amounted to R1,6 billion (2013: R1,0 billion).

Taxation paid increased from R374,2 million to R459,1 million. Prepaid taxation at year-end was R53,8 million (2013: R29,3 million).

Fixed capital investment spent to maintain and expand operations amounted to R691,8 million compared to R745,6 million last year.

Cash inflow before financing activities was R202,8 million. Dividends paid to shareholders amounted to R708,0 million (2013: R616,3 million). The R546,7 million deficit was funded through an increase in interest-bearing borrowings.

Finance costs decreased from R233,4 million last year to R211,5 million.

Taxation

The effective tax rate decreased from 32,1% last year to 25,4%. This is as a result of the benefit of the remeasurement of the BSD contingent consideration which is not taxable in the current year, as well as the interest provision on excise duty in the previous year which was not tax deductible.

Headline earnings

Headline earnings, as reported, increased 40,4% to R1,5 billion.

Normalised headline earnings, namely reported headline earnings excluding adjustments made in the previous year for additional interest on outstanding excise duty and the full impact of new business acquisitions, as well as the reversal of the contingent purchase consideration for BSD this year, grew 1,7% to R1,4 billion, to achieve a CAGR of 8,3% over a seven-year period.

Investment and funding

Total assets grew by R1,6 billion to R15,9 billion, an 11,5% increase on the previous year. At the same time net operating assets (i.e. fixed assets, intangible assets, inventory and receivables less payables) increased 19,3% to R11,7 billion.

Capital expenditure amounted to R691,8 million of which R276,3 million was spent on the replacement of assets, while a further R415,5 million was directed to capacity expansion.

Net working capital increased by R1,1 billion to R5,9 billion, an increase of 22,9% on the previous year. Inventory, the main component, rose 9,8% to R6,9 billion. Bulk spirits in maturation, planned in accordance with the Group's longer-term view of consumer demand for our brands in this category, increased 21,2% to R3,7 billion.

Investment in bottled stock and packaging material declined by 16,1% and 6,2% respectively.

We finance our operations through cash generated by the business and a combination of short- and medium-term bank credit facilities, and seek to mitigate the potentially adverse impact of currency exposures by borrowing in rand when deemed cost-effective.

The Group's previous syndicated debt facility matured in June 2014. A new debt facility of R2,5 billion was arranged through syndication, with two financial institutions participating, to cater for the Group's longer-term funding requirements. The structure of the new facility is as follows:

- R1,2 billion bullet loan repayable in five years (June 2019);
- R0,9 billion bullet loan repayable in three years (June 2017); and
- R0,4 billion revolving facility repayable in three years (June 2017).

Working capital needs are met by the availability of R2,0 billion of general banking facilities, of which R1,6 billion remains unutilised.

The Group remains in a strong financial position with interest-bearing debt, net of cash and cash equivalents, at R3,4 billion, and a debt-to-debt plus equity ratio of 28,5%.

With a total debt capacity in excess of R4,8 billion the Group is well placed to take advantage of investment opportunities as they arise.

Return on invested capital and economic profit

Return on invested capital and economic profit are measures applied by management to assess the return obtained from the Group's asset base and is determined to evaluate the overall performance of the business and underlying business units.

Return on invested capital

The profit used in assessing the return on total invested capital reflects the operating performance of the business, stated before exceptional items and finance charges, and after applying the tax rate before exceptional items for the year. Average total invested capital is calculated using the average derived from the consolidated statements of financial position at the beginning, middle and end of the year. Average capital employed/average total invested capital comprises average net assets for the year (excluding post-retirement employment net liabilities/assets) and average net borrowings.

Economic profit

Economic profit is determined to assess the Group's returns from its asset base, compared to a standard cost of capital charge. It is calculated as the difference between the standard capital charge on the average total invested assets and the actual returns achieved by the Group on these assets. The standard capital charge applied to the average total invested capital is currently 10,7%.

Calculations for return on average total invested capital and economic profit for the years ended 30 June 2014, 2013 and 2012 were as follows:

R'm	**2014**	2013	2012
Operating profit	**2 167,3**	1 763,8	1 412,3
Share of equity-accounted earnings	**86,3**	65,2	37,2
Exceptional item	**(159,0)**	64,9	297,8
Taxation	**(532,0)**	(607,9)	(557,4)
Actual returns achieved	**1 562,6**	1 286,0	1 189,9
Capital charge at 10,7% of average total invested capital	**10,7%**	10,7%	10,7%
Economic profit	**396,7**	450,2	510,4
Average total invested capital	**10 895,8**	7 810,5	6 350,6
Return on average total invested capital	**14,3%**	16,5%	18,7%

BEE restructuring

As disclosed in a circular to shareholders on 17 December 2013 Distell's original BEE transaction was restructured on 17 January 2014. In terms of the transaction 17,7 million shares were issued to members of the BEE consortium. The transaction impacts the weighted number of shares in issue and, therefore, earnings and headline earnings per share.

The restructuring of the transaction had no material effect on the results and performance of the Group.

The transaction will, to the extent possible, ensure that Distell's BEE ownership credentials are maintained, subject to future BEE code changes, and will enable the Distell Development Trust (previously the CSI Trust) to effectively fund its corporate social investment programme.

Dividend

The directors have resolved to declare a final gross cash dividend number 52 of 183,0 cents per share, bringing the total dividend for the year ended 30 June 2014 to 337,0 cents per share (2013: 335,0 cents per share). The total dividend represents a dividend cover of 2,1 times (2013: 1,6 times) by headline earnings.

Our guideline is to achieve a dividend cover of between 2,0 and 2,5 times headline earnings.

MJ Botha
Chief Financial Officer

Stellenbosch
25 August 2014

ANNUAL FINANCIAL STATEMENTS

Directors' Responsibilities

for financial reporting

The South African Companies Act (No. 71 of 2008) requires the directors to prepare annual financial statements for each financial year which fairly present the state of affairs of the company and the Group and the profits or losses for the period. In preparing these annual financial statements, they must:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether set accounting standards have been followed, subject to any material departures disclosed and explained in the annual financial statements; and
- prepare the annual financial statements on the going concern basis unless it is inappropriate to presume the Group will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company, to ensure the financial statements comply with the Act. They have general responsibility for taking such steps as are reasonably accessible to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

These annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate full and responsible disclosure in line with the accounting policies of the Group, supported by reasonable and prudent judgements and estimates.

The board of directors approves any change in accounting policy, with their effects fully explained in the annual financial statements.

The directors have reviewed the Group's budget and cash flow projections for the period to 30 June 2015. Based on these projections, and considering the Group's current financial position and the financing facilities available to it, they are satisfied it has adequate resources to continue its operations in the foreseeable future. The annual financial statements were prepared on a going concern basis.

No event, material to the understanding of this report, has occurred between the financial year-end and the date of this report.

A copy of the annual financial statements of the Group is available on the company's website. The directors are responsible for the maintenance and integrity of statutory and audited information on the company's website.

The annual financial statements as set out on pages 54 to 127 were supervised by the financial director, Merwe Botha CA(SA), approved by the board of directors and are signed on its behalf:

DM Nurek
Chairman

RM Rushton
Managing Director

Stellenbosch
25 August 2014

Certificate by the Company Secretary

I, Lizelle Malan, being the company secretary of Distell Group Limited, hereby certify that all returns and notices of Distell Group Limited required in terms of the Companies Act (No. 71 of 2008), as amended, have in respect of the year under review, been filed with the Companies and Intellectual Property Commission and that all such returns and notices appear to be true, correct and up to date.

L Malan
Company Secretary

Stellenbosch
25 August 2014

Currency of Financial Statements

The annual financial statements are expressed in South African rand (R).

The rand cost of a unit of the following major currencies at 30 June was:

	2014	2013
US dollar	**10,6**	9,9
UK pound	**18,0**	15,2
Euro	**14,4**	13,0
Canadian dollar	**9,9**	9,5
Botswana pula	**1,2**	1,2
Australian dollar	**10,0**	9,2

Audit and Risk Committee Report

to the members of Distell Group Limited

The audit and risk committee has pleasure in submitting this report, as required in terms of the Companies Act (No. 71 of 2008). The audit and risk committee consists of three non-executive directors who act independently. During the year under review four meetings were held and the attendance of committee members is listed in the corporate governance report. At the meetings the members fulfilled all their functions as prescribed by the Companies Act. A detailed list of the functions of the audit and risk committee is contained in the corporate governance report. The audit and risk committee has satisfied itself that the auditors are independent of the company and are thereby able to conduct their audit functions without any influence from the company.

Catharina Sevillano-Barredo
Chairperson of the audit and risk committee

Stellenbosch
25 August 2014

Report of the Board of Directors

for the year ended 30 June 2014

The board has pleasure in reporting on the activities and financial results for the year under review:

Nature of activities

The company is an investment holding company with interests in liquor-related companies.

The Group is South Africa's leading producer and marketer of wines, spirits, ciders and ready-to-drinks.

Group financial review

Results

Year ended 30 June:	2014 R'000	2013 R'000 Restated
Revenue	**17 739 609**	15 725 608
Operating profit	**2 167 322**	1 763 819
Attributable earnings	**1 523 304**	1 088 334
– Per share (cents)	**725,8**	536,8
Headline earnings	**1 513 883**	1 078 078
– Per share (cents)	**721,3**	531,7
Total assets	**15 859 733**	14 219 565
Total liabilities	**(7 258 578)**	(6 942 030)

The annual financial statements on pages 54 to 127 set out fully the financial position, results of operations and cash flows of the Group for the financial year ended 30 June 2014.

Dividends

Total dividends for the year (R'000)*	**746 236**	681 049
- Per share (cents)	**337,0**	335,0

** The final dividend of 183 cents (2013: 183 cents) per share was declared after year-end and was therefore not provided for in the annual financial statements. Refer to note 28 to the annual financial statements for payment details.*

Subsidiary companies and investments

The Group acquired an additional interest in the following subsidiary during the current financial year:

Business combinations

– Distell (Hong Kong) Limited (Additional 40%)

Full details of the strategic investment listed under business combinations are disclosed in note 35.

Particulars of subsidiary companies, associated companies and joint venture companies are disclosed in notes 41 to 43.

BEE transaction

During the current financial year Distell restructured its BEE transaction as announced in a Circular to shareholders in December 2013. Through the restructuring, two of the original members of the BEE Consortium, ie Wiphold Distilleries and Wines Investments Proprietary Limited and the ESOP Trust, received unrestricted shares in Distell Group Limited. The other member of the BEE Consortium, the Distell Development Trust (CSI Trust), acquired new shares in Distell Beverages (RF) Proprietary Limited in exchange for its Distell Group Limited shares, thereby ensuring that Distell's BEE ownership credentials are maintained to the extent possible. More details are disclosed in note 36 to the annual financial statements.

Directors

The names of the directors, their attendance of meetings and their membership of board committees appear on pages 146 and 147, 151 and 152.

Jan Scannell retired on 31 December 2013 as executive director and Richard Rushton was appointed with effect from 1 November 2013. Duimpie Bayley and Lucas Verwey resigned as non-executive directors with effect 16 October 2013 and 5 May 2014 respectively.

Share schemes

There were no changes to the Group's share schemes in the current financial year.

Refer to note 10 to the annual financial statements for full details on the Share Scheme as well as the Distell Equity Settled Share Appreciation Right Scheme (the SAR scheme).

Directors' interests and emoluments

Particulars of the emoluments of directors and their interests in the issued share capital of the company and in contracts are disclosed in notes 37 to 39 to the annual financial statements.

Events subsequent to statement of financial position date

The directors are not aware of any matter or circumstance arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

Holding company

The holding company of the Group is Remgro-Capevin Investments Limited.

The Group structure appears on page 154.

Secretary

The name and address of the company secretary appears on the inside back cover.

Approval

The annual financial statements set out on page 54 to 127 have been approved by the board.

Signed on behalf of the board of directors:

DM Nurek
Chairman

RM Rushton
Managing Director

Stellenbosch
25 August 2014

Report of the Independent Auditor

to the members of Distell Group Limited

We have audited the consolidated and separate financial statements of Distell Group Limited set out on pages 56 to 127, which comprise the statements of financial position as at 30 June 2014, income statement, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Distell Group Limited as at 30 June 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2014, we have read the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
Director: H Zeelie
Registered Auditor

Stellenbosch
25 August 2014

Statements of Financial Position

at 30 June

	Notes	Group 2014 R'000	Group 2013 R'000 Restated	Group 2012 R'000 Restated	Company 2014 R'000	Company 2013 R'000
ASSETS						
Non-current assets						
Property, plant and equipment	2	**3 882 077**	3 388 950	2 479 309	**–**	–
Biological assets	3	**104 559**	101 287	105 391	**–**	–
Loans and receivables	4	**211 288**	232 820	221 148	**–**	–
Available-for-sale financial assets	4	**91 424**	88 694	85 348	**–**	–
Investments in subsidiaries	5	**–**	–	–	**2 572 359**	2 461 050
Investments in associates	5	**77 064**	48 477	62 022	**–**	–
Investments in joint ventures	5	**137 901**	96 506	86 337	**–**	–
Intangible assets	6	**1 798 065**	1 505 647	222 754	**–**	–
Retirement benefit assets	14	**265 293**	273 000	47 504	**–**	–
Deferred income tax assets	15	**71 210**	58 777	60 518	**–**	–
Total non-current assets		**6 638 881**	5 794 158	3 370 331	**2 572 359**	2 461 050
Current assets						
Inventories	7	**6 872 615**	6 259 836	4 427 271	**–**	–
Trade and other receivables	8	**1 839 808**	1 776 816	1 409 131	**–**	–
Current income tax assets		**56 818**	33 180	144 723	**–**	–
Cash and cash equivalents	29.7	**451 611**	355 575	473 161	**–**	–
Total current assets		**9 220 852**	8 425 407	6 454 286	**–**	–
Total assets		**15 859 733**	14 219 565	9 824 617	**2 572 359**	2 461 050
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	10	**727 709**	710 069	679 280	**743 944**	723 758
Non-distributable and other reserves	11	**1 296 617**	806 774	251 446	**137 515**	137 692
Retained earnings	12	**6 545 297**	5 730 042	5 257 989	**1 690 900**	1 599 600
Attributable to equity holders of the company		**8 569 623**	7 246 885	6 188 715	**2 572 359**	2 461 050
Non-controlling interest		**31 532**	30 650	13 750	**–**	–
Total equity		**8 601 155**	7 277 535	6 202 465	**2 572 359**	2 461 050
Non-current liabilities						
Interest-bearing borrowings	13	**3 114 090**	447 143	347 932	**–**	–
Retirement benefit obligations	14	**25 176**	22 604	80 954	**–**	–
Deferred income tax liabilities	15	**584 221**	479 226	227 200	**–**	–
Total non-current liabilities		**3 723 487**	948 973	656 086	**–**	–
Current liabilities						
Trade and other payables	16	**2 567 301**	2 907 504	2 071 934	**–**	–
Interest-bearing borrowings	13	**761 761**	2 786 771	180 501	**–**	–
Provisions	17	**203 038**	294 855	708 501	**–**	–
Current income tax liabilities		**2 991**	3 927	5 130	**–**	–
Total current liabilities		**3 535 091**	5 993 057	2 966 066	**–**	–
Total equity and liabilities		**15 859 733**	14 219 565	9 824 617	**2 572 359**	2 461 050

Income Statements

for the years ended 30 June

	Notes	Group 2014 R'000	Group 2013 R'000 Restated	Company 2014 R'000	Company 2013 R'000
Revenue	18	**17 739 609**	15 725 608	**804 346**	702 659
Operating costs	19	**(15 744 401)**	(13 972 438)	**–**	–
Costs of goods sold		**(11 610 234)**	(10 347 745)	**–**	–
Sales and marketing costs		**(2 501 977)**	(2 084 367)	**–**	–
Distribution costs		**(1 063 200)**	(989 124)	**–**	–
Administration and other costs		**(568 990)**	(551 202)	**–**	–
Other gains	21	**172 114**	10 649	**–**	–
Operating profit		**2 167 322**	1 763 819	**804 346**	702 659
Dividend income	22	**6 150**	6 279		
Finance income	23	**15 082**	21 707	**–**	–
Finance costs	24	**(232 709)**	(261 434)	**–**	–
Share of equity-accounted earnings	25	**86 266**	65 169	**–**	–
Profit before taxation		**2 042 111**	1 595 540	**804 346**	702 659
Taxation	26	**(517 846)**	(512 409)	**–**	–
Profit for the year		**1 524 265**	1 083 131	**804 346**	702 659
Attributable to:					
Equity holders of the company		**1 523 304**	1 088 334	**804 346**	702 659
Non-controlling interest		**961**	(5 203)	**–**	–
		1 524 265	1 083 131	**804 346**	702 659
Earnings per ordinary share (cents)	27				
Basic		**725,8**	536,8		
Diluted		**695,6**	492,4		

Statements of Comprehensive Income

for the years ended 30 June

	Notes	Group 2014 R'000	Group 2013 R'000 Restated	Company 2014 R'000	Company 2013 R'000
Profit for the year		**1 524 265**	1 083 131	**804 346**	702 659
Other comprehensive income (net of taxation)					
Items that may be reclassified subsequently to profit or loss:					
Fair value adjustments					
– available-for-sale financial assets	11	**10 917**	8 288	**–**	–
Currency translation differences		**465 254**	290 753	**–**	–
Items that will not be reclassified to profit or loss:					
Actuarial gains and losses	11	**1 215**	238 172	**–**	–
Share of other comprehensive income of associates	5	**(3 188)**	–	**–**	–
Other comprehensive income for the year (net of taxation)		**474 198**	537 213	**–**	–
Total comprehensive income for the year		**1 998 463**	1 620 344	**804 346**	702 659
Attributable to:					
Equity holders of the company		**1 997 292**	1 624 930	**804 346**	702 659
Non-controlling interest		**1 171**	(4 586)	**–**	–
		1 998 463	1 620 344	**804 346**	702 659

Statements of Changes in Equity

for the years ended 30 June

		Group						
		Attributable to equity holders					Non-controlling interest	Total equity
	Notes	Share capital and premium R'000	Treasury shares R'000	Non-distributable and other reserves R'000	Retained earnings R'000	Total R'000	R'000	R'000
2014								
Balance at 1 July 2013 (restated)		**723 758**	**(13 689)**	**806 774**	**5 730 042**	**7 246 885**	**30 650**	**7 277 535**
Comprehensive income								
Profit for the year		**–**	**–**	**–**	**1 523 304**	**1 523 304**	**961**	**1 524 265**
Other comprehensive income (net of taxation)								
Fair value adjustments:								
– available-for-sale financial assets	11	**–**	**–**	**10 917**	**–**	**10 917**	**–**	**10 917**
Currency translation differences	11	**–**	**–**	**465 044**	**–**	**465 044**	**210**	**465 254**
Actuarial gain on post-employment benefits	11	**–**	**–**	**1 215**	**–**	**1 215**	**–**	**1 215**
Share of other comprehensive income of associates	5	**–**	**–**	**(3 188)**	**–**	**(3 188)**	**–**	**(3 188)**
Total other comprehensive income		**–**	**–**	**473 988**	**–**	**473 988**	**210**	**474 198**
Total comprehensive income for the year		**–**	**–**	**473 988**	**1 523 304**	**1 997 292**	**1 171**	**1 998 463**
Transactions with owners								
Employee share scheme:								
– proceeds from ordinary shares issued	10	**20 009**	**(20 009)**	**–**	**–**	**–**	**–**	**–**
– shares paid and delivered	10	**–**	**17 463**	**–**	**–**	**17 463**	**–**	**17 463**
– value of employee services		**–**	**–**	**20 582**	**–**	**20 582**	**–**	**20 582**
Issue of shares – BEE transaction	36	**177**	**–**	**(177)**	**–**	**–**	**–**	**–**
Dividends paid	29.4	**–**	**–**	**–**	**(708 049)**	**(708 049)**	**(742)**	**(708 791)**
Total contributions by and distributions to owners		**20 186**	**(2 546)**	**20 405**	**(708 049)**	**(670 004)**	**(742)**	**(670 746)**
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Contribution by non-controlling interest		**–**	**–**	**–**	**–**	**–**	**8 104**	**8 104**
Transactions with non-controlling interests	35	**–**	**–**	**(4 550)**	**–**	**(4 550)**	**(7 651)**	**(12 201)**
Total transactions with owners		**20 186**	**(2 546)**	**15 855**	**(708 049)**	**(674 554)**	**(289)**	**(674 843)**
Balance at 30 June 2014		**743 944**	**(16 235)**	**1 296 617**	**6 545 297**	**8 569 623**	**31 532**	**8 601 155**

Statements of Changes in Equity

for the years ended 30 June

	Notes	Share capital and premium R'000	Treasury shares R'000	Non-distributable and other reserves R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
		Group						
		Attributable to equity holders						
2013								
Balance as at 1 July 2012 (as previously reported)		698 825	(19 545)	243 922	5 267 263	6 190 465	15 514	6 205 979
Effect of changes in accounting policies	44	–	–	7 524	(9 274)	(1 750)	(1 764)	(3 514)
Balance as at 1 July 2012 (restated)		698 825	(19 545)	251 446	5 257 989	6 188 715	13 750	6 202 465
Comprehensive income								
Profit for the year		–	–	–	1 088 334	1 088 334	(5 203)	1 083 131
Other comprehensive income (net of taxation)								
Fair value adjustments:								
– available-for-sale financial assets	11	–	–	8 288	–	8 288	–	8 288
Currency translation differences	11	–	–	290 136	–	290 136	617	290 753
Actuarial gain on post-employment benefits	11	–	–	238 172	–	238 172	–	238 172
Total other comprehensive income		–	–	536 596	–	536 596	617	537 213
Total comprehensive income for the year		–	–	536 596	1 088 334	1 624 930	(4 586)	1 620 344
Transactions with owners								
Employee share scheme:								
– proceeds from ordinary shares issued	10	24 933	(24 933)	–	–	–	–	–
– shares paid and delivered	10	–	30 789	–	–	30 789	–	30 789
– value of employee services		–	–	11 855	–	11 855	–	11 855
BEE share-based payment	20	–	–	6 877	–	6 877	–	6 877
Dividends paid	29.4	–	–	–	(616 281)	(616 281)	(488)	(616 769)
Total transactions with owners		24 933	5 856	18 732	(616 281)	(566 760)	(488)	(567 248)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Effect of changes in accounting policies		–	–	–	–	–	5 955	5 955
Contribution by non-controlling interest		–	–	–	–	–	12 982	12 982
Non-controlling interest arising on business combination		–	–	–	–	–	3 037	3 037
Total transactions with owners		24 933	5 856	18 732	(616 281)	(566 760)	21 974	(545 274)
Balance at 30 June 2013 (restated)		723 758	(13 689)	806 774	5 730 042	7 246 885	30 650	7 277 535

		Company					
		Attributable to equity holders				Non-controlling interest	Total equity
	Notes	Share capital and premium R'000	Non-distributable and other reserves R'000	Retained earnings R'000	Total R'000	R'000	R'000
2014							
Opening balance		**723 758**	**137 692**	**1 599 600**	**2 461 050**	**–**	**2 461 050**
Comprehensive income							
Profit for the year		**–**	**–**	**804 346**	**804 346**	**–**	**804 346**
Total comprehensive income for the year		**–**	**–**	**804 346**	**804 346**	**–**	**804 346**
Transactions with owners							
Proceeds of ordinary shares issued	10	**20 009**	**–**	**–**	**20 009**	**–**	**20 009**
Issue of shares – BEE transaction	36	**177**	**(177)**	**–**	**–**	**–**	**–**
Dividends paid	29.4	**–**	**–**	**(713 046)**	**(713 046)**	**–**	**(713 046)**
Total transactions with owners		**20 186**	**(177)**	**(713 046)**	**(693 037)**	**–**	**(693 037)**
Balance at 30 June 2014		**743 944**	**137 515**	**1 690 900**	**2 572 359**	**–**	**2 572 359**
2013							
Opening balance		698 825	130 815	1 514 268	2 343 908	–	2 343 908
Comprehensive income							
Profit for the year		–	–	702 659	702 659	–	702 659
Total comprehensive income for the year		–	–	702 659	702 659	–	702 659
Transactions with owners							
Proceeds of ordinary shares issued	10	24 933	–	–	24 933	–	24 933
BEE share-based payment	20	–	6 877	–	6 877	–	6 877
Dividends paid	29.4	–	–	(617 327)	(617 327)	–	(617 327)
Total transactions with owners		24 933	6 877	(617 327)	(585 517)	–	(585 517)
Balance at 30 June 2013		723 758	137 692	1 599 600	2 461 050	–	2 461 050

Statements of Cash Flows

for the years ended 30 June

	Notes	Group 2014 R'000	Group 2013 R'000 Restated
Cash flows from operating activities			
Operating profit		**2 167 322**	1 763 819
Non-cash flow items	29.1	**148 225**	604 125
Working capital changes	29.2	**(755 655)**	(1 345 268)
Cash generated from operations		**1 559 892**	1 022 676
Dividend income		**6 150**	6 279
Finance income		**15 082**	21 707
Finance costs		**(247 477)**	(207 208)
Taxation paid	29.3	**(459 101)**	(374 235)
Net cash generated from operating activities		**874 546**	469 219
Cash flows from investment activities			
Purchases of property, plant and equipment (PPE) to maintain operations	29.5	**(276 349)**	(285 034)
Purchases of PPE to expand operations	29.6	**(415 463)**	(460 561)
Proceeds from sale of PPE		**19 286**	23 267
Purchases of financial assets		**(23 939)**	(17 426)
Proceeds from financial assets		**66 486**	64 956
Purchases of intangible assets		**(41 791)**	(274)
Acquisition of subsidiaries, net of cash acquired		**–**	(1 666 160)
Cash outflow from investment activities		**(671 770)**	(2 341 232)
Cash flows from financing activities			
Proceeds from ordinary shares issued		**17 640**	30 789
Proceeds from interest-bearing borrowings		**546 719**	1 881 516
Shares issued for cash to minority in subsidiary		**–**	12 982
Dividends paid to company's shareholders	29.4	**(708 049)**	(616 281)
Consideration paid to non-controlling interest	35	**(12 201)**	–
Cash outflow from financing activities		**(155 891)**	1 309 006
Increase in net cash, cash equivalents and bank overdrafts		**46 885**	(563 007)
Cash, cash equivalents and bank overdrafts at the beginning of the year		**(70 197)**	473 161
Exchange gains on cash, cash equivalents and bank overdrafts		**30 647**	19 649
Cash, cash equivalents and bank overdrafts at the end of the year	29.7	**7 335**	(70 197)

Notes to the Annual Financial Statements

for the years ended 30 June

1. Significant accounting policies

1.1 Basis of preparation

The annual consolidated and separate financial statements of Distell Group Limited are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the IFRS Interpretations Committee (IFRS IC), and the SAICA Financial Reporting Guides, as issued by SAICA's Accounting Practices Committee (APC) and the South African Companies Act (No. 71 of 2008). The annual financial statements are prepared on the historical cost convention, as modified by the revaluation of certain financial instruments and biological assets to fair value.

These annual financial statements incorporate accounting policies that have been consistently applied to both years presented, with the exception of the implementation of the following standards, interpretations and amendments to published standards that became effective and were adopted by the Group during the current financial year:

- IAS 19: Employee Benefits (effective 1 January 2013)^
- IFRS 10: Consolidated Financial Statements (effective 1 January 2013)^
- IFRS 11: Joint Arrangements (effective 1 January 2013)^
- Amendments to the transition requirements in IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests in Other Entities (effective 1 January 2013)^

  ^ The Group's 2013 and 2012 results have been restated to account for the impact of the changes in accounting policies. Refer to note 44 for further detail of the impact of the changes in accounting policies.

- IFRS 12: Disclosure of Interest in Other Entities (effective 1 January 2013)*
- IFRS 13: Fair Value Measurement (effective 1 January 2013)*
- Revised IAS 28: Investments in Associates and Joint Ventures (effective 1 January 2013)*
- Revised IAS 27: Separate Financial Statements (effective 1 January 2013)*
- Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)*
- Amendments to IAS 1: Presentation of Financial Statements (effective 1 January 2013)*
- Amendments to IAS 16: Property, Plant and Equipment (effective 1 January 2013)*
- Amendments to IAS 32: Financial Instruments Presentation (effective 1 January 2013)*

  ** The relevance of these amendments to the published standards has been assessed with respect to the Group's operations and it was concluded that, other than the additional presentational disclosures required, they did not have a material impact on the Group.*

Standards, interpretations and amendments to published standards that are not yet effective

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 30 June 2014, but not yet effective on that date. Management is in the process of assessing the impact of these standards, interpretations and amendments on the reported results of the Group. The standards that are applicable to the Group, but that were not implemented early, are the following:

- IFRS 9: Financial Instruments (effective 1 January 2015)
- Amendments to IAS 32: Financial Instruments – Presentation (effective 1 January 2014)
- Amendments to IAS 19: Employee Benefits (effective 1 July 2014)
- Amendments to IAS 36: Impairment of Assets – Recoverable amount disclosures for non-financial assets (effective 1 January 2014)
- Amendments to IAS 39: Financial Instruments – Novation of derivatives and continuation of hedge accounting (effective 1 January 2014)
- Amendments to IFRS 11: Joint Arrangements (effective 1 January 2016)
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)
- Amendments to IAS 16: Property, Plant and Equipment and IAS 41: Agriculture – Classification of bearer plants (effective 1 January 2016)
- IFRS 15: Revenue from Contracts with Customers (effective 1 January 2017)
- Annual Improvements 2010 – 2012 cycle (effective 1 July 2014)
- Annual Improvements 2011 – 2013 cycle (effective 1 July 2014)
- IFRIC 21: Levies (effective 1 January 2014)

1.2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future and these accounting estimates are an integral part of the preparation of financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Estimated impairment of goodwill and intangible assets

The Group tests annually whether goodwill and the intangible assets with indefinite useful lives have suffered any impairments, in accordance with the accounting policy stated in note 1.9. The recoverable amounts of cash-generating units are determined as being the higher of the value-in-use or fair value less costs to sell. Calculation of these amounts requires the use of estimates. Further details are provided in note 6.

b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current

Notes to the Annual Financial Statements

for the years ended 30 June

tax and deferred tax assets and liabilities in the period in which such determination is made.

c) Retirement benefits

The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pension include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. In determining the appropriate discount rate the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Further details are provided in note 14.

d) Biological assets

The Group owns bearer biological assets in the form of grapevines and certain assumptions and estimates are used to calculate the fair value of grapevines. Further details regarding assumptions and estimates are provided in note 1.7 and note 3.

e) Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement the Group evaluates, among factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow.

f) Business combinations

Where the Group acquires control of another business the consideration transferred has to be allocated to the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business, with any residual recorded as goodwill. This process involves management making an assessment of the fair value of these items. Management's judgement is particularly involved in the recognition and measurement of the following items:

- Intellectual property. This include patents, licences, trademarks and similar rights for currently marketed products.
- Contingencies such as legal and environmental matters.
- The recoverability of any accumulated tax losses previously incurred by the acquired company.

In all cases management makes an assessment based on the underlying economic substance of the items concerned, and not only on the contractual terms, in order to fairly present these items.

g) Property, plant and equipment

It is necessary for the Group to make use of judgement when determining the useful life of the property, plant and equipment. Details of these estimates and assumptions are set out in the relevant notes to the annual financial statements.

h) Consolidation of entities where the Group holds less than 50%

The Group is one of the two largest shareholders in Mirma Products Proprietary Limited with a 45% equity interest. The Group buys more than 98% of the total product produced by Mirma Products. There is no history of other shareholders forming a group to exercise their votes collectively. Based on the absolute size of the Group's shareholding, as well as the business model of Mirma Products Proprietary Limited, management has concluded that the Group has sufficiently dominant interest to have the power to direct the relevant activities of the entity. Refer to note 44.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) which are, directly or indirectly, controlled by the Group. Control is established where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which effective control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. Transactions with owners are recognised in equity only when control is not lost.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Unrealised gains and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The investment of Distell Group Limited in the ordinary shares of its subsidiary, South African Distilleries and Wines (SA) Limited, is carried at cost less impairment losses in the separate financial statements.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates

Associates are all entities over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of equity-accounted earnings of an associate' in the income statement.

Unrealised gains and losses resulting from intercompany transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of the unrelated investor's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising on investment in associates are recognised in the income statement.

