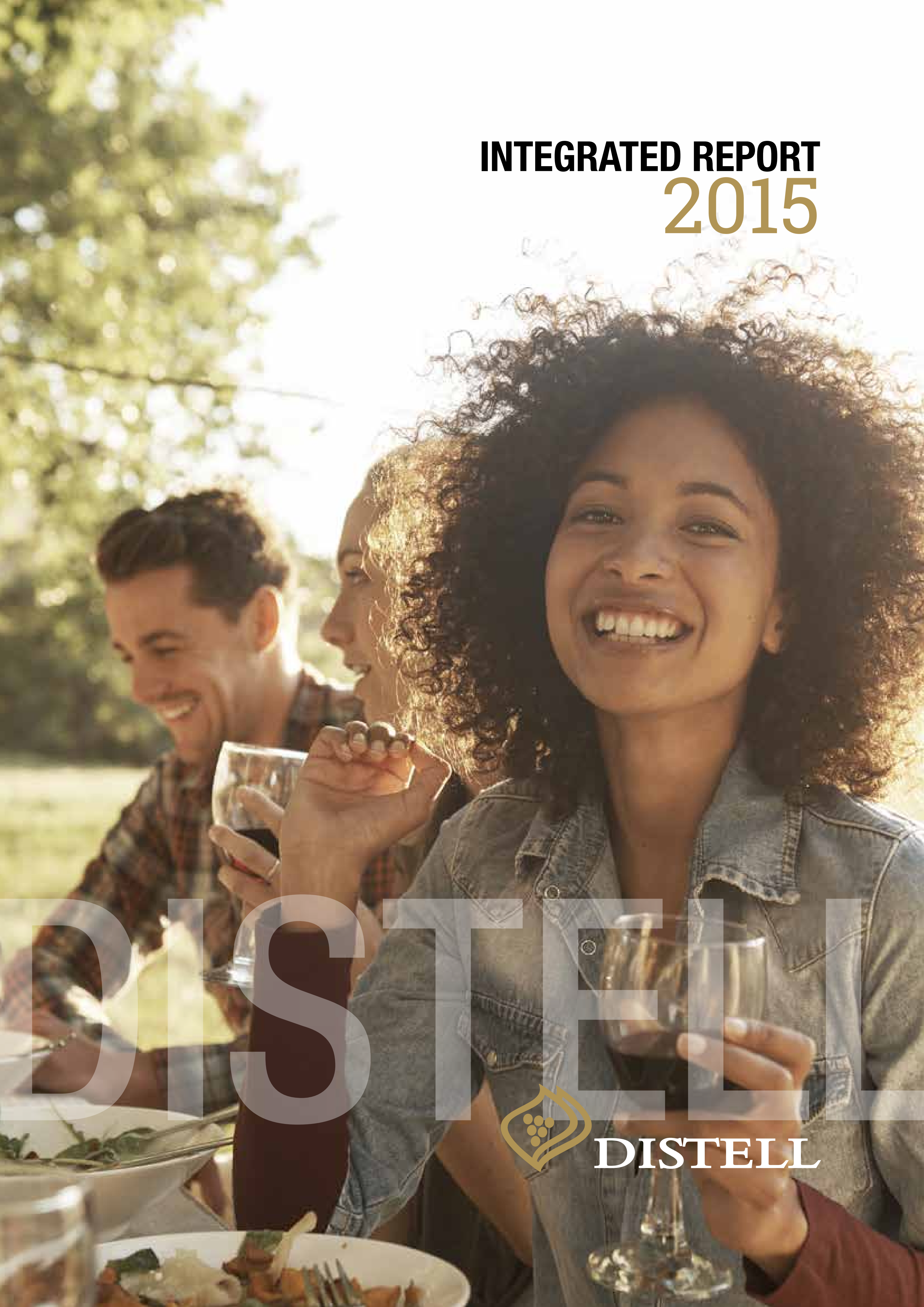
INTEGRATED REPORT 2015



DISTELL

Contents

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

Enjoy our products responsibly.

Highlights

The Group continues to drive strong double-digit top-line growth despite more challenging global trading conditions

Volume +5,7% Revenue +10,4%

South Africa: Leading the way in tough market conditions

Volume +6,7% Revenue +11,8%

Africa: We are focusing on strengthening our local footprint

Volume +6,6% Revenue +11,6%

International: Good results in select international markets despite headwinds

Volume -5,5% Revenue +3,8%

Solid **EBITDA growth** allows us to invest in strategic capital projects

Normalised EBITDA growth +8,1%

We are investing ahead of revenue growth to build core market-facing fundamentals, route-to-market in emerging markets as well as new organisational capabilities

Normalised operating profit growth +6,5%

Normalised headline earnings growth +6,5%

Supply chain efficiencies allowed us to implement new pricing strategies

Gross margin maintained at 34,6%

We continue to reward our shareholders

Total return to shareholders of 24,0% per annum over seven years

Total dividend of 346,0 cents per share for the year

Approach to integrated reporting

"Our integrated report for the year ended 30 June 2015 aims to provide a balanced view of how we create and sustain value for stakeholders and other shareholders in the short, medium and long term."

Introduction

Our integrated report for the year ended 30 June 2015 aims to provide a balanced view of how we create and sustain value for stakeholders and other shareholders in the short, medium and long term.

This has been achieved by providing an understanding of the balance between:

- strategies and targets;
- material issues, risks and opportunities;
- financial and operational performance; and
- governance and remuneration practices.

The report is aimed principally at our shareholders and the investment community locally and offshore (the providers of financial capital).

While the Group interacts with a range of other stakeholders who influence the business, their needs are addressed through other forms of focused communication.

Integrated Reporting Framework

The International Integrated Reporting Council (IIRC) released its Integrated Reporting Framework in December 2013.

The Framework provides a foundation for the adoption of integrated reporting globally and contains guidelines for companies internationally to demonstrate how they create value.

We support the Framework and are therefore committed to applying these guiding principles to ensure we continue to follow international best practice reporting standards.

Several of the guiding principles of integrated reporting outlined in the Framework have been incorporated in our integrated reporting in recent years.

Capitals of value creation

The Framework has introduced the concept of reporting in terms of the six forms of capital which impact on value creation and diminution in a business. These are classified as financial, manufactured, intellectual, human, social and relationship and natural capital. These capitals are stores of value that are either increased, decreased or transformed through the activities of the business.

The Group's activities and performance relating to these capitals are covered throughout the report (refer to capitals of value creation on page 8 of the report).

Scope of the report

The report covers the integrated performance of the Group for the 12 months ended 30 June 2015.

The Distell Group is Africa's leading producer and marketer of spirits, fine wines, ciders and ready-to-drinks. While the majority of our products are produced within South Africa, we have a worldwide distribution network and investments in countries that include Scotland, France, Angola, Ghana, Kenya, Mauritius, Namibia, Tanzania and Zimbabwe. Most of the Group's revenue (68,9%) is generated in South Africa.

There has been no change from last year in the scope and boundary of the report.

The financial statements presented in this report are prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting guides provided by SAICA's Accounting Practices Committee (APC), where applicable, the South African Companies Act (No. 71 of 2008) and the JSE Listings Requirements.

Management has applied the principles outlined in the King Code of Corporate Governance Principles (King III) in South Africa, and in the Integrated Reporting Framework of the IIRC.

Independent assurance

The content of the report has been reviewed by the directors and management, but has not been externally assured. Assurance on the annual financial statements has been provided by the external auditors,

Award

Van Ryn's
2014 New York International Spirits Competition
(International Brandy Producer of the Year – Van Ryn's Reserve Brandy)

PricewaterhouseCoopers Inc. and an unqualified opinion has been issued thereon.

While the Group has not sought third-party assurance as to its non-financial data, B-BBEE performance has been independently assessed and verified. Other non-financial disclosures and performance data have been audited and validated through an internal auditing process.

Our report is independently assessed each year by management to ensure we continue to meet the reporting and disclosure needs of local and offshore investors.

Application of the integrated reporting framework

The directors confirm the Group has materially reported in accordance with the IIRC's Integrated Reporting Framework for the period under review.

Approval of the integrated report

The directors have reviewed the report and collectively believe it fairly represents the material issues and integrated performance of the Group.

The audit and risk committee, which has oversight responsibility for integrated reporting, recommended the report for approval by the board. The board approved the 2015 integrated report for release to shareholders on 19 August 2015.

DM Nurek
Chairman

RM Rushton
Group Managing Director

Stellenbosch
19 August 2015

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 integrated 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

Our business philosophy

Who we are

The Distell Group is Africa's leading producer and marketer of wines, spirits, ciders and other ready-to-drink beverages, sold across the world. With a diverse portfolio of brands with rich provenance and authenticity, our products are priced across the pricing continuum to cater to a broad spectrum of consumers.

We enjoy a growing global reach and are building the presence of our brands through subsidiary companies, joint ventures, offices and agents on all continents.

We employ about 5 500 people and have an annual turnover of R19,6 billion.

The company was created through the merger of Distillers Corporation Limited and Stellenbosch Farmers Winery Group Limited in 2001.

Many of our brands are household names to South Africans. They include Amarula, Hunter's, J.C. Le Roux, Klipdrift, Nederburg, Richelieu, Savanna, Viceroy and Zonnebloem.

Amarula is South Africa's most widely distributed international alcoholic beverage brand. Our wines are sold on every continent. We created the cider category in South Africa. Today it accounts for about 7% of the volumes of alcoholic beverages sold in the country. Our cider brands, Hunter's and Savanna, are readily available in many parts of Africa and we are the second-largest producer of ciders worldwide.

Apart from our own South African conceived and produced brands, our portfolio includes a selection of international specialty spirits brands. After acquiring the House of Bisquit in 2009, we have re-established this fine heritage cognac brand, strengthening its traditional support while reaching new consumers. In 2013, we purchased Burn Stewart Distillers, expanding our portfolio with a selection of popular and connoisseur blended and single malt whiskies. We are pursuing a similar path, building the profile of these notable Scotch whiskies in selected global markets.

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 wines, spirits and ciders.

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

- **Customer and consumer focus** – We are passionate about our customers and consumers.
- **Courage** – We are enterprising and courageous in the way we tackle challenges and opportunities.
- **Responsibility** – We take ownership of our words, actions and commitments.
- **Respect** – We respect people's views, attitudes and opinions.
- **Integrity** – We act with integrity at all times.
- **Collaboration** – We are one Distell team!

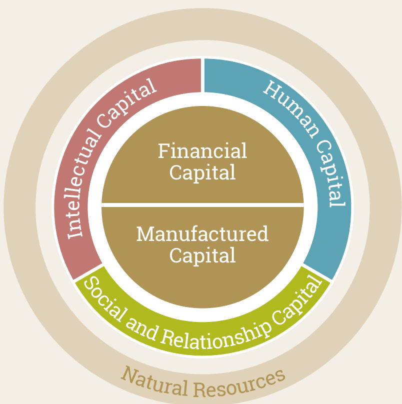
Our aspirations

- Dominant regional alcoholic beverage brand and route-to-market owner
- #1 cider company globally
- #2 alcoholic beverages company in South Africa
- 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
- Unlocking value from new business acquisitions
- 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.

Capitals of value creation

The primary purpose of an integrated report is to clarify to financial capital providers how an organisation creates value over time, using a combination of quantitative and qualitative information.

Our ability to create value depends on certain forms of capital. These are: Financial capital; Manufactured capital; Intellectual capital; Human capital; Social and relationship capital; as well as Natural resources. Together they represent stores of value that form the basis of our value creation.



"Capitals of value are increased, decreased or transformed through the activities of the Group in that they are enhanced, consumed or modified by these activities, with the primary objective of creating sustainable value to shareholders."

Financial Capital

This covers funding obtained from the providers of capital, that we deploy to invest in our strategy and to support our business activities. Details are provided primarily in the:

- Group Finance Director's report (page 44)
- Seven-year performance review (page 22)
- Group annual financial statements (page 50)
- Corporate strategic risks (page 14)

Manufactured Capital

In our business, this represents the physical infrastructure used to produce, warehouse, sell and distribute our brands. It includes farm land, cellars, distilling and maturation facilities, bottling plants and information technology systems. The efficient use of manufactured capital enables us to be flexible, innovative and responsive to market needs, while curtailing the use of resources in the interests of efficiency and sustainability. This capital is dealt with in the:

- Group Finance Director's report (page 44)
- Corporate strategic risks (page 14)
- Sustainability report (page 128)

Intellectual Capital

Developed and acquired by the Group, it relates mainly to organisational knowledge, systems, protocols and intellectual property, including brands. Intellectual capital is a key element in our future earnings potential, creating value by combining financial, material and human resources, and is a source of competitive advantage. This capital is covered mainly under:

- Creating value for our shareholders (page 20)
- Our brands (page 10)
- Group strategy (page 9)
- Corporate strategic risks (page 14)
- Regional performance reports (page 36)

Human Capital

This refers to our people and how we recruit, select, manage and develop them, their talents and career opportunities. It also relates to the competency, capability and experience of the board, management and employees and is addressed in the:

- Board of directors and executive management composition (page 140)
- Remuneration report (page 150)
- Social and ethics committee report (page 154)
- Corporate strategic risks (page 14)
- Sustainability report (page 128)

Social and Relationship Capital

This covers our role as a socially responsible corporate citizen and embraces our stakeholder relationships, from employees to suppliers, customers, regulators, investors and the communities where we produce and trade. It includes our corporate reputation and values, and is dealt with in the:

- Social and ethics committee report (page 154)
- Corporate governance report (page 144)
- Corporate strategic risks (page 14)
- Sustainability report (page 128)

Natural Resources

This relates to the environmental resources on which we depend to create value and our role in promoting their sustainability, addressed in:

- Corporate strategic risks (page 14)
- Sustainability report (page 128)

Group strategy

The six core strategic themes below contain the key strategic focus areas to guide our future strategic journey. Each have been carefully crafted in support of our vision and mission and reinforce our critical strategic capabilities to effectively compete in the global alcoholic beverage market.

Our six core strategic themes

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.

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, high-volume wine, spirits and RTD brands.

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.

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.

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.

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.

Brand successes with a differentiated brand portfolio

The year under review saw sales volumes rise by 5,7%, while sales value grew significantly higher to climb by 10,4%, reflecting the benefits of improved revenue management, marketing focus and innovation.

Knowing that consumers are willing to seek value on certain occasions but also to trade up on others, we have segmented our brand portfolio into *Power* and *Luxury* brand divisions. This allows us to tailor our brand marketing, trade marketing and sales strategies to meet the specific needs of our customers and consumers accordingly.

The *Power* brands team is focused on driving the volume and revenue of our higher volume 'scale' brands. The *Luxury* team, that now includes the formerly stand-alone Distell Vineyards and Estates division with its Cape Legends portfolio, is focused on marketing our premium and super-premium wines and spirits.