Joint ventures

Joint ventures are those entities over which the Group exercises joint control in terms of a contractual agreement. The Group has applied IFRS 11 to all joint ventures as of 1 July 2012. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

The effects of the change in accounting policies on the financial position, comprehensive income and the cash flows of the Group at 1 July 2012 and 30 June 2013 are shown in note 44.

1.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are prepared in South African rands (R) which is the company's functional and the Group's presentation currency.

Foreign Group entities

The results and the financial position of all Group entities that have a functional currency that is different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each income statement presented are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative

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effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

- All resulting exchange differences are recognised in other comprehensive income as part of a foreign currency translation reserve (FCTR).
- On consolidation, exchange rate differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, if applicable, are also taken to the FCTR. When a foreign operation is sold all related exchange rate differences that were recorded in the FCTR are recognised in the income statement as part of the profit or loss on sale. When a partial disposal takes place the FCTR is proportionately reattributed to the non-controlling shareholders in terms of IAS 21. The Group's net investment in a subsidiary or joint venture is equal to the equity investment plus all monetary items that are receivable from or payable to the subsidiary or joint venture, for which settlement is neither planned nor likely to occur in the foreseeable future.
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Foreign entities operating in hyperinflationary economies

When the foreign entity's functional currency is the currency of a hyperinflationary economy the financial statements of these entities are restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current at the statement of financial position date. All the line items in these inflation-adjusted financial statements are translated to the Group's presentation currency at the closing rate. The comparative amounts are those that were included in the Group's results in the previous year. The resulting exchange rate differences are recognised in the income statement.

Exchange rate differences are recognised in other comprehensive income.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are recorded in other comprehensive income.

1.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (executive management team). Operating segments are individual components of an entity that engage in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity's chief operating decision-maker and for which discrete financial information is available. Operating segments which display similar economic characteristics are aggregated for reporting purposes.

1.6 Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in manufacturing and distribution of its products and are expected to be used during more than one period. All property, plant and equipment are stated at historical costs less subsequent depreciation and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the property, plant and equipment and is depreciated on a straight-line basis, from the date that assets are available for use, at rates appropriate to the various classes of assets involved, taking into account the estimated useful life and residual values of the individual items. Land is not depreciated as it is deemed to have an unlimited useful life. Improvements to leasehold properties are recognised as property, plant and equipment when it is probable that future economic benefits will flow to the Group. Improvements to leasehold properties are shown at cost and written off over the remaining period of the lease.

Management determines the estimated useful lives and the related depreciation charges at acquisition.

Useful lives:	
Buildings	5 – 60 years
Stainless steel tanks	3 – 45 years
Other machinery and barrels	2 – 50 years
Equipment and vehicles	2 – 33 years
Capitalised finance lease vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, to the extent that it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is calculated as the higher of the asset's fair value less cost to sell and the value in use. Also refer to note 1.9 for impairment of non-financial assets.

Gains and losses on disposal or scrapping of property, plant and equipment, being the difference between the net proceeds on disposals or scrappings and the carrying amount, are recognised in the income statement within 'other (losses)/gains'.

1.7 Biological assets

Biological assets consist of grapevines and are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell.

Gains and losses arising from changes in fair value less costs to sell are included in 'administration and other costs' in the income statement in the period in which they arise.

Grapes harvested from the Group's biological assets are measured at its fair value less cost to sell at the point of harvest. Such measurement is the cost at that date when transferring the harvest produce to inventory.

The determination of fair value less costs to sell of biological assets requires significant management judgement and, amongst others, the following factors are considered: the discount rate, productive life of grapevines, rental value of farm land and expected sales prices.

1.8 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisition of associates and joint ventures is included in 'investments in associates' or 'investments in joint ventures' and is tested for impairment as part of the overall balance. Goodwill denominated in a foreign currency is translated at closing rates.

Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks that have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives. Trademarks are deemed as having an indefinite useful life when there is no foreseeable limit on the time the trademarks are expected to provide future cash flows. Trademarks that are deemed to have an indefinite useful life are carried at cost less accumulated impairment losses and tested annually for impairment.

Computer software

Acquired computer software (which is not an integral part of computer hardware) and software licences and the direct costs associated with the development and installation thereof are capitalised.

Costs associated with developing or maintaining software are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee cost and an appropriate portion of relevant overheads.

Computer software is depreciated on the straight-line method over its estimated useful life (three to five years) when available for use.

1.9 Impairment of non-financial assets

Assets that have an indefinite useful life – or intangible assets not ready for use – are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units (CGUs)). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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1.10 Financial assets

Classification

The Group classifies its financial assets in the following categories:

- Financial assets at fair value through profit and loss
- Loans and receivables
- Available-for-sale financial assets

The classification is dependent on the purpose for which the financial asset was acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months of the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences in monetary securities are recognised in profit or loss, and translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'other (losses)/gains'. Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement within 'finance income'. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group first assesses whether objective evidence of impairment exists.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Assets classified as available-for-sale
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in 'assets carried at amortised cost' above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Impairment testing of trade receivables is described in note 1.16.

1.11 Derivative financial instruments and hedging activities

The Group is party to financial instruments that reduce exposure to fluctuations in foreign currency exchange and interest rates. These instruments mainly comprise forward foreign exchange contracts. The purpose of these instruments is to reduce risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

1.12 Financial guarantees

Financial guarantee contracts are recognised initially at fair value and subsequently at the higher of the amount in accordance with IAS 37 and the amount initially recorded, less appropriate cumulative amortisation recognised in accordance with IAS 18.

1.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax
Deferred income tax is provided in full at currently enacted or substantially enacted tax rates using the liability method. Provision is made for all temporary differences arising between the taxation bases of assets and liabilities and their statement of financial position carrying values.

No deferred income tax is accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Management applies judgement to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as profit history, forecasted cash flows and budgets.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that it will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates.

Deferred income tax assets and liabilities are off-set when there is a legally enforceable right to off-set current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Taxation rates
The normal South African company tax rate used for the year ending 30 June 2014 is 28% (2013: 28%). Deferred tax assets and liabilities for South African entities at 30 June 2014 have been calculated using the 28% (2013: 28%) rate, being the rate that the Group expects to apply to the periods when the assets are realised or the liabilities are settled. Capital gains tax is calculated as 66,6% of the company tax rate. International tax rates vary from jurisdiction to jurisdiction.

Secondary tax on companies (STC) and dividends withholding tax (DWT)
On 1 April 2012 DWT became effective and replaced STC. DWT is levied on the shareholders (or beneficial owners) receiving the dividend; while STC was levied on the company declaring the dividend.

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Prior to 1 April 2012

South African resident companies were subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax, on distributed income. A company incurred STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC was not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends was recognised as a taxation charge in the income statement in the same period that the related dividend was accrued as a liability. The dividend declared was reduced by dividends received during the dividend cycle. Where dividends declared exceeded the dividends received during a cycle, STC was payable at the then current STC rate (10%) on the net amount. Where dividends received exceeded dividends declared within a cycle, there was no liability to pay STC. The potential tax benefit related to excess dividends received was carried forward to the next dividend cycle as an STC credit. Deferred tax assets were recognised on unutilised STC credits to the extent that it was probable that the Group would declare future dividends to utilise such STC credits.

After 1 April 2012

Shareholders are now subject to DWT on dividends received, unless they are exempt in terms of the amended tax law. DWT is levied at 15% of the dividend received. The DWT is categorised as a withholding tax as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not the beneficial owner of the dividend. Where a non-exempt Group company is a beneficial owner of the dividend the DWT is recorded as an expense in the income statement when the dividend income is earned. The deferred tax asset is not raised on unutilised STC credits as the STC credits are now available for the benefit of the Group's shareholders and not the Group.

1.14 Leases

The Group leases certain property, plant and equipment. Capitalised leased assets are assets leased in terms of finance lease agreements where the Group has substantially all the risks and rewards of ownership. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased item or the present value of the minimum lease payments. Depreciation is provided on the straight-line method over the shorter of the lease term and its estimated useful life. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases of assets in terms of which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

1.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the applicable costs of completion and selling expenses.

Costs of inventories include any gains or losses transferred from equity on qualifying cash flow hedges used in the purchase of raw materials.

1.16 Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Fair value is determined as the estimated future cash flows discounted at a market-related interest rate.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating costs' in the income statement.

1.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included in current interest-bearing borrowings in the statement of financial position.

For Distell Group Limited (the company) no statement of cash flow is presented as there were no cash flow movements for both reporting periods.

1.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of taxation.

Where entities controlled by the Group purchase the company's shares, the consideration paid, including attributable transaction costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are sold or cancelled. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders. Dividends received on treasury shares are eliminated on consolidation.

1.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. When funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount to be capitalised is the actual borrowing costs less any temporary investment income on those borrowings. General borrowing costs are capitalised by calculating the weighted average expenditure on the qualifying asset and applying a weighted average borrowing rate to the expenditure.

The borrowing costs capitalised do not exceed the total borrowing costs incurred. The capitalisation of borrowing costs commences when expenditures for the asset have occurred, borrowing costs have been incurred or when activities that are necessary to prepare the asset for its intended use or sale, are in progress. Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

1.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

1.22 Employee benefits

Retirement funds

The Group provides pension, retirement or provident fund benefits to all employees.

The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined-contribution and defined-benefit plans.

A defined-contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to defined-contribution plans in respect of services rendered in a particular period are recognised as an expense in that period. Additional contributions are recognised as an expense in the period during which the associated services are rendered by employees.

A defined-benefit plan is a plan that is not a defined-contribution plan. This plan defines an amount of pension benefit an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined-benefit pension plans is the present value of the defined-benefit obligation at the end of the reporting period less the fair value of plan assets. The defined-benefit obligation is actuarially valued every three years and reviewed every year by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Current service costs are recognised immediately in income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the income statement.

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Post-retirement medical benefits

The Group provides for actuarially determined future medical benefits of employees who remained in service up to retirement age and completing a minimum service period. The expected costs of these benefits are accrued over the period of employment based on past services. This post-retirement medical benefit obligation is measured as the present value of the estimated future cash outflows based on a number of assumptions. These assumptions include, amongst others, healthcare cost inflation, discount rates, salary inflation and promotions and experience increases, expected retirement age and continuation at retirement. Valuations of this obligation are carried out every year by independent qualified actuaries, in respect of past service liabilities and actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions, charged or credited to equity in other comprehensive income in the period in which they arise. The projected unit credit method is used to determine the present value of the post-retirement medical benefit obligation.

Share-based compensation

The Group grants scheme shares/share appreciation rights (SARs) to its employees under an equity-settled share incentive scheme through The Distell Group Share Trust, as well as an equity-settled share appreciation right scheme (SAR scheme).

A share or SAR scheme is considered equity settled when it is settled by an issue of a Distell Group Limited share. The share trust deed and the SAR rules, as appropriate, indicates whether it is to be settled by the issue of Distell Group shares or not.

The fair value of the employee services received in exchange for the grant of the scheme shares/SARs is recognised as an expense over the vesting period. The fair value is determined at grant date with reference to the fair value of the scheme shares/SARs granted, including any market performance conditions and excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period), as well as including the impact of any non-vesting conditions (for example, the requirement for employees to save). Non-market vesting conditions are included in assumptions about the number of scheme shares/SARs that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of scheme shares/SARs that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the scheme shares/SARs are exercised.

The grant by the company of scheme shares/SARs relating to its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent's accounts.

Long-service awards

Long-service awards are provided to employees who achieve certain predetermined milestones of service within the Group. The Group's obligation is valued by independent qualified professionals at year-end and the corresponding liability is raised. Costs incurred are set off against the liability. Movements in the liability, including notional interest, resulting from the valuation are charged against the income statement upon valuation. The projected unit credit method is used to determine the present value of the long-service awards obligation.

Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities, including excise duty, but net of value added tax (VAT), general sales taxes (GST), rebates and discounts, and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that the future economic benefits will flow to the entity.

Excise duty is not directly related to sales, unlike value added tax. It is not recognised as a separate item on invoices. Increases in excise duty are not always directly passed on to customers and the Group cannot reclaim the excise duty where customers do not pay for products received. The Group considers excise duty as a cost to the Group and reflects it in 'cost of goods sold' and consequently any excise duty that is recovered in the sales price is included in revenue.

Revenue is recognised as follows:

- **Cash sales of goods** are recognised upon delivery of products and customer acceptance and collectability of the related receivable is reasonably assured.
- **Sales of services** are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- **Interest income** is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.
- **Dividend income** is recognised when the shareholder has an irrevocable right to receive payment.

1.24 BEE transactions

BEE transactions, where the Group receives or acquires goods or services as consideration for the issue of equity instruments of the Group, are treated as share-based payment transactions.

BEE transactions where employees are involved are measured and accounted for on the same basis as share-based compensation in note 1.22.

Transactions, in which share-based payments are made to parties other than employees, are measured by reference to the fair value of equity instruments granted if no specific goods or services are received. Vesting of the equity instrument granted occurs immediately and an expense and a related increase in equity are recognised on the date that the instrument is granted. No further measurement or adjustments are required as it is presumed that the BEE credentials are received upfront.

1.25 Earnings per share

Earnings, headline earnings and normalised headline earnings per share are calculated by dividing the net profit attributable to shareholders, headline earnings and normalised headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the Group as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all ordinary shares with dilutive potential. Scheme shares and SARs have dilutive potential. For the scheme shares/SARs a calculation is done to determine the number of shares that could have been acquired, at the closing market price, based on the monetary value of subscription rights attached to outstanding scheme shares/SARs in order to determine the 'bonus' element; the 'bonus' shares are added to the ordinary shares in issue. No adjustment is made to net profit, as the scheme shares/SARs have no income statement effect.

1.26 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

1.27 Non-current assets held for sale

Non-current assets held for sale are classified as assets held for sale and are stated at the lower of the carrying amount and fair value, less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continued use.

1.28 Related parties

Individuals or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as all directors of Distell Limited, the main operating company of the Group.

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for the years ended 30 June

2. Property, plant and equipment

	Properties R'000	Machinery, tanks and barrels R'000	Equipment and vehicles R'000	Assets under construction R'000	Total R'000
2014					
Opening balance (restated)	**1 360 072**	**1 608 551**	**125 530**	**294 797**	**3 388 950**
Additions	**161 845**	**369 232**	**51 762**	**106 143**	**688 982**
Disposals	**(3 880)**	**(1 585)**	**(690)**	**–**	**(6 155)**
Transfers	**33 289**	**235 206**	**2 074**	**(270 569)**	**–**
Exchange differences	**36 294**	**20 613**	**263**	**–**	**57 170**
Depreciation	**(13 341)**	**(208 290)**	**(25 239)**	**–**	**(246 870)**
	1 574 279	**2 023 727**	**153 700**	**130 371**	**3 882 077**
At cost	**1 658 348**	**3 712 928**	**314 933**	**130 371**	**5 816 580**
Accumulated depreciation	**(84 069)**	**(1 689 201)**	**(161 233)**	**–**	**(1 934 503)**
Net carrying value	**1 574 279**	**2 023 727**	**153 700**	**130 371**	**3 882 077**
2013					
Opening balance (restated)	1 025 749	1 213 703	94 283	145 574	2 479 309
Additions	102 503	310 090	44 125	285 142	741 860
Acquisition of subsidiaries (notes 34 and 35)	197 521	141 906	6 438	–	345 865
Disposals	(490)	(19 004)	(2 087)	–	(21 581)
Transfers	18 567	114 747	2 602	(135 916)	–
Exchange differences	23 419	16 369	1 193	(3)	40 978
Depreciation	(7 197)	(169 260)	(21 024)	–	(197 481)
	1 360 072	1 608 551	125 530	294 797	3 388 950
At cost	1 422 231	3 122 358	262 287	294 797	5 101 673
Accumulated depreciation	(62 159)	(1 513 807)	(136 757)	–	(1 712 723)
Net carrying value (restated)	1 360 072	1 608 551	125 530	294 797	3 388 950

Included in equipment and vehicles are capitalised finance lease vehicles with a net carrying value of R1,0 million (2013: R2,0 million) (note 13).

Depreciation of R180,2 million (2013: R142,6 million) is included in 'cost of goods sold', R18,5 million (2013: R14,3 million) in 'sales and marketing costs', R18,0 million (2013: R18,1 million) in 'distribution costs' and R30,2 million (2013: R22,5 million) in 'administration and other costs'.

Details of properties are available for inspection at the registered office of the company.

The secured term facility of Distell Limited is secured with a mortage bond over certain immovable property to a maximum of R5,5 billion (note 13).

Bank borrowings of Burn Stewart Distillers Limited are secured over land and buildings to a maximum value of R33,3 million (2013: R28,1 million) (note 13).

3. Biological assets

The Group owns bearer biological assets in the form of grapevines. The grapes produced from these vines are mainly used in the production of wines and spirits of the Group's own brands and products. The vines are cultivated on land either owned or leased by the Group.

The total area under grapevines on 30 June 2014 amounted to approximately 1 260 ha (2013: 1 251 ha), of which approximately 1 154 ha (2013: 1 154 ha) can be classified as mature vines. The total output of grapes harvested during the current year amounted to 12 360 tons (2013: 10 271 tons).

The fair value of the grapes harvested during the current financial year amounted to R51,2 million (2013: R47,2 million). The fair value was calculated with reference to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of mature grapevines was calculated by discounting the net cash flows thereof over their remaining lives at a pre-tax discount rate of 18,4% (2013: 17,0%). The net cash flows were calculated with reference to grape varieties, expected yields based on normalised three years' experience, estimated future sales prices and estimated future production costs.

The average productive life of grapevines are estimated at 23 years (2013: 23 years).

	2014 R'000	2013 R'000 Restated
Carrying amount		
Opening balance	**101 287**	105 391
Acquisitions	**2 830**	3 736
Disposals	**(46)**	(284)
Decrease due to harvest	**(51 166)**	(47 235)
Gain due to biological change, price, yield, maturity and cost changes	**51 654**	39 679
Balance at the end of the year	**104 559**	101 287

An amount of R2,5 million (2013: R2,6 million) for vineyard development expenses is included in the total of capital commitments in note 31.

The fair value of grapevines cultivated on land, of which the operating lease expires in 2018, amounts to R4,7 million (2013: R4,5 million).

Short-term insurance cover, as part of an overall risk management strategy, is utilised to protect the Group against the replacement cost, and subsequent loss of income, of establishing new vineyards in the event of them being damaged by natural perils, such as fire and lightning.

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for the years ended 30 June

	2014 R'000	2013 R'000 Restated
4. Financial assets		
Loans and receivables at amortised cost		
– Loans to producers and other unrelated parties, denominated in rand, at market-related interest rates	**2 773**	3 068
– Loans to related parties, denominated in rand, bearing no interest	**208 515**	229 752
	211 288	232 820
Available-for-sale financial assets		
– Equities, denominated in the following currencies:		
Rand	**17 281**	18 213
Canadian dollar	**11 040**	9 975
UK pound	**63 103**	60 506
	91 424	88 694
Movement in available-for-sale financial assets		
Opening balance	**88 694**	85 348
Additions	**–**	7
Disposals	**(9 970)**	(9 617)
Exchange differences	**6**	321
Net gains transferred to equity (note 11)	**12 694**	9 653
Acquisition of subsidiaries (note 34)	**–**	2 982
Balance at the end of the year	**91 424**	88 694

The fair value estimation of equities are indicated in note 33.2.

The maximum exposure to credit risk at the reporting date is the carrying value of the loans and receivables. None of these financial assets are past due or impaired.

Financial assets consist of listed, which include over-the-counter trade, and unlisted shares and details thereof are available at the registered office of the company.

	2014 R'000	2013 R'000 Restated
5. Investments in subsidiaries, associates and joint ventures		
Company		
Investments in subsidiaries (note 41)	**2 572 359**	2 461 050
Distell Group Limited subordinated all its claims against South African Distillers and Wines (SA) Limited.		
Group		
Investments in associates (note 42)		
Opening balance	**48 477**	62 022
Share of profit	**73 246**	57 668
Share of actuarial loss	**(3 188)**	–
Dividends received	**(37 134)**	(64 662)
Exchange differences and withholding taxes	**(4 337)**	(6 551)
Balance at the end of the year	**77 064**	48 477
Made up as follows:		
Cost and share of profits	**67 988**	39 401
Goodwill	**9 076**	9 076
	77 064	48 477
Summary of goodwill		
Opening balance	**9 076**	9 076
Additions	**–**	–
Balance at the end of the year	**9 076**	9 076
Group		
Investments in joint ventures (note 43)		
Opening balance	**96 506**	89 005
Additions – rights issue	**23 939**	–
Share of profit	**13 020**	7 501
Share of non-distributable reserves	**4 436**	–
Balance at the end of the year	**137 901**	96 506

Impairment tests of investments in associates

The investments in Tanzania Distilleries Limited and Grays Inc. Limited have been allocated to those cash-generating units and are each tested for impairment as a single asset, including goodwill. The recoverable amounts of the cash-generating units have been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five-year period.

The key assumptions used for the value-in-use calculations are as follows:

	2014		2013	
	Long-term growth rate %	**Discount rate %**	Long-term growth rate %	Discount rate %
Tanzania Distilleries Limited	**2,0**	**19,9**	2,0	18,6
Grays Inc. Limited	**2,0**	**11,3**	2,0	10,9

The discount rates used are pre-tax and reflect specific risks relating to the relevant business. These calculations indicate that there was no impairment in the carrying value of the investments in associates and related goodwill.

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	Capitalised software R'000	Goodwill R'000	Trademarks and other intangibles R'000	Total R'000
6. Intangible assets				
2014				
Opening balance (restated)	**12 913**	**808 954**	**683 780**	**1 505 647**
Additions	**41 896**	**–**	**–**	**41 896**
Exchange differences	**(1)**	**148 992**	**111 192**	**260 183**
Disposals	**(106)**	**–**	**–**	**(106)**
Amortisation	**(9 555)**	**–**	**–**	**(9 555)**
Balance at the end of the year	**45 147**	**957 946**	**794 972**	**1 798 065**
Cost	**141 702**	**957 946**	**794 972**	**1 894 620**
Accumulated amortisation and impairment	**(96 555)**	**–**	**–**	**(96 555)**
Net carrying value	**45 147**	**957 946**	**794 972**	**1 798 065**
2013				
Opening balance (restated)	14 862	7 429	200 463	222 754
Additions	7 924	–	–	7 924
Acquisition of subsidiaries (notes 34 and 35)	–	724 516	392 910	1 117 426
Exchange differences	3	77 009	90 407	167 419
Amortisation	(9 876)	–	–	(9 876)
Balance at the end of the year (restated)	12 913	808 954	683 780	1 505 647
Cost	107 811	808 954	683 780	1 600 545
Accumulated amortisation and impairment	(94 898)	–	–	(94 898)
Net carrying value (restated)	12 913	808 954	683 780	1 505 647

Amortisation is included in 'administration and other costs' in the income statement.

The addition to goodwill and trademarks and other intangibles, including brand names and customer relationships, in 2013 relates to the acquisition of Burn Stewart Distillers Limited (note 34) and Distell (Hong Kong) Limited (note 35).

Management regards the trademarks as having an indefinite useful life as there are no foreseeable limits on the time the trademarks are expected to provide future cash flows. The trademarks are protected in all the major markets where they are sold and there is not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands. The brands included in trademarks above are Bisquit, Scottish Leader, Black Bottle, Bunnahabhain, Tobermory, Deanston and Ledaig.

Impairment tests for goodwill

The goodwill acquired through the investments in Distell Winemasters Limited (Kenya), Distell (Hong Kong) Limited, Burn Stewart Distillers Limited and Lomond Wine Estates Proprietary Limited was allocated to those cash-generating units and are tested for impairment on an annual basis. The recoverable amounts of the cash-generating units have been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five- to ten-year period.

The key assumptions used for the value-in-use calculations are as follows:

	2014		2013	
	Long-term growth rate %	**Discount rate %**	Long-term growth rate %	Discount rate %
Distell Winemasters Limited	**2,0**	**15,8**	2,0	16,3
Distell (Hong Kong) Limited	**2,0**	**6,5**	2,0	6,5
Burn Stewart Distillers Limited	**3,0**	**7,2**	3,0	8,0
Lomond Wine Estate Proprietary Limited	**2,0**	**10,7**	2,0	10,2
Bisquit Dubouché et Cie	**1,5**	**7,2**	2,0	6,2

The discount rates used are pre-tax and reflect specific risks relating to the relevant business. These calculations indicate that no impairment was necessary in the carrying value of the goodwill.

6. Intangible assets (continued)

Impairment tests for trademarks

The trademarks are allocated to their respective cash-generating units and are tested for impairment on an annual basis. The recoverable amounts of the cash-generating units have been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five- to ten-year period.

The key assumptions used for the value-in-use calculations are as follows:

	2014		2013	
	Long-term growth rate %	**Discount rate %**	Long-term growth rate %	Discount rate %
Burn Stewart Distillers Limited	**3,0**	**7,2**	3,0	8,0
Bisquit Dubouché et Cie	**1,5**	**7,2**	2,0	6,2

The discount rates used are pre-tax and reflect specific risks relating to the relevant business. These calculations indicate that no impairment was necessary in the carrying value of the trademarks.

	2014 R'000	2013 R'000 Restated
7. Inventories		
Bulk wines, flavoured alcoholic beverages and spirits	**4 767 117**	3 934 202
Bottled wines, flavoured alcoholic beverages and spirits	**1 716 410**	1 910 678
Packaging material and other	**389 088**	414 956
	6 872 615	6 259 836

The cost of inventories recognised as an expense and included in 'costs of goods sold' amounted to R10 265,8 million (2013: R9 271,3 million).

No previous write-down was reversed during the year (2013: none).

Excise duty of R506,7 million (2013: R418,1 million) is included in bulk inventories and R378,1 million (2013: R375,1 million) in bottled inventories.

The secured term facility of Distell Limited is secured with a general notarial bond over the inventories of Distell Limited to a maximum of R5,5 billion (note 13).

Bank borrowings are secured over inventories of Burn Stewart Distillers Limited and Bisquit Dubouché et Cie for a maximum value of R764,1 million (2013: R598,1 million) (note 13).

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	2014 R'000	2013 R'000 Restated
8. Trade and other receivables		
Trade receivables	**1 666 243**	1 605 710
Provision for impairment of receivables	**(12 671)**	(7 896)
Trade receivables – net	**1 653 572**	1 597 814
Insurance claims	**1 682**	5 097
Prepayments	**49 660**	39 650
Other receivables	**112 461**	120 820
Value added tax	**22 433**	13 435
	1 839 808	1 776 816

The secured term facility of Distell Limited is secured with a cession over the trade and other receivables of Distell Limited (note 13).

Included in the Group's trade receivables are debtors with carrying amounts of R85,3 million (2013: R77,4 million) which are past due at the reporting date but not impaired.

These relate to a number of independent customers where there have not been any history of payment default or significant changes in credit quality and the amounts are still considered recoverable. The Group holds no collateral for these past due receivables. The ageing analysis of these receivables is as follows:

	2014 R'000	2013 R'000 Restated
Ageing of past due but not impaired trade and other receivables		
30 to 60 days overdue	**45 183**	52 288
Past 60 days overdue	**40 067**	25 125
	85 250	77 413

At 30 June 2014 trade receivables of R12,7 million (2013: R7,9 million) were impaired and provided for.

The individually impaired receivables mainly relate to customers who are in financial difficulty and where there are indications that the Group may not recover the full amount.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. Concentration of credit risk is limited because of the large number of customers and their dispersion across geographical areas.

	2014 R'000	2013 R'000 Restated

8. Trade and other receivables (continued)

The analysis of trade receivables that are individually determined to be impaired are as follows:

	2014 R'000	2013 R'000 Restated
Ageing of impaired trade and other receivables		
60 to 120 days overdue	**2 436**	2 823
Past 120 days overdue	**10 235**	5 073
Total	**12 671**	7 896
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:		
South African rand	**1 008 748**	1 054 068
US dollar	**230 450**	185 200
Euro	**222 063**	170 005
UK pound	**185 684**	180 907
Canadian dollar	**61 246**	57 679
Other currencies	**131 617**	128 957
	1 839 808	1 776 816
The movement of the Group's provision for impairment of trade receivables are as follows:		
Opening balance	**7 896**	28 460
Provision for receivable impairment	**9 543**	4 355
Receivables written off during the year as uncollectible	**(2 259)**	(8 985)
Exchange difference	**469**	–
Unused amounts reversed	**(2 978)**	(15 934)
Balance at the end of the year	**12 671**	7 896

The creation and release of the provision for impaired receivables have been included in 'sales and marketing expenses' and 'distribution costs' in the income statement (note 19.1). The other classes within trade and other receivables do not contain impaired assets.

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as mentioned above. The fair values of trade and other receivables approximate their book values as shown above due to the short-term maturities of these assets. The Group does not hold any collateral as security.

None of the payment terms of trade and other receivables that are fully performing or overdue have been renegotiated during the year.

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	2014 R'000	2013 R'000 Restated
9. Derivative financial instruments		
The following amounts are included in 'other receivables' (note 8) and 'accrued expenses' (note 16):		
Current assets		
Forward foreign exchange contracts – held-for-trading	**38**	50
Current liabilities		
Forward foreign exchange contracts – held-for-trading	**(17 494)**	(12 806)
Total	**(17 456)**	(12 756)

Refer to note 33.2 for the fair value estimation of forward foreign exchange contracts.

Forward foreign exchange contracts

Material forward exchange contracts as at 30 June 2014 and 30 June 2013 are summarised as follows:

Forward foreign exchange contracts – anticipated transactions

These forward foreign exchange contracts do not relate to specific items on the statement of financial position, but were entered into to cover export proceeds not yet receivable or import commitments not yet payable. The forward foreign exchange contracts will be utilised for the purposes of trade within the following year.

Foreign currency	Foreign currency amount '000	Rand amount R'000	Fair value gain/(loss) R'000
2014			
Forward foreign exchange sales			
Australian dollar	**50**	**480**	**(23)**
Canadian dollar	**1 200**	**11 875**	**(187)**
Euro	**14 950**	**202 333**	**(17 131)**
New Zealand dollar	**501**	**4 517**	**(153)**
US dollar	**4 750**	**50 484**	**38**
		269 689	**(17 456)**
2013			
Forward foreign exchange sales			
Australian dollar	100	946	23
Canadian dollar	1 500	13 918	(377)
Euro	13 250	162 770	(10 585)
New Zealand dollar	450	3 531	27
US dollar	4 300	40 537	(1 844)
		221 702	(12 756)

The net uncovered trade proceeds at 30 June 2014 amounted to R302,1 million (2013: R297,2 million) and net uncovered trade purchases at 30 June 2014 amounted to R143,2 million (2013: R36,3 million).

	2014 Number '000	2013 Number '000
10. Share capital		
Shares authorised		
Ordinary shares of 1 cent each	**250 000**	250 000
Shares issued		
Opening balance	**203 298**	202 838
Issue of shares – share and share appreciation right (SAR) schemes	**457**	460
Issue of shares – BEE transaction (note 36)	**17 680**	–
Ordinary shares of 1 cent each issued and fully paid	**221 435**	203 298
Treasury shares		
Opening balance	**250**	430
Issue of shares – share and SAR scheme	**457**	460
Issue of shares – BEE transaction (note 36)	**2 652**	–
Shares paid and delivered – share and SAR schemes	**(378)**	(640)
	2 981	250

	Company	Company		Group
	Ordinary shares R'000	Share premium R'000	Treasury shares R'000	Total R'000
2014				
Opening balance	**2 033**	**721 725**	**(13 689)**	**710 069**
Issue of shares – share and SAR schemes	**4**	**20 005**	**(20 009)**	**–**
Shares paid and delivered – share and SAR schemes	**–**	**–**	**17 463**	**17 463**
Issue of shares – BEE transaction (note 36)	**177**	**–**	**–**	**177**
Balance at the end of the year	**2 214**	**741 730**	**(16 235)**	**727 709**
2013				
Opening balance	2 028	696 797	(19 545)	679 280
Issue of shares – share and SAR schemes	5	24 928	(24 933)	–
Shares paid and delivered – share and SAR schemes	–	–	30 789	30 789
Balance at the end of the year	2 033	721 725	(13 689)	710 069

Ten percent of the unissued share capital is under the control of the board of directors until the next annual general meeting.

Share and Share Appreciation Right Schemes

The Distell Group Equity Settled Share Appreciation Right Scheme was established during the 2011 financial year to promote the continued growth of the Group and to provide selected employees and executive directors with rights to receive Distell ordinary shares in future, subject to certain employment-related conditions being met. No new allocations under the share scheme have been made during the year under review. The maximum number of shares that may be delivered to participants under the Share and Share Appreciation Right Schemes are limited to ten million shares and the number of shares that may be delivered to any one participant is limited to one million shares.

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10. Share capital (continued)

10.1 Share scheme

The trustees of The Distell Group Share Trust (the Share scheme) offered to participants unissued ordinary shares which were reserved for the scheme.

The details of the offers were as follows:
The offers were made at the closing share price on the JSE on the preceding day and were open for acceptance for one year from the date of the offer. The scheme is a deferred purchase scheme and payment is made in three equal annual instalments of which the first instalment is only payable after three years after the offer date.

Participants have no right to delivery, voting or dividends on shares before payment has been made. Participants may choose to pay on a later date with the resultant deferment of rights. Payment must, however, be made within seven years.

Date	Participants	Offer price per share (Rand)	Number of shares offered	Number of shares accepted as at 30 June 2014	Number of shares paid and delivered as at 30 June 2014
19 March 2001	Executive directors	7,35	**1 127 780**	**1 127 780**	**1 127 780**
19 March 2001	Other participants	7,35	**1 202 127**	**1 202 127**	**1 202 126**
15 October 2002	Other participants	13,21	**47 779**	**47 779**	**47 779**
13 December 2002	Executive directors	14,60	**953 320**	**953 320**	**953 320**
13 December 2002	Other participants	14,60	**1 639 069**	**1 639 069**	**1 639 069**
3 June 2004	Other participants	15,05	**219 570**	**219 570**	**219 570**
25 October 2005	Executive directors	31,00	**62 743**	**62 743**	**62 743**
25 October 2005	Other participants	31,00	**982 924**	**982 924**	**982 924**
7 November 2006	Executive directors	40,00	**227 233**	**227 233**	**227 233**
7 November 2006	Other participants	40,00	**265 225**	**265 225**	**265 225**
8 October 2007	Executive directors	60,50	**116 784**	**116 784**	**116 784**
8 October 2007	Other participants	60,50	**195 208**	**195 208**	**166 225**
23 October 2008	Executive directors	45,50	**164 086**	**164 086**	**164 086**
23 October 2008	Other participants	45,50	**563 368**	**563 368**	**403 863**
22 October 2009	Executive directors	64,00	**54 540**	**54 540**	**51 651**
22 October 2009	Other participants	64,00	**398 799**	**398 799**	**160 633**
			8 220 555	**8 220 555**	**7 791 011**

	2014		2013	
	Average offer price per share (Rand)	**Number of shares**	Average offer price per share (Rand)	Number of shares
The current status of the share scheme is as follows:				
Ordinary shares due to participants				
Previous financial years	**55,79**	**759 678**	52,36	1 439 284
Shares paid for and delivered	**54,13**	**(322 596)**	48,07	(640 461)
Resignations and other	**64,00**	**(7 538)**	55,99	(39 145)
Outstanding at the end of the year	**56,89**	**429 544**	55,79	759 678

10. Share capital (continued)

10.1 Share scheme (continued)

Scheme shares outstanding at the end of the year have the following expiry dates and exercise prices:

	Exercise price per share (Rand)	Number of shares 2014	Number of shares 2013
Shares offered, not issued, not paid for and not delivered (Share Trust):	**53,87**	**301 377**	249 886
October 2013	**45,50**	**–**	212 570
October 2013	**64,00**	**–**	148 611
October 2014	**64,00**	**128 167**	148 611
		429 544	759 678

10.2 Equity Settled Share Appreciation Right Scheme (SAR scheme)

The SAR scheme was approved by shareholders at the Annual General Meeting held on 20 October 2010. Participants of the SAR scheme are remunerated with shares to the value of the appreciation of a specified number of Distell Group Limited ordinary shares that must be exercised within a period of seven years after the grant date.

The earliest intervals at which the Share Appreciation Rights (SARs) are exercisable are as follows:

- One-third after the third anniversary of the grant date
- Two-thirds after the fourth anniversary of the grant date
- The remainder after the fifth anniversary of the grant date

No specific performance criteria are stipulated.

Number and exercise prices of all SARs offered to participants of the SAR scheme:

Date	Participants	Exercise price per SAR (Rand)	Number of SARs offered	Number of SARs accepted as at 30 June 2014	Number of SARs exercised as at 30 June 2014
21 October 2010	Executive directors	**72,00**	**70 188**	**70 188**	**23 395**
21 October 2010	Other participants	**72,00**	**438 860**	**438 860**	**89 473**
25 November 2011	Executive directors	**66,00**	**96 551**	**96 551**	**–**
25 November 2011	Other participants	**66,00**	**429 274**	**429 274**	**–**
2 October 2012	Executive directors	**93,35**	**190 794**	**190 794**	**–**
2 October 2012	Other participants	**93,35**	**526 608**	**526 608**	**–**
21 February 2014	Executive directors	**139,00**	**381 660**	**381 660**	**–**
21 February 2014	Other participants	**139,00**	**350 790**	**350 790**	**–**
			2 484 725	**2 484 725**	**112 868**

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10. Share capital (continued)

10.2 Equity Settled Share Appreciation Right Scheme (SAR scheme) (continued)

	2014		2013	
	Average exercise price per SAR (Rand)	**Number of SARs**	Average exercise price per SAR (Rand)	Number of SARs
The current status of the SAR scheme is as follows:				
Carried forward from previous financial years	**78,94**	**1 752 275**	68,99	1 068 225
Offered in current financial year	**139,00**	**732 450**	93,35	746 094
Exercised during the year	**72,00**	**(112 868)**	–	–
Resignations and other	**–**	**–**	80,88	(62 044)
Outstanding at the end of the year	**97,82**	**2 371 857**	78,94	1 752 275

SARs outstanding at the end of the year have the following expiry dates and exercise prices:

	Exercise price per SAR (Rand)	**Number of SARs 2014**	Number of SARs 2013
SARs offered, accepted and issued, but not exercised:			
October 2013	**72,00**	**56 821**	169 689
October 2014	**72,00**	**169 679**	169 679
November 2014	**66,00**	**175 275**	175 275
October 2015	**72,00**	**169 680**	169 680
November 2015	**66,00**	**175 275**	175 275
November 2015	**93,35**	**239 134**	239 134
November 2016	**66,00**	**175 275**	175 275
November 2016	**93,35**	**239 134**	239 134
February 2017	**139,00**	**244 150**	–
November 2017	**93,35**	**239 134**	239 134
February 2018	**139,00**	**244 150**	–
February 2019	**139,00**	**244 150**	–
		2 371 857	1 752 275

10.3 Bonus shares

The managing director has been awarded 230 000 shares during the year. He becomes entitled to the shares on 1 November 2016, subject to certain performance conditions linked to headline earnings growth being met. This allocation is a once-off award in lieu of benefits forfeited upon termination of his employment at this previous employer.

10.4 Valuation methodology and assumptions

The fair value of scheme shares, SARs and bonus shares granted after 7 November 2002 was valued at each grant date by using an actuarial binomial option pricing model. The model is an extension of the binomial model, incorporating employee behaviour.

The significant inputs into the model were:

share price at the grant date	R14,60 to R139,00
exercise price	shown above
expected volatility	19,99% to 35,90%
dividend yield	2,77% to 6,34%
option life	shown above
annual risk-free interest rate	5,67% to 10,43%

The expected lifetime of each grant is estimated by considering separately each of the tranches within that grant. The risk-free rate was estimated by using the implied yield on a SA zero-coupon government bond and the yield curve over the expected contract lifetimes of three, five, six and seven years from the offer date.

Share price volatility of ordinary shares in Distell Group Limited was determined with reference to movements in the share price on the JSE taking into consideration the expected lifetimes of each tranche of all grants over the vesting period.

Dividend yield was calculated using the two-year moving average dividend yield at each offer date.

The total expense recognised in the income statement in 'employee benefit expense' (note 19.4) relating to the above equity-settled share-based payments was R20,3 million (2013: R11,8 million).

	2014 R'000	2013 R'000 Restated
11. Non-distributable and other reserves		
Group		
Reserves at formation of a previous holding company	**15 199**	15 199
Capital reduction	**236**	236
Transfer of share capital on cancellation of shares	**13 226**	13 226
Transfer of share premium	**15 873**	15 873
Capital redemption reserve fund	**400**	400
Reclassification of pallets to deposit value	**5 773**	5 773
Foreign currency translations	**686 836**	221 792
Opening balance	**221 792**	(68 344)
Currency translation differences for the year	**465 044**	290 136
Fair value adjustments	**42 004**	31 087
Opening balance	**31 087**	22 799
Fair value adjustments of available-for-sale financial assets	**12 694**	9 653
Deferred income tax on fair value adjustments	**(1 777)**	(1 365)
BEE share-based payment option reserve	**122 080**	122 257
Opening balance	**122 257**	115 380
BEE share-based payment for the year	**–**	6 877
Issue of shares – BEE transaction	**(177)**	–
Employee share scheme reserve	**90 424**	69 842
Opening balance	**69 842**	57 987
Employee share-based payment for the year	**20 582**	11 855
Actuarial gains and losses reserve	**307 766**	309 739
Opening balance	**309 739**	71 567
Actuarial gains and losses for the year	**1 732**	328 989
Associates' actuarial loss for the year	**(3 188)**	–
Deferred income tax on actuarial gains and losses	**(517)**	(90 817)
Gains and losses on transactions with non-controlling interests	**(3 200)**	1 350
Opening balance	**1 350**	1 350
Gains and losses for the year	**(4 550)**	–
	1 296 617	806 774
Company		
BEE share-based payment option reserve	**122 080**	122 257
Opening balance	**122 257**	115 380
BEE share-based payment for the year	**–**	6 877
Issue of shares – BEE transaction	**(177)**	–
Reserves at formation of a previous holding company	**15 199**	15 199
Capital reduction	**236**	236
	137 515	137 692

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	2014 R'000	2013 R'000 Restated
12. Retained earnings		
Group		
Company	**1 690 900**	1 599 600
Consolidated subsidiaries	**4 705 646**	4 021 973
Joint ventures	**91 988**	80 293
Associated companies	**56 763**	28 176
	6 545 297	5 730 042
Opening balance	**5 730 042**	5 257 989
Profit for the year	**1 523 304**	1 088 334
Dividends paid	**(708 049)**	(616 281)
Balance at the end of the year	**6 545 297**	5 730 042
Company		
Opening balance	**1 599 600**	1 514 268
Profit for the year	**804 346**	702 659
Dividends paid	**(713 046)**	(617 327)
Balance at the end of the year	**1 690 900**	1 599 600
13. Interest-bearing borrowings		
Non-current		
Unsecured rand loan, bearing interest at a fixed rate of 11,00% (2013: 11,00%) per annum, repayable in quarterly instalments of R18,8 million from July 2012, with a final redemption on 26 March 2014	**–**	345 000
Secured inventory UK pound facility, bearing interest at Bank of England base rate plus 1,45%, for a minimum period of five years from December 2011	**600 764**	429 597
Secured real property UK pound facility, bearing interest at Bank of England base rate plus 2,25%, repayable in monthly instalments of £25 000, with a final redemption repayment of £300 000 in December 2016	**18 066**	20 528
Secured term facility rand loan, bearing interest at a variable rate of 6,902% per annum. Interest is payable quarterly and the loan is repayable on 30 June 2019	**1 200 000**	–
Secured term facility rand loan, bearing interest at a variable rate of 6,742% per annum. Interest is payable quarterly and the loan is repayable on 30 June 2017	**900 000**	–
Secured revolving term facility rand loan, bearing interest at a variable rate of 6,742% per annum. Interest is payable quarterly and the loan is repayable on 30 June 2017	**400 000**	–
Secured rand loans on capitalised finance lease vehicles (note 2), bearing interest at a variable rate of 1,5% below prime per annum, payable monthly in arrears in instalments of R41 429 (2013: R62 859) for 48 months (note 31)	**1 094**	2 210
	3 119 924	797 335
Less: Portion of loans repayable within one year, included in current liabilities	**(5 834)**	(350 192)
	3 114 090	447 143

	2014 R'000	2013 R'000 Restated
13. Interest-bearing borrowings (continued)		
Current		
Unsecured euro loan, bearing interest at a fixed rate of 2,034% per annum, repayable on 22 December 2014	**156 992**	129 801
Secured euro loan, bearing interest at Euribor plus 0,85% per annum, repayable on 1 April 2015	**102 809**	61 006
Unsecured rand loans, bearing interest at a variable rate of 6,375% per annum, repayable on 8 October 2013	**–**	1 820 000
Unsecured US dollar loan, bearing interest at a variable rate of 7,745% per annum, repayable on 20 June 2015	**51 850**	–
Unsecured rand call accounts and bank overdrafts	**444 276**	425 772
Short-term portion of non-current borrowings	**5 834**	350 192
	761 761	2 786 771
Total interest-bearing borrowings	**3 875 851**	3 233 914

The interest rate repricing profile at 30 June 2014 and 30 June 2013 is summarised as follows:

	2014		2013	
Interest-bearing borrowings	**% of total**	**R'000**	% of total	R'000
Fixed rate (unsecured loans)	**–**	**–**	10,7	345 000
Floating rate (secured loans)	**83,1**	**3 222 733**	15,9	513 341
Floating rate (unsecured loans)	**1,3**	**51 850**	56,3	1 820 000
Fixed rate euro loan (unsecured loans)	**4,1**	**156 992**	4,0	129 801
Floating call rate (2014: 6,8%, 2013: 6,4%)	**11,5**	**444 276**	13,1	425 772
Total interest-bearing borrowings	**100,0**	**3 875 851**	100,0	3 233 914

The maturity profile of the interest-bearing borrowings is indicated in note 33.1(c).

The fair value and carrying amounts of non-current borrowings are as follows:

	Fair value		**Carrying amount**	
Interest-bearing borrowings	**2014** R'000	2013 R'000	**2014** R'000	2013 R'000
Bank borrowings	**3 082 664**	427 041	**3 113 425**	445 574
Finance lease liabilities	**665**	1 569	**665**	1 569
	3 083 329	428 610	**3 114 090**	447 143

The fair value of non-current borrowings is calculated using cash flows discounted at a rate based on the borrowings rate of 3,6% to 6,9% (2013: 3,0% to 3,8%).

Total borrowings include secured liabilities of R3 222,7 million (2013: R513,3 million). These borrowings are secured by mortages over immovable property, general notarial bonds over movable assets and a cession over trade and other receivables of specific Group subsidiaries. Refer to notes 2, 7 and 8.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

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	2014 R'000	2013 R'000 Restated
13. Interest-bearing borrowings (continued)		
The Group's unutilised banking facilities and reserve borrowing capacity are as follows:		
Unutilised banking facilities		
Total floating rate banking facilities expiring within one year	**2 010 246**	1 852 000
Less: Current interest-bearing borrowings	**(444 276)**	(425 772)
Unutilised banking facilities	**1 565 970**	1 426 228
Banking facilities are renewed annually and are subject to review at various dates during the next year.		
14. Retirement benefits		
Statement of financial position		
Assets		
Pension benefits	**(70 838)**	(59 230)
Post-retirement medical liability	**(194 455)**	(213 770)
	(265 293)	(273 000)
Liabilities		
Post-retirement medical liability	**25 176**	22 604
	25 176	22 604
Net retirement benefit asset	**(240 117)**	(250 396)
Income statement charge for:		
Pension benefits	**(2 250)**	(5 800)
Post-retirement medical liability	**22 230**	45 288
	19 980	39 488
Actuarial gains and losses		
Actuarial gains recognised in other comprehensive income (before taxation)	**1 732**	320 963
Cumulative actuarial gains recognised in other comprehensive income (before taxation)	**407 998**	406 266

14. Retirement benefits (continued)

14.1 Pension benefits

Defined-benefit pension funds

The Group operates two defined-benefit pension funds and three defined-contribution provident funds. All permanent employees have access to these funds. These schemes are regulated by the Pension Funds Act, No. 24 of 1956, as amended, and are managed by trustees and administered by independent administrators. Fund assets are held independently of the Group's finances.

The defined-benefit pension funds are actuarially valued every three years and reviewed every year using the projected unit credit method. The latest full actuarial valuation was performed on 31 May 2012 and indicated that the plans are in a sound financial position.

	2014 R'000	2013 R'000 Restated
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	**220 061**	229 072
Fair value of plan assets	**(399 801)**	(349 230)
Funded position	**(179 740)**	(120 158)
Asset not recognised in terms of IAS 19, paragraph 58 limit*	**108 902**	60 928
Net asset in statement of financial position	**(70 838)**	(59 230)

* *The 'IAS 19, paragraph 58 limit' ensures that the asset to be recognised in the Group's statement of financial position is subject to a maximum of the sum of any unrecognised actuarial losses, past service costs and the present value of any economic benefits available to the Group in the form of refunds or reductions in future contributions. The movement in this limit pertains to a change in effect of asset limit of R43,4 million and interest cost of R4,5 million.*

	2014 R'000	2013 R'000 Restated
The movement in the defined-benefit obligation over the year is as follows:		
Opening balance	**229 072**	199 828
Current service cost	**2 107**	1 397
Interest cost	**16 748**	14 807
Contributions	**382**	365
Risk premiums	**(230)**	(223)
Transfer employer surplus	**(186)**	–
Pensioner liability expense	**–**	(1 388)
Benefits paid	**(13 795)**	(10 726)
Remeasurements		
Actuarial gain	**(14 037)**	25 012
Balance at the end of the year	**220 061**	229 072
The movement in the fair value of plan assets over the year is as follows:		
Opening balance	**349 230**	306 300
Interest income	**25 675**	22 004
Employer contributions	**864**	459
Employee contributions	**–**	365
Risk premiums	**(230)**	(223)
Transfer employer surplus	**7 420**	–
Benefits paid	**(14 404)**	(10 726)
Remeasurements		
Return on plan assets	**31 246**	31 051
Balance at the end of the year	**399 801**	349 230

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	2014 R'000	2013 R'000 Restated
14. Retirement benefits (continued)		
14.1 Pension benefits (continued)		
Income statement		
Amounts recognised in 'administration and other costs' and 'employee benefit expense' (note 19.4) in the income statement are as follows:		
Current service cost	**2 107**	1 397
Interest cost	**21 318**	14 807
Interest income	**(25 675)**	(22 004)
Total income	**(2 250)**	(5 800)
Actual return on plan assets	**(56 921)**	(52 246)

The Financial Services Board (FSB) approved the surplus apportionments within the Distell Retirement Fund, Distillers Corporation Pension Fund and SFW Pension Fund and a liability and actuarial gain of R2,7 million was recognised at 30 June 2014 in this regard. The outstanding balance at 30 June 2014 which is available in the form of reductions in future contributions, amounts to R108,9 million.

	2014	2013
Principal actuarial assumptions on statement of financial position date		
Discount rate	**8,6%**	7,5%
Expected rate of return on plan assets	**8,6%**	7,5%
Future salary increases	**7,5%**	7,0%
Future pension increases	**6,5%**	6,0%
Inflation rate	**6,5%**	6,0%
14.2 Post-retirement medical liability		
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligation	**919 250**	719 798
Fair value of plan assets	**(1 088 529)**	(910 964)
Net asset in statement of financial position	**(169 279)**	(191 166)
The movement in the defined-benefit obligation over the year is as follows:		
Opening balance	**719 798**	820 492
Current service cost	**40 949**	46 220
Interest cost	**67 951**	63 022
Benefits paid	**(16 787)**	(17 802)
Remeasurements		
Actuarial loss	**107 339**	(192 134)
Balance at the end of the year	**919 250**	719 798
The movement in the fair value of plan assets over the year is as follows:		
Opening balance	**910 964**	739 538
Interest income	**86 670**	63 954
Benefits paid	**(16 297)**	(17 278)
Remeasurements		
Return on plan assets	**107 192**	124 750
Balance at the end of the year	**1 088 529**	910 964

	2014 R'000	2013 R'000 Restated

14. Retirement benefits (continued)

14.2 Post-retirement medical liability (continued)

Income statement

Amounts recognised in 'administration and other costs' and 'employee benefit expense' (note 19.4) in the income statement are as follows:

	2014 R'000	2013 R'000 Restated
Current service cost	**40 949**	46 220
Interest cost	**67 951**	63 022
Interest income	**(86 670)**	(63 954)
Total expense	**22 230**	45 288
Actual return on plan assets	**(194 771)**	(187 267)

The post-retirement medical liability is actuarially valued every year, using the projected unit credit method. Plan assets are valued at current market value.

Principal actuarial assumptions on statement of financial position date

	2014	2013
Discount rate	**9,8%**	9,6%
Expected rate of return on assets	**9,8%**	9,6%
Future salary increases	**7,5%**	7,0%
Annual increases in health cost	**9,5%**	8,6%
Expected membership continuation at retirement	**100,0%**	100,0%
Expected retirement age	**60**	60

	Decrease	**Increase**
The effect of a 1% movement in the assumed health cost trend rate is as follows:		
Effect on the aggregate of the current service cost and interest cost	**29 381**	**40 397**
Effect on the defined-benefit obligation	**163 316**	**217 799**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined-benefit obligation to significant actuarial assumptions the same method (present value of the defined-benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Trend information	**2014 R'000**	2013 R'000	2012 R'000	2011 R'000	2010 R'000
Present value of funded obligation	**919 250**	719 798	820 492	729 288	596 318
Fair value of plan assets	**(1 088 529)**	(910 964)	(739 538)	(655 498)	(618 118)
Surplus in the plan	**(169 279)**	(191 166)	80 954	73 790	(21 800)
Experience adjustments on plan liabilities	**17 632**	148 515	37 594	6 431	(3 187)
Experience adjustments on plan assets	**106 330**	124 750	36 991	9 149	11 844

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	2014		2013	
	R'000	%	R'000	%
14. Retirement benefits (continued)				
14.3 Retirement benefits (pension and medical)				
Plan assets are comprised as follows:				
Cash	**232 011**	**15,6**	140 597	11,2
Bonds	**284 624**	**19,1**	148 429	11,8
Equity instruments	**878 485**	**59,0**	875 160	69,4
Property	**26 202**	**1,8**	6 053	0,5
International equities and cash	**67 008**	**4,5**	89 955	7,1
	1 488 330	**100,0**	1 260 194	100,0

Investments are diversified, with the largest proportion of assets invested in South African equities, although the Group also invests in property, bonds, cash and international investment instruments. The Group believes that equities offer the best returns over the long term with an acceptable level of risk.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets. Expected yields on interest investments are based on gross redemption yields.

Expected contributions to post-employment defined-benefit plans for the year to 30 June 2015 are R0,9 million.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. Mortality assumptions for southern Africa are based on PA(90) post-retirement mortality tables with a minimum annual improvement of between 0,5% and 1,0%.

15. Deferred income tax

Deferred income tax assets and deferred income tax liabilities are off-set when there is a legally enforceable right to off-set and when the deferred income tax relate to the same fiscal authority.

	2014 R'000	2013 R'000 Restated
The amounts disclosed on the statement of financial position are as follows:		
Companies in the Group with net deferred income tax assets		
Deferred tax asset to be recovered after more than 12 months	**(12 636)**	(12 577)
Deferred tax asset to be recovered within 12 months	**(58 574)**	(46 200)
	(71 210)	(58 777)
Companies in the Group with net deferred income tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**584 221**	479 226
Deferred tax liability to be recovered within 12 months	**–**	–
	584 221	479 226
Net deferred income tax liability	**513 011**	420 449
The net movement on the deferred income tax account is as follows:		
Opening balance	**420 449**	166 682
Income statement charge (note 26)		
Provision for the year	**83 020**	29 025
Exchange differences	**7 248**	13 538
Acquisition of subsidiaries (note 34)	**–**	119 022
Charged to other comprehensive income (note 11)	**2 294**	92 182
Balance at the end of the year	**513 011**	420 449

15. Deferred income tax (continued)

The gross movement in deferred income tax assets and liabilities during the year, without taking offsetting into account, is as follows:

Deferred income tax liabilities	Intangible assets R'000	Allowances on fixed assets R'000	Biological assets R'000	Retirement benefits R'000	Total R'000
2014					
Opening balance (restated)	**103 566**	**374 219**	**21 005**	**66 558**	**565 348**
Exchange differences	**16 390**	**1 291**	**–**	**–**	**17 681**
Charged to the income statement	**–**	**57 868**	**415**	**(3 616)**	**54 667**
Charged to other comprehensive income	**–**	**–**	**–**	**517**	**517**
Balance at the end of the year	**119 956**	**433 378**	**21 420**	**63 459**	**638 213**
2013					
Opening balance (restated)	–	274 847	22 982	(13 341)	284 488
Exchange differences	10 045	4 851	–	–	14 896
Charged to the income statement	1	49 099	(1 977)	(10 918)	36 205
Charged to other comprehensive income	–	–	–	90 817	90 817
Acquisition of subsidiary (note 34)	93 520	45 422	–	–	138 942
Balance at the end of the year (restated)	103 566	374 219	21 005	66 558	565 348

Deferred income tax assets	Impairment of receivables R'000	Assessed losses R'000	Leave and bonus accruals R'000	Other R'000	Total R'000
2014					
Opening balance (restated)	**(1 100)**	**(75 419)**	**(50 428)**	**(17 952)**	**(144 899)**
Exchange differences	**–**	**(10 683)**	**–**	**250**	**(10 433)**
Charged to the income statement	**(516)**	**9 181**	**25 515**	**(5 827)**	**28 353**
Charged to other comprehensive income	**–**	**–**	**–**	**1 777**	**1 777**
Balance at the end of the year	**(1 616)**	**(76 921)**	**(24 913)**	**(21 752)**	**(125 202)**
2013					
Opening balance (restated)	(6 089)	(36 751)	(57 613)	(17 353)	(117 806)
Exchange differences	–	(1 169)	–	(189)	(1 358)
Charged to the income statement	4 989	(19 228)	7 185	(126)	(7 180)
Charged to other comprehensive income	–	–	–	1 365	1 365
Acquisition of subsidiary (note 34)	–	(18 271)	–	(1 649)	(19 920)
Balance at the end of the year (restated)	(1 100)	(75 419)	(50 428)	(17 952)	(144 899)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable.

Refer to note 26 for taxation losses and capital improvements available for offset against future taxable income.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries.

16. Trade and other payables

	2014 R'000	2013 R'000 Restated
Trade payables	**1 694 715**	1 976 886
Accrued expenses	**93 124**	105 866
Accrued leave pay	**78 844**	71 909
Excise duty	**676 486**	745 469
Value added tax	**24 132**	7 374
	2 567 301	2 907 504

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	2014 R'000	2013 R'000 Restated
17. Provisions		
Bonuses		
Opening balance	**116 286**	150 740
Charged to the income statement		
Additional provisions	**5 837**	117 126
Unused amounts – reversed	**(1 335)**	(6 111)
Interest cost	**313**	284
Utilised during the year	**(107 844)**	(145 753)
Balance at the end of the year	**13 257**	116 286
Excise duty		
Opening balance	**178 569**	557 761
Payments made	**–**	(537 000)
Charged to the income statement		
Reversal of provision	**–**	(13 928)
Additional provisions	**11 212**	171 736
Balance at the end of the year	**189 781**	178 569
Summary		
Performance and other bonuses	**9 354**	112 562
Long-service bonuses	**3 903**	3 724
	13 257	116 286
Excise duty	**189 781**	178 569
	203 038	294 855

Performance and other bonuses

The majority of employees in service of the Group participate in a performance-based incentive scheme and a provision is made for the estimated liability in terms of set performance criteria. These bonuses are paid in October of every year.

Long-service bonuses

The Group pays long-service bonuses to employees after 10, 25 and 35 years of service respectively. An actuarial calculation is done to determine the Group's liability under this practice using the projected unit credit method. The calculation is based on a discount rate of 9,0% (2013: 8,7%) and an attrition rate of 7,0% (2013: 7,0%).

Excise duty

The Supreme Court of Appeal (SCA) in May 2012 ruled in favour of the South African Revenue Service (SARS) that certain of our wine apéritif products should be classified as spirituous beverages under a higher rate of excise duty.

Provision was made for the higher rate of duty on all our wine apéritif products, plus interest.

Following the ruling by the SCA, the amount of additional duty plus interest on the particular products has been paid to SARS.

The correct tariff classification of the remainder of the wine apéritif products remains in dispute and papers have been filed for a hearing before the Supreme Court in Pretoria.

The amount provided for herein is for such additional duty plus interest.

Our matter before the courts is based on expert opinion and legal advice of Senior Counsel.

	2014 R'000	2013 R'000 Restated
18. Revenue		
Group		
Sales	**14 062 333**	12 523 531
Excise duty	**3 677 276**	3 202 077
	17 739 609	15 725 608
Sales volumes (litres '000)	**619 608**	601 113
Company		
Dividends received		
Ordinary shares: South African Distilleries and Wines (SA) Limited	**607 590**	524 737
Preference shares: Distell Beverages (RF) Proprietary Limited	**196 756**	177 922
	804 346	702 659
19. Operating costs		
19.1 Costs classified by function		
Costs of goods sold	**11 610 234**	10 347 745
Sales and marketing costs	**2 501 977**	2 084 367
Distribution costs	**1 063 200**	989 124
Administration and other costs	**568 990**	551 202
	15 744 401	13 972 438
19.2 Costs classified by nature		
Group		
Administrative and managerial fees	**19 701**	15 567
Advertising costs and promotions	**1 788 097**	1 506 849
Amortisation of intangible assets (note 6)	**9 555**	9 876
Auditors' remuneration (note 19.3)	**14 451**	8 591
BEE share-based payment relating to employees	**–**	6 877
Depreciation (note 2)	**246 870**	197 481
Employee benefit expense (note 19.4)	**1 724 688**	1 578 708
Impairment of trade and other receivables	**5 541**	15 879
Maintenance and repairs	**179 411**	157 339
Net fair value adjustment of biological assets (note 3)	**(488)**	7 556
Net foreign exchange gains	**(35 021)**	(62 552)
Operating lease expenses (notes 19.5 and 31)	**228 317**	164 827
Raw materials and consumables used	**10 265 826**	9 271 349
Research and development expenditure: trademarks and brands	**36 884**	32 623
Transportation costs	**349 447**	302 082
Other expenses	**911 122**	759 386
	15 744 401	13 972 438
19.3 Auditors' remuneration		
Audit fees	**9 617**	6 309
Audit fees in respect of previous year	**259**	145
Fees for other services		
Taxation	**3 778**	1 805
Other	**677**	228
Expenses	**120**	104
	14 451	8 591

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	2014 R'000	2013 R'000 Restated
19. Operating costs (continued)		
19.4 Employee benefit expense		
Salaries and wages	**1 517 345**	1 378 760
Share Appreciation Rights and Scheme Shares granted to directors and employees	**20 252**	11 767
Pension costs – defined-contribution plans	**95 138**	85 246
Medical aid contributions	**71 973**	63 447
Pension benefits (note 14.1)	**(2 250)**	(5 800)
Post-retirement medical benefits (note 14.2)	**22 230**	45 288
	1 724 688	1 578 708
19.5 Operating lease expenses		
Properties	**135 944**	85 186
Vehicles	**52 000**	42 589
Equipment	**21 007**	18 147
Machinery	**19 366**	18 905
	228 317	164 827

20. BEE share-based payment

	2014 R'000	2013 R'000 Restated
Employee portion	**–**	6 877
	–	6 877

See note 36 for details about the BEE transaction. The BEE transaction has no impact on earnings other than the BEE share-based payment. See note 27.2 for the dilutive effect of the BEE transaction on earnings per share.