Distell Top 15 brands
(according to revenue)

Hunter's
Savanna
Amarula
Klipdrift
Richelieu
Scottish Leader
Autumn Harvest Crackling
Paarl Perlé
Three Ships
Drostdy-Hof
Nederburg
4th Street
J.C. Le Roux
Sedgwick's Old Brown
Viceroy

Top 15 brands

- > 70% of total portfolio sales value
- > 50% of brands accelerate in growth over the last 3 months of the financial year

Power brands

With our differentiated focus and the specialist attention devoted to *Power* brands, we achieved 11% revenue growth, with ciders contributing 40% of the sales value growth, accessible wines contributing 35% to sales value growth, and liqueurs and some brandies recording good gains, within this portfolio.

Hunter's, buoyed by its high-profile 'Refreshes like nothing on earth' proposition, maintained its uninterrupted growth momentum for the seventh year, fuelled mainly by the Hunter's Dry and Gold offerings. The brand also received additional impetus with the launch of Hunter's Extreme Bold.

Savanna recovered after a slow start to deliver volume and revenue growth in the second half of the year, supported by refreshed packaging, introduced in April.

The 15% revenue increase in our wine *Power* brands, was driven by 4th Street's 159% growth in sales value, mostly in the domestic market. However, good gains were achieved elsewhere on the African continent, especially in Kenya.

Brandy delivered sales value growth of 6%, thanks largely to the stellar performances of Viceroy and Richelieu. Amarula raised sales value by 6%, with good headway achieved in South Africa and Brazil – both markets where it is already the dominant cream liqueur player – as well as in Paraguay.

Brand innovation and renovation

A key to achieving growth momentum is maintaining brand relevance and appeal. Across our *Power* and *Luxury* brands we have clarified and simplified brand propositions making them more distinctive. To ensure continued and expanded consumer support, we have also refreshed packaging and introduced new variants.

Luxury brands

The *Luxury* portfolio of premium wines and spirits saw revenue rise by 13%. The increase was driven mainly by Scotch brands, Scottish Leader, Bunnahabhain and Deanston that together contributed 62% of the sales value growth, as well as by the range of Nederburg premium wines. The Cape Legends portfolio delivered 8% sales value growth, with a strong performance in the last quarter suggesting strong future potential.

The well-regarded Scotch Whisky, Scottish Leader, that won two Masters awards for quality at the 2015 Scotch Whisky Masters, grew revenue by 28%. In Taiwan, its most important market, it achieved a 50% increase in sales value.

Bunnahabhain grew sales value by 21%, with good gains made in the US, Taiwan and Canada. Deanston recorded growth of 95%, driven by key international markets such as the US and Germany.

Nederburg, maintaining its unassailable reputation for quality with another 38 awards earned during the review period, delivered 17% sales value growth, trending positively in all the key regions, particularly South Africa, the UK and Germany.

The mindset
Long-term equity
The margin
Occasions

Overview by product category

Ciders and RTDs

Ciders continued to lead the sales value increase in the RTD category, growing 11% and contributing 94% to the increase in sales value for this category. Volumes increased by 5%. Other RTDs showing good growth were Esprit in Africa and Bernini in Asia.

Spirits

Spirits delivered 10% sales value growth, thanks in part to the success of the refreshed Klipdrift and Richelieu brands, as well as a more disciplined revenue management approach to ensure competitive brand and pack offerings in the relevant channels. With stabilising brandy volumes in South Africa for the first time in many years, we are optimistic that our planned marketing programmes in the coming year will continue to drive the recovery of the category. Bisquit delivered double-digit sales value growth, aided by an outstanding performance in South Africa. New advertising supported strong growth in South Africa for Three Ships. Scottish Leader performed very well in South Africa and Taiwan, driven by new packaging and advertising.

Wines

Wine posted 12% revenue growth, largely as a result of successes in South Africa with good gains achieved in both *Power* and *Luxury* brand offerings.

Material issues, risks and mitigation

Within the context of the Group's strategy, business plans and business philosophy, our management has identified material issues and risks which it believes could impact Distell's ability to sustain future value and growth.

The directors and management believe the material issues and risks listed below, are those that affect the performance and the longer-term viability of the Group.

The Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) classifies the capitals on which a business depends for its success. These capitals of value creation are described on page 8. The activities of the business, conducted to create value, either increase, decrease or transform these capitals of value.

Context	Risk
Industry consolidation and geographic risks	
Consolidation in the global alcoholic beverage industry is expected to continue. Multinational companies are rapidly expanding into Africa and other emerging markets, seeking new growth opportunities. While looking to further diversify our business interests across several markets, we recognise the need to manage our exposure to geopolitical risk, and to economic volatility in emerging markets.	Consolidation increases the influence and transactional power of large competitors and enhances their efficiencies through benefits of scale. Consolidation in retail enhances retailer buying power at the expense of brand owners when negotiating terms and conditions. Over-dependence on specific markets exposes the business to economic and political volatility. Failure to successfully diversify Distell's geographic footprint will hamper the company's ability to mitigate the risks associated with industry consolidation and geographic risks.
Business transformation	
There are a number of critical strategic capabilities that Distell will need to enhance in order to effectively support and execute its business strategy. These include: • Appropriate marketing management structures • Integrating our portfolio of wine properties and agricultural support units • An enterprise-wide focus on innovation • An integrated end-to-end supply chain division • A strategically aligned human resources function • A corporate development function.	Ineffective change management and implementation to sustainably entrench our new organisational structure, management roles, routines and accountability to drive the successful execution of Distell's business strategy. Failure to deliver on our medium- and longer-term targets.

	Material issues and risks	Primary capital of value creation
1	**Industry consolidation and geographic risks**	Financial capital; Manufactured capital
2	**Business transformation**	All six capitals of value creation
3	**Regulatory interventions and responsiveness**	Social and relationship capital; Intellectual capital
4	**Sustainable supply of raw materials**	Natural resources; Social and relationship capital
5	**Illicit trade in alcoholic beverages**	Intellectual capital
6	**Management capacity and talent management**	Social and relationship; and Human capital
7	**Information technology systems**	Intellectual capital
8	**Rapid changes in consumer consumption trends**	Intellectual capital
9	**Integration of acquisitions**	Intellectual; Financial capital

Possible impact	Mitigation measures
Failure to reach significant scale and relevance in the global alcoholic beverage industry will impact on the company's competitive position and will limit Distell's ability to achieve its full revenue and earnings growth potential. An over-reliance on specific emerging markets could expose the Group unduly to earnings volatility.	An effective geographic expansion strategy supported by Distell's ability to successfully acquire targeted businesses that enable us to create economic value in the future. Efficient integration processes and capabilities to successfully incorporate these operations with Distell's business operations to ensure delivery of expected returns.
Delay in improving key business processes Delayed or reduced benefit realisation Reduced competitive advantage over the medium term Failure to achieve the Group's medium- and longer-term financial and non-financial goals Reputational damage.	An efficient change management process with dedicated resources Continuous clear communication on change management objectives and continuous tracking of progress, benefits and costs Senior leadership involvement in change process.

Context	Risk
Regulatory interventions and responsiveness	
The debate over the impact of alcohol consumption has intensified with the alcohol industry under increasing scrutiny as regulators and the World Health Organisation (WHO) are focusing on reducing the health burden on non-communicable diseases, including alcohol as a risk factor Rising pressure from regulators globally, including the WHO, non-governmental organisations, national and local governments Further regulatory policy interventions are under consideration, such as: • banning or restrictions on alcohol advertising • raising the legal drinking age • prohibiting any alcohol intake for drivers Illicit trade.	Growing anti-alcohol lobby that erodes industry reputation Exclusion of alcoholic beverage industry participants from alcohol policy formulation and development Unreasonably onerous legislative interventions • restrictions on sales, marketing and distribution, impacting on the availability and marketing of trademarks and impeding routine commercial operations of businesses • steep increases in taxation and excise duty, making products unaffordable Growth in illicit trade.
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 many of our products and activities necessitates a long-term view of the market and consumer demand, requiring close collaboration and planning with our suppliers. Key supplier dependency places the Group at risk if the local supply base is eroded or unable to meet demand.	Unavailability of grapes and 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 Erratic electricity supply.
Illicit trade in alcoholic beverages	
Globally illicit trade in alcoholic beverages including trade in counterfeit products, remains a key business challenge. This trend is exacerbated by rising excise duties in select geographies.	Increasing share of illicit trade, with cheaper products in particular taking share from legal products. Entry of more counterfeit products to the market. Failure to effectively protect intellectual property rights.