21. Other gains

	2014 R'000	2013 R'000 Restated
Gain on disposal of previously held interest (note 34)	**–**	9 247
Remeasurement of contingent consideration (note 34)	**159 029**	–
Profit on disposal of property, plant and equipment	**13 085**	1 402
	172 114	10 649
Taxation	**(3 664)**	(393)
	168 450	10 256

22. Dividend income

	2014 R'000	2013 R'000 Restated
Dividend income derived from unlisted investments	**6 150**	6 279
	6 150	6 279

23. Finance income

	2014 R'000	2013 R'000 Restated
Interest received		
Cash and cash equivalents	**12 986**	18 016
Other	**2 096**	3 691
	15 082	21 707

24. Finance costs

	2014 R'000	2013 R'000 Restated
Interest paid		
Borrowings	**(220 976)**	(88 957)
Other	**(11 733)**	(172 477)
	(232 709)	(261 434)

	2014 R'000	2013 R'000 Restated
25. Share of equity-accounted earnings		
Share of profit of associates		
Share of profit before taxation	**102 045**	81 380
Share of taxation	**(28 799)**	(23 712)
Share of profit for the year	**73 246**	57 668
Share of profit of joint ventures		
Share of profit before taxation	**18 585**	10 417
Share of taxation	**(5 565)**	(2 916)
Share of profit for the year	**13 020**	7 501
	86 266	65 169

26. Taxation

26.1 Normal company taxation

	2014 R'000	2013 R'000 Restated
Group		
Current taxation		
current year	**433 103**	480 413
previous year	**1 723**	2 971
Deferred taxation	**83 020**	29 025
	517 846	512 409
Composition		
Normal South African taxation	**473 774**	465 306
Foreign taxation	**44 072**	47 087
Secondary taxation on companies (STC)	**–**	16
	517 846	512 409
The income tax charged to other comprehensive income during the year is as follows:		
Deferred taxation		
fair value adjustments of available-for-sale financial assets	**1 777**	1 365
actuarial losses and gains	**517**	90 817
	2 294	92 182

26.2 Reconciliation of rate of taxation (%)

	2014	2013
Standard rate for companies	**28,0**	28,0
Differences arising from normal activities:		
non-taxable income	**(2,4)**	(0,2)
non-deductible expenses	**1,2**	4,8
taxation losses utilised	**–**	(0,6)
adjustments in respect of prior years	**(0,5)**	0,5
foreign tax rate differential, withholding taxes and income from associates	**(0,9)**	(0,4)
Effective rate	**25,4**	32,1

The standard rate of tax for companies in South Africa is 28,0% (2013: 28,0%).

26.3 Taxation losses

	2014 R'000	2013 R'000 Restated
Calculated taxation losses and capital improvements available for offset against future taxable income	**233 597**	286 596
Applied to reduce deferred income tax	**(232 912)**	(286 060)
	685	536

The taxation losses have no expiry dates.

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27. Earnings per ordinary share

27.1 Basic, headline and cash equivalent earnings per share

The calculation of earnings per ordinary share is based on earnings as detailed below and on the weighted average number of ordinary shares in issue.

	2014 R'000	2013 R'000 Restated
Weighted average number of ordinary shares in issue ('000)	**209 881**	202 752
Earnings reconciliation		
Profit attributable to equity holders	**1 523 304**	1 088 334
Adjusted for (net of taxation):		
net other capital gains (note 21)	**(9 421)**	(10 256)
Headline earnings	**1 513 883**	1 078 078
Adjusted for (net of taxation):		
abnormal excise duty and interest provision (note 17)	**11 212**	161 709
remeasurement of contingent consideration (note 34)	**(159 029)**	–
impact of new business acquisitions	**–**	102 904
Normalised headline earnings	**1 366 066**	1 342 691
Basic earnings per share (cents)	**725,8**	536,8
Headline earnings per share (cents)	**721,3**	531,7
Normalised headline earnings per share (cents)	**650,9**	662,2
Cash equivalent earnings		
Profit attributable to equity holders	**1 523 304**	1 088 334
Adjusted for:		
deferred income tax (note 26.1)	**83 020**	29 025
non-cash flow items (note 29.1)	**148 225**	604 125
Total cash equivalent earnings	**1 754 549**	1 721 484
Cash equivalent earnings per share (cents)	**836,0**	849,1

Cash equivalent earnings per share: Earnings attributable to equity holders, after taking into account the adjustments explained above, divided by the weighted average number of ordinary shares in issue. This basis recognises the potential of the earnings stream to generate cash.

27.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: shares offered, but not paid and delivered, to participants in the Share and Share Appreciation Right Schemes (note 10) and the call option previously granted to the consortium participating in the BEE transaction (note 36).

For the Share and Share Appreciation Right Schemes a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share rights.

For the BEE transaction a calculation was done to determine the additional number of shares that could have been issued at fair value (determined as the average market share price of the company's shares) based on the value of Distell Beverages (RF) Proprietary Limited at year-end. The BEE transaction was restructured during the current financial year and 17,7 million additional shares, of which 2,5 million will be treated as treasury shares, were issued in January 2014. These additional shares are included in the weighted average number of shares in issue of the current year, but the additional impact on a full year basis is disclosed under "BEE transaction" below.

	2014 R'000	2013 R'000 Restated
27. Earnings per ordinary share (continued)		
27.2 Diluted earnings per share (continued)		
Weighted average number of ordinary shares in issue ('000)	**209 881**	202 752
Adjusted for:		
Share and SAR scheme and bonus shares	**750**	507
BEE transaction	**8 358**	17 749
Weighted average number of ordinary shares for diluted earnings ('000)	**218 989**	221 008
Diluted earnings per share (cents)	**695,6**	492,4
Diluted headline earnings per share (cents)	**691,3**	487,8
Diluted normalised headline earnings per share (cents)	**623,8**	607,5
Diluted cash equivalent earnings per share (cents)	**801,2**	778,9

28. Dividends

Paid: 154,0 cents (2013: 152,0 cents)	**341 010**	309 013
Declared: 183,0 cents (2013: 183,0 cents)	**405 226**	372 036
Total: 337,0 cents (2013: 335,0 cents)	**746 236**	681 049

A final dividend of 183,0 cents per share was declared for the financial year ended 30 June 2014. The dividend will be paid on Monday, 22 September 2014. The last date to trade cum dividend will be Friday, 12 September 2014.

The shares of Distell will commence trading ex dividend from the commencement of business on Monday, 15 September 2014, and the record date will be Friday, 19 September 2014.

Since the final dividend was declared subsequent to year-end it has not been provided for in the annual financial statements.

29. Cash flow information

29.1 Non-cash flow items		
Depreciation	**246 870**	197 481
Net fair value adjustment of biological assets	**(488)**	7 556
Intangible assets amortisation	**9 555**	9 876
Profit on disposal of property, plant and equipment	**(13 085)**	(1 402)
Profit on disposal of previously held interest in subsidiary	**–**	(9 247)
Provision for impairment of receivables	**4 775**	(20 564)
Provision for retirement benefits	**8 823**	45 143
Provision for leave and bonuses	**8 435**	115 027
Provision for excise duty	**11 212**	157 808
Share Appreciation Rights and Scheme Shares granted to directors and employees	**20 252**	11 767
Remeasurement of contingent consideration	**(159 029)**	–
BEE share-based payment	**(177)**	6 877
Other	**11 082**	83 803
	148 225	604 125
29.2 Working capital changes		
Increase in inventories	**(390 088)**	(932 007)
Increase in trade and other receivables	**(41 380)**	(155 128)
Decrease in trade and other payables	**(324 187)**	(258 133)
	(755 655)	(1 345 268)

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	2014 R'000	2013 R'000 Restated
29. Cash flow information (continued)		
29.3 Taxation paid		
Prepaid at the beginning of the year	**29 253**	139 594
Acquisition of subsidiary (note 34)	**–**	(1 192)
Current provision for taxation	**(434 826)**	(483 384)
Exchange differences	**299**	–
Prepaid at the end of the year	**(53 827)**	(29 253)
	(459 101)	(374 235)
29.4 Dividends paid		
Group		
Dividends declared	**(713 046)**	(617 327)
Dividends paid to The Distell Group Share Trust	**913**	1 046
Dividends paid to Distell Beverages (RF) Proprietary Limited	**4 084**	–
Unpaid at the end of the year	**–**	–
	(708 049)	(616 281)
Company		
Dividends declared	**(713 046)**	(617 327)
Unpaid at the end of the year	**–**	–
	(713 046)	(617 327)
29.5 Purchases of property, plant and equipment (PPE) to maintain operations		
Properties	**(33 876)**	(54 292)
Machinery, tanks and barrels	**(186 961)**	(156 162)
Equipment and vehicles	**(15 677)**	(14 416)
Assets under construction	**(39 835)**	(60 164)
	(276 349)	(285 034)
29.6 Purchases of PPE to expand operations		
Properties	**(127 969)**	(48 211)
Biological assets	**(2 830)**	(3 736)
Machinery, tanks and barrels	**(182 271)**	(153 928)
Equipment and vehicles	**(36 085)**	(29 708)
Assets under construction	**(66 308)**	(224 978)
	(415 463)	(460 561)
29.7 Increase in net cash, cash equivalents and bank overdrafts		
Balance at the beginning of the year	**70 197**	(473 161)
Exchange gains on cash, cash equivalents and bank overdrafts	**(30 647)**	(19 649)
Balance at the end of the year	**7 335**	(70 197)
Cash at bank and on hand	**451 611**	355 575
Call accounts and bank overdrafts	**(444 276)**	(425 772)
	46 885	(563 007)

30. Segment reporting

Management has determined the operating segments based on the reports reviewed by the executive management team (chief operating decision-maker) for the purpose of assessing performance, allocating resources and making strategic decisions.

The executive management considers the business from a geographic perspective with reference to the performance of South Africa and other international operations. Revenue includes excise duty.

The reportable operating segments derive their revenue primarily from the production, marketing and distribution of alcoholic beverages and other non-alcoholic items.

The Group is not reliant on any one major customer due to the large number of customers and their dispersion across geographical areas.

The amendment to IFRS 8, which allows an entity to not disclose segmental assets, if not reviewed by management in that format, has been adopted. Therefore no assets are disclosed for segments.

Financial liabilities are also not reviewed on a segmental basis and are not disclosed separately.

The executive management team assesses the performance of the operating segments based on a measure of adjusted operating profit. This measurement basis excludes, for example, the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments that are shown separately under 'corporate services'. Interest income and interest expenditure are also not allocated to segments as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The segment information provided to the executive management team for the reportable segments are as follows:

	2014 R'000	2013 R'000 Restated
Revenue from external customers		
Sales of alcoholic beverages		
Republic of South Africa	**12 073 559**	11 471 898
International	**5 577 014**	4 154 202
	17 650 573	15 626 100
Other non-alcoholic items	**89 036**	99 508
Consolidated revenue	**17 739 609**	15 725 608
Operating profit		
Republic of South Africa	**1 796 352**	1 832 953
International	**886 703**	689 700
	2 683 055	2 522 653
Corporate services	**(687 847)**	(769 483)
	1 995 208	1 753 170
Other gains	**172 114**	10 649
Consolidated operating profit	**2 167 322**	1 763 819
Geographical information		
The Republic of South Africa is the parent company's country of domicile. Those countries which account for more than 10% of the Group's total revenue and/or non-current assets are considered individually material and are reported separately below:		
Revenue from external customers		
Republic of South Africa	**12 073 559**	11 471 898
Rest of Africa	**2 764 320**	2 310 996
BLNS	**1 472 015**	1 217 271
Other	**1 292 305**	1 093 725
Rest of the world	**2 812 694**	1 843 206
Europe	**1 285 541**	580 137
Other	**1 527 153**	1 263 069
Other non-alcoholic items	**89 036**	99 508
	17 739 609	15 725 608

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	2014 R'000	2013 R'000 Restated
30. Segment reporting (continued)		
Non-current assets		
Republic of South Africa	**3 937 875**	3 626 644
Rest of Africa	**332 653**	197 218
BLNS	**64 564**	63 632
Other	**268 089**	133 586
Rest of the world	**2 368 353**	1 970 296
Europe	**2 365 640**	1 967 148
Other	**2 713**	3 148
	6 638 881	5 794 158
31. Commitments		
Capital commitments		
Capital expenditure contracted, not yet incurred	**196 268**	261 179
Capital expenditure authorised by the directors, not yet contracted	**1 181 503**	753 144
	1 377 771	1 014 323
Composition of capital commitments		
Subsidiaries	**1 377 771**	1 014 323
	1 377 771	1 014 323

These commitments will be incurred in the coming year and will be financed by own and borrowed funds, comfortably contained within established gearing constraints.

Operating lease commitments

The Group leases various farming land, warehouses, machinery, equipment and vehicles under non-cancellable operating lease agreements. The leases have varying terms, renewal rights and escalation clauses. The majority of escalation clauses are linked to the CPI or equivalent inflation rate.

The future minimum lease payments under non-cancellable operating leases are as follows:

	2014 R'000	2013 R'000 Restated
Not later than one year	**67 397**	43 399
Later than one year and not later than five years	**83 440**	61 865
	150 837	105 264

Finance lease commitments

The Group entered into finance lease agreements with financial institutions for the lease of vehicles for a period of between 48 and 60 months. In terms of the lease agreements, instalments are payable at the end of each month. The Group sells the vehicles at the end of the lease agreements. The agreements have no contingent rents.

	Not later than 1 year R'000	Later than 1 year and not later than 5 years R'000	2014 Total R'000	2013 Total R'000
Minimum lease payments	**500**	**681**	**1 181**	2 527
Finance costs	**(56)**	**(31)**	**(87)**	(317)
Present value of minimum lease payments	**444**	**650**	**1 094**	2 210

32. Financial instruments by category

Financial instruments disclosed in the statement of financial position include interest-bearing borrowings, financial assets, cash and cash equivalents, trade and other receivables and trade and other payables.

The following is a summary of financial instrument categories applicable to the Group:

	Group					
	Loans and receivables R'000	Assets at fair value through profit and loss R'000	Available-for-sale R'000	Liabilities at fair value through profit and loss R'000	Other financial liabilities at amortised cost R'000	Total R'000
2014						
Available-for-sale financial assets (note 4)	**–**	**–**	**91 424**	**–**	**–**	**91 424**
Other loans and receivables (note 4)	**211 288**	**–**	**–**	**–**	**–**	**211 288**
Cash and cash equivalents	**451 611**	**–**	**–**	**–**	**–**	**451 611**
Trade and other receivables (note 8)	**1 767 677**	**–**	**–**	**–**	**–**	**1 767 677**
Derivative financial instruments (note 9)	**–**	**38**	**–**	**(17 494)**	**–**	**(17 456)**
Interest-bearing borrowings (note 13)	**–**	**–**	**–**	**–**	**(3 875 851)**	**(3 875 851)**
Trade and other payables (note 16)	**–**	**–**	**–**	**–**	**(1 770 345)**	**(1 770 345)**
	2 430 576	**38**	**91 424**	**(17 494)**	**(5 646 196)**	**(3 141 652)**
2013						
Available-for-sale financial assets (note 4)	–	–	88 694	–	–	88 694
Other loans and receivables (note 4)	232 820	–	–	–	–	232 820
Cash and cash equivalents	355 575	–	–	–	–	355 575
Trade and other receivables (note 8)	1 723 681	–	–	–	–	1 723 681
Derivative financial instruments (note 9)	–	50	–	(12 806)	–	(12 756)
Interest-bearing borrowings (note 13)	–	–	–	–	(3 233 914)	(3 233 914)
Trade and other payables (note 16)	–	–	–	–	(2 069 946)	(2 069 946)
	2 312 076	50	88 694	(12 806)	(5 303 860)	(2 915 846)

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33. Financial risk management

33.1 Financial risk factors

The board of directors oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by management. Group Internal Audit provides independent assurance on the entire risk management and internal control system. Regional and subsidiary company management are responsible for managing performance, underlying risks and effectiveness of operations, within the rules set by the board, supported and supervised by Group departments. The audit and risk committee reviews the internal control environment and risk management systems within the Group and it reports its activities to the board. The board members receive a monthly report on treasury activities, including confirmation of compliance with treasury risk management policies.

The Group's activities exposes it to a variety of financial risks: market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The board approves prudent treasury policies for managing each of the risks summarised below.

The Group's Corporate Treasury department is responsible for controlling and reducing exposure to interest rate, liquidity and currency transaction risks. Senior executives and advisers meet on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Group policies, covering specific areas such as foreign exchange risk, interest rate risk, credit risks, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity, are reviewed annually by the board. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities. The Group Treasury department does not undertake speculative financial transactions.

33.1(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group is not materially exposed to equity price risk on investments held and classified on the consolidated statement of financial position as available-for-sale.

(i) Foreign currency risk management

The Group operates internationally and has transactional currency exposures, which principally arise from commercial transactions, recognised assets and liabilities and investment in foreign operations. In order to manage this risk the Group may enter into transactions in terms of approved policies and limits which make use of financial instruments that include forward foreign exchange contracts. Foreign subsidiaries do not have material transactional currency exposures as they mainly operate in their functional currencies.

The Group does not speculate or engage in the trading of financial instruments.

The Group is primarily exposed to the currency of the US dollar and euro. If the rand had weakened/strengthened by 10% against the USD on 30 June 2014, with all other variables remaining constant, the post-tax profit for the year would have been R17,6 million (2013: R14,3 million) lower/higher, mainly as a result of translating outstanding foreign currency denominated monetary items.

Similiarly, had the rand at 30 June 2014 weakened/strengthened by 10% against the euro, with all other variables remaining constant, the post-tax profit for the year would have been R15,5 million (2013: R2,8 million) lower/higher.

33. Financial risk management (continued)

33.1 Financial risk factors (continued)

33.1(a) Market risk (continued)

(ii) Price risk management

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale on the consolidated statement of financial position. The Group is not exposed to commodity price risk. To manage the price risk the Group diversifies its portfolio.

(iii) Interest rate risk management

The Group's interest rate risk arises from long-term borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risk, while fixed rate borrowings expose the Group to fair value interest rate risk.

The Group is exposed to interest rate risk arising from the repricing of forward cover and floating rate debt as well as incremental funding/new borrowings and the rollover of maturing debt/refinancing of existing borrowings.

The management of the actual debt and investment portfolios is done by adjusting the repricing and maturity profiles of the debt and/or investment portfolios from time to time, relative to that of the benchmark portfolios as well as using derivative instruments to alter the repricing profiles of the actual portfolios relative to the benchmark portfolios.

As at 30 June 2014, if the floating interest rates had been 100 basis points higher/lower and all other variables held constant, the Group's post-tax profit for the year would have increased/decreased as a result of interest received/paid on cash and cash equivalents and borrowings by R27,8 million (2013: R4,4 million).

The other financial instruments in the Group's statement of financial position are not exposed to interest rate risk.

33.1(b) Credit risk management

Potential concentrations of credit risk principally exist for trade and other receivables, cash and cash equivalents and derivative financial instruments. The Group only deposits cash with banks with high credit ratings. Trade receivables comprise a large, widespread customer base and the Group performs ongoing credit evaluations of the financial condition of these customers. The type of customers range from wholesalers and distributors to smaller retailers. The granting of credit is controlled by application and the credit limits assigned to each individual customer are reviewed and updated on an ongoing basis taking into consideration its financial position, past experience and other factors. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

At year-end the Group's cash was invested at financial institutions with the following Moody's short-term credit rating:

	2014 R'000	2013 R'000 Restated
P-1	**431 281**	229 299
P-2	**12 466**	122 333
Cash	**7 864**	3 943
	451 611	355 575

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33. Financial risk management (continued)

33.1 Financial risk factors (continued)

33.1(b) Credit risk management (continued)

The Group is exposed to credit-related losses in the event of non-performance by counterparties relating to derivative financial instruments. The counterparties to these contracts are major financial institutions. The Group continually monitors its positions and the credit ratings of its counterparties and limits the extent to which it enters into contracts with any one party.

The carrying amount of the financial assets recorded in the financial statements, which is net of impaired losses, represents the Group's maximum exposure to credit risk.

The Group is also exposed to credit-related losses in the event of non-performance by counterparties to financial guarantee contracts relating to vineyard development loans to certain farmers of R30,6 million (2013: R31,5 million) and staff housing loans of R2,5 million (2013: R2,6 million). The guarantees relating to vineyard development loans are secured by mortgage bonds over farming property with a market value in excess of the loan obligations. The Group continually monitors its positions and limits its exposure with any one party.

At 30 June 2014 the Group did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

33.1(c) Liquidity risk management

The Group manages liquidity risk through the compilation and monitoring of cash flow forecasts, as well as ensuring that adequate borrowing facilities are maintained. Refer to note 13 regarding the Group's unutilised banking facilities and reserve borrowing capacities. Banking facilities are renewed annually and are subject to review at various dates during the next year.

The table below analyses the Group's financial liabilities and derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to contract maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	0 – 12 months R'000	1 – 2 years R'000	3 – 5 years R'000	Beyond 5 years R'000	2014 Total R'000	2013 Total R'000 Restated
Financial liabilities						
Forward exchange contracts held for trading						
– Outflow	**287 145**	**–**	**–**	**–**	**287 145**	234 458
– Inflow	**269 689**	**–**	**–**	**–**	**269 689**	221 702
Trade and other payables	**1 770 345**	**–**	**–**	**–**	**1 770 345**	2 069 946
Financial guarantees	**30 598**	**–**	**–**	**–**	**30 598**	31 522
Interest-bearing borrowings	**903 857**	**183 936**	**3 454 958**	**–**	**4 542 751**	3 167 970

33. Financial risk management (continued)

33.2 Fair value estimation

The table below analyses assets and liabilities carried at fair value, 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)

Specific valuation techniques used to value these assets and liabilities include:

Cash and cash equivalents, trade and other receivables and loans: The carrying amounts reported in the statement of financial position approximate fair values due to the short-term maturities of these amounts.

Available-for-sale financial assets: The fair value is based on quoted bid prices at the statement of financial position date. The fair value of financial instruments that are not trading in an active market is determined by using various valuation techniques.These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument would be included in level 3.

Biological assets: The fair value was calculated with reference to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Forward foreign exchange contracts: Forward foreign exchange contracts are entered into to cover import orders and export proceeds, and fair values are determined using foreign exchange bid or offer rates at year-end as the significant inputs in the valuation.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2014				
Available-for-sale financial assets	**15 813**	**12 508**	**63 103**	**91 424**
Biological assets	**–**	**–**	**104 559**	**104 559**
Derivative financial assets	**–**	**38**	**–**	**38**
Derivative financial liabilities	**–**	**(17 494)**	**–**	**(17 494)**
	15 813	**(4 948)**	**167 662**	**178 527**
2013				
Available-for-sale financial assets	14 146	18 140	56 408	88 694
Biological assets	–	–	101 287	101 287
Derivative financial assets	–	50	–	50
Derivative financial liabilities	–	(12 806)	–	(12 806)
	14 145	5 384	157 695	177 225

There were no transfers between level 1 and level 2 during the year.

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33. Financial risk management (continued)

33.2 Fair value estimation (continued)

The movement in level 3 assets for the year ended 30 June 2014 is as follows:

	2014 R'000	2013 R'000 Restated
Opening balance	**157 695**	150 951
Acquisition of subsidiaries	**–**	3 309
Acquisitions	**2 830**	3 736
Disposals	**(3 315)**	(284)
Decrease due to harvest	**(51 166)**	(47 235)
Gain due to biological change, price, yield, maturity and cost changes	**51 654**	39 679
Gains and losses recognised in the statements of comprehensive income	**9 964**	7 539
Balance at the end of the year	**167 662**	157 695

There were no transfers into or out of level 3 investments during the year.

33.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

During 2014 the Group's strategy, which was unchanged from 2013, was to maintain the gearing ratio where debt is adequately serviced by the Group's earnings, so maintaining the current investment grade rating of the Group. The investment grade credit rating has been maintained throughout the period. The gearing ratio at 30 June 2014 and 2013 were as follows:

	2014	2013
Total borrowings (note 13)	**3 875 851**	3 233 914
Less: Cash and cash equivalents	**(451 611)**	(355 575)
Net debt	**3 424 240**	2 878 339
Total equity	**8 601 155**	7 277 535
Total capital	**12 025 395**	10 155 874
Gearing ratio	**28,5%**	28,3%

34. Acquisition of Burn Stewart Distillers Limited

Acquisition of subsidiary

On 12 April 2013 the Group acquired 100% of the issued share capital of Burn Stewart Distillers Limited (Burn Stewart) for R1,9 billion, of which R137,0 million was contingent upon the company achieving certain EBITDA (earnings before interest, tax, depreciation and amortisation) targets.

The acquisition provides the Group access to the highly attractive and growing scotch whisky category and also fills a category gap in Distell's product portfolio. It will allow the Group to offer its customers an even broader range of products. Burn Stewart's strong presence in the United Kingdom, Taiwan and other countries provides Distell with enhanced sales capability and route-to-market opportunities. As a result of the acquisition the Group is also expected to increase its presence in the markets where Burn Stewart operates as well as to reduce costs through economies of scale. The goodwill of R717,0 million arising from the acquisition is attributable to the acquired customer base and economies of scale expected from combining the operations of the Group and Burn Stewart. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Burn Stewart, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	2014 R'000	2013 R'000
Consideration		
Cash	–	1 634 171
Contingent consideration	–	136 998
Shareholders loan	–	90 605
Total consideration transferred	–	1 861 774
Fair value of equity interest in Burn Stewart Distillers Group held before the business combination	–	9 247
Total consideration	–	1 871 021
Recognised amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	–	49 320
Trade and other receivables	–	156 560
Trademarks, trade names and customer relationships (included in intangibles)	–	392 910
Inventories	–	900 030
Property, plant and equipment	–	345 715
Available-for-sale financial assets	–	2 982
Deferred income tax liabilities	–	(119 039)
Trade and other payables	–	(173 202)
Interest-bearing borrowings	–	(398 193)
Total identifiable net assets	–	1 157 083
Non-controlling interest	–	(3 068)
Goodwill	–	717 006
Total	–	1 871 021

Acquisition-related cost of R34,9 million have been charged to 'administration and other costs' in the consolidated income statement for the year ended 30 June 2013.

The contingent consideration was payable in cash to the former owners of Burn Stewart, within 12 months of the closing of the transaction, subject to Burn Stewart achieving a specified EBITDA target for the year to 31 December 2013. The full amount for the contingent consideration was provided at 30 June 2013. The contingent consideration was reversed during the current year in profit or loss as the EBITDA target was not met.

The Group recognised a gain of R9,2 million as a result of measuring at fair value its 50% equity interest in Scotch Whisky Sub-Sahara LLP, a joint venture with Burn Stewart, held before the business combination. The gain is included in 'other gains' in the consolidated income statement for the year ended 30 June 2013.

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35. Acquisition of Distell (Hong Kong) Limited

Acquisition of additional interest in subsidiary

On 1 July 2012 the Group acquired 60% of the share capital of Distell (Hong Kong) Limited (previously named CJ (China) Wine and Spirits Company Limited) for RMB5,72 million.

As a result of the acquisition the Group is expected to increase its presence in the Chinese market. It also expects to reduce distribution cost. The goodwill of R7,5 million arising from the acquisition is attributable to the expected decrease in distribution cost and the acquired customer base. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Distell (Hong Kong), the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	2014 R'000	2013 R'000
Consideration		
Cash	–	3 718
Contingent consideration	–	3 745
Total consideration	–	7 463
Recognised amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	–	13 014
Trade and other receivables	–	8 457
Inventories	–	19 402
Property, plant and equipment	–	151
Deferred income tax assets	–	17
Current income tax liabilities	–	(1 192)
Trade and other payables	–	(39 927)
Total identifiable net assets	–	(78)
Non-controlling interest	–	31
Goodwill	–	7 510
Total	–	7 463

On 5 August 2013 the company acquired the remaining 40% of the issued share capital of Distell (Hong Kong) for a purchase consideration of HK$8,5 million and RMB1,0 million. The carrying amount of the non-controlling interest in Distell (Hong Kong) on the date of acquisition was R7,7 million. The Group derecognised non-controlling interest of R7,7 million and recorded a decrease in equity attributable to owners of the parent of R12,2 million.

The effect of changes in the ownership interest of Distell (Hong Kong) on the equity attributable to owners of the company during the year is summarised as follows:

	2014 R'000	2013 R'000
Carrying amount of non-controlling interest	**7 651**	–
Consideration paid to non-controlling interest	**(12 201)**	–
Excess of consideration paid recognised in parent's equity	**(4 550)**	–

The revenue of Distell (Hong Kong) included in the consolidated income statement since 1 July 2013 was R21,7 million (2013: R53,7 million) and the company contributed a loss of R10,9 million (2013: R8,2 million) over the same period.

36. BEE transaction

Original transaction

In October 2005 the Group entered into a broad-based black economic empowerment (BEE) transaction ('the original transaction') with a consortium that included investment group WIPHOLD Distilleries and Wines Investments Proprietary Limited (WIP Distilleries) (40%), all qualifying Distell employees (45%) and a corporate social investment trust (The CSI Trust) (15%).

The consortium acquired an effective 15% investment in South African Distilleries and Wines (SA) Limited (SADW), the company in which all of Distell's operations are held, for an amount of R869,4 million through WIPHOLD Beverages (RF) Proprietary Limited (WIP Beverages).

WIP Beverages funded the purchase price by issuing variable rate (consumer price inflation index, excluding owner's equivalent rent (CPI) plus 7%) cumulative redeemable preference shares in WIP Beverages to Distell Group Limited (Distell Group). The preference shares do not have voting rights, except in respect of certain resolutions such as those affecting the rights of the preference shares, the disposal of any part of the undertaking or any asset of the company, the encumbrance of any part of the business or variation of ordinary shareholders' rights. Distell Group has the power to govern the relevant activities of the company and WIP Beverages is therefore regarded as a subsidiary of Distell Group.

After an initial eight-year term, which could be extended by two years, WIP Distilleries had the right to exercise a put option on behalf of all the ordinary shareholders in WIP Beverages whereby it could exchange its shares in SADW for shares in Distell Group. The first option period expired 30 days after the publication of Distell's 2013 annual report. The put option was amended and extended in 2013 on the same terms and conditions to allow for the restructuring of the BEE transaction in January 2014 as detailed further on.

The cost of the original transaction to Distell's shareholders, calculated by using a binomial option pricing model, equated to R122,3 million or R4,13 per share. In terms of IFRS 2: Share-based Payments the non-employee portion of the original BEE transaction was expensed immediately and the employee portion is spread over a vesting period of eight years. Also see accounting policy note 1.23 and notes 20 and 27.2.

The BEE consortium exercised the amended put option and Distell Group issued 17 679 638 ordinary par value shares in January 2014 in exchange for all the ordinary shares of WIP Beverages. These new Distell Group shares were included in the calculation of the diluted ordinary number of Distell shares.

Restructured transaction

As approved at a shareholders' meeting held on 17 January 2014, the BEE transaction was restructured on the following basis:

The CSI Trust subscribed for new no par value shares in WIP Beverages in exchange for the 2 651 946 Distell Group shares it received when the amended put option of the original BEE transaction was exercised. This will, to the extent possible, ensure that Distell's BEE ownership credentials are maintained.

WIP Beverages repurchased all of its par value ordinary shares held by Distell Group following the exercise of the amended put option and the subsequent subscription by the CSI Trust for no par value shares. Payment for the purchase price will remain outstanding on an interest-free loan account and be repayable on demand. The CSI Trust will be WIP Beverages' sole remaining ordinary shareholder.

The terms of the WIP Beverages preference shares were also amended such that the CSI Trust will be entitled to receive ordinary dividends on the new WIP Beverages no par value ordinary shares in an amount equal to the amount that it would have been entitled to receive had it remained an ordinary shareholder in Distell Group.

The restructured BEE transaction had a minimal effect on the financial results and position of the Group.

The 2 651 946 Distell Group shares held by WIP Beverages are classified as treasury shares on consolidation. As a result of the CSI Trust being consolidated any expenses incurred by the CSI Trust will be reflected in the consolidated income statement of the Group.

Distell is not required to make any further payments or fund any shortfalls relating to the original or restructured BEE transactions.

Subsequent to the BEE restructuring, WIP Beverages' name was changed to Distell Beverages (RF) Proprietary Limited and that of the CSI Trust to the Distell Development Trust.