Possible impact	Mitigation measures
Restriction on sales, marketing and distribution of alcoholic beverages Excessive excise duty increases, impacting price competitiveness Lower growth and profitability.	Strong support for the principle of self-regulation and strict compliance with industry codes Close co-operation with industry bodies and constructive engagement with government and other external stakeholders on alcohol abuse and alcohol-related issues Establishing capabilities to efficiently manage licence to trade issues Establishing a scientific, evidence-based policy advocacy framework for South Africa Pursuing a corporate social responsibility strategy, which includes initiatives and investment aimed at reducing the harmful impact of alcohol abuse Participating in other global industry forums to play a responsible role in societies in which we operate Innovations in marketing practices.
Limitations in supply of raw materials will impact our ability to supply our products to customers and consumers, and as a result of unavailability, damage the reputation of our trademarks and impose pressure on customer relations Reduced revenue and earnings.	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.
Loss of market share to illicit operators Negative impact on company sales volumes and revenue growth Reputational damage if counterfeit goods are of poor quality or can cause harm.	Collaboration with local government authorities to quantify illicit trade for monitoring purposes and to assist in the effective enforcement of local legislation. Investigation of tamper-proof packaging to curtail counterfeiting.

Context	Risk
Management capacity and talent management	
The successful implementation of Distell's corporate strategy is dependent on deploying appropriate resources for execution. It is therefore essential that we develop and maintain superior management capability to drive growth and strategic change.	Failure to recruit, identify, develop and retain the necessary talent, skills and leadership to pursue current and future strategies Failure to establish talent pools that reflect the demographic diversity of the communities where we operate.
Information technology systems	
Speed and accuracy of information is essential for proactive strategic and operational decision-making The expansion and development of the business requires enhancement of information and communications technology (ICT) capacity and necessitates the upgrade or replacement of certain systems The stability, security and protection of IT systems is critical for business continuity and for the support of efficient management processes.	Disruption of ICT systems and the loss of valuable and sensitive information Significant business disruption Less efficient or dysfunctional management processes Failure to comply with strict legislation on security of information leading to significant penalties.
Rapid changes in consumer consumption trends	
Consumer tastes and consumption patterns are continuously changing, and are influenced by instant access to information on new product innovations. Increasing sophistication of innovation has catalysed a blurring of boundaries between beverage categories with the launch of new products, including spirit and wine mixes and spirit-flavoured beers. The impact of social media and the digital enablement of consumers around the world results in more empowered, informed and connected consumers.	Failure to proactively identify with reasonable accuracy future growth opportunities that drive business service and product innovation Failure to deliver relevant brand value propositions.
Integration of aqcuisitions (businesses/brands)	
Distell's corporate strategy provides for inorganic growth through the acquisition of businesses or brands, and the company has made a significant investment in a number of new acquisitions, the most important being Burn Stewart Distillers. Its successful integration with specific strategies and business plans should ensure economic value for the Group, while setting principles and parameters for future acquisitions.	Failure to develop appropriate integration and other strategies for new acquisitions to yield optimal return on investments and being unable to achieve business improvements, synergies, revenue targets and cost-saving objectives.

Possible impact	Mitigation measures
Unable to successfully implement strategy and failure to deliver on the Group's strategic ambitions and financial goals Slower growth and less profitable business operations over the longer term.	Employment policies and practices to ensure the right talent is identified, recruited, developed and retained. Acquiring and developing specialist leaders and talent to sustain strategy execution, through our formal Talent Management Programme. Investment in critical skills for both existing and emerging businesses. Prioritising transformation to ensure that Distell has a diverse workforce reflecting the demographics of the countries where we operate.
Loss of intellectual property, confidential data and competitive advantage Potential reputational damage as a result of publicised loss of systems and data Disruption of business operations and as a consequence, an adverse impact on earnings, cash flow and financial position.	The alignment of ICT and business strategy Formal ICT governance processes and information security policies, ongoing enhancement of processes Business continuity plans, disaster-recovery facilities and back-up processes Project steering committee that prioritises ICT projects Appointment of external consultants to assist and advise on new technology R104 million for ICT-related capital expenditure committed for 2016 financial year.
Impact of social media and digital enablement of consumers on our marketing capabilities and shifts in marketing investment to digital mediums Loss of market share Missed market opportunities leading to 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 Build customer and trade marketing capabilities in countries where regulatory restrictions are more onerous.
Unsatisfactory return on investments and dilution of shareholder value Impairment of investments and dilution of earnings Reputational damage and unfavourable investor relations.	Develop and apply best practice processes for strategic and commercial evaluation and value-generating potential of acquisitions Embed Distell's best practices, processes and systems in acquired businesses Monitor progress continually to successfully complete integrations through regular tracking of key performance indicators.

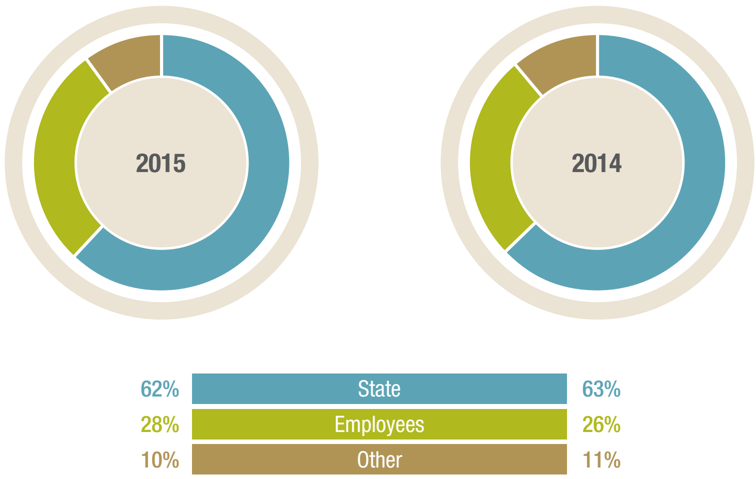
Creating and sharing value

"Our ultimate governing objective is to create value for all stakeholders, shareholders in particular"

Cash value added statement

for the years ended 30 June

	GROUP	
	2015 R'000	2014 R'000
Cash generated		
Cash derived from sales	**19 205 769**	17 676 617
Net financing costs paid	**(197 078)**	(232 395)
Income from investments	**6 698**	6 150
Cash value generated	**19 015 389**	17 450 372
Cash payments to suppliers of materials and services	**(10 828 055)**	(10 690 982)
Cash value added/wealth created	**8 187 334**	6 759 390
Cash utilised to:		
Pay excise duty to the State	**4 135 115**	3 701 055
Pay tax on income to the State	**504 671**	459 101
Remunerate employees for their services	**2 130 661**	1 724 688
Provide shareholders with a return on the use of their risk capital	**745 680**	708 049
Cash disbursed among stakeholders	**7 516 127**	6 592 893
Net cash retained from operating activities	**671 207**	166 497
Reconciliation with cash generated		
Cash value added (above)	**8 187 334**	6 759 390
Less: Remuneration to employees for their services	**(2 130 661)**	(1 724 688)
Net financing costs paid	**197 078**	232 395
Payment of excise duty to the State	**(4 135 115)**	(3 701 055)
Cash generated from operating activities	**2 118 636**	1 566 042
State taxes		
Excise duty	**4 135 115**	3 701 055
Tax on income	**504 671**	459 101
Value added tax and alcohol levy	**832 549**	685 174
Employees' tax deducted from remuneration	**297 117**	292 899
Property taxes	**47 499**	47 415
Channelled through the Group	**5 816 951**	5 185 644



Award

Bisquit
2014 The Cognac Masters
(Master Award – Bisquit Prestige)


Gordon Graham's
BLACK BOTTLE
BLENDED
SCOTCH WHISKY

Seven-year financial review

for the years ended 30 June

	Seven-year compound growth% p.a.	2015 IFRS	2014 IFRS	2013 IFRS	2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS
Statements of financial position (R'000)								
ASSETS								
Non-current assets								
Property, plant and equipment		**4 351 965**	3 882 077	3 388 950	2 647 304	2 349 699	2 157 912	1 773 480
Biological assets		**105 914**	104 559	101 287	122 638	131 827	138 915	146 375
Financial assets, investments in associates and Joint Ventures		**685 021**	517 677	466 497	199 296	166 505	133 159	112 768
Intangible assets		**1 879 680**	1 798 065	1 505 647	230 404	221 331	205 680	244 685
Retirement benefit assets		**310 985**	265 293	273 000	47 504	42 391	49 656	58 150
Deferred income tax assets		**101 686**	71 210	58 777	74 571	74 915	47 122	24 861
Total non-current assets		**7 435 251**	6 638 881	5 794 158	3 321 717	2 986 668	2 732 444	2 360 319
Current assets								
Inventories		**7 509 937**	6 872 615	6 259 836	4 489 281	3 961 917	3 818 661	3 681 022
Trade and other receivables		**2 223 009**	1 839 808	1 776 816	1 436 255	1 242 200	1 344 701	1 155 381
Current income tax assets		**20 204**	56 818	33 180	145 088	62 945	62 187	74 381
Cash and cash equivalents		**619 367**	451 611	355 575	462 429	229 850	243 038	178 472
Total current assets		**10 372 517**	9 220 852	8 425 407	6 533 053	5 496 912	5 468 587	5 089 256
Total assets	15,7	**17 807 768**	15 859 733	14 219 565	9 854 770	8 483 580	8 201 031	7 449 575
EQUITY AND LIABILITIES								
Total shareholders' equity		**9 556 397**	8 601 155	7 277 535	6 205 979	5 694 009	5 238 301	4 809 374
Non-current liabilities								
Interest-bearing borrowings		**3 323 446**	3 114 090	447 143	347 932	423 336	422 467	422 386
Retirement benefit obligations		**24 243**	25 176	22 604	80 954	73 790	21 099	18 300
Deferred income tax liabilities		**627 983**	584 221	479 226	231 067	234 732	230 380	198 288
Total non-current liabilities		**3 975 672**	3 723 487	948 973	659 953	731 858	673 946	638 974
Current liabilities								
Trade payables and provisions		**3 348 783**	2 770 339	3 202 359	2 803 208	2 042 347	1 932 591	1 659 814
Interest-bearing borrowings		**870 378**	761 761	2 786 771	180 501	865	336 657	324 267
Current income tax liabilities		**56 538**	2 991	3 927	5 129	14 501	19 536	17 146
Total current liabilities		**4 275 699**	3 535 091	5 993 057	2 988 838	2 057 713	2 288 784	2 001 227
Total equity and liabilities		**17 807 768**	15 859 733	14 219 565	9 854 770	8 483 580	8 201 031	7 449 575
Income statements (R'000)								
Revenue	11,0	**19 588 970**	17 739 609	15 725 608	14 176 047	12 327 786	11 808 884	10 863 728
Operating expenses		**(17 454 599)**	(15 744 401)	(13 972 438)	(12 762 506)	(10 889 439)	(10 413 146)	(9 454 968)
Trading income	7,3	**2 134 371**	1 995 208	1 753 170	1 413 541	1 438 347	1 395 738	1 408 760
Dividend income		**6 698**	6 150	6 279	7 645	5 180	1 493	1 552
Net financing costs		**(236 470)**	(217 627)	(239 727)	(31 905)	(42 584)	(68 652)	(23 224)
Share of equity-accounted earnings		**89 401**	86 266	65 169	37 160	37 950	32 412	30 058
Profit before exceptional items and taxation	5,9	**1 994 000**	1 869 997	1 584 891	1 426 441	1 438 893	1 360 991	1 417 146
Exceptional items		**(5 315)**	172 114	10 649	(1 216)	(1 756)	(2 821)	1 273
Profit before taxation		**1 988 685**	2 042 111	1 595 540	1 425 225	1 437 137	1 358 170	1 418 419
Taxation		**(569 024)**	(517 846)	(512 409)	(454 365)	(477 557)	(417 655)	(464 707)
Non-controlling interest		**17 475**	(961)	5 203	(1 790)	1 093	1 041	–
Net profit attributable to equity holders	6,4	**1 437 136**	1 523 304	1 088 334	969 070	960 673	941 556	953 712
Statements of cash flows (R'000)								
Cash generated from operations	14,4	**2 111 938**	1 559 892	1 022 676	1 728 426	1 771 957	1 555 285	1 030 406
Dividend income		**6 698**	6 150	6 279	7 645	5 180	1 493	1 552
Net financing costs		**(197 078)**	(232 395)	(185 501)	(31 644)	(42 868)	(70 764)	(10 810)
Taxation paid		**(504 671)**	(459 101)	(374 235)	(558 505)	(491 875)	(394 737)	(451 523)
Net cash generated from operating activities		**1 416 887**	874 546	469 219	1 145 922	1 242 394	1 091 277	569 625
Cash outflow from investment activities		**(841 650)**	(671 770)	(2 341 232)	(479 410)	(410 872)	(542 516)	(591 749)
Proceeds from ordinary shares issued		**13 436**	17 640	30 789	15 573	20 723	21 992	4 094
Non-controlling interest		**–**	(12 201)	12 982	–	–	–	–
Proceeds from interest-bearing borrowings		**356 361**	546 719	1 881 516	104 232	848	16	419 386
Dividends paid		**(745 680)**	(708 049)	(616 281)	(556 023)	(516 304)	(514 931)	(513 727)
Cash outflow from financing activities		**(375 883)**	(155 891)	1 309 006	(436 218)	(494 733)	(492 923)	(90 247)
Increase in net cash, cash equivalents and bank overdrafts		**199 354**	46 885	(563 007)	230 294	336 789	55 838	(112 371)