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37. Directors' emoluments

	2014 Executive R'000	2014 Non-executive R'000	2014 Total R'000	2013 Executive R '000	2013 Non-executive R'000	2013 Total R'000
Salaries and fees	**6 947**	**2 937**	**9 884**	5 440	2 692	8 132
Incentive bonuses	**1 435**	**–**	**1 435**	2 134	–	2 134
Retirement fund contributions	**1 443**	**–**	**1 443**	1 129	–	1 129
Medical aid contributions	**62**	**–**	**62**	53	–	53
Vehicle benefits	**710**	**–**	**710**	599	–	599
Paid by subsidiaries	**10 597**	**2 937**	**13 534**	9 355	2 692	12 047

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Medical aid contributions R'000	Vehicle benefits R'000	2014 Total R'000	2013 Total R'000
Executive							
JJ Scannell[1]	**1 989**	**1 010**	**413**	**14**	**166**	**3 592**	6 338
RM Rushton[2]	**2 942**	**–**	**611**	**20**	**257**	**3 830**	–
MJ Botha	**2 016**	**425**	**419**	**28**	**287**	**3 175**	3 017
Subtotal	**6 947**	**1 435**	**1 443**	**62**	**710**	**10 597**	9 355

37. Directors' emoluments (continued)

	Fees R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Medical aid contributions R'000	Vehicle benefits R'000	2014 Total R'000	2013 Total R'000
Non-executive							
FC Bayly	**54**	–	–	–	–	**54**	148
PE Beyers	**163**	–	–	–	–	**163**	148
JG Carinus	**163**	–	–	–	–	**163**	148
GP Dingaan[3]	**257**	–	–	–	–	**257**	233
JJ Durand[4]	**204**	–	–	–	–	**204**	166
E de la H Hertzog	**163**	–	–	–	–	**163**	148
MJ Madungandaba	**163**	–	–	–	–	**163**	148
LM Mojela[5]	**204**	–	–	–	–	**204**	185
DM Nurek[6]	**574**	–	–	–	–	**574**	520
CA Otto	**163**	–	–	–	–	**163**	148
AC Parker[7]	**204**	–	–	–	–	**204**	185
CE Sevillano-Barredo[8]	**326**	–	–	–	–	**326**	296
BJ van der Ross	**163**	–	–	–	–	**163**	148
LC Verwey[9]	**136**	–	–	–	–	**136**	71
Subtotal	**2 937**	–	–	–	–	**2 937**	2 692
Total	**9 884**	**1 435**	**1 443**	**62**	**710**	**13 534**	12 047

1. *Mr JJ Scannell retired on 31 December 2013.*
2. *Mr RM Rushton was appointed on 1 November 2013.*
3. *Ms GP Dingaan is a member of the audit and risk committee and chairperson of the social and ethics committee.*
4. *Mr JJ Durand is a member of the remuneration and nominations committee.*
5. *Ms LM Mojela is a member of the remuneration and nominations committee.*
6. *Mr DM Nurek is chairman of the board, a member of the audit and risk committee and of the remuneration and nominations committee.*
7. *Mr AC Parker is chairman of the remuneration and nominations committee.*
8. *Ms CE Sevillano-Barredo is chairperson of the audit and risk committee.*
9. *Mr LC Verwey is a member of the audit and risk committee and resigned on 5 May 2014.*

38. Interest of directors in share capital and contracts

On 30 June 2014 and on 30 June 2013, as well as on the date of this report, the directors of the company held in total less than 1% of the company's issued share capital.

Interests of the directors in the number of shares issued

	Direct		Indirect			
Ordinary shares	Beneficial	Non-beneficial	Beneficial	Non-beneficial	2014 Total	2013 Total
FC Bayly (retired)	–	–	–	–	–	1 949
MJ Botha	**77 925**	–	–	–	**77 925**	77 925
E de la H Hertzog	**25 200**	–	–	**11 000**	**36 200**	36 200
DM Nurek	–	–	**15 000**	–	**15 000**	15 000
JJ Scannell (retired)	–	–	–	–	–	1 089 266
	103 125	–	**15 000**	**11 000**	**129 125**	1 220 340

The other directors of the company have no interest in the issued capital of the company. There was no change in these interests since the financial year-end.

The directors of the company have each certified that they did not have any interest in any contract of significance to the company or any of its subsidiaries which would have given rise to a related conflict of interest during the year.

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39. Share and Share Appreciation Right Schemes

Share Scheme

In the financial years ended 30 June 2014 and 30 June 2013 no additional shares were offered to directors.

Current status

Ordinary shares **Participant**	Shares accepted prior to 30 June 2013	**Shares accepted in the year to 30 June 2014**	**Offer price (Rand)**	Number of shares paid and delivered prior to 30 June 2013	**Number of shares paid and delivered in the year to 30 June 2014**	**Share price on date of payment and delivery (Rand)**	**Increase in value* R'000**	**Balance of shares accepted as at 30 June 2014**
Executive								
JJ Scannell	589 823	–	7,35	589 823	–	–	–	–
JJ Scannell	537 605	–	14,60	537 605	–	–	–	–
JJ Scannell	59 494	–	31,00	59 494	–	–	–	–
JJ Scannell	129 515	–	40,00	129 515	–	–	–	–
JJ Scannell	70 869	–	60,50	70 869	–	–	–	–
JJ Scannell	96 967	–	45,50	64 645	32 322	136,50	2 941	–
JJ Scannell	38 718	–	64,00	12 906	25 812	136,66	1 875	–
MJ Botha	261 962	–	7,35	261 962	–	–	–	–
MJ Botha	205 461	–	14,60	205 461	–	–	–	–
MJ Botha	3 249	–	31,00	3 249	–	–	–	–
MJ Botha	49 212	–	40,00	49 212	–	–	–	–
MJ Botha	23 421	–	60,50	15 614	7 807	140,00	621	–
MJ Botha	34 839	–	45,50	11 613	23 226	140,00	2 195	–
MJ Botha	8 667	–	64,00	–	5 778	140,00	439	2 889
Total	2 109 802	–		2 011 968	94 945		8 071	2 889

** Refers to the increase in value of the scheme shares of the indicated participants from the offer date to the date of payment and delivery during the current financial year. The scheme is a deferred purchase scheme (see note 10).*

Distell Share Appreciation Right Scheme

In the current financial year 381 660 (2013: 190 794) share appreciation rights (SARs) were offered to directors.

Current status

Share appreciation rights **Participant**	SARs accepted prior to 30 June 2013	**SARs accepted in the year to 30 June 2014**	**Offer price (Rand)**	Number of SARs exercised prior to 30 June 2013	**Number of SARs exercised in the year to 30 June 2014**	**Share price on exercise date (Rand)**	**Increase in value* R'000**	**Balance of SARs accepted as at 30 June 2014**
Executive								
JJ Scannell	62 012	–	72,00	–	20 670	139,01	1 385	41 342
JJ Scannell	87 630	–	66,00	–	–	–	–	87 630
JJ Scannell	130 566	–	93,35	–	–	–	–	130 566
RM Rushton	–	342 834	139,00	–	–	–	–	342 834
MJ Botha	8 176	–	72,00	–	2 725	142,00	190	5 451
MJ Botha	8 921	–	66,00	–	–	–	–	8 921
MJ Botha	60 228	–	93,35	–	–	–	–	60 228
MJ Botha	–	38 826	139,00	–	–	–	–	38 826
Total	357 533	381 660		–	23 395		1 575	715 798

** Refers to the increase in value of the SARs of the indicated participants from the offer date to the exercise date during the current financial year. See note 10 for details of the scheme.*

39. Share and Share Appreciation Right Schemes (continued)

Bonus shares

In the current financial year 230 000 (2013: nil) shares were offered to the managing director (note 10.3).

Current status

Ordinary shares **Participant**	Shares accepted prior to 30 June 2013	**Shares accepted in the year to 30 June 2014**	**Offer price (Rand)**	Number of shares paid and delivered prior to 30 June 2013	**Number of shares paid and delivered in the year to 30 June 2014**	**Share price on date of payment and delivery (Rand)**	**Increase in value* R'000**	**Balance of shares accepted as at 30 June 2014**
Executive								
RM Rushton	–	**230 000**	**–**	–	**–**	**–**	**–**	**230 000**

** Refers to the increase in value of the shares of the indicated participant from the offer date to the date of payment and delivery during the current financial year. The shares offered was a once-off award in lieu of benefits forfeited upon termination of his employment at his previous employer (see note 10.3).*

	2014 R'000	2013 R'000
40. Related-party transactions		
Distell Group Limited is controlled by Remgro-Capevin Investments Limited which owns 53,0% of the company's shares. Other Beverage Interests Proprietary Limited (SABMiller) owns 26,5% of the company's shares.		
Related-party relationships exist between the Group, associates, joint ventures and the shareholders of the company.		
Group		
The following transactions were carried out with subsidiaries of our major shareholders:		
Purchases of goods and services		
Remgro Management Services Limited (management services)	**9 826**	8 898
Remgro Management Services Limited (interest on loans)	**20 096**	9 495
LUSAN Holdings Proprietary Limited (goods and services)	**95 298**	78 092
Tonnellerie Radoux (SA) Proprietary Limited (goods and services)	**7 670**	8 417
Solamoyo Processing Company Proprietary Limited (goods and services)	**1 491**	–
Sale of goods and services		
Associates and joint ventures		
Tonnellerie Radoux (SA) Proprietary Limited (administration fees)	**213**	201
LUSAN Holdings Proprietary Limited (administration fees)	**217**	205
LUSAN Holdings Proprietary Limited (marketing support)	**7 348**	5 771
Tonnellerie Radoux (SA) Proprietary Limited (rent received)	**530**	502
Year-end balances arising from purchases of goods and services		
Remgro Management Services Limited (including VAT)	**1 809**	1 690
LUSAN Holdings Proprietary Limited (loan account)	**164 254**	167 254
Les Domaines de Mauricia Limitee (loan account)	**417**	417
Tonnellerie Radoux (SA) Proprietary Limited (current account)	**(12 965)**	(11 529)
Solamoyo Processing Company Proprietary Limited (current account)	**5 438**	5 438
The Group has access to loan funds from Remgro Management Services Limited. A limited amount can be borrowed at a market-related rate and is repayable on demand. The amount is included in current interest-bearing liabilities.		
Key management compensation		
Directors of Distell Limited, the main operating company in the Group	**29 237**	31 272

Also refer to notes 37, 38, 42 and 43.

Company

Refer to notes 18 and 22 for dividends received from subsidiaries.

Notes to the Annual Financial Statements

for the years ended 30 June

	2014 R'000	2013 R'000 Restated
41. Interest in subsidiaries		
The total profits/(losses) after taxation of consolidated subsidiaries for the year are as follows:		
Profits	**1 538 783**	1 164 291
Losses	**(60 279)**	(69 918)
Net consolidated profit after taxation	**1 478 504**	1 094 373
The company's direct interests in its subsidiaries are as follows:		
South African Distilleries and Wines (SA) Limited (85%) – Unlisted	**991 639**	971 630
Long-term loan – interest-free and repayable on demand	**869 381**	849 372
Share-based payment contribution	**122 257**	122 257
Shares	**1**	1
Distell Beverages (RF) Proprietary Limited	**1 580 720**	1 489 420
Variable rate cumulative redeemable preference shares (note 36)	**869 411**	869 411
Cumulative arrear preference shares dividend	**711 309**	620 009
Investments in subsidiaries	**2 572 359**	2 461 050

The company's indirect interest in subsidiaries through South African Distilleries and Wines (SA) Limited is as follows:

	Issued share capital	
Manufacturers and distributors	Interest %	R
Bisquit Dubouché et Cie (France)	100	405 036 148
Burn Stewart Distillers Limited (United Kingdom)	100	360 205 109
Devon Road Property Limited	100	100
Distell Angola Limitada (Angola)	51	16 173
Distell Botswana Proprietary Limited (Botswana)	100	3
Distell Ghana Limited (Ghana)	60	20 179
Distell (Hong Kong) Limited (Hong Kong)	100	19 520 165
Distell International Limited (Mauritius)	100	430 272 739
Distell Limited	100	1 000
Distell Namibia Limited (Namibia)	100	4 000
Distell Swaziland Limited (Swaziland)	100	10 000
Durbanville Hills Wines Proprietary Limited	72	981 700
Ecowash Proprietary Limited	100	100
Expo Liquor Limited	100	4 066 625
Lomond Development Company Limited	100	100
Lomond Wine Estates Proprietary Limited	84	2 975
Mirma Products Proprietary Limited	45	450
Namibia Wines & Spirits Limited (Namibia)	100	100 000
Nederburg Wine Farms Limited	100	200
Nederburg Wines Proprietary Limited	100	218 870
SFW Financing Company Limited	100	70 000
SFW Holdings Limited	100	200
Stellenbosch Farmers Winery Limited	100	7
Other		
Henry C Collison & Sons Limited (United Kingdom)	100	82 792

Notes:

1. *Information is only disclosed in respect of those subsidiaries of which the financial position or results are significant.*
2. *All subsidiaries are incorporated in South Africa, unless otherwise stated.*
3. *Cumulative arrear dividends relating to the preference shares in Distell Beverages (previously known as WIPHOLD Beverages) on 30 June 2014 amounted to R711 million (2013: R620 million). The preference shares have a dividend rate of CPI (excluding owner's equivalent rent) plus 7%.*

	Nature of business	2014 R'000	2013 R'000
42. Interest in unlisted associates			
The Group's interest in associates is as follows:			
Tanzania Distilleries Limited (Tanzania) (35%)	Manufacturer and distributor	**50 509**	27 697
Cost price		**13 352**	13 352
Equity-accounted retained earnings		**37 157**	14 345
Grays Inc. Limited (Mauritius) (26%)	Distributor	**26 371**	20 789
Cost price		**6 949**	6 949
Equity-accounted retained earnings		**19 422**	13 840
Papkuilsfontein Vineyards Proprietary Limited (49%)	Farming	**184**	(9)
Cost price		**–**	–
Equity-accounted retained earnings		**184**	(9)
Investments in associates		**77 064**	48 477
Share in net assets of associates		**67 988**	39 401
Goodwill		**9 076**	9 076
		77 064	48 477
The aggregate statements of financial position of associates are summarised as follows:			
Property, plant and equipment		**179 492**	150 751
Financial and intangible assets		**22 932**	26 213
Current assets		**329 854**	210 246
Total assets		**532 278**	387 210
Interest-free liabilities		**179**	62
Interest-bearing liabilities		**301 665**	145 044
Total liabilities		**301 844**	145 106
Equity		**230 792**	242 103
Non-controlling interest		**(162 804)**	(202 702)
Group's share in equity		**67 988**	39 401
Loans to associates		**14 311**	14 783
Group's share in net assets of associates		**82 299**	54 184
Tanzania Distilleries Limited (35%)		**43 931**	21 119
Grays Inc. Limited (26%)		**23 873**	18 291
Papkuilsfontein Vineyards Proprietary Limited (49%)		**184**	(9)
		67 988	39 401
The Group's interest in the revenue and profit of the associates is as follows:			
Revenue		**476 814**	463 607
Profit for the year		**73 246**	57 668

Notes:

1. *All associates are incorporated in South Africa, unless otherwise stated.*
2. *The interest in Grays Inc. Limited was aquired on 1 January 2006.*
3. *The statutory year-ends of Tanzania Distilleries Limited (31 March) and Grays Inc. Limited (31 December) are different to those of the rest of the Group. The unaudited results of these companies to 30 June 2013 and 30 June 2014, subsequent to their respective year-ends, have been included based on information prepared by management where applicable.*

Notes to the Annual Financial Statements

for the years ended 30 June

	Nature of the business	2014 R'000	2013 R'000 Restated
43. Interest in joint ventures			
The Group's interest in joint ventures are as follows:			
Afdis Holdings (Private) Limited (Zimbabwe) (50%)	Manufacturer and distributor	**49 747**	16 821
Cost price		**23 938**	–
Equity-accounted retained earnings		**25 809**	16 821
Les Domaines de Mauricia Limitee (Mauritius) (50%)	Distributor	**165**	149
Cost price		**20**	20
Equity-accounted retained earnings		**145**	129
LUSAN Holdings Proprietary Limited (50%)	Manufacturer and distributor	**78 897**	71 367
Cost price		**1**	1
Equity-accounted retained earnings		**78 896**	71 366
Solamoyo Processing Company Proprietary Limited (40%)	Effluent management	**(168)**	(594)
Cost price		**–**	–
Equity-accounted retained earnings		**(168)**	(594)
Tonnellerie Radoux (SA) Proprietary Limited (50%)	Manufacturer and distributor of maturation vats	**9 260**	8 763
Cost price		**220**	220
Equity-accounted retained earnings		**9 040**	8 543
Investments in joint ventures		**137 901**	96 506
The aggregate statements of financial position of joint ventures are summarised as follows:			
Non-current assets			
Property, plant and equipment		**389 430**	360 846
Biological assets		**29 587**	27 584
Intangible assets		**3 832**	4 597
Deferred income tax assets		**34 098**	32 227
Long-term loans and investments		**6 327**	5 904
Current assets			
Inventories		**186 986**	158 464
Trade and other receivables		**68 225**	57 716
Current income tax assets		**1 334**	1 395
Financial assets		**12 965**	11 529
Cash and cash equivalents		**76 854**	57 656
Total assets		**809 638**	717 918
Non-current liabilities			
Shareholders' loan		**164 671**	167 671
Borrowings		**12 480**	13 330
Deferred taxation		**24 307**	17 100
Current liabilities			
Bank overdrafts and borrowings		**49 005**	76 764
Trade payables and provisions		**90 709**	66 959
Current income tax liability		**1 902**	74
Total liabilities		**343 074**	341 898
Equity		**466 564**	376 020
Non-controlling interest		**(328 663)**	(279 514)
Group's share in equity		**137 901**	96 506
Loans to joint ventures		**164 671**	167 671
Group's share in net assets of joint ventures		**302 572**	264 177
The revenue and profit of the joint ventures are as follows:			
Revenue		**359 030**	282 720
Profit for the year		**36 516**	16 909

Notes:

1. *All joint ventures are incorporated in South Africa, unless otherwise stated.*
2. *There are no contingent liabilities relating to the Group's interest in the joint ventures and no contingent liabilities of the ventures itself.*

44. Changes in accounting policies

The Group adopted the following new accounting standards and amendments on 1 July 2012: IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements, IFRS 12: Disclosure of Interests in Other Entities, consequential amendments to IAS 28: Investments in Associates and Joint Ventures, IAS 27: Separate Financial Statements and IAS 19 (revised 2011): Employee Benefits. These changes were applied in accordance with the transition provisions of these standards. These new accounting standards and amendments have had the following impact on the financial statements:

Joint ventures accounted for using the equity method

The Group has joint control over the following companies by virtue of unanimous consent required by all parties over decisions related to the relevant activities of the arrangements. These investments have been classified as joint ventures under IFRS 11 and therefore the equity method of accounting have been used in the consolidated financial statements.

	Interest %
Afdis Holdings (Private) Limited (Zimbabwe)	50
Les Domaines de Mauricia Limitee (Mauritius)	50
LUSAN Holdings Proprietary Limited	50
Solamoyo Processing Company Proprietary Limited	40
Tonnellerie Radoux (SA) Proprietary Limited	50

Prior to the adoption of IFRS 11 the Group's interest in these companies was proportionately consolidated.

The Group recognised its investment in the joint venture at the beginning of the earliest period presented (1 July 2012), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This opening balance of the investment is regarded as the deemed cost of the Group's investment in the joint ventures for applying equity accounting.

Consolidation of entities previously classified as joint ventures

The Group has control over the following companies by virtue of equity interests held in these entities, or the power to direct their relevant activities. These investments have been classified as subsidiaries under IFRS 10 and therefore the consolidation method of accounting have been used in the consolidated financial statements. These interests were previously classified as 'investments in joint ventures' and were proportionately consolidated.

	Interest %
Distell Angola Limitada (Angola)	51
Distell Ghana Limited (Ghana)	60
Mirma Products Proprietary Limited	45

Adoption of IAS 19 (revised 2011)

The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense/income to be calculated as the product of the net defined-benefit liability/asset and the discount rate as determined at the beginning of the year. The effect of this is that the previous concepts of recognising an expected return on plan assets is removed.

Notes to the Annual Financial Statements
for the years ended 30 June

44. Changes in accounting policies (continued)

The effect of the changes in accounting policies is shown in the following tables:

	2013				
	As at 30 June 2013 Restated R'000	Adopt IFRS 10 R'000	Adopt IFRS 11 R'000	Adopt IAS 19 (revised 2011) R'000	As at 30 June 2013 Previously Reported R'000
ASSETS					
Non-current assets					
Property, plant and equipment	3 388 950	17 934	(176 262)	–	3 547 278
Biological assets	101 287	–	(17 159)	–	118 446
Loans and receivables	232 820	–	165 054	–	67 766
Available-for-sale financial assets	88 694	–	(11)	–	88 705
Investments in associates	48 477	–	–	–	48 477
Investments in joint ventures	96 506	–	96 506	–	–
Intangible assets	1 505 647	241	(7 650)	–	1 513 056
Retirement benefit assets	273 000	–	–	–	273 000
Deferred income tax assets	58 777	(78)	(11 790)	–	70 645
Total non-current assets	5 794 158	18 097	48 688	–	5 727 373
Current assets					
Inventories	6 259 836	838	(79 276)	–	6 338 274
Trade and other receivables	1 776 816	416	(29 285)	–	1 805 685
Current income tax assets	33 180	45	(524)	–	33 659
Cash and cash equivalents	355 575	4 858	9 222	–	341 495
Total current assets	8 425 407	6 157	(99 863)	–	8 519 113
Total assets	14 219 565	24 254	(51 175)	–	14 246 486
EQUITY AND LIABILITIES					
Capital and reserves					
Capital and reserves	7 246 885	(3 332)	–	–	7 250 217
Non-controlling interest	30 650	13 123	(12 806)	–	30 333
Total equity	7 277 535	9 791	(12 806)	–	7 280 550
Non-current liabilities					
Interest-bearing borrowings	447 143	–	–	–	447 143
Retirement benefit obligations	22 604	–	–	–	22 604
Deferred income tax liabilities	479 226	–	(4 496)	–	483 722
Total non-current liabilities	948 973	–	(4 496)	–	953 469
Current liabilities					
Trade and other payables	2 907 504	14 463	(33 361)	–	2 926 402
Interest-bearing borrowings	2 786 771	–	(2)	–	2 786 773
Provisions	294 855	–	(474)	–	295 329
Current income tax liabilities	3 927	–	(36)	–	3 963
Total current liabilities	5 993 057	14 463	(33 873)	–	6 012 467
Total equity and liabilities	14 219 565	24 254	(51 175)	–	14 246 486

44. Changes in accounting policies (continued)

	2012				
	As at 30 June 2012 Restated R'000	Adopt IFRS 10 R'000	Adopt IFRS 11 R'000	Adopt IAS 19 (revised 2011) R'000	As at 30 June 2012 Previously Reported R'000
ASSETS					
Non-current assets					
Property, plant and equipment	2 479 309	1 545	(169 540)	–	2 647 304
Biological assets	105 391	–	(17 247)	–	122 638
Loans and receivables	221 148	–	135 787	–	85 361
Available-for-sale financial assets	85 348	–	33 435	–	51 913
Investments in associates	62 022	–	–	–	62 022
Investments in joint ventures	86 337	–	86 337	–	–
Intangible assets	222 754	–	(7 650)	–	230 404
Retirement benefit assets	47 504	–	–	–	47 504
Deferred income tax assets	60 518	(73)	(13 980)	–	74 571
Total non-current assets	3 370 331	1 472	47 142	–	3 321 717
Current assets					
Inventories	4 427 271	–	(62 010)	–	4 489 281
Trade and other receivables	1 409 131	131	(27 255)	–	1 436 255
Current income tax assets	144 723	99	(464)	–	145 088
Cash and cash equivalents	473 161	3 855	6 877	–	462 429
Total current assets	6 454 286	4 085	(82 852)	–	6 533 053
Total assets	9 824 617	5 557	(35 710)	–	9 854 770
EQUITY AND LIABILITIES					
Capital and reserves					
Capital and reserves	6 188 715	(1 750)	–	–	6 190 465
Non-controlling interest	13 750	7 276	(9 040)	–	15 514
Total equity	6 202 465	5 526	(9 040)	–	6 205 979
Non-current liabilities					
Interest-bearing borrowings	347 932	–	–	–	347 932
Retirement benefit obligations	80 954	–	–	–	80 954
Deferred income tax liabilities	227 200	–	(3 867)	–	231 067
Total non-current liabilities	656 086	–	(3 867)	–	659 953
Current liabilities					
Trade and other payables	2 071 934	31	(22 533)	–	2 094 436
Interest-bearing borrowings	180 501	–	–	–	180 501
Provisions	708 502	–	(270)	–	708 772
Current income tax liabilities	5 129	–	–	–	5 129
Total current liabilities	2 966 066	31	(22 803)	–	2 988 838
Total equity and liabilities	9 824 617	5 557	(35 710)	–	9 854 770

Notes to the Annual Financial Statements

for the years ended 30 June

44. Changes in accounting policies (continued)

	As at 30 June 2013 Restated R'000	Adopt IFRS 10 R'000	Adopt IFRS 11 R'000	Adopt IAS 19 (revised 2011) R'000	As at 30 June 2013 Previously Reported R'000
INCOME STATEMENT					
30 June 2013					
Revenue	15 725 608	5 478	(138 028)	–	15 858 158
Operating expenses	(13 972 438)	(7 707)	125 749	(9 160)	(14 081 320)
Other gains	10 649	–	(200)	–	10 849
Operating profit	1 763 819	(2 229)	(12 479)	(9 160)	1 787 687
Dividend income	6 279	–	–	–	6 279
Finance income	21 707	46	(561)	–	22 222
Finance costs	(261 434)	–	1 492	–	(262 926)
Share of equity-accounted earnings	65 169	–	7 501	–	57 668
Profit before taxation	1 595 540	(2 183)	(4 047)	(9 160)	1 610 930
Taxation	(512 409)	(665)	4 047	2 565	(518 356)
Profit for the year	1 083 131	(2 848)	–	(6 595)	1 092 574
Attributable to:					
Equity holders of the company	1 088 334	(1 580)	–	(6 595)	1 096 509
Non-controlling interest	(5 203)	379	(1 647)	–	(3 935)
	1 083 131	(1 201)	(1 647)	(6 595)	1 092 574
STATEMENT OF COMPREHENSIVE INCOME					
Profit for the year	1 083 131	(2 848)	–	(6 595)	1 092 574
Other comprehensive income (net of taxation)					
Items that may be reclassified subsequently to profit or loss:					
Fair value adjustments					
– available-for-sale financial assets	8 288	–	–	–	8 288
Currency translation differences	290 753	17	(1 868)	–	292 604
Items that will not be reclassified to profit or loss:					
Actuarial gains and losses	238 172	–	–	6 595	231 577
Other comprehensive income for the year (net of taxation)	537 213	17	(1 868)	6 595	532 469
Total comprehensive income for the year	1 620 344	(2 831)	(1 868)	–	1 625 043

44. Changes in accounting policies (continued)

	As at 30 June 2013 Restated R'000	Adopt IFRS 10 R'000	Adopt IFRS 11 R'000	Adopt IAS 19 (revised 2011) R'000	As at 30 June 2013 Previously Reported R'000
Cash flows from operating activities					
Operating profit	1 763 819	(2 229)	(12 479)	(9 160)	1 787 687
Non-cash flow items	604 125	1 910	(3 921)	6 595	599 541
Working capital changes	(1 345 268)	13 309	8 468	–	(1 367 044)
Cash generated from operations	1 022 676	12 990	(7 932)	(2 565)	1 020 184
Dividend income	6 279	–	–	–	6 279
Finance income	21 707	46	(561)	–	22 222
Finance costs	(207 208)	–	1 492	–	(208 700)
Taxation paid	(374 235)	(606)	1 252	2 565	(377 446)
Net cash generated from operating activities	469 219	12 430	(5 749)	–	462 539
Cash flows from investment activities					
Purchases of property, plant and equipment (PPE) to maintain operations	(285 034)	(14 044)	6 457	–	(277 447)
Purchases of PPE to expand operations	(460 561)	–	4 047	–	(464 608)
Proceeds from sale of PPE	23 267	–	(1 060)	–	24 327
Purchases of financial assets	(17 426)	–	(6 139)	–	(11 287)
Proceeds from financial assets	64 956	–	–	–	64 956
Purchases of intangible assets	(274)	(241)	7 650	–	(7 683)
Acquisition of subsidiaries, net of cash acquired	(1 666 160)	–	–	–	(1 666 160)
Cash outflow from investment activities	(2 341 232)	(14 285)	10 955	–	(2 337 902)
Cash flows from financing activities					
Proceeds from ordinary shares issued	30 789	–	–	–	30 789
Proceeds from interest-bearing borrowings	1 881 516	–	–	–	1 881 516
Shares issued for cash to minority in subsidiary	12 982	–	–	–	12 982
Dividends paid to company's shareholders	(616 281)	–	–	–	(616 281)
Cash outflow from financing activities	1 309 006	–	–	–	1 309 006
Decrease in net cash, cash equivalents and bank overdrafts	(563 007)	(1 855)	5 206	–	(566 357)
Cash, cash equivalents and bank overdrafts at the beginning of the year	473 161	3 855	6 877	–	462 429
Exchange gains on cash, cash equivalents and bank overdrafts	19 649	–	–	–	19 649
Cash, cash equivalents and bank overdrafts at the end of the year	(70 197)	2 000	12 083	–	(84 279)

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for the years ended 30 June

44. Changes in accounting policies (continued)

	Share capital and premium R'000	Treasury shares R'000	Non-distributable and other reserves R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
STATEMENT OF CHANGES IN EQUITY							
Balance as at 1 July 2012 as previously reported	698 825	(19 545)	243 922	5 267 263	6 190 465	15 514	6 205 979
Effect of changes in accounting policies	–	–	7 524	(9 274)	(1 750)	(1 764)	(3 514)
Balance as at 1 July 2012 as restated	698 825	(19 545)	251 446	5 257 989	6 188 715	13 750	6 202 465
Comprehensive income							
Profit for the year as previously reported	–	–	–	1 096 509	1 096 509	(3 935)	1 092 574
Effect of changes in accounting policies	–	–	–	(8 175)	(8 175)	(1 268)	(9 443)
Profit for the year as restated	–	–	–	1 088 334	1 088 334	(5 203)	1 083 131
Other comprehensive income							
Total other comprehensive income as previously reported	–	–	530 003	–	530 003	2 466	532 469
Effect of changes in accounting policies	–	–	6 593	–	6 593	(1 849)	4 744
Other comprehensive income for the year as restated	–	–	536 596	–	536 596	617	537 213
Total comprehensive income for the year restated	–	–	536 596	1 088 334	1 624 930	(4 586)	1 620 344
Transactions with owners							
Total transactions with owners as previously reported	24 933	5 856	18 732	(616 281)	(566 760)	16 288	(550 472)
Effect of changes in accounting policies	–	–	–	–	–	5 198	5 198
Total transactions with owners as restated	24 933	5 856	18 732	(616 281)	(566 760)	21 486	(545 274)
Balance as at 30 June 2013	723 758	(13 689)	806 774	5 730 042	7 246 885	30 650	7 277 535

45. Analysis of shareholders

at 30 June 2014

	Number of holders	% of holders	Number of ordinary shares	% of issued shares
Distribution of shareholders				
Public shareholders	**6 063**	**99,70**	**42 137 134**	**19,03**
Non-public shareholders	**18**	**0,30**	**179 297 892**	**80,97**
Major beneficial shareholders	**2**	**0,03**	**176 022 000**	**79,49**
Directors, including those of subsidiaries, and their associates	**13**	**0,21**	**295 009**	**0,13**
The Distell Group Share Trust	**1**	**0,02**	**301 377**	**0,14**
Distell Share Appreciation Right Scheme (SAR scheme)	**1**	**0,02**	**27 560**	**0,01**
Distell Beverages (RF) Proprietary Limited	**1**	**0,02**	**2 651 946**	**1,20**
	6 081	**100,00**	**221 435 026**	**100,00**

	2014	2013
Number of shares in issue		
Total number of shares in issue	**221 435 026**	203 298 301
Shares accounted for as treasury shares		
The Distell Group Share Trust and SAR scheme	**(328 937)**	(249 886)
Distell Beverages (RF) Proprietary Limited	**(2 651 946)**	–
	218 454 143	203 048 415
Weighted number of shares	**209 880 871**	202 752 322

Major beneficial shareholders

The following shareholders have a holding of greater than 5% of the issued shares of the company:

	Number of shares	% of total
Remgro-Capevin Investments Limited	**117 348 000**	**53,0**
Other Beverage Interests Proprietary Limited (SABMiller)	**58 674 000**	**26,5**

SUSTAINABILITY REPORT

Corporate Responsibility Issues

In our industry issues relating to corporate responsibility are as important to our future prosperity as the financial and other business issues reported on pages 14 to 17. By understanding the legal environment, managing our risks and engaging with our various stakeholders, we have identified seven key issues contributing to the corporate responsibility pillar of our value-based management approach: promoting responsible drinking, excise and illicit trade, sustaining our communities, our people, transformation, responsible supply chain management, and preserving our environment.