	Seven-year compound growth% p.a.	2015 IFRS	2014 IFRS	2013 IFRS	2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS
Performance per share (cents)								
Earnings								
attributable earnings basis	5,1	**657,4**	725,8	536,8	479,3	476,2	468,1	475,3
headline basis	4,8	**656,2**	721,3	531,7	479,7	476,8	469,1	475,2
cash equivalent basis	7,3	**879,7**	836,0	849,1	848,9	619,8	622,1	561,9
EBITDA basis	6,4	**1 159,4**	1 198,9	1 007,4	821,3	832,8	800,8	796,0
Dividends	5,6	**346,0**	337,0	335,0	295,0	256,0	256,0	256,0
Cash flow	19,6	**648,1**	416,7	231,4	566,8	615,8	542,5	283,9
Net asset value	10,0	**4 309,8**	3 884,3	3 579,7	3 059,6	2 813,3	2 596,1	2 391,6
Liquidity and solvency								
Financial gearing ratio		**0,37**	0,40	0,40	0,01	0,03	0,10	0,12
Total liabilities on total equity	Avg 0,7	**0,86**	0,84	0,95	0,59	0,49	0,57	0,55
Interest-free liabilities on total assets		**0,19**	0,18	0,23	0,29	0,25	0,24	0,23
Dividend cover (times)		**1,9**	2,1	1,6	1,6	1,9	1,8	1,9
Current ratio		**2,43**	2,61	1,41	2,19	2,67	2,39	2,54
Acid test ratio		**0,67**	0,66	0,36	0,68	0,75	0,72	0,70
Returns (%)								
Trading income on revenue		**10,9**	11,2	11,1	10,0	11,7	11,8	13,0
Pre-tax return on equity	Avg 24,3	**20,8**	23,7	21,9	23,0	25,2	25,9	29,5
Effective tax rate		**28,6**	25,4	32,1	31,9	33,2	30,8	32,8
Return on equity	Avg 16,8	**15,0**	17,6	14,8	15,6	16,9	18,0	19,8
Attributable earnings on total assets		**8,1**	9,6	7,7	9,8	11,3	11,5	12,8
Attributable earnings on revenue		**7,3**	8,6	6,9	6,8	7,8	8,0	8,8
Dividend yield		**2,4**	2,5	3,1	4,1	3,6	4,0	5,4
Productivity								
Cash value added (R million)	12,3	**8 187,3**	6 759,4	6 025,5	5 940,9	5 329,3	4 877,8	4 063,5
Net asset turn (times)		**2,0**	2,1	2,2	2,3	2,2	2,3	2,3
Net assets per employee (R'000)	9,0	**1 866,1**	1 741,5	1 466,7	1 315,1	1 214,3	1 144,2	1 074,0
Revenue per employee (R'000)	8,5	**3 825,2**	3 591,7	3 169,2	3 004,0	2 629,1	2 579,5	2 426,0
Number of permanent employees (excl JV's)		**5 121**	4 939	4 962	4 719	4 689	4 578	4 478
JSE								
Price per share (cents)								
highest during the year		**18 521**	16 600	13 226	9 001	8 100	7 000	6 000
lowest during the year		**12 306**	11 500	8 699	5 699	6 510	5 500	3 850
closing at year-end		**16 697**	14 000	12 194	9 001	7 150	6 550	5 500
weighted average		**14 428**	13 281	10 736	7 214	7 036	6 394	4 703
Price-earnings ratio		**25,4**	19,4	22,9	18,9	15,0	14,0	11,6
JSE Actuaries' price index at year-end (2008: 100 cents)								
Distell Group Limited		**363**	305	265	196	156	143	120
Closing price/net asset value per share		**3,9**	3,6	3,4	2,9	2,5	2,5	2,3
Weighted average number of shares in issue ('000)		**218 621**	209 881	202 752	202 185	201 742	201 143	200 667
Number of shares traded ('000)		**19 672**	25 768	6 988	5 771	5 454	6 791	10 079
Shares traded/shares in issue (%)		**8,9**	11,6	3,4	2,9	2,7	3,4	5,0
Value of shares traded (R'000)		**2 838 368**	3 422 312	721 825	416 339	383 721	434 248	474 024
Number of transactions		**57 346**	18 581	8 332	3 112	2 701	3 814	4 814
Number of shareholders		**6 514**	6 081	5 118	4 364	4 398	4 278	3 775
Market capitalisation (R million)		**37 023**	31 001	24 790	18 257	14 471	13 216	11 060
Net asset value/market capitalisation		**0,26**	0,28	0,29	0,34	0,39	0,40	0,43

For definitions of financial abbreviations and a description of terms refer to page 163.


BUNNAHABHAIN
DISTILLERY

Review and business outlook

Chairman's report

"Notwithstanding the difficult domestic and international trading conditions, we have delivered strong top-line growth."

Economic and trading conditions

Globally, we have seen economic growth moderate slightly from 3,4% in 2014 to an estimated 3,3% in 2015 (International Monetary Fund), supported by a very gradual improvement in some developed markets such as the US and select EU countries. However, growth in emerging markets has contracted marginally from 4,6% in 2014 to 4,2% in 2015. Africa, in particular, has been affected by the decline in oil prices as well as the continued slump in demand for commodities.

Greater volatility in emerging market currencies has had a significant influence on the rand, which has depreciated by 3,8% against the basket of currencies in which Distell trades. Although this has positively impacted our export performance, it has also raised our input costs.

Our risk management strategy addresses the geopolitical conflicts in areas where we trade such as Nigeria, Kenya and Russia and we have been able to weather the impact of infectious diseases such as Ebola.

In South Africa, against a backdrop of challenging trading conditions, local liquor industry sales volumes have continued to decline.

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 Distell aspires to deliver real opportunities for wealth creation for all its key stakeholders.

As we reported in our previous integrated report, the Group is undergoing significant change and is pursuing a strategy that aims to diversify its presence beyond its traditional domestic base in South Africa while delivering value to shareholders. Notwithstanding the difficult domestic and international trading conditions, we have delivered strong top-line growth with revenue increasing by 10,4% to R19,6 billion. Reported EBITDA rose by 0,6% to R2,4 billion as the Group accelerated its investments behind a number of capability initiatives that support the refreshed corporate strategy. Normalised EBITDA, excluding abnormal items set out on page 45, has increased by 8,1%.

Net operating assets have increased by 8,5% to reach R12,7 billion. Investments in fixed assets and inventory have increased by 12,1% and 9,3% respectively. The Group remains in a strong financial position to pursue its strategic ambitions with a debt-to-debt plus equity ratio of 27,2%.

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 as outlined in this report.

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. As such, it has become increasingly important for governments, civil society and players in the alcohol industry worldwide to co-operate in sharing research and best practice to promote responsible consumption.

We recognise the need to promote the responsible consumption of alcohol and continue to collaborate with governments domestically and in the other markets in which we trade at national, provincial and local levels to develop regulatory and other policy interventions that can successfully address alcohol abuse and its root causes. To this end, we are in consultation with the South African authorities to provide inputs on improving liquor policy. More details about our activities in this regard can be found in our online sustainability report.

Award

Bunnahabhain
2015 Scotch Whisky Masters Awards
(Master Award – Bunnahabhain 18 YO Single Malt)

DM Nurek
Chairman

There are several pieces of legislation currently under review in South Africa, all intended to reduce the harmful use of alcohol. The key areas of focus include alcohol taxes; marketing of alcoholic beverages; drinking and driving; legal drinking age; health warnings on products and in media articles; licensing conditions; and measures to reduce the availability of alcohol such as trading hours and zoning regulations.

In supporting government, the South African alcohol industry follows a rigorous process of self-regulation with respect to its marketing codes. Distell actively participates with fellow members of the Industry Association for Responsible Alcohol Use (ARA) to support community-based projects. We have made it our company priority to focus on interventions aimed specifically at the prevention of fetal alcohol spectrum disorder (FASD) and educating youth to make prudent choices.

Strategic review

Management, led by Richard Rushton has continued to focus on creating the organisational capabilities and structural changes demanded of our revised corporate strategy. Our employees have embraced the new direction and new priorities with conviction and commitment, as reflected in our performance.

We are evolving from a South African company that exports to the world to one that is diversifying and developing its footprint in Africa and selected international markets.

Our business imperative is to increasingly defend and grow our business in our core domestic market, build our capability, agility and innovation to grow in countries further afield and to balance the need for attractive shareholder returns with the need to invest and sustain long-term market success. I believe that we are up to the task with the appropriate talent and skills as well as the discipline and courage this requires.