This table provides a synopsis of our corporate responsibility issues, followed by a more detailed discussion below. In-depth information can be found at www.distell.co.za/sustainability.

Material issue	Stakeholders	Focus areas
Promoting responsible drinking		
• Reducing underage drinking • Preventing fetal alcohol spectrum disorder • Controlling the sale and marketing of alcoholic beverages • Reducing drinking and driving	• Government: Ministries and Departments of Trade and Industry (dti) (including the National Liquor Authority), Agriculture, Forestry and Fisheries, Social Development, Arts and Culture, Police, Health and Transport at national, provincial and local level • Various parliamentary committees • Communities • NGOs • Association for Responsible Alcohol use (ARA) and the South African Liquor Brand Owners Association (SALBA) • Liquor wholesalers, retailers and smaller outlets	• Access to, and consumption of, alcohol amongst the youth and the social and economic impact thereof • High rate of Fetal Alcohol Spectrum Disorder (FASD) in South Africa, especially in rural communities • Advertising practices that advocate the responsible consumption of safe and legal alcoholic beverages • Advocate and support initiatives to improve road safety and reduce the number of people driving under the influence • Concern remains around the proposed regulatory and legislative amendments and the future of alcoholic beverage advertising
Excise and illicit trade		
• Economic impact of high excise duty • Rise in illicit trade	• National treasury • Industry associations • Communities	• We remain concerned about exorbitant excise levies that are likely to lead to undesirable consequences. These include dwindling margins for legitimate farmers, job security within the industry and an increase in illicit and potentially dangerous alcohol trading
Sustaining our communities		
• Service to communities • Addressing unemployment	• Communities • NGOs • Government: Departments of Trade and Industry, Health, Social Development, Transport, Labour, Arts and Culture, and Agriculture, Forestry and Fisheries • Various organisations including educational institutions, research institutions and arts practitioners • Employees	• Address the welfare of our communities, helping them protect themselves against abusive practices, including alcohol abuse, and develop the skills required for meaningful employment • Our key concern remains the social ills within our wider community that, in turn, lead to abusive practices such as the abuse of alcohol

Our response and performance

- A strict alcohol consumption policy is in place that applies to all employees.
- Distell is a member of ARA and actively participates and collaborates with industry bodies and distributors to promote the responsible consumption of alcohol.
- Our marketing strategy is aligned with ARA's Code of Commercial Communication and we support only licensed outlets operating within the confines of national and provincial legislation. This year no complaints related to Distell were registered at the ARA and no Distell advertisements were withdrawn.
- We regularly engage government and the industry on various levels regarding effective legislation and the regulation of the industry.
- We promote responsible drinking through our marketing and advertising activities and ARA started with an Age Watch campaign across all ARA associate members' retail stores in 2012, aimed at preventing alcohol being sold to anyone under the age of 18.
- We partner with recognised non-profit organisations specialising in raising awareness among communities and providing treatment and counselling to those affected. This year FASfacts serviced two areas in which 30 mentors and 98 pregnant women participated. In total, 77% of these women refrained from drinking during their pregnancy and breastfeeding period.

- Advocate that further increases in excise tax are unlikely to reduce the misuse of alcohol products and may lead to serious unintended consequences.
- Build relationships and work collaboratively to find appropriate solutions to curb both alcohol abuse and illicit trade.
- Distell, along with its industry peers and SALBA, continues to participate in the Southern African Customs Union's (SACU) excise policy reviews.
- Collaboratively develop a coherent framework of action to quantify and mitigate the risk to the industry posed by the illicit liquor trade.

- Supported more than 80 corporate social investment (CSI) programmes financially (and in-kind) through the Distell Foundation.
- Supported various art and culture projects consisting of five arts awards, six festivals and other platforms such as Oude Libertas Centre to strengthen the creative arts industry.
- Increased our focus on life skills and alcohol-usage related programmes such as FARR and FASfacts that combat fetal alcohol syndrome.
- Engaged external evaluators to assess the social impact of Chrysalis, FARR and Goedgedacht, our three flagship projects.
- Made social investments to develop life skills amongst the youth and combat unemployment.
- Conducted restoration work at Nederburg, Mon Repos, Plaisir de Merle and three other sites in Stellenbosch to preserve heritage buildings of historical importance.
- More than 100 employees voluntarily committed over 700 working hours in total to 27 social investment projects during the year.

Corporate Responsibility Issues (continued)

Material issue	Stakeholders	Focus areas
Our people		
• Employee relations • Fair employment practices • Talent management • Skills training and career development • Employee wellness • Ethics	• Employees • Learners and graduates • Government: Departments of Labour, and Trade and Industry • Education institutions	• We aim to provide a conducive working environment that nurtures career development, innovative thinking and develops a diverse and engaged workforce • We are mindful of South Africa's skills shortage and we aim to attract top talent by improving our reputation as an employer of choice, equipping individuals with the skills we require, and looking after our talent
Transformation		
• Broad-based black economic empowerment • Integrated transformation	• Employees • Suppliers • Government: Departments of Labour, and Trade and Industry • Communities	• Integrate transformation into all aspects of the business and nurture an inclusive corporate culture capable of attracting and retaining diverse talent • Deliver on our broad-based black economic empowerment (B-BBEE) goals and regain our B-BBEE Level 4 status
Responsible supply chain management		
• Primary production • Secondary production • Upholding human rights	• Suppliers • Employees • United Nations Global Compact (UNGC) • Wine Industry Ethical Trade Association (WIETA), Integrated Production of Wine Scheme (IPW), Biodiversity and Wine Initiative (BWI) • Government: Departments of Labour, and Trade and Industry • Consumers	• Responsibly and efficiently source, procure, produce, label, package and distribute alcohol beverages • Reduce the environmental impact of our products and packaging • As a member of the UNGC, uphold the human rights of farmworkers involved in our products • Continued to drive ethical trade by advocating leading social and environmental management practices to all our wine producers
Preserving our environment		
• Compliance with changing legislation • Managing our environmental responsibility • Climate change and carbon footprint • Energy efficiency • Water usage and sustainable water supplies • Waste management • Effluent and waste water • Conservation of biodiversity	• Municipalities • Suppliers • Government: Departments of Environmental and Water Affairs, and Agriculture, Forestry and Fisheries • Consumers • Local communities • NGOs	• We are committed to reducing our impact on the environment through our environmental management policy and comply with national legislation and leading environmental management practices • Reduce the risk associated with climatic changes through product diversification • With the cost of energy escalating we have to explore all viable opportunities to improve our efficiency across our operations and reduce our resource usage, with specific focus on electricity, fossil fuel and water

Our response and performance

- Engage with staff through various media, including in-house magazines, workplace forums, 284 mission-directed work teams and our on-site Full Circle Communications Model.
- Employee numbers increased to 5 284 (2013: 5 066) with approximately 90% of employees located in South Africa.
- Staff turnover increased to 8,96% (2013: 7,4%).
- Union membership decreased to 33,8% and we experienced one unprotected strike involving 85 employees.
- Training spend increased by 8% to R15,7 million, with 97% of our training spend allocated to previously disadvantaged individuals (PDIs).
- Lost-time injuries increased marginally to 146 (2013: 139), while the number of lost days dropped to 1 534.
- Our ethics hotline received 23 calls, seven of which related to human resources grievances. There were no known instances of human rights violations.
- 21 cases were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) with 20 resolved in favour of Distell.
- Embarked on a mentorship programme as part of our succession planning strategy.

- 71,8% of our total South African staff complement are historically disadvantaged individuals (HDIs) and 12,57% are female HDIs.
- Over 86% of all new appointments and over 90% of all promotions were awarded to PDIs.
- Improved our B-BBEE score to 64,06 and maintained our Level 5 contributor status.
- Through our annual transformation roadshow we engaged 506 managers.
- Work with suppliers to help them align their records with the dti Codes.
- Implement our five-year employment equity plan, which includes strategic recruitment, succession planning, senior and middle management development and retention strategies.

- Improved our sales forecast accuracy from 78,6% to 80,5% and reduced our packaging inventory cover from 30 to 25 days.
- Secured 350,2 million litres of grape, wine and wine-related products, 95,9% of which was sourced locally in South Africa.
- Sourced 90% of our wine requirements from independent wine cellars, 8,2% from independent grape growers and 1,8% from our own farms.
- All grape and wine suppliers must comply with the IPW.
- 66% (2013: 18%) of our wine producers are WIETA-accredited (targeting 100% by 2017).
- Set aside a total of 39%, or 2 017 hectares, of the land that is either wholly or partly owned by us for conservation through BWI or other conservancies.
- Continue with our shared-ownership schemes and embarked on a long-term process of developing new agricultural enterprises in the Northern Cape.
- Introduced our second Fairtrade-accredited wine brand, called Earthbound, which directly benefits the Papkuilsfontein farmworkers.

- Continued to implement and embed the use of a 'site services' database for detailed measurement and reporting at our sites.
- Established and embedded ISO 14001-compliant management structures with eight sites fully ISO 14001 certified and six more sites advancing well towards certification.
- Against our 2018 per-product reduction targets (using 2009 as base year) achieved a:
  - 25,7% reduction in on-site fossil fuel energy usage, exceeding our 25% target;
  - 11,33% reduction in electricity usage, against a target of 15%; and
  - 8% reduction in water usage, against a target of 10%.
- Carbon footprint (Scopes 1 and 2) of 153 646 tonnes CO_2e.
- Captured 3 908 tonnes (2013: 5 087 tonnes) of CO_2 at our cider production facility.
- Reused 111,3 million bottles, representing 24,4% (2013: 23,8%) of our total glass requirements in weight this year.
- Saved 2 120 tonnes of glass through light weight bottles.
- Effluent discharged per litre of packaged product amounted to 2,32 litres (2013: 2,30 litres).
- A total of 2 017 hectares, or 39% of the total area that is either wholly or partially owned by us, has been set aside for conservation (2013: 1 595 hectares).

Sustainability Review

Responsible corporate citizenship is key to Distell's long-term sustainability and the longevity of the communities it serves. We unlock long-term value by engaging our stakeholders, understanding their needs, identifying opportunities for innovation and growth, and then working collaboratively to achieve shared goals.

We continually refine the list of key corporate responsibility issues that affect our ability to enrich the lives of our people, shareholders and the communities where we live and work. Our key issues are:

- Promoting responsible drinking
- Excise and illicit trade
- Sustaining our communities
- Our people
- Transformation
- Responsible supply chain management
- Preserving our environment

Kindly refer to our Corporate Responsibility Issues table on page 130.

Promoting responsible drinking

Distell encourages the moderate consumption of alcohol as a socially acceptable and enjoyable way to celebrate and relax. We also recognise that alcohol can harm people who drink irresponsibly, as well as those around them.

We welcome broad-ranging consultations among all stakeholders and, together with leading international manufacturers, regularly engage with and urge government to address the irresponsible production, marketing and consumption of liquor.

Leading practice starts at Distell. Many of our employees have access to, or are exposed to, alcohol within the workplace during the production of wine, spirits and RTDs. We have a strict company-wide alcohol policy, enforced by management, and we supplement employee education and training programmes with practical interventions to ensure responsible employee behaviour. We also support a variety of life skills and youth development programmes through the Distell Foundation to address underage drinking by redirecting the energy of the youth, building their resilience and empowering them to make healthy lifestyle choices.

One of the dilemmas of the South African Government is that, when it legislates to prevent health or social harm, it should not inadvertently cause economic harm through the unforeseen consequences of its actions. Thousands of workers in the Western Cape are dependent on the health of the industry. We are in full support of efforts by government to develop interventions that integrate social, health and economic considerations. However, the government's progress in developing legislation concerning alcohol abuse is slow, being managed at all three tiers of government and across nine provinces. Government's aim to harmonise legislation is hampered by a lack of consensus.

The South African Government has embarked on various policy interventions focusing on the following four key issues: reducing underage drinking, preventing fetal alcohol syndrome, controlling the sale and marketing of alcoholic beverages, and reducing drinking and driving.

Reducing underage drinking

The most contentious issue is the proposed increase in drinking age limit from 18 to 21. Underage drinking and alcohol abuse among the youth is a significant problem in South Africa and, according to the government, costs taxpayers approximately R17,2 billion a year.

While an optimal solution demands agreement and collaboration between all stakeholders, including parents, teachers and wider society, we endorse the current legislation against alcohol being sold to anyone under the age of 18 and are convinced that enforcing our existing laws would be the most effective means of reducing underage drinking. In support of this stance and as a member of the ARA, we (and all other ARA members) comply with and promote the ARA Code of Conduct among our distribution channels. We also continued with our Age Watch campaign across all our retail stores. The campaign is aimed at preventing alcohol being sold to anyone under the age of 18.

Preventing fetal alcohol syndrome

The high reported rate of fetal alcohol spectrum disorder (FASD), which can be caused when a mother consumes alcohol during pregnancy, is a pressing socio-economic issue in South Africa. The neurological damage caused by FASD is irreversible and can worsen many of the social ills faced by communities, including unemployment, crime and violence. As awareness, prevention and treatment programmes for women addicted to alcohol can dramatically reduce the incidence of FASD, we have increased our investment in projects addressing alcohol abuse by pregnant women. Apart from our involvement with ARA's initiatives, we support the Foundation for Alcohol-related Research (FARR), the Goedgedacht Trust and FASfacts to help raise awareness around the consequences of drinking while pregnant, and urge our sales and distribution network not to sell alcohol to visibly pregnant women.

FARR has been successful in reducing fetal alcohol syndrome (a subcondition within FASD) by 30% in De Aar. We will continue to invest in opportunities where we can link our life skills, art, music and drama therapy projects to FASD prevention and responsible drinking awareness programmes. Our overall aim is to systematically establish a more holistic support framework for communities at risk.

Controlling the sale and marketing of alcoholic beverages

The Department of Health proposed an outright ban on all liquor advertising. Irresponsible alcohol advertising can create false impressions of alcohol, increasing social problems. On the other hand, responsible advertising can inform consumers about the dangers associated with alcohol abuse and influence consumers to switch from illicit, unregulated and potentially dangerous substances to legal, safe and regulated products.

We maintain that an outright ban on liquor advertising will not be effective in combating alcohol abuse and agree with the studies recently conduct by Econometrix and the Department of Trade and Industry, where they found that a ban on advertising is likely to result in unintended consequences such as job losses, reduced taxes and an increase in sales of illicit alcohol products. In addition, our marketing channels and material are tailored towards specific markets targeted to exclude the youth and communities at high risk.

Our advertising strategy is aligned with the ARA's Code of Commercial Communication and Conduct and we ensure that all relevant people involved in distribution are properly trained. This initiative has resulted in a noticeable drop in the number of advertising complaints registered at the ARA that relate to Distell and its brands. All advertising complaints are investigated and, if required, the ARA will refer cases of non-compliance for independent arbitration or legal action. This year none of the complaints registered at the ARA related to Distell and none of Distell's advertisements were withdrawn.

Reducing drinking and driving

Distell firmly maintains that people should not drive while intoxicated (DWI). The large number of motor vehicle accidents in South Africa involving intoxicated drivers has prompted government to propose a reduction in the blood alcohol concentration (BAC) limit for drivers from 0,05 to 0,02 grams of alcohol per 100 millilitres and that for novice drivers to zero.

While we support government's proposal for novice drivers, we oppose the intended reduction for all other drivers. People often enjoy alcohol beverages with their meals and do so responsibly. Imposing a zero-tolerance policy on all drivers runs the risk of potentially criminalising the actions of responsible and productive citizens. In order to improve the safety for motorists and pedestrians we need more effective enforcement of existing legislation, rather than additional legislation for experienced and responsible drivers.

We communicate the dangers associated with both alcohol abuse and drinking and driving by putting warnings on our product labels and in our advertising and marketing material. Billboards and pamphlets carry responsible drinking messages and distribution staff are trained to discourage patrons from excessive consumption and driving while intoxicated. When hosting company-related events, sales staff have access to a driver service to ensure they do not drink and drive, and to set an example for their clients to follow.

Distell and other ARA members continue to run campaigns raising awareness about drinking and driving. These road safety campaigns also include pedestrian safety as pedestrians account for approximately a third of all road fatalities in South Africa.

Excise and illicit trade

The 2010 National Treasury review of excise policy in the Southern African Customs Union (SACU) led to the announcement, in February 2012, of new tax incidence targets of 48% and 35% for spirits and beer respectively. Wine remains at 23%. To achieve these targets, increases of 10% and 12% excise tax on spirits was announced in 2013 and 2014 respectively.

The South African Government, supported by some concerned stakeholder organisations, advocates for the continued increase in excise tax to tackle harmful use of alcohol. Although we strongly support the objective of reducing the misuse of alcohol, we question the efficacy of excessive excise tax increases to achieve this goal.

Excise increases penalise all alcoholic beverage consumers for the behaviour of the minority who abuse alcohol. This latter group, meanwhile, is significantly less responsive to price increases.

South Africa has among the highest income inequalities in the world, with a large proportion of the population living in poverty. Tax increases on alcoholic beverages hit low-income households hardest as they spend a significantly larger proportion of their income on consumables, including alcohol.

The South African brandy industry has been impacted by real increases in excise on spirits, resulting in sales volumes falling by 8,4%. This has significant implications for the local wine industry, considering that it takes on average five litres of wine to produce one litre of brandy. The Department of Agricultural Economics at the University of Stellenbosch estimates that the decline of brandy in South Africa over the past eight years has resulted in a loss of R1,56 billion in economic value add to the South African economy and a loss of 7 526 job opportunities foregone economy-wide.

Beyond the negative economic impact of increasingly high excise duties, the latest increases in excise tax will provide yet another catalyst for illicit trading and the further consequence of tax evasion on a large scale. According to the World Health Organisation (WHO) illicit (unrecorded) trade in alcoholic beverages in South Africa was estimated to have accounted for 26% of total alcohol volumes per capita (in litres of pure alcohol) consumed in 2010.

Illicit trade in alcohol results not only in foregone revenue to the government, it also poses serious health risks since producers of illicit products seldom adhere to South Africa's manufacturing regulations, designed to ensure products are safe for human consumption. The larger the unregulated, informal alcohol sector the more difficult it is for government to reduce alcohol abuse. We maintain it is crucial for government, law enforcement and the alcohol industry to address issues linked to illicit alcohol.

Any assessment of the effectiveness of excise increases, as a policy intervention to curb alcohol abuse, needs to take into account the above-mentioned economic and socio-economic considerations, as well as the government's capacity and determination to effectively contain probable increases in illicit trade.

Distell, along with its industry peers and the South African Liquor Brand Owners Association (SALBA), continues to participate in the government's review of SACU's excise policy in 2014, with the aim of providing constructive inputs that objectively consider all the consequences of excise policy, unintended as well as intended.

We also work as an industry to develop, in collaboration with key government and non-government stakeholders, a coherent framework of action to quantify and mitigate the strategic risk to the industry posed by the illicit liquor trade in South Africa.

Sustaining our communities

We endeavour to participate constructively in the communities in which we operate, because strong and healthy communities offer a measure of protection or prevention against abusive practices, including alcohol abuse. With investments and in-kind support for more than 80 projects, Distell aligns with the United Nations' Millennium Development Goals and the 12 key outcomes of the South African Government's 'Programme of Action'.

Over the past three years we have shifted our CSI focus towards life skills and alcohol-usage related programmes to achieve better alignment between our business and our affected communities.

Distell has been involved with the South African art world for over 48 years, and arts and culture make up 45% of our annual CSI budget. We also focus on specific social issues such as education, unemployment, health and awareness of responsible drinking.

We have been particularly active in supporting arts and culture outreach programmes, including seven festivals around South Africa. At home our Oude Libertas Centre in Stellenbosch plays an important role in the development of the local creative arts and entertainment industry. We sponsor five annual awards recognising excellence in arts and support the development of classical, jazz, contemporary and African music through a number of festivals and projects.

We continue to link the arts with life skills education by supporting organisations such as Chrysalis Academy, Goedgedacht Trust, Vision AfriKa and the South African Life College Group. We also support other skills development projects such as the Pebble Project Trust, the Anna Foundation and the Trauma Centre.

Our approach to education is multifaceted and ranges from supporting candidates in higher education to addressing the needs of unskilled and unemployed candidates and combating illiteracy among farmworkers.

A number of our properties possess heritage buildings of historical importance. During the year restoration work was done at Nederburg, Mon Repos, Plaisir de Merle and three sites in Stellenbosch.

This year the Distell Foundation began to collaborate with Distell's environmental unit to develop and invest in projects that deliver both improved environmental and social benefits such as the newly established Stellenbosch River Collaborative. In partnership between local industry, conservation organisations and governmental departments, the Collaborative aims to address the deteriorating water quality in the Eerste River catchment area.

In support of employee volunteerism, Distell matches funds raised by employees, up to a maximum of R5 000 per employee. This year more than a 100 Distell volunteers committed approximately 700 working hours to 27 projects, either individually or as teams, in addition to their own personal time.

Our people

We aim to attract and retain talented, diverse and motivated staff who find career fulfilment in delivering outstanding quality products for Distell. Employee surveys show a positive trend and serve to guide our people development programmes.

This year Distell's staff complement increased to 5 284 (2013: 5 066), after acquiring Burn Stewart Distillers (BSD) in Scotland. Of the total, 90% of all employees are located in South Africa. Of our total South African staff complement 71,79% are historically disadvantaged individuals (HDIs) and 12,57% are female HDIs. Staff turnover increased marginally to 8,96% (2012: 7,4%) and appointments remained stable at 10,2% of our total permanent headcount for the year.

Employee relations and employment practices

Distell's employee base in South Africa is 33,76% unionised, and several unions are represented. Signed collective agreements address organisational rights and conditions of employment, while labour legislation regulates union recognition across our operations. Distell engages with staff through workplace forums, 284 mission-directed work teams (MDWT) and annual negotiations with representative trade unions. Despite tough economic and labour market conditions wage negotiations were concluded successfully and without industrial action while an unprotected strike at our Springs facility led to the dismissal of 80 employees.

MDWTs have been successful in enhancing employee performance, encouraging a sense of ownership and accountability, increasing co-operation and fostering a climate of mutual respect. We implemented an internal communications tool, known as the Full Circle Communications Model, at our fourth-largest production site. These provide periodic site-specific information about employee achievements as well as corporate and brand news. The system features monthly or bimonthly employee feedback sample surveys and, in some instances, highly targeted surveys to review the effects of new site-specific initiatives.

Our line management and human resources practitioners are well trained in the application of the Corrective Action Code. This year 21 cases were referred to the CCMA, with 20 resolved in favour of Distell.

Aside from basic legal compliance, all employees have access to a subsidised retirement or provident fund and the Group's closed medical aid scheme. Leave benefits for most leave types are in excess of the minimum legislative requirements. Distell also provides bursaries, study assistance and study leave for employees who are actively pursuing their own personal development.

Talent management, training and development

We attract diverse and motivated staff by participating in career fairs at tertiary education institutions and targeting experienced employees through a number of channels and events. During the year 86,37% (2013: 87%) of all new appointments were previously disadvantaged individuals (PDIs) and 90,71% of all promotions were awarded to PDIs, while 79% were awarded to HDIs.

In March 2014 regional talent review forums were held around the globe and a global talent management review forum is scheduled for August 2014. A major focus area is training and development. This year our training spend increased by 8% to R15,7 million (2013: R14,5 million) of which R8,1 million was spent on training initiatives at a regional and operational level.

The foundation of our succession planning is our middle management development programme, introduced in 2010. Of the 57 employees who have participated since the programme started 89% were HDIs and 47% were female. Eight employees are currently enrolled. On completion candidates are tracked and supported by continued interventions to enhance their individual development.

In 2013 we introduced a senior leadership development programme to speed up transformation at strategic levels within Distell. All six participants completed the programme successfully. This year eight employees are partaking in the programme, six of whom are HDIs.

We have seven learnership programmes providing 128 (2013: 114) employed and unemployed individuals with training opportunities across our value chain, from winemaking to retail distribution. A further 38 recent graduates or students are completing internships as part of our workplace experience programmes. In support of our transformation goals 77% of our total training spend and more than 90% of learnership, internship and leadership spend is allocated to previously disadvantaged individuals (PDI).

We promote occupational health and safety (OHS) through various education initiatives across the business and offer health interventions to reduce the incidence of illness. We adhere to the principles as set out by the Fertilisers, Farm Feeds, Agricultural Remedies and Stock Remedies Act 36 of 1947 regarding training, protection against toxic agricultural chemicals, testing and safe disposal or removal, and we subject ourselves to external third-party audits as part of the IPW certification system.

The injuries resulting in lost time increased marginally to 146 (2013: 139), while the number of lost days decreased from 1 601 (2013) to 1 534 due to less severe accidents requiring shorter periods off duty.

This year nursing staff at our on-site clinics carried out nearly 31 000 consultations, addressing a variety of wellness issues, including voluntary counselling and testing (VCT) for HIV/Aids.

Ethics

Staff make use of our ethics line to report both human resource issues and ethical concerns. Grievances relating to an employee's working environment, salary or wellness are channelled to our HR department for resolution, while other concerns are channelled to other units depending on the nature of the complaint or allegation.

This year we received 23 calls, of which seven related to human resources grievances. All calls were investigated and resolved, except for one call that was still under investigation at year-end.

Transformation

Transformation is a continuous journey, integrated into all aspects of the business. It helps us build a high performance culture through effective leadership, communication and commitment to a common set of goals. Distell strives to be representative of all South Africans and everyone who represents its operations outside the borders of South Africa, irrespective of their origin, belief system, physical abilities, gender or class status in society.

Progress on transformation is monitored by the social and ethics committee and our transformation strategy consists of four pillars: broad-based black economic empowerment (B-BBEE), employment equity, talent management and skills development. Our overall score increased to 64,06 (2012: 62,87) and we maintained our status as a B-BBEE Level 5 contributor. We are working towards creating long-term empowerment through our integrated transformation strategy and in doing so endeavour to regain our B-BBEE Level 4 contributor status.

In addition to our annual transformation roadshow, we partnered with The Human Capital Engine, an organisation specialising in organisational transformation and since 2012 have conducted 78 leadership, transformation and diversity workshops across all employee levels and business units. To date we have reached 1 265 employees. We will continue to roll out these workshops across the business, aiming to reach all employees by June 2017.

Responsible supply chain management

Distell exerts influence over – and invests in – its supply chain to secure raw materials at the appropriate quality, volume and price. Our primary production comprises raw materials such as grapes, wine, grape juice concentrate, distilling products, apple juice concentrate and cream to the value of R1,3 billion. Our secondary production phase is mainly concerned with the labelling and packing of products for distribution and sale.

Primary production activities

This year we secured a total of 350 million litres of grape, wine and wine-related products, representing 29% of South Africa's total wine production. Of the total, 96% was sourced locally and nearly 98% from independent wine cellars or growers.

More than 5 000 hectares of land, either wholly or partially owned by Distell, fall within the Cape Floral Kingdom (CFK). Many of our independent suppliers also reside within the CFK where one quarter of the more than 6 000 endemic plant species are threatened. The Biodiversity and Wine Initiative (BWI) was formed in 2004 through a partnership between the South African wine industry and the conservation sector in order to contribute to the protection of this national heritage. Through the BWI and other conservancy organisations we have set aside 39% or 2 017 hectares of the land we either wholly or partly own for conservation.

In order to uphold responsible agricultural practices, all Distell farms are registered with the Integrated Production of Wine Scheme (IPW), which aims to reduce the environmental impact of agricultural activities as well as reduce industrial inputs into wine-growing. The scheme requires accurate record keeping of all vineyard activities and since the 2010 vintage. All of Distell's certified wines carry the IPW sustainability seal issued by the Wine and Spirit Board. In certifying our wines under the new South African wine industry sustainability seal we ensure that all our independent suppliers are IPW accredited.

Distell is a founding member of the Wine Industry Ethical Trade Association (WIETA), formally established in 2002 to bring together stakeholders in the Western Cape wine industry to discuss and debate issues around ethical trade. We are committed to ensuring that all the primary production suppliers adhere to the WIETA code by the end of 2017. We are on track to achieve this target with 66% already accredited and an additional 24% in the process of obtaining accreditation.

The Swiss-based Société Générale de Surveillance (SGS) is a major international body that certifies organically grown agricultural foodstuffs. SGS has again confirmed accreditation of Papkuilsfontein Vineyards' 166,3 ha of organically cultivated vineyards, which we jointly own with a consortium of black entrepreneurs and a local community trust. SGS has also accredited our Nederburg and Adam Tas cellars for the production of organic wines. An additional area of 5,6 ha is expected to qualify for SGS accreditation within the next three years.

In the long term, climate change holds significant risks for the agricultural sector, and specifically the cultivation of grapes. To adapt to our changing climate we are diversifying our supply chain by developing vineyards in new wine-growing areas. We pioneered wine-growing in Elgin over 30 years ago, more recently in Gansbaai and have several experimental plantings further inland. These are well isolated from other wine-growing areas, thereby reducing risk from viral infection.

We have access to a dedicated vine nursery through a preferential supply agreement to ensure a consistent supply of good-quality vine plant material and first mover advantage on scarce cultivars.

In order to promote the entry of new role players in grape and wine supply we embarked on a long-term process of assisting the establishment of new vineyards in the Northern Cape region in 2003. Government's role is to supply the funds and land; viticulturists from a nearby independent cellar provide technical expertise and training; the cellar processes the grapes and Distell purchases the wine production. We have played a leading role in bringing together the respective stakeholders and managing the working groups. We envisage that this project will lead to the establishment of approximately 500 ha of vineyards for the production of brandy. By year-end a total of 86,6 ha had already been established.

Secondary production activities

Annually we spend more than R3 billion on packaging materials. In order of spend this consists of glass, cans, cartons, closures, labels and various other packaging items such as foils and shrink-wrap plastic. Other goods and services include bulk transport, packed product transport, business support services and marketing.

For key commodities such as glass, labels and cartons, we have specific sourcing strategies in place which take into consideration not only cost and continuity of supply, but also other aspects such as local supplier development, preferential procurement and lead time considerations. These strategies are updated regularly.

Over the past financial year we spent approximately R3 million on packaging materials and, where feasible, sourced materials as close to our production sites as possible in order to reduce logistical costs. Local supply also assists in limiting our exposure to foreign exchange fluctuations.

Over the last two years we focused on improving our sales forecasting system. Together with regular demand reviews and sales and operations planning meetings, we managed to improve our sales forecast accuracy from 78,6% to 80,5% over the past year. Various improvements in the stability and reliability of our outbound supply chain have allowed us to improve our service levels to retailers and reduce our packaging inventory cover from 30 to 25 days.

Upholding human rights

We embrace the United Nations Global Compact (UNGC) and officially became a member in 2013. We undertake to respect human rights and to ensure that the company is not complicit in human rights abuses.

While there were no known instances of human rights violations by Distell during the period under review, the treatment of workers and their families on farms that supply the agricultural processing industry remains a controversial issue. We adhere to and exceed the standard requirements set out in South Africa's Basic Conditions of Employment Act and underline this compliance with a number of benefits, including participation in the Distell Provident Fund, subsidised medical funds and employment-linked housing. All employees, including farmworkers, have the right to join or form trade unions. The majority of farmworkers are represented in this way.

Our farms are subject to external third-party audits as part of the IPW certification system. All hazardous chemicals, such as post-process laboratory chemicals, are stored in dedicated storage areas. Used chemicals are removed by an external contractor on a regular basis, treated and disposed of at certified hazardous waste sites. Safe disposal certificates are kept on record.

Sharing in benefits

Together with a group of Gauteng entrepreneurs and a local community trust, Distell is the joint owner of Papkuilsfontein Vineyards, a 975-hectare farming venture. Established in 1998, the project is underpinned by an extensive transfer of skills, including wine-growing, wine farm management, winemaking and marketing.