The board remains very much engaged in Distell's strategic change journey and supports the new course being followed, with its goal to make us a larger and more diversified company and corporate citizen, while creating sustained value for all our stakeholders. More details about the progress of revised corporate strategy are provided in the managing director's report.

Corporate governance and sustainability

Distell is managed according to the highest ethical standards with professionalism, integrity, fairness and social responsibility. We maintain and apply sound and stringent corporate governance principles that are aligned with our business philosophy and values. We have developed a culture of good governance across the business that extends beyond compliance and we continually review our management practices and measures to ensure that they are consistent with best practice.

We also accord high priority to the impact of climate change, particularly with regard to water and food security. In Africa, where we are developing local businesses, environmental sustainability is a key operating principle.

The board of directors, being ultimately responsible for governance, considers itself fully accountable to stakeholders in its ongoing commitment to applying the disciplines and guidelines laid out in the Companies Act, 71 of 2008, as amended (the Companies Act), the Johannesburg Stock Exchange (JSE) Listings Requirements and the King Report on Governance for South Africa (King III).

The board is of the opinion that 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, we have, to the best of our knowledge, in all material respects voluntarily applied the principles of King III. A schedule of how Distell has applied King III is available on www.distell.co.za.

Further detail on governance enhancements and processes is included in the detailed corporate governance report on pages 144 to 149.

Board of directors

The renewal of the company that is under way is also evident in the composition of our board. It reflects a sturdy foundation of wise, experienced counsel, infused with new skills and insights, and a balance between rigorous and visionary thinking.

Our outgoing financial director, Merwe Botha, who retires after 18 distinguished years in this position, is an outstanding example of the progressive erudition that has been available to the board and he leaves an important legacy. A principled, strategic thinker and an enthusiastic teacher, he has generously imparted his skills in financial leadership, management and corporate governance. We thank him for his contribution and wish him well in his retirement, while we welcome his successor, Lucas Verwey in his new role on the board.

We also extend our deepest gratitude to retiring member, Johan Carinus, who has served on the board since the inception of Distell, sharing his extensive wine and wine industry knowledge with us.

Acknowledgement

We are succeeding in cultivating a dynamic and progressive company culture with capable and committed people who think globally but act locally. Strategic change has demanded new thinking and new solutions to which management and employees have responded with enthusiasm, focus and vigour.

Their dedication and loyalty have also provided stability and continuity during what has been a demanding period. We extend our appreciation to them all, along with our shareholders, partners, customers and suppliers for their ongoing support.

DM Nurek
Chairman

Stellenbosch
19 August 2015

Award

Scottish Leader
2015 Scotch Whisky Masters Awards
(Master Award – Scottish Leader Original; Scottish Leader 12 YO)

Group Managing Director's report

"We shall continue to capitalise on our strong, appealing and diverse portfolio of brands, using our broad geographic footprint across a range of economies to further unlock real stakeholder value."

Introduction

In the last integrated report, a new corporate strategy for the Group was unveiled, with a strong focus on building organisation capability and capacity to respond effectively to an increasingly competitive and globally interconnected and volatile world.

During the year under review, we started to invest significantly in our capability to execute our strategy. We appointed key leaders in our international and African business units to provide these businesses with the focus and direction that they require. We also appointed experienced leaders in our global marketing and human resources functions and we announced the appointment of a finance director designate to replace the Group's long-serving financial director, Merwe Botha, who retires at the forthcoming annual general meeting after more than 35 years of outstanding service. We also invested in building new capabilities in the front end of the business, referred to in other relevant sections of the integrated report.

Against a backdrop of investment and change at Distell, coupled with an even more challenging global macroeconomic environment, we are delighted that our top-line growth momentum in volume and revenue remained strong and ahead of many of our global peers.

The moderation in global economic growth and the resultant slump in commodity prices have impacted on trading conditions in some important African markets. The reduction in commodity prices coupled with capital flows away from emerging markets has also contributed to currency volatility in these markets. The South African economy continues to grapple with structural challenges and is also suffering from low business and consumer confidence, which are unlikely to recede in the year ahead. In Europe, trading conditions in our key markets remained muted and increasingly price-competitive. Russia and China have also suffered from reductions in economic growth, the latter being a significant risk for continued growth in commodity-led countries in Africa.

RM Rushton
Group Managing Director

Despite these headwinds, we continue to invest in our focused expansion on the African continent and in other select geographies around the world. We remain confident that our strategic choices are sound and will yield sustainable benefits for Distell in the future.

With our focus on geographic diversification and in building a strong and differentiated core brand portfolio aimed at multiple consumer occasions and price points, we believe that we are well placed to pursue growth. The depth of our portfolio offering is a key competitive advantage in a changing world where consumer trends are shifting rapidly and more strongly influenced by economic cycles than ever before.

While growth momentum at the mainstream and affordable ends of the alcoholic beverage market remains resilient in our chosen fields of play, there is also some growth potential in the premium price segment, where we are starting to invest with more focus and intensity.

Award

Alto
2015 Concours Mondial
(Grand Gold – Alto Cabernet Sauvignon 2010)

Key structural changes

As part of our revised corporate strategy, we have identified a number of critical strategic capabilities to effectively compete against leading global alcoholic beverage companies. In addition to the key leadership appointments mentioned earlier and a focused talent management programme to support this process, we have implemented a series of structural changes over the year. These are dealt with below against each of our core strategic themes:

Lead in selected markets

- Historically, all regional business units outside southern Africa were housed within our international division. In line with our transition from a pure export model to one where we significantly influence our route-to-market in important regions and countries, we have separated Africa (excluding southern Africa) from the international division. This allows us to give the necessary management focus to the African continent, where we are expanding our presence.
- We are also integrating Distell's existing European wine and spirit operations with our Bisquit and Burn Stewart Distillers (BSD) acquisitions. We expect that an integrated European business will unlock important synergies in the months and years ahead.
- In North America, we are integrating the International Beverage Company (IBC) Inc, a distributor of premium imported spirits brands with Distell's local commercial structure into one market-facing business unit and we are now evaluating how best to capacitate our export business in this important region.
- In Asia Pacific we have strengthened our local operations with new leadership and the addition of specialist skills.

Craft distinctive and compelling brands

- We have chosen to structure our marketing organisation into two distinct brand clusters, namely *Power* and *Luxury* brands in order to respond effectively to changing global consumer trends where value is preferred on certain occasions while in others, consumers may choose to consume more conspicuously and 'trade up'.
- To enhance our ability to deliver a differentiated *Luxury* consumer and customer experience for all our *Luxury* brands, we have expanded the scope of our Distell Vineyards and Estates sales structure to include our spirits brands. This team will initially develop the *Luxury* trade marketing and sales capabilities needed for our key wines and spirits brand portfolio in South Africa. Toolkits will be developed and learning will then be documented and applied to allow us to selectively expand this approach to our core African and international markets over time.

Own the last mile

- In line with our aspirations to increase our overall reach and enable us to 'own the last mile' with customers, our South African business unit has been reorganised into three decentralised regional units with focused in-market leadership teams. The change has already enabled us to successfully drive our sales force excellence process and grow our overall market coverage. In the past year alone, we have more than doubled our mainstream market outlet coverage and we have employed more than 120 new sales executives from these communities to step change our presence and execution for a core range of *Power* and *Luxury* brands in these markets.
- We have developed a best-in-class revenue management capability which combines brand, pack, customer and consumer insights together with scientific price management tools in each class of trade so that we can optimise the revenue and margin growth of our business. This signals the start of a new journey in South Africa, which we are confident, will start to deliver strong returns to the Group in the medium term. This key capability will be embedded and then rolled out to our other priority markets around the world in the years ahead.