Following the successful introduction of our Fairtrade-accredited Place in the Sun wine brand in 2011 we introduced our second Fairtrade-accredited wine brand this year called Earthbound. This organic wine brand is produced primarily from the grapes from the Papkuilsfontein farm.

The personnel policy applied to Papkuilsfontein is also applied to all our wholly-owned farms and has again been given a clean audit by Department of Labour inspectors. Our labour practices on LUSAN farms are based on the same principles followed at all Distell wine farms.

A shared-ownership scheme has been part of the Durbanville Hills company structure since its inception, and 50 000 shares (5% of total shares) have been issued to the Durbanville Hills Workers' Trust. A director elected by the employees represents the farmworkers on the board of directors. The Workers' Trust drives several development initiatives within the farmworker community, including adult education programmes and the funding of high school fees for children on the supplier farms.

Preserving our environment

Distell is wholly dependent on the long-term health of the environment from farm to consumer. Environmental processes and resources such as the soil, climate, water and energy form the basis of our products.

Changes in climate and the quality and supply of water have a major impact on our operations. We recognise that these changes are at least partly a result of industrial activity, from the burning of fossil fuels to the negative effects of emissions, effluent and waste.

We are continually improving our production processes to combat the rising cost of energy. Improving the energy efficiency of our production processes and substituting fossil fuel with renewable energy solutions, where possible, has become a major focus.

Governance and management

Distell's social and ethics committee oversees all of its environmental practices. We are progressively implementing the ISO 14001 environmental management system at all our primary and secondary production facilities. In total, 88% of our sites (2013: 59%) are actively implementing ISO 14001 and 47% (2013: 41%) have already been externally certified. In the new financial year all four secondary production sites will be taken through the rest of the ISO 14001 implementation process.

Our environmental policy is available online at www.distell.co.za.

We regularly review all new and proposed environmental legislation, regulations and policies to assess their potential impacts on the business, and provide feedback to government where appropriate. This gives us the opportunity to engage with the regulatory bodies and proactively take the necessary steps to ensure compliance. This reporting year saw the amendment of all the primary environmental legislation as well as the promulgation of a vast number of new regulations in terms of these Acts.

The most significant impacts include:

- Carbon Tax and offset – due for enforcement in 2016, the proposed tax rate is R120/t CO_2e levied after an initial 60% tax-free threshold. A 10% annual tax rate increase has been proposed for the first five years, while the 60% threshold will be revised only after five years.
- Air quality legislation – a number of small boilers fall under this legislation, increasing the burden on reporting and compliance.
- Waste management legislation – the thresholds for environmental impact assessments (EIA) have changed and waste generated from the production of alcoholic beverages is now defined as general waste, necessitating revised monitoring and reporting methods.

We further engage with local authorities, in particular the Stellenbosch municipality, to ensure that concerns of mutual importance, such as the treatment and control of effluent discharge, are dealt with responsibly.

Since its implementation in July 2010 our greenhouse gas (GHG) reporting database has played a critical role in monitoring and managing our environmental management practices at an operational level. In addition, we developed a site services dashboard (SSD) to monitor our performance against our resource usage reduction target related to water, electricity and fossil fuel-based energy.

The roll-out of the SSD system to all our fully-owned secondary production sites and the majority of our cider and spirit primary production sites has been completed. The LUSAN sites and our last outstanding primary production sites will come on stream during the new financial year. The SSD is also being implemented at our new Ghana production facility and we will be further rolling it out to our international facilities in France and Scotland.

In 2011 Distell established a company-wide Go Green movement and developed training material highlighting Distell's environmental management programmes across our various facilities. We also contracted an external organisation to raise awareness around water, electricity and fossil fuel usage at our sites. We plan to make this function a permanent position. This will be supplemented with e-learning programmes.

Climate change and carbon footprint

Our direct emissions (Scope 1 and 2) decreased by 4,4% to 153 646 tonnes CO_2e (2013: 160 636 tCO_2e). We also managed to reduce our emission intensity per litre of product slightly by 0,8% to 257 tonnes CO_2e per million litres of packaged product. The decrease was partly due to a 3,6% decrease in production volumes, but also to electricity and fossil fuel energy reduction projects which led to the 0,29% reduction in electricity usage and the 9,23% reduction in the coal used in our production boilers.

Our largest impact on climate change is caused by burning fossil fuels on-site to generate steam for our boilers (42,5%), as well as the purchase of mainly coal-based electricity from Eskom (53,9%). To reduce our impact (using our 2009 usage as a baseline) we aim to achieve a 25% reduction in on-site energy usage from fossil fuel and a 15% reduction in electricity usage per litre of packaged product.

This year we achieved our 2018 reduction target for fossil fuel, though we need to continue our savings initiatives considering the extent to which energy usage fluctuates year on year according to both market demand and stock management planning. Initiatives implemented this year included insulation to reduce steam losses, further development of biogas boilers and methane capture, as well as experimentation with wood chips as an alternative energy source to coal.

We are making slower progress in achieving our electricity usage reduction target. While our total electricity usage declined due to the reduction in our production volumes, our electricity intensity per litre of packaged product increased to near 2012 levels, despite the implementation of a number of electricity-saving projects. Nonetheless, our overall energy reduction since 2009 is 11,33% against our 2018 target of 15%. An estimated saving of 1 678 MWh of electricity was achieved during the reporting year by implementing energy-efficient lighting upgrades at Green Park, Adam Tas, Durbanville Hills, Nederburg, in Port Elizabeth and Worcester, optimised refrigeration at Adam Tas, and the installation of various variable speed drives on motors and pumps.

We are also able to reduce our non-energy-related GHG emissions by capturing, purifying and then using the carbon dioxide (CO_2) released during the fermentation of the apple juice to carbonate our products. This, in turn, reduces our CO_2 purchases. While carbon capture increased in 2013 by 15% as a result of the expansion of our Monis cider plant in Paarl, carbon capture dropped this year by 23% (back to 2011 levels) as a result of lower and more fluctuating production activity.

Water usage and sustainable water supplies

Distell is dependent on water for the agricultural production of its raw materials, and for its production processes. The importance of securing a reliable supply of water – and ensuring that the quality of the water is protected – is critical as climate variability becomes more evident. The availability of good-quality water is already limiting agricultural expansion and the situation is likely to deteriorate further, especially considering that water availability will be significantly affected by climate change.

The implementation of the National Water Act, 1998, and specifically its compulsory licensing requirements, could severely impact Distell's long-term sustainability. Competition for water for environmental, social and economic needs is a complex issue, particularly in relation to the historical distribution of water and its link to land ownership. Redressing this situation could have a negative impact on agriculture and agricultural industries if it is not managed proactively and judiciously.

All water usage at the different Distell sites is measured and recorded on a continuous basis, to allow for improved management and reporting of water usage at a corporate level. Our total water usage decreased marginally to 2,3 million cubic metres. However, our water usage intensity declined to 3,89 litres of water per litre of packaged product when factoring in the 3,6% decrease in overall production volumes.

This equates to an 8% reduction in water usage compared to 2009, against our 2018 target of 10%.

Water reduction initiatives were implemented at various sites and an upgrade of the irrigation system for our Goudini site's lawns reduced groundwater usage by approximately 11 000 m^3.

Waste management

The majority of our waste consists of organic primary waste as well as inorganic waste like glass bottles and other packaging waste. This year saw a further 3,9% increase in the volume of organic waste recycled and recovered, giving a 28% cumulative increase since 2011.

We are actively working to reduce, reuse and recycle our glass packaging. This year we used a total of 263 397 tonnes (2013: 326 592 tonnes) of glass bottles, of which 75,6% (2013 76,2%) comprised new glass and the remaining 64 168 tonnes (2013: 77 802 tonnes) comprised reused bottles. The reduced tonnage of new glass bought in is attributable to using lighter glass, collecting and reusing through our 'Give back, Get back' campaign, introducing bag-in-box (BIB) packaging for wine and cans for ciders, and exporting our products in bulk containers for bottling overseas. This year we collected and reused 64 168 tonnes of glass bottles (2013: 77 802 tonnes), representing 24,4% of our total glass bottle requirements.

Effluent and waste water

Waste water is generated primarily as a result of washing and 'cleaning in place' (CIP) practices at the different sites. CIP is critical to ensure our products comply with product quality and health and safety standards. Waste water is also produced as a by-product of the brandy distilling process. The volume of waste water per litre of packaged product increased to 2,32 litres of effluent per litre of packaged product (2013: 2,30 l/l). The waste loading of our effluent, as measured by its chemical oxygen demand (COD), increased significantly to 6 727 104 kg COD (2013: 4 629 459 kg COD).

While decreased volumes of waste water is advantageous, reducing the water component results in increased effluent concentration per litre of waste water and the risk of environmental damage if not treated properly. Our approach to waste water disposal is to look for ways to reduce the load on the local authorities and use treated waste water for irrigation while minimising our environmental impact.

Our plans to construct effluent treatment plants at our Goudini Distillery and Adam Tas sites are progressing well. During the period under review we completed EIAs for both sites and received environmental authorisation to proceed with construction. We are also evaluating the feasibility of upgrading our treatment facility in Wellington and constructing an anaerobic treatment system at our Worcester site. This latter will reduce the water's organic load and facilitate the production of biogas (methane) for our boilers.

CORPORATE GOVERNANCE

Corporate Governance

Framework

The board of directors is committed to maintaining strict principles of good corporate governance to ensure the business is managed with the highest standards of professionalism, integrity, ethics, fairness and social responsibility. It considers itself fully accountable to stakeholders in its ongoing commitment to applying the disciplines and guidelines laid out in the Companies Act (Act 71 of 2008, as amended) (the Companies Act), the JSE Listings Requirements and the King Report on Governance for South Africa (King III).

To enable management to make recommendations to the board on matters of corporate governance we use independent external advisers to monitor regulatory developments, both locally and internationally. The board is of the opinion that, for the period 1 July 2013 to 30 June 2014, the requirements of the Companies Act and the JSE Listings Requirements have been met (unless otherwise stated). In line with the overarching 'apply or explain' principle of King III, the board has, to the best of its knowledge, applied or is embedding processes in support of the relevant King III principles.

Compliance with both the JSE requirements and King III is monitored by the audit and risk committee of the board.

The King III compliance checklist is available online at www.distell.co.za.

We aim to be transparent in our management process to assure our shareholders and other stakeholders that the company is managed within prudently determined risk parameters and in accordance with international best practice and ethical norms.

We continue to integrate sustainability into our business strategy as we are conscious of the importance of environmental, social and governance issues to our long-term prosperity. Our social and ethics committee monitors sustainability performance to ensure the Group's continuous improvement towards the highest standards of governance.

Sustainability

Distell's governing objective is to maximise value for shareholders and other key stakeholders, while also contributing to national prosperity. In striving towards this objective, we remain cognisant of the impact our business activities have on society and the environment. Therefore we follow a formal process to identify and assess the major risks that could impact negatively on sustainability as far as our operations are concerned.

In the year under review we continued to integrate sustainability into our business strategy, assisted by the social and ethics committee. The committee is chaired by an independent, non-executive director and comprises the managing director, the director for corporate affairs, Group company secretary and three executive management members. More information on the social and ethics committee appears on page 151 and also refer to the Corporate Responsibility report on page 130.

We prepared this report using the Global Reporting Initiatives' (GRI) G4 guidelines and the recommendations of King III. The information contained in the sustainability report is audited to a large extent by the internal audit department.

Although it is not fully validated, we are confident in the capacity of our internal control systems and processes to ensure the information it contains does not contradict the financial aspects of the integrated report.

Our material issues are summarised on pages 130 to 133.

Compliance with applicable laws and regulations

The Group company secretary and Group legal counsel are responsible for guiding the board in discharging its regulatory responsibilities. They have established a legal compliance framework which maintains an inventory of laws and regulations relevant to our business and sets out procedures to monitor compliance and mitigate risk.

We employ external specialists where necessary and conduct compliance training and education to reinforce ethical behaviour across the Group. Courses attended during the year included Introduction to Licensing Course, Protection of Personal Information (POPI) Legislative Compliance, Foodstuffs Seminar, Mandatory Export Legislation Seminar, Anti-Competition Seminar as well as an Intellectual Property Law Short Course. Management accepts the responsibility for implementing the controls necessary to ensure compliance with the law and convergence with the values of the Group.

During this financial year Distell initiated a process to review and revise its policies to create a robust anti-bribery/corruption policy, underpinned by anti-bribery specific controls. The Anti-bribery Compliance Project has been designed to ensure compliance with new South African legal requirements as well as global requirements in the foreign markets where we operate.

The regulations to the Companies Act requires the Group's social and ethics committee to monitor the implementation of a series of good corporate governance obligations, including the Organisation for Economic Co-operation and Development (OECD) recommendations on reducing corruption as well as the United Nations Global Compact Principles.

The Group's commitment to anti-bribery compliance is reflected in the following statement by Distell's managing director, Richard Rushton:

'… Distell has always been committed to doing business with integrity and with proper regard for ethical business practices. Our commitment to doing business ethically is unwavering. There is no room for exceptions. Complying with local and global anti-corruption laws is non-negotiable at Distell and acts of bribery and corruption by personnel or anyone acting on behalf of Distell will not be tolerated …'

To date the Group has:

- Conducted an anti-bribery risk assessment. This entailed scoping and reviewing Distell's business activities and policies to assess the extent of anti-bribery measures in place, coupled to the identification of key bribery/corruption risk areas and the development of controls and procedures to mitigate the risk.
- Developed and is implementing a policy document and framework for addressing ani-bribery policies through a compliance project.
- In preparation for the roll-out of the compliance project for the new financial year, Distell has begun to:
  - design and develop the anti-bribery due diligence procedures on third-party intermediaries and a business partner pre-clearance process; and
  - implement the project, incorporating development of the training material and roll-out of training throughout the Group. Extensive training roll-out is planned for the new financial year.

A senior management team will actively and visibly lead Distell's anti-bribery policy and practice, and ensure that these policies and procedures are implemented consistently in all countries where Distell trades.

Business ethics and organisational integrity

We are committed to conducting our business with integrity and with proper regard for ethical business practices. The company expects all directors and employees to comply with these principles and to act in the best interests of the company at all times.

Our code of ethics and conduct is designed around a set of values as detailed on page 7 and sets out the standards of ethical behaviour required of all employees in their dealings with one another, with customers, suppliers and society in general.

The code also covers areas such as compliance with laws and regulations, and provides an administrative process for communication and compliance.

Transparency and accountability through the ethics line

All directors and employees are required to avoid conflicts of interest and to refrain from insider trading, illegal anti-competitive activities, bribery and corruption. All staff members are encouraged to remain vigilant and blow the whistle on fraud, theft, corruption and other irregularities by anonymously reporting such acts to the Group's independently operated 24-hour toll-free ethics line (Ethics hotline: 0800 004 822/distell@ethics-line.com). Refer to page 137 in the 'Our People' section for statistics and results for the year under review.

The board

Board role and responsibilities

The board has adopted a charter setting out its responsibilities, accountability and duty towards Distell. It appreciates that strategy, risk, performance and sustainability are inseparable and that the strategic direction it sets for the company must integrate all these elements.

The board strives to act in the best interests of the company. It assesses and authorises the plans and strategies submitted by senior management, agrees on key performance indicators, and identifies key risk areas and responses. Executive management is then charged with the detailed planning and implementation of these strategies in accordance with appropriate risk parameters.

The main responsibilities of the board in terms of its charter are to:

- create sustainable shareholder value;
- determine the Group's key objectives and provide it with strategic direction;
- consider and approve Distell's annual business plan and budget as submitted by management, including sustainability initiatives;
- establish committees to assist it in discharging its responsibilities and duties. These are a remuneration committee, a social and ethics committee and an audit and risk committee (for more detail refer to separate sections for the roles these committees fulfil on behalf of the board);
- monitor compliance with laws, regulations and the Distell Code of Conduct;
- prepare annual financial statements that fairly represent Distell's state of affairs by selecting and consistently applying suitable accounting policies;
- implement internal controls to manage both financial and operational risks, ensure adequate risk management practices are followed and oversee information technology governance;
- ensure that relevant and accurate information is timeously communicated to stakeholders;
- appoint new directors, including the chair of the board, chairs of committees and the managing director, based on the recommendations made by the remuneration and nominations committee;
- ensure that remuneration of directors and senior management complies with the remuneration policy;
- evaluate the performance and effectiveness of the directors, the board as a whole and its sub-committees on an annual basis;
- consider significant financial matters such as investment proposals;
- evaluate the viability of the Group as a going concern;
- evaluate and approve the integrated annual report and interim financial statements, thereby ensuring that these reports fairly represent the business;
- declare dividends to shareholders; and
- review annually the charters of all the board committees.

The composition of and attendance at committee meetings are set out below.

Board of directors

Independent non-executive directors	
DM Nurek (Chairperson)	(6/6)
FC Bayly*	(2/2)
JG Carinus	(6/6)
GP Dingaan	(6/6)
MJ Madungandaba	(6/6)
LM Mojela	(6/6)
CA Otto	(6/6)
AC Parker	(6/6)
CE Sevillano-Barredo	(6/6)
BJ van der Ross	(6/6)

Non-executive directors	
PE Beyers	(5/6)
Dr E de la H Hertzog	(6/6)
JJ Durand	(6/6)
LC Verwey***	(5/5)

Executive directors	
JJ Scannell**	(2/2)
MJ Botha	(6/6)
RM Rushton****	(4/4)

* Resigned 16 October 2013.
** Retired 31 December 2013.
*** Resigned 5 May 2014.
**** Appointed 1 November 2013.

The roles of the chairman and managing director are separated, with responsibilities divided between them.

The chairman has no executive responsibilities.

Refer to pages 24 and 25 for further information on each board member.

Appointment, orientation and development

Board member appointments are made transparently and involve the full board's consideration. A formal appointment procedure is defined in the board charter which stipulates that every effort should be made to ensure that it's composition adequately reflects the demographics of South Africa. The board is mindful of the need to continuously infuse fresh thinking and a relevant mix of skills and experience amongst its member to ensure it is adequately equipped to achieve the company's objectives.

Non-executive directors are appointed for their skills, knowledge and experience of other businesses and sectors. They are expected to make effective and independent contributions to decision-making and policy formation. Their diverse mix of skills is a major contributor to the proper functioning of the board and its committees, ensuring that issues are fully debated and that no individual or group dominates the board's decision-making processes. A formal induction programme exists for all new directors.

Generally, non-executive directors have no fixed term of appointment, but retire by rotation. They may make themselves available for re-election for a further term. The directors who retire are those who have been longest in office since their last election.

In accordance with the memorandum of incorporation the board appoints a managing director and the chairman annually. A notice period of one month is specified in the employment contracts of all executive directors. No restraint of trade agreements exist.

Individual performance standards have been set for both executive and non-executive directors. Self-assessment against individual and collective responsibilities is conducted annually, following the process laid out in the board charter.

All directors are deemed to have the expertise necessary to fulfil their duties and enjoy significant influence at meetings. This ensures a balance of authority and precludes any one director from exercising undue influence in terms of decision making.

Performance evaluation

An annual evaluation of the board's effectiveness, including the audit and risk committee, remuneration and nominations committee, and social and ethics committee, is undertaken internally by way of a written questionnaire. The chairman of the board then gives feedback individually to each director. The independence of non-executive directors is also evaluated, where appropriate, and a rigorous evaluation of all the directors with more than nine years tenure will be done.

Share trading

Procedures are in place to prevent directors and senior management of the Group from trading in the company's shares during price-sensitive or closed periods. In terms of the Group's policy closed periods commence two months prior to the expected publication date of the year-end or interim financial results of the company and run up to the publication date. Directors and senior management throughout the Group are informed of the closed periods by the company secretary.

Directors and the company secretary are required to advise the chair and obtain his clearance before dealing in Distell shares. Directors of subsidiary companies are required to advise the managing director and obtain his clearance, while other senior employees require the approval and clearance of the company secretary before dealing in Distell shares. Clearance is withheld during any closed period or where there exists unpublished, price-sensitive information in relation to the company shares.

Conflict of interest and director share trading

It is incumbent on directors to act in the best interests of the company at all times. All board members and the company secretary are required to sign a declaration disclosing the extent of their shareholdings in Distell, other directorships and any potential conflict of interest between their obligations to the company and their personal interests.

Where a potential conflict of interest does exist, they must recuse themselves from relevant discussions and decisions.

Independent advice
In appropriate circumstances individual directors may seek independent professional advice at the expense of the company in order to enable them to discharge their responsibilities as directors.

Company secretary's role and responsibilities
Mrs Lizelle Malan (BCom (Hons), CA(SA)) was appointed company secretary from 1 May 2014. She replaces Stoffel Cronjé (MA), who held this role from 1990 until his retirement.

The company secretary is responsible to the board for ensuring that proper corporate governance principles are adhered to and assists with director induction and ongoing training as necessary.

The company secretary prepares and circulates minutes of board and committee meetings and is responsible to ensure the board remains cognisant of its duties and responsibilities. She oversees the induction programme for key committees, including subsidiary company directors. Directors receive ongoing training and are kept abreast of relevant changes in legislation and governance best practice. All directors have unlimited access to, and may at any time seek the advice and services of, the company secretary.

The company secretary is not a director of the company and accordingly maintains an arm's length relationship with the board and its directors. The company secretary attends all meetings of the board and its committees.

Going concern
Twice a year the board reviews the Group's current financial position, budgets and cash flow projections and decides whether, to the best of its judgement, there are adequate resources to continue with operations in the foreseeable future.

Board meetings and attendance
The board meets at least every two months to review a formal schedule of matters, of which its members are fully briefed in advance. The board also meets on an ad hoc basis, if required. Effective chairing and a formal agenda ensure all issues requiring attention are raised and addressed. This enables directors to discharge their responsibilities by determining whether prescribed functions have been carried out according to set standards within the boundaries of prudent, predetermined risk levels and in line with international best practice.

Board committees
While the board remains accountable for the performance and affairs of the company, it delegates specific responsibilities to committees which operate under board-approved charters. All committees are chaired by an independent non-executive director who attends the annual general meeting in order to respond to shareholder queries.

The audit and risk committee
The composition of and attendance at committee meetings are set out below:

Audit and risk committee	
CE Sevillano-Barredo (Chairperson)	(4/4)
GP Dingaan	(4/4)
DM Nurek	(4/4)

Role: The audit committee plays an essential role in governing the processes necessary to ensure that financial reporting throughout the Group is accurate and reliable.

The committee comprises three independent, non-executive directors, nominated by the board and confirmed by shareholders.

The committee meets at least four times per year and the managing director, financial director, external audit, head of internal audit and selected senior management attend the meetings.

The main objectives of the committee are to:

- perform the statutory functions of an audit committee in terms of the Companies Act and other functions delegated to it by the board;
- review the adequacy and effectiveness of the financial reporting process and the system of internal control, external audit and reporting of the Group;
- oversee the management of financial and operating risks and the Group's procedures for monitoring compliance with laws and regulations and Distell's own code of business conduct;
- review and approve the Group's integrated annual report, annual financial statements, interim reports and other financial media releases, before final approval is obtained from the board;
- oversee risk management procedures and information technology governance; and
- make recommendations to the board on all related matters.

The committee makes the following statements:

Independence of external auditor
Distell has a policy relating to the provision of audit, audit-related tax and other non-audit services by its independent auditor. It clearly sets out the services that may and may not be performed by independent auditors. The committee preapproves audit and non-audit services to ensure that neither the independence nor the objectivity of the auditors is impaired in the conduct of the audit.

The committee is satisfied with the independence of the external auditor. The analysis of audit fees and fees for non-audit services is provided on page 97.

Expertise of the financial director and the finance function
As required by the Listings Requirements of the JSE, the committee considered the experience and expertise of the Group's financial director and is satisfied that it is appropriate. The committee has also reviewed and satisfied itself that the composition, experience and skills of the finance function meet the Group's requirements.

Discharge of responsibilities
The committee has determined that it has discharged both its legal and general responsibilities in terms of the board charter and the Companies Act during this financial year. Distell's board is in agreement with this and has approved the interim and year-end financial statements as well as the integrated annual report.

The information contained in the report has been partially validated with combined assurance obtained from external and internal assurance providers.

The social and ethics committee
The main responsibility of the committee is monitoring the company's social and economic development, its corporate citizenship and its labour relations, measured against specific indicators.

Refer to page 151 for a comprehensive social and ethics report.

The remuneration and nominations committee
The main responsibility of the committee is to ensure that the Group's directors and senior executives as well as the non-executive directors are fairly rewarded for their individual contributions to overall performance in a manner that is in the best interests of shareholders.

Refer to page 152 for a comprehensive remuneration report.

Statement of internal control
The board recognises the importance of systems of internal control that support the achievement of the Group's policies and objectives, and is ultimately responsible for implementing and maintaining them.

It should be noted that such systems are designed to manage rather than eliminate the risk of overriding internal controls and can provide reasonable, but not absolute, assurance against misstatement or loss.

While the board of directors is responsible for internal control systems and for reviewing their effectiveness, responsibility for their actual implementation and maintenance rests with executive management.

The systems of internal control are based on established organisational structures, together with written policies and procedures, and provide for suitably qualified employees, segregation of duties, and clearly defined lines of authority and accountability. They also include standard cost and budgetary controls and comprehensive management reporting.

The internal audit department continually monitors the effectiveness of and adherence to the internal control systems through a process of 'control self-assessment' (CSA). The CSA programme supplements the existing audit evaluation of internal control systems and is designed to assess, maintain and improve controls on an ongoing basis. Internal control checklists formalise compliance with critical internal controls and require management to report on own compliance on a monthly basis and to provide an audit trail as proof. Significant findings with respect to non-compliance with policies and procedures are highlighted in reports and brought to the attention of both management and the audit and risk committee. The audit methodology provides for independent validation of reported information to ensure the reliability of the results.

The Group's treasury department is responsible for managing exposure to interest rate, liquidity and currency risks. Treasury functions and decisions are guided by written policies and procedures, as well as by clearly defined levels of authority and permitted risk assumption. While non-leveraged derivatives are purchased periodically to hedge specific interest rate or currency exposures, the Group treasury does not undertake speculative financial transactions.

In the period under review audit reviews did not indicate any material lapse in the functioning of internal controls. The audit and risk committee and the board are satisfied that control systems and procedures are suitably implemented, maintained and monitored by qualified personnel, with an appropriate segregation of authority, duties and reporting lines.

Internal financial controls
It is the responsibility of the audit and risk committee and the board to review and approve the annual financial statements, while the external auditors provide an independent opinion based on their audit.

Internal financial controls (IFCs) are designed to mitigate the risk of material misstatement in the financial statements and disclosures.

The audit and risk committee, in line with the requirements of King III, oversees a formal process that assesses and reports on the effectiveness of our IFCs annually. This entails identifying the risks of misstatement and the controls that address them, assessing the adequacy of the controls and confirming that they are properly maintained.

The evaluation of the effectiveness of the IFCs entails both a top-down and bottom-up approach. Firstly, financial statement account balances and disclosures deemed significant are analysed to determine the systems and processes that contribute to the transactions being recorded, accumulated and disclosed. Secondly, continuous control activities, carried out by employees on a daily basis, are evaluated by the internal audit function and are mapped to financial statement accounts.

Combined assurance, adopted as a governance principle, considers all identified key risks when reporting to the board through the audit and risk committee. This co-ordinated approach to the execution of assurance activities involves the participation of management, internal and external auditors, as well as other independent internal assurance providers.

The combined assurance model entails the following:

- risk-based independent internal audits, covering all transaction cycles. A three-tier audit approach involves independent audits by Group internal audit, regional audits and continuous control self-assessment by management;
- embedded information technology system controls, tested by the external auditors and independent professional service providers;
- comprehensive monthly management reporting that follows standard cost and budgetary control systems;
- special audit procedures regarding journal entries, reconciliations, manual interventions and year-end processes;
- transparency of management estimates and judgements; and
- an effective complaint-gathering and management system.

During the year under review nothing came to the attention of the board and the external or internal auditors to indicate any material lapse in the functioning of internal financial controls.

Internal audit

The internal audit function provides assurance and consulting services, involving an independent review of an organisation's records, operations and procedures to evaluate the efficiency, effectiveness, compliance and the existence of adequate internal controls to mitigate risks in achieving the organisation's objectives.

It performs a key role in the Group's assurance structure. The mandate of the internal audit function is set out in the internal audit and audit and risk committee charters. The internal audit department functions under the direction of the committee and has unrestricted access to its chair and a standing invitation to attend meetings of the executive committee. However, to protect their independence, representatives do not hold membership of these committees. The internal audit unit reports directly to the committee chair and is also responsible to the company secretary on day-to-day matters.

The internal audit function forms an integral part of the Group's combined assurance framework and, together with the facilitation role performed in the risk management process, establishes a robust, risk-based approach to identifying the risk management processes to be tested and evaluated. This methodology enables the internal audit to provide assurance that the key strategic, statutory, financial and operational risks are understood, identified, and effectively managed and mitigated.

The combined assurance framework forms the basis for assessing potential risk areas to include in the yearly risk-based internal audit plan, which is approved in advance by the audit and risk committee.

Each audit assignment is followed by a detailed report to executive management, including recommendations on aspects requiring improvement. The internal audit provides an annual written assessment of the effectiveness of the system of internal controls to the audit and risk committee, which, in turn, reports the state of internal controls to the board.

External audit

It is the responsibility of the audit and risk committee to nominate the Group's external auditor and to determine the terms of engagement and confirm the independence of this supplier. The external auditors express an independent opinion on the annual financial statements and provide reasonable, but not absolute, assurance on the accuracy and reliability of financial disclosures.

The audit and risk committee meets with the external and internal auditors and executive management four times per year to ensure that their efforts pertaining to risk management and internal control are properly co-ordinated.

Information technology governance

The board, through the audit and risk committee, is ultimately responsible for establishing frameworks and processes to ensure adequate information technology governance.

Information technology risks are governed by the Control Objectives for Information and Related Technology (COBIT) governance framework. The controls and procedures are identified and detailed in policy manuals. Compliance is measured against these standards by specialised independent service providers and the internal audit. Management reports the progress of internal risk responses to the audit and risk committee, which in turn reports to the board who ensures that IT is properly managed to support the Group's objectives.

Risk management

The board, through the audit and risk committee, is ultimately responsible for the governance of risk. The committee ensures that adequate frameworks and methodologies are in place to identify risks, assess the probability of occurrence and review their impact.

The audit and risk committee reviews the effectiveness of the Group's risk management processes and plans. Risk registers of significant risks facing the Group are discussed, as are management's plans to control and mitigate these risks within board-approved ranges of tolerance. The committee then reports to the board on the key risks facing the Group and the responses adopted.

A structured, formal and planned approach to risk management determines the Group's risk profile. The Group's formal management processes embed the identification, management and reporting of risks.

The Group has adopted a continuous, systematic and integrated enterprise-wide risk management process that focuses on identifying, assessing, managing and monitoring all known forms of risk across the Group. This includes economic, environmental and social impacts and opportunities. Management, assisted by external consultants, continues to further develop and enhance its comprehensive risk management framework and related controls. This includes training and communication, continuous control self-assessment by line management and comprehensive reporting.

A central risk manager is responsible for setting risk management and associated financing policies and procedures, and reports to the audit and risk committee.

Major risks are the subject of ongoing attention by the board of directors and are given particular consideration in the Group's annual board-approved business plans. The most significant risks currently faced by the Group include those pertaining to:

- building and protection of the image of our brands;
- legal and governance non-compliance;
- supply chain and procurement;
- excise;
- illicit trading in alcohol;
- product tampering, sabotage or contamination and their impact on brand reputation;
- the failure to develop and execute appropriate international strategies and make acquisitions;
- human resource vulnerabilities such as skills shortages and the inability to retain talent;
- environmental non-compliance;

- business interruption;
- information technology;
- currency, interest rate and credit risk; and
- failure due to non-compliance with internal control systems.

These risks and risk responses, which are also reported on in this annual report and in the electronic sustainability report (www.distell.co.za), are included in the Group's integrated risk management structure.

The audit and risk committee is satisfied with the effectiveness of the risk management process.

Investor relations

It is important that the board achieves an appropriate balance between its various stakeholder groups and the best interests of the company. The board is also aware of the growing demand for transparency and accountability on sustainability issues and is therefore committed to providing timely and transparent information on corporate strategy and financial performance.

The Group manages communications with its key financial audiences, including institutional shareholders and financial analysts. The goal is to pass timeous, relevant and accurate information to all stakeholders in accordance with the JSE Listings Requirements.

Information sessions are conducted following the publication of interim and final results. Executive directors, as well as representatives from management, attend these sessions. A broad range of public communication channels is also used to disseminate information.

The Group chairman encourages shareholders to attend and actively participate in the annual general meeting. The chairs of the Group's audit and risk, social and ethics, and remuneration and nominations committees are present to respond to questions from shareholders. Voting at annual general meetings is conducted by way of a show of hands or a poll and the Group proposes separate resolutions on each significant issue. The results of voting and any issues raised at the meeting are released on the JSE's electronic news service, SENS.

Stakeholder engagement

We determine our material issues not only from an in-depth understanding of the legal environment and the management of our various risks, but also from close engagement with a variety of stakeholders, including shareholders, customers, suppliers, government, employees, affected communities and the wider society.

Many of these engagements occur in the ordinary course of conducting business. Communication between the board and stakeholders on economic, environmental and social topics occurs through various channels including the annual general meeting and stakeholders can contact the company secretary directly.

Closed periods

In line with its commitment to ethical business conduct the Group has personal account trading and directors' dealings policies in place to restrict dealing in its securities by directors and employees during closed or price-sensitive periods. Compliance with policies is monitored on an ongoing basis.

General investor interaction during this time is limited to discussions on strategy and historical, publicly available information.

Social and Ethics Committee Report

The composition of the committee and attendance at committee meetings are set out below:

Social and ethics committee	
GP Dingaan (Chairperson)	(2/2)
JJ Scannell*	(1/2)
MJ Botha	(1/2)
RM Rushton**	(1/1)

Other non-board members include VC de Vries, SW Klopper, CJ Cronjé***, L Malan**** and W Bührmann.

* Retired 31 December 2013.
** Appointed 24 April 2014.
*** Retired 30 April 2014.
**** Appointed 24 April 2014.

Distell's social and ethics committee is responsible for monitoring the company's environmental, social and economic development, its corporate citizenship, its labour relations and its measures to promote ethical business practices. The committee uses the following indicators, amongst others, to carry out its oversight work:

- Distell's performance in terms of the Employment Equity Act and Broad-based Black Economic Empowerment legislation and Codes of Good Practice.
- Compliance with other relevant legislation, including consumer protection laws.
- The United Nations Global Compact principles of business conduct, which focus on human rights, labour, environment and anti-corruption.
- Monitoring of the ethics line and appropriate action in respect thereof.

The committee reports to shareholders and other stakeholders via the company's integrated annual report and the sustainability report.

In accordance with its formal mandate from the board Distell's social and ethics committee met twice during the year under review – in August 2013 and in February 2014. The committee reviewed Distell's performance in respect of the following:

- Environmental impact, particularly as regards water savings, energy efficiency, waste management and climate-change readiness.
- Product quality.
- Consumer protection.
- Ethics and anti-corruption.
- Human rights.
- Social investment.
- Responsible drinking.
- Human resources as regards the employment relationship (including employee engagement, labour relations and fair employment practices) and educational assistance for employees.
- Transformation, with the focus on employment equity, broad-based black economic empowerment and corporate culture.

The committee is satisfied that Distell has procedures in place that address the above-mentioned areas. However, it is clear that the company is struggling to achieve racial representivity at senior- and top-management levels, and that the issue of responsible drinking remains a challenge that all companies in the liquor industry have to rise to. These two very important matters are a priority for Distell's management to address.

The committee noted that anti-corruption and -bribery policies were being prepared and that communication campaigns and training sessions would be held with staff and certain external stakeholders in respect of these. The committee also noted that Distell had become a member of the United Nations Global Compact during May 2013.

GP Dingaan
Chairperson Social an Ethics Committee

Stellenbosch
25 August 2014

Remuneration Report

Dear Shareholder

The mandate of the remuneration and nominations committee is to ensure that performance, contribution and reward are linked to the overall strategy of the Group, thereby enhancing shareholder value.

Our **remuneration principles** are critical to the sustained success and well-being of the company, and apply to the attraction, development and retention of talented and diverse employees. These principles are adhered to at both individual and team levels.

The committee ensures that the remuneration principles achieve the following:

- Attract highly skilled employees, making Distell an employer of choice.
- Motivate and retain current talent within the workforce.
- Ensure that the CEO and executive team are motivated to achieve the long-term strategic plan of the Group.
- Ensure that there is a strong link between performance, contribution and reward.
- Clearly differentiate pay between strong performers and average performers.
- Ensure that the Group's directors and senior executives are fairly rewarded for their contributions to overall performance in a manner that is in the best interests of shareholders.

Our **remuneration philosophy** is to promote a culture of excellence in order to maintain our industry leadership. Distell's approach to remuneration is fully aligned to the achievement of its business strategy.

Share incentives are considered a vital element of executive incentive pay. All permanent employees participate in the Group's Employee Performance Management System, while the Distell Group Limited Equity Settled Share Appreciation Right Scheme offers long-term incentives to those eligible, based on their role, influence and performance.

Following the appointment of our new managing director, Richard Rushton, our remuneration policy was reviewed to align pay structures and incentives more closely with our corporate strategy and best practice. We commissioned PwC Reward Services to do an extensive benchmarking exercise to assess our remuneration of executive management and directors in relation to the market, focusing on equivalent pay structures amongst comparable JSE-listed companies. All data was carefully analysed, and medians and ranges applied to establish appropriate compensation levels.

No significant changes to the remuneration policy have been proposed for the 2015 financial year. The result of the benchmark proved that Distell's non-executive directors' (NED) fees are not sufficiently competitive against the market, with all of our fees being below the median. Regarding the median, a reasonable accepted tolerance band of 20% above and below is generally applied to NED fees. From the above, a phased approach over three years is proposed (the median being adjusted by 7% for 2016 and 2017).

In the remainder of the report below we highlight, in greater detail, the responsibilities of the committee, the key issues considered during the year and our remuneration policy to be presented for shareholder approval later this year.

AC Parker
Chairman of the Remuneration and Nominations Committee

Stellenbosch
25 August 2014

Remuneration governance

The committee meets quarterly and its duties, as mandated by its charter, comprise the following:

- To determine and approve the Group's general remuneration policy, tabled at each annual general meeting for approval by the shareholders.
- To annually review and approve the remuneration packages of the most senior executives, including incentive pay and increases.
- To annually review the remuneration of the directors of the board and its committees, and make proposals to the board for final approval by shareholders at the annual general meeting.
- To approve amendments to the Group's share-based incentive plans and subsequent share allocations to employees.
- To appoint directors.
- To ensure seamless succession at senior management level.

The composition of and attendance at committee meetings are set out below:

Remuneration and nominations committee	
AC Parker (Chairperson)	(3/3)
DM Nurek	(3/3)
LM Mojela	(2/3)
JJ Durand	(3/3)

The Group's CEO and company secretary also attend the meetings, but do not participate in the determination of their own remuneration.

Remuneration policy

Our remuneration policy comprises the following:

- Appropriate mix of short- and long-term incentives to align employees' and shareholders' interest over the long term.
- Competitive total remuneration packages offered to employees relative to the industry and market.

Non-executive directors

Non-executive directors receive a fixed annual retainer. This remuneration is augmented by compensation for services on committees of the board. A premium is paid to the chair of the board as well as the chairs of the board committees. Remuneration is not linked to the company share price or results and non-executive directors do not qualify for shares under the company's share incentive scheme. The board annually reviews and makes recommendations regarding the remuneration of non-executive directors for approval by shareholders.

The fees payable to non-executive directors for the years ended 30 June 2014 and 30 June 2013 are as follows:

	30 June 2014 R	30 June 2013 R
Board chairperson	**574 000**	520 500
Board member	**163 000**	148 000
Audit and risk chairperson	**163 000**	148 000
Audit and risk member	**73 000**	66 000
Remuneration chairperson	**41 000**	37 000
Remuneration member	**41 000**	37 000
Social and ethics chairperson	**20 500**	18 500
Social and ethics member	**20 500**	18 500

The proposed fees for the year ending 30 June 2015 are as follows:

	30 June 2015 R
Board chairperson	735 500
Board member	202 725
Audit and risk chairperson	205 840
Audit and risk member	84 287
Remuneration chairperson	119 700
Remuneration member	63 000
Social and ethics chairperson	94 500
Social and ethics member	56 196

The policy report will be put to a non-binding shareholder vote at the 2014 annual general meeting and, if approved, the policy will take formal effect from that date.

Executive management

Our remuneration strategy aims to attract, motivate and retain competent and committed managers who have the ability to provide strategic direction and sustainably drive shareholder value in a manner that is consistent with best practice and aligned with the interests of shareholders.

We therefore seek to reward employees at market-related levels and in accordance with their contribution to the Group's operating and financial performance. To achieve this goal we apply a combination of basic remuneration plus additional short- and long-term incentives. Share incentives are considered a vital element of executive remuneration in order to align their interests with those of the Group's shareholders.

Distell structures packages on a total cost-to-company basis, incorporating basic remuneration, car allowance, medical and retirement benefits. Remuneration packages are reviewed annually and a formal system of job evaluation, performance assessment and market comparison ensures that remuneration is fair and sensible.

Short-term incentives

All permanent employees participate in the Group's Employee Performance Management System, where annual performance bonuses are determined based on the extent to which financial and non-financial objectives are met. Performance targets, verifiable and aligned to the Group's strategies and business plans, are agreed annually in advance. If threshold performance levels are not achieved, no bonuses are paid.

By collective agreement employees within the bargaining unit qualify for a fixed annual bonus equal to one month's salary.

Long-term incentives

Long-term incentives take the form of shares in the Distell Group Limited Equity Settled Share Appreciation Right Scheme. Employees who may participate are selected on the basis of individual performance, influence in the business and retention criteria. Allocations are subject to the rules of the scheme, which have been approved by shareholders.

Recipients are entitled to Distell shares with a value equal to the increase in the market value of a Distell share over the period, multiplied by the number of share appreciation rights (SARs) granted at inception and subsequently exercised by each recipient involved. Employees are offered the SARs at market value on the day of the award, which means they benefit only when additional value is created.

Participants are entitled to exercise SARs granted to them in three tranches: on the third, fourth and fifth anniversaries of the SARs grant date. All SARs must be exercised by participants before the seventh anniversary of the grant date. No specific performance criteria are stipulated.

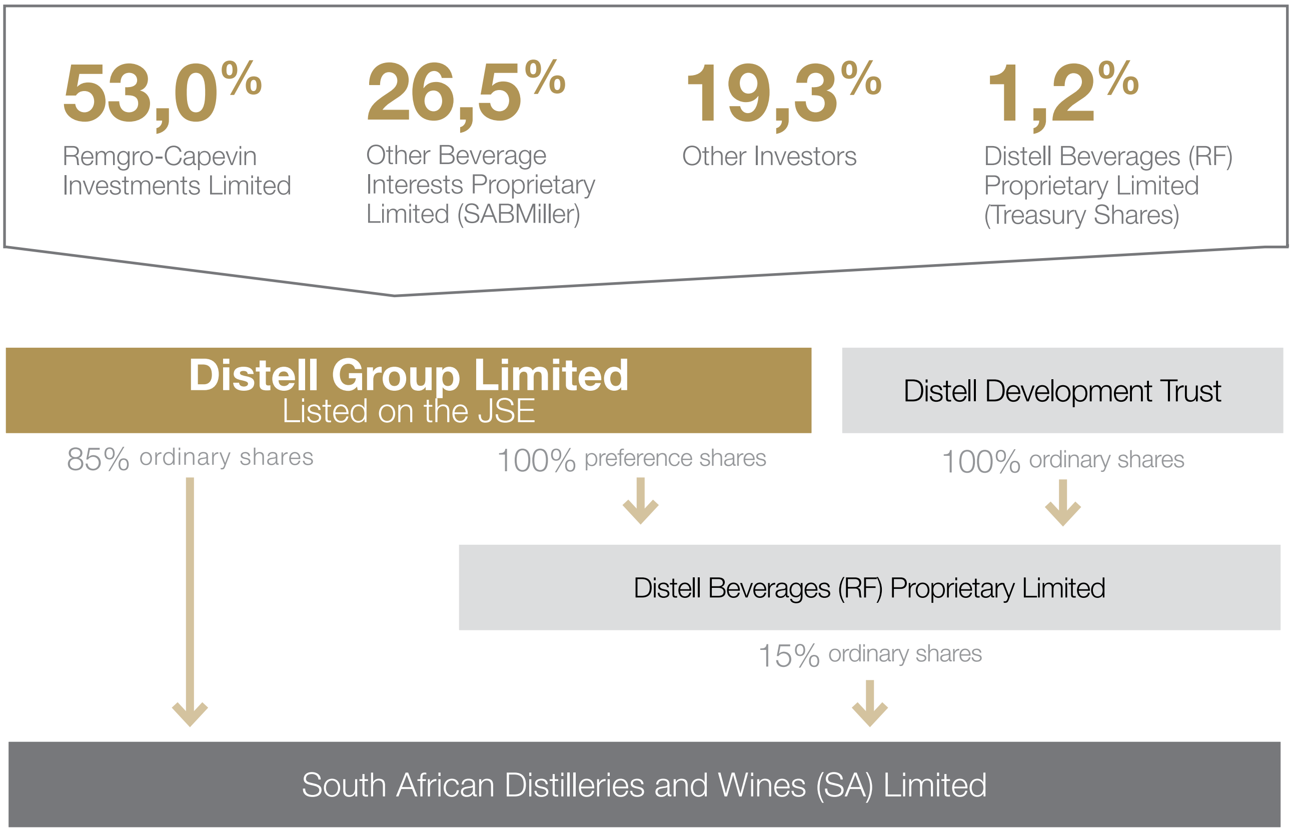
The Distell senior executive team consists of 14 members, including the managing director and chief financial officer, who are members of the Group board. We have disclosed their compensation in total (refer to note 40 in the annual financial statements). The salaries of the executive directors are:

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Medical aid contributions R'000	Vehicle benefits R'000	30 June 2014 R'000	30 June 2013 R'000
Executive							
JJ Scannell*	**1 989**	**1 010**	**413**	**14**	**166**	**3 592**	6 338
RM Rushton**	**2 942**	**–**	**611**	**20**	**257**	**3 830**	–
MJ Botha	**2 016**	**425**	**419**	**28**	**287**	**3 175**	3 017

* Retired 31 December 2013.

** Appointed 1 November 2013.

Group Structure



Where we operate

Our head office is situated in Stellenbosch, South Africa. While the majority of our operations and employees are located in South Africa, we have operations elsewhere in Africa and beyond.

Across Africa we have offices in Angola, Ghana, Kenya, Nigeria, and additional marketing staff in Mozambique, Tanzania, Uganda and Zambia.

Outside of Africa, we have offices in China, France, United Kingdom, Taiwan, USA, Brazil and Singapore. These provide support and direction to a network of agents in more than 80 countries.

In Tanzania, Zimbabwe and Mauritius, we operate joint ventures, while in Namibia, Botswana, Swaziland, Kenya and Scotland, we have wholly-owned subsidiary companies.

We operate 17 trading depots in South Africa with a further four in Namibia. We have 27 TradeXpress distribution outlets in South Africa and one in Swaziland and Botswana respectively. Furthermore, there are two independent distribution agents in South Africa. Elsewhere in Africa we make use of various distributors.

Subsidiaries

Manufacturers and distributors of branded alcoholic beverages

- Distell Limited (100%)
- Stellenbosch Farmers Winery Limited (100%)
- Bisquit Dubouché et Cie (France) (100%)
- Burn Stewart Distillers Limited (Scotland) (100%)
- Distell (Hong Kong) Limited (Hong Kong) (100%)
- Distell Angola Limitada (Angola) (51%)
- Distell Ghana Limited (Ghana) (60%)

Manufacturers of wine

- Durbanville Hills Wines Proprietary Limited (72%)
- Nederburg Wines Proprietary Limited (100%)
- Lomond Wine Estates Proprietary Limited (84%)

Farming

- Nederburg Wine Farms Limited (100%)

Wholesale distributors of branded alcoholic and other beverages

- Distell Botswana Proprietary Limited (100%)
- Distell Namibia Limited (100%)
- Distell Swaziland Limited (100%)
- Distell Winemasters Limited (Kenya) (100%)

Joint ventures and associates

Manufacturer and distributor of maturation vats

- Tonnellerie Radoux (SA) Proprietary Limited (50%)

Manufacturers and distributors of branded alcoholic and other beverages (associates)

- Grays Inc. Limited (Mauritius) (26%)
- Papkuilsfontein Vineyards Proprietary Limited (49%)
- Tanzania Distilleries Limited (Tanzania) (35%)
- Afdis Holdings (Private) Limited (Zimbabwe) (50%)

Manufacturers of branded alcoholic beverages (joint ventures)

- LUSAN Holdings Proprietary Limited (50%)

Awards

2013 International Spirits Challenge
Gold and best in class – Three Ships Premium Select 5 Year Old
Gold and best in class – Bain's Cape Mountain Whisky
Gold – Bunnahabhain 18 Year Old
Gold – Bunnahabhain 25 Year Old
Gold – Van Ryn's 12 Year Old Distillers Reserve
Gold – Van Ryn's 10 Year Old Vintage Brandy

2013 International Wine and Spirit Competition (IWSC)
African Spirits Producer Trophy – Distell
The Chivas Brothers Award for Outstanding Achievement in the Scotch Whisky Industry – Steven Sturgeon (marketing director at BSD)
Trophy for World's Best Cognac – Richelieu XO
Trophy for best dessert wine – Nederburg Eminence 2008
Gold Outstanding – Nederburg Private Bin Edelkeur 2007
Gold Outstanding – Nederburg Private Bin R163 Cabernet Sauvignon 2008
Gold Outstanding – Nederburg Solera Potstilled Brandy
Gold Outstanding – Durbanville Hills Rhinofields Noble Late Harvest 2012
Gold Outstanding – Richelieu XO
Gold Outstanding – Three Ships Premium Select 5 Year Old
Gold Outstanding – Van Ryn's 20 Year Old Collectors Reserve
Gold Outstanding – Van Ryn's 15 Year Old Fine Cask Reserve
Gold Outstanding – Van Ryn's 12 Year Old Distillers Reserve
Gold – Three Ships 10 Year Old Single Malt
Gold – Bain's Cape Mountain Whisky
Gold – Bunnahabhain 25 Year Old Single Malt
Gold – Van Ryn's 10 Year Old Vintage Brandy
Gold – Fleur du Cap Unfiltered Sauvignon Blanc Limited Release 2013
Gold – Fleur du Cap Unfiltered Chardonnay 2012
Gold – Fleur du Cap Unfiltered Cabernet Sauvignon 2011
Gold – Nederburg Winemaster's Reserve Noble Late Harvest 2011
Gold – Nederburg Winemaster's Reserve Noble Late Harvest 2012

2013 TGI ICON Brand Survey
South Africa's top wine brand – J.C. Le Roux

2013 Michelangelo International Awards
Brandy Trophy – Van Ryn's 15 Year Old Fine Cask Reserve
Grand d'or – Van Ryn's 15 Year Old Fine Cask Reserve
Double Gold – Durbanville Hills Rhinofields Noble Late Harvest 2012
Gold – Van Ryn's 12 Year Old Distillers Reserve

2013 Quest for the Best Awards
Certificate for Best Spirit – Bain's Cape Mountain Whisky

2013 Ramsay Media's Best Value Awards
Best value award for the sherry-styled category – Sedgwick's Original Old Brown

2013 Veritas
Double Gold – Van Ryn's 20 Year Old Collectors Reserve
Double Gold – Van Ryn's 15 Year Old Fine Cask Reserve
Double Gold – Van Ryn's 12 Year Old Distillers Reserve
Double Gold – Oude Meester Reserve 12 Year Old
Double Gold – Klipdrift Gold
Double Gold – Flight of the Fish Eagle
Double Gold – Nederburg Private Bin Eminence 2011
Double Gold – Nederburg Private Bin R163 Cabernet Sauvignon 2009
Double Gold – Nederburg Winemaker's Reserve Noble Late Harvest 2011
Double Gold – Nederburg Winemaker's Reserve Noble Late Harvest 2012
Gold – Van Ryn's 10 Year Old Vintage Brandy
Gold – Nederburg Edelkeur 2007
Gold – Nederburg Edelkeur 2008
Gold – Nederburg Edelkeur 2009
Gold – Nederburg Eminence 2008
Gold – Nederburg Eminence 2009
Gold – Nederburg Eminence 2010
Gold – Nederburg Private Bin 181 Merlot 2009
Gold – Nederburg The Anchorman 2012
Gold – Nederburg Winemaster's Reserve Special Late Harvest 2013
Gold – Nederburg Solera Potstilled Brandy
Gold – Durbanville Hills Rhinofields Noble Late Harvest 2012
Gold – Zonnebloem Limited Edition Pinotage 2010
Gold – Zonnebloem Limited Edition Sauvignon Blanc 2012
Gold – Zonnebloem Limited Edition Sémillon 2013
Gold – J.C. Le Roux Scintilla 2003

2013 World's Top 100 Premium Spirits Brands (Impact Databank)
Amarula is the only South African brand to make it on to the list of the world's top 100 premium spirits brands in terms of volumes sold, securing 81st position.

2013 SA Food Review New Product
Overall Winner – J.C. Le Roux Le Domaine Non-Alcoholic
Best Individual entry – J.C. Le Roux Le Domaine Non-Alcoholic

2013 Six Nation Wine Challenge
Double Gold – Pongrácz Desiderius 2008
Double Gold – Nederburg Eminence 2009
Gold – Nederburg Noble Late Harvest 2012
Gold – Fleur du Cap Laszlo 2008
Gold – Fleur du Cap Noble Late Harvest 2010
Gold – J.C. Le Roux Scintilla 2003
Medal of Excellence – Nederburg Ingenuity White 2011

2013 International Sweet Wine Challenge
South African trophy winner – Nederburg Winemaster's Reserve Noble Late Harvest 2012

2014 Platter
The five-star wines and brandies for 2014 are:
Nederburg Ingenuity 2012
Fleur du Cap Noble Late Harvest 2012
Nederburg Eminence 2012
Nederburg Edelkeur 2012
Nederburg Winemaster's Reserve Noble Late Harvest 2012
Van Ryn's 12 Year Old Distillers Reserve
Van Ryn's 20 Year Old Collectors Reserve
Van Ryn's Au.Ra

2013 SocialBakers Socially Devoted Award
Savanna won the SocialBakers Socially Devoted award, based on its Facebook page data for this past quarter (1 July – 30 September 2013). SocialBakers is a global social media analytics platform that allows brands to measure the success of their social campaigns against competitive statistics and metrics. The Socially Devoted award recognises brands on Facebook and Twitter that have achieved stellar customer care success on social platforms. Qualifying metrics include a 65+% response rate to questions on both networks and a base of more than 50 questions from the community to respond to.

2013 New York International Spirits Competition
Double Gold – Bain's Cape Mountain Whisky
Double Gold – Three Ships Bourbon Cask Finish
Double Gold – Three Ships Premium Select 5 Year Old

2013 Effervescents du Monde
Gold – Plaisir de Merle Grand Brut MCC 2010

2013 The Cognac Masters
Master Award – Bisquit VSOP

2014 San Francisco Spirits Competition
Double Gold – Three Ships Select
Double Gold – Three Ships Bourbon Cask Finish
Gold – Three Ships Premium Select 5 Year Old
Gold – Amarula Cream

Accreditation and certification as at 30 June 2014

2014 Chardonnay du Monde
Top 10 in the world – Durbanville Hills Rhinofields Chardonnay 2012

2014 World Brandy Awards
World's Best Wine Brandy – Oude Meester Souverein
Gold – Oude Meester Souverein
Best African Blend – Three Ships Premium Select 5 Year Old
Gold – Three Ships Premium Select 5 Year Old

2014 China Wine and Spirits Competition
Africa's Best Spirit – Three Ships Bourbon Cask Finish
Gold – Three Ships Bourbon Cask Finish
Gold – Bain's Cape Mountain Whisky

2014 What Food, What Wine? South Africa Competition
Trophy for the best food pairings for wines above R100 – Fleur du Cap Unfiltered Cabernet Sauvignon 2011 was voted the best wine to enjoy with delicious lasagne
Trophy for the best food pairings for wines above R100 – Fleur du Cap Noble Late Harvest 2011 took top honours as the best partner for milk tart

2014 San Francisco Spirits Competition
Double Gold – Oude Meester 18 Year Old
Double Gold – Van Ryn's 15 Year Old Collectors Reserve
Gold – Van Ryn's 12 Year Old Fine Cask Reserve
Gold – Van Ryn's 20 Year Old Distillers Reserve

2014 Concours Mondial du Sauvignon
Gold – Lomond Sugarbush Sauvignon Blanc 2012

2014 International Wine Challenge
South African Sweet Chenin Blanc Trophy – Nederburg Winemaster's Reserve Noble Late Harvest 2011
Gold – Fleur du Cap Noble Late Harvest 2011

2014 International Spirits Challenge
Gold – Three Ships Premium Select 5 Year Old
Gold – Mainstay Exotic Fusion

2014 Decanter Awards
Regional Trophy Best in Show – Durbanville Hills Rhinofields Pinotage 2012
Gold – Lomond Cat's Tail Syrah 2011
Gold – Lomond Conebush Syrah 2011
Gold – Durbanville Hills Rhinofields Pinotage 2012

2014 Concours Mondial de Bruxelles Spirits Competition
Gold – Klipdrift Gold
Gold – Richelieu
Gold – Viceroy
Gold – Richelieu XO
Gold – Amarula

2014 Scotch Whisky Masters
Master Award – Deanston Highland Single Malt 12 Year Old Master
Master Award – Bunnahabhain Toiteach
Gold – Ledaig Single Malt 10 Year Old
Gold – Ledaig 16 Year Old
Gold – Deanston Virgin Oak
Gold – Deanston Festival Edition 2013
Gold – Bunnahabhain 25 Year Old

2014 Old Mutual Trophy Wine Show
Trophy for best Bordeaux-style blend – Nederburg The Brew Master 2010
Trophy for best natural sweet dessert wine – Nederburg Eminence 2011
Gold – Nederburg 2011 Private Bin D234

International Standards Organisation (ISO) 9001:2008 certified
All Distell's distilleries, wineries, secondary production sites and distribution centres in the Republic of South Africa are ISO 9001:2008 certified. Distell's Namibian facilities in Windhoek, Walvis Bay, Oshakati and Keetmanshoop are also ISO 9001:2008 certified. Our ISO 9001:2008 certification includes corporate functions, namely: quality management and research, Group purchasing, logistics, technical services, export logistics, marketing, product development and group human resource management.

Hazard Analysis and Critical Control Points (HACCP) certified
Our secondary sites producing for the South African market (Port Elizabeth, Springs, Wadeville) are HACCP certified.

ISO 17025 accredited
Our central laboratory at Adam Tas cellar is fully accredited.

International Food Standards (IFS) certified
Our Adam Tas, Bergkelder and Nederburg facilities are all IFS higher-level certified.

British Retail Consortium (BRC) food safety certified
Our Adam Tas, Bergkelder, J.C. Le Roux, Nederburg, Durbanville Hills, Plaisir de Merle and Stellenzicht wineries, as well as Paarl and Green Park facilities are all BRC certified.

ISO 14001:2004 certified
Durbanville Hills, Nederburg, Plaisir de Merle, Bergkelder, Green Park, Monis, Adam Tas and Worcester are all ISO 14001:2004 certified. The ISO 14001:2004 system has been fully implemented at Goudini and Wellington distilleries. In the new financial year we plan to externally certify Wellington, and implement the standard at Port Elizabeth, Wadeville, Springs and Ecowash facilities.

Integrated Production of Wine (IPW) certified
All Distell and LUSAN farms, winemaking cellars, and wine-bottling facilities at J.C. Le Roux, Port Elizabeth and Green Park are IPW certified.

Certified organic wine producer
Nederburg cellar, Adam Tas, and selected vineyards at Papkuilsfontein have been certified to produce organic wines.

WWF SA Biodiversity and Wine Initiative (BWI) certified
Uitkyk and Neethlingshof Estate have achieved BWI champion status, while Durbanville Hills wines, Fleur du Cap wines, Groenhof farm, Lomond wines, Nederburg wine estate, Earthbound (Papkuilsfontein) and Plaisir de Merle are all BWI members.

Wine Industry Ethical Trade Association (WIETA) certified
All of Distell's farms, winemaking cellars and wine-bottling facilities are WIETA certified. The LUSAN farms Stellenzicht, Neethlingshof and Uitkyk are also certified while Alto and Le Bonheur are in the process of implementing WIETA standards and aim to be fully certified in the last quarter of 2014.

Fairtrade certified
Papkuilsfontein, as wine grapes producer, and Distell Corporate, as manufacturer, processor and wine exporter (specifically the Adam Tas and Nederburg facilities), are Fairtrade certified.

GOST certified
Our Amarula, Nederburg, Durbanville Hills and Allesverloren brands are all certified and produced according to the GOST Russian food safety system.

Definitions and Ratios

Acid test ratio
Current assets, excluding inventories, divided by total current liabilities.

Cash flow per ordinary share
Cash flow from operating activities before dividends paid, divided by the weighted number of ordinary shares in issue. This basis identifies the cash stream actually achieved in the period under review.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in interest-bearing borrowings under current liabilities.

Current ratio
Current assets divided by total current liabilities.

Dividend cover
Headline earnings per ordinary share divided by dividends per ordinary share.

Dividend yield
Dividends per ordinary share divided by the weighted average price per share during the year.

Earnings per ordinary share
Basic earnings basis
Earnings attributable to equity holders divided by the weighted average number of ordinary shares in issue.

Headline basis
Earnings attributable to equity holders, after taking into account the adjustments explained in note 27.1, divided by the weighted average number of ordinary shares in issue.

Cash equivalent basis
Earnings attributable to equity holders, after taking into account the adjustments explained in note 27.1, divided by the weighted average number of ordinary shares in issue. This basis recognises the potential of the earnings stream to generate cash.

Normalised earnings basis
Earnings attributable to equity holders, after taking into account the adjustments for abnormal excise duty- and interest provision, as well as the impact of new business acquisitions, divided by the weighted average number of ordinary shares in issue.

Earnings yield
Headline earnings per ordinary share divided by the closing share price at year-end on the JSE Limited (JSE).

Effective tax rate
The tax charge for the year divided by the profit before taxation.

Financial gearing ratio
The ratio of interest-bearing borrowings, net of cash and cash equivalents, to total equity.

Interest-free borrowings to total assets
Interest-free borrowings, excluding post-retirement medical liability, divided by total assets (both excluding deferred income tax).

Net asset turn
Revenue divided by net assets at year-end.

Net asset value per ordinary share
Total equity divided by the number of ordinary shares in issue.

Pre-tax return on equity
Profit before taxation as a percentage of closing equity.

Price earnings ratio
The closing share price at year-end on the JSE, divided by headline earnings per ordinary share for that year.

Return on equity
Headline earnings divided by closing equity.

Total return to shareholders
This represents the internal rate of return over a seven-year period. It is computed by recognising the market price of a Distell ordinary share seven years ago as a cash outflow, recognising the annual cash dividend streams per share and the closing share price at the end of the current year as inflows and then determining the discount rate inherent to these cash flow streams.

Dates of Importance to Shareholders

Annual general meeting	October 2014
Financial report	
Interim report	February 2015
Preliminary announcement of annual results	August 2015
Annual financial statements	September 2015
Ordinary dividends	
Interim dividends	
– declaration	February 2015
– payable	March 2015
Final dividends	
– declaration	August 2015
– payable	September 2015

Administration

Distell Group Limited
Incorporated in the Republic of South Africa
(Registration number: 1988/005808/06)
ISIN: ZAE000028668
JSE share code: DST

Company secretary
L Malan

Registered office
Aan-de-Wagenweg, Stellenbosch 7600
PO Box 184, Stellenbosch 7599
Telephone: 021 809 7000
Facsimile: 021 886 4611
E-mail: info@distell.co.za

Transfer secretaries
Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107
Telephone: 011 370 7700
Facsimile: 011 688 5238

Auditors
PricewaterhouseCoopers Inc.
Stellenbosch

Listing
JSE Limited
Sector: Consumer Goods – Food and Beverage – Beverages

Sponsor
Rand Merchant Bank (a division of FirstRand Bank Limited)

Website
www.distell.co.za

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