Scale up excellence

- We have integrated 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. A supply chain review has been completed and we have made advances to centralise our procurement capability in the Group. We are busy defining our supply chain strategy and we expect to make further improvements to our supply chain quality promise, reliability, service and efficiency in the year ahead.

Shape the future

- We have established a business unit with an organisation-wide focus on innovation as a key driver of future revenue growth.
- We have also established a corporate development function tasked with spearheading strategic foresight, strategic planning and new business development within Distell.

Care and contribute

- We have expanded our regulatory policy advocacy capability to proactively support Distell's business operations in our priority markets, with a particular focus on Africa.

Business performance

In the past year, we have prioritised driving revenue growth by developing and optimising our product portfolios of relevant and superior brands. Our revenue management initiative highlighted an important opportunity to recalibrate some of our key brand and pack pricing decisions, which we chose to fully implement rather than pass on all the effects of costs plus inflation and excise increases in South Africa. These decisions helped to boost our revenue growth performance in the past year. We are now focused on driving operational efficiencies to turn volume and revenue growth into improved operating margins and higher asset efficiency.

Over the period, Group revenue grew by 10,4% to R19.6 billion while sales volumes increased by 5.7%. The Group's normalised EBITDA rose by a credible 8,1% to R2,5 billion in spite of the strategic investments that we have made to position the Group for long-term growth and the unanticipated cost of the product recall in the last month of the financial year.

Volume and revenue growth was made possible due to a standout performance of our South African operation and gains made by some key brands internationally.

In South Africa, revenue grew by 11,8% to R13,5 billion on a sales volume increase of 6,7%. EBIT performance has been outstanding, rising by 23,4% to R2,2 billion, accompanied by a 1,6% improvement in EBIT margin.

In Africa, revenue grew by 11,6% to R3,1 billion and sales volumes increased by 6,6% on the back of strong performances in Angola, Mozambique, Zambia and Kenya. In Africa, we continue to position ourselves for the future and we accelerated our investments in building our routes-to-market in each of our core markets. As a result, EBIT grew by 5,2% to reach R664,0 million.

During the year, we successfully concluded an agreement to acquire 26% of KWA Holdings E.A. Limited (KHEAL) for 860 Million Kenyan shillings (R111,3 million). KHEAL is Kenya's leading spirits distributor. Our relationship with the company dates back to 1998 and our equity acquisition takes the partnership to a significantly more sustainable level. We are now able to drive a focused strategy for future growth in partnership with our partners including building on the strong equity of our brands already established in Kenya.

In our international markets, revenues grew by 3,8% to R2,9 billion while sales volumes declined by 5,5%. EBIT declined by 5,5% to R456,0 million. Despite the challenging conditions across Europe and in China that affected our performance, we are pleased with the performance of our Burn Stewart business, which achieved its integration and EBITDA targets. Despite the global economic challenges as well as the fact that the global spirits category grew at its slowest rate since the 2008 economic crisis, our focus has been on investing in future growth and in building the necessary capabilities and routes-to-market to strengthen our position in those international geographies where we believe we are best placed to realise the potential of our brands. Amarula continues to grow its consumer footprint globally and our single malt Scotch whisky portfolio, particularly in Europe, the US and in Taiwan, continues to attract strong support and enjoy good revenue growth.

The Group's performance across various alcoholic beverage categories reflects a continued focus on innovation, as well as improved global marketing capabilities in both the *Power* and *Luxury* brand clusters.

- The global cider category has continued to gain market share of the global ready-to-drink (RTDs) category. Hunter's has mirrored the strong growth momentum of the global cider category. The brand has posted double-digit revenue growth for almost seven years consecutively.
- Savanna has recovered after a slow start to deliver volume and revenue growth

in the second half of the year, supported by the launch of some new packaging formats. Other RTD offerings have excelled in emerging markets, notably Esprit in Africa and Bernini in Asia.

- From a spirits perspective, our overall Group performance has remained relatively muted, although there have been some encouraging gains. The continued decline of brandy in South Africa has moderated, thanks to focused marketing and pricing investments behind Viceroy, Klipdrift and Richelieu. Our South African whiskies, Three Ships and Bain's Cape Mountain Whisky have delivered strong revenue growth, backed by effective brand-building initiatives. Scottish Leader, supported by a new formulation, upgraded packaging and new advertising, has shown strong revenue growth in both South Africa and Taiwan since the renovation in the second half of the year. Our premium cognac brand, Bisquit, has also achieved double-digit revenue growth and has outpaced the rate of growth of global volume sales of cognac. The rate of Distell's wine export volume growth has been seven times that of global growth in wine consumption in 2015. Our total wine portfolio has delivered strong double-digit volume growth, particularly in South Africa and Africa, where 4th Street has been a standout performer. This performance bears testimony to Distell's ability to expand the consumer footprint of wine through product innovation, targeting new consumption occasions.
- Our premium wines have also performed favourably, particularly Nederburg, and Durbanville Hills, achieving double-digit volume growth for the year.

To accommodate incremental marketing investment, while at the same time protecting margins, Distell needs to drive efficiencies and cost reduction. We achieved our publicly stated savings target of R325,0 million for the year and we are confident that there are still substantial opportunities to be tapped to improve efficiencies and reduce costs in our supply chain. These initiatives will be an important corporate priority so that we can translate our volume and revenue growth into stronger operating margin and cash flow performance.

Delivering value by efficiently using 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 a slight deterioration in asset turn. This is an area which will receive increased focus going forward.

We took the decision to recall some of our bottled wines as a precautionary measure after minute glass particles were identified in some products. We regard product quality and customer safety as paramount, and obviously integral to protecting our company's good reputation.

We swiftly isolated the incident to a bottling line that accounts for 4,8% of total wine production. The incident rate of the particles was less than 0,33%. We have replaced the affected stock where necessary and thanks to the enormous efforts of staff across Distell's value chain, the situation has been successfully contained. We have provided fully for the impact of the product recall in our financial results (R63,5 million in operating costs) and we are now focused on improving our total quality promise where necessary and on restoring business momentum in the affected markets.

Key strategic business risks

As we continue our strategic journey, we remain mindful of the need to proactively identify, mitigate and address the key strategic risks that face us. Risk management is an integral component of the day-to-day running of our business. It is our responsibility to maximise our opportunities and to minimise the threats they pose.

We have developed a well-structured process for identifying, monitoring and managing the principal risks that Distell faces. (Please 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 interventions and responsiveness
4) Sustainable supply of raw materials
5) Illicit trade in alcoholic beverages
6) Management capacity and talent management
7) Information technology systems
8) Rapid changes in consumer consumption trends
9) Integration of acquisitions

Please refer to our strategic risk table on page 14.

Future prospects

In its World Economic Outlook Update, issued in July, the International Monetary Fund (IMF) once again lowered its forecast for global GDP growth in 2015, from 4,0% to 3,3%. The IMF expects to see a pickup in growth next year to 3,8%, but there remain significant downside risks to this outlook. The key drivers of accelerated growth in developed economies are improved levels of business and consumer confidence, lower fuel prices and the likelihood of more neutral fiscal policy in the Eurozone.

From an emerging market perspective, growth prospects remain subdued with the continued pressure on oil and other commodity prices, the slowdown of growth in China and currency volatility risks prompted by the likelihood of higher interest rate cycles in the developed world.

In South Africa, according to the Bureau of Economic Research (BER), real growth in consumer spending on non-durable goods (including alcoholic beverages) is expected to decelerate from 2,3% in 2015 to 1,3% in 2016.

Spending power will be curtailed by declines in real income growth, higher inflation and muted employment growth, among other factors.

While the outlook remains uncertain and more pessimistic, we continue to remain optimistic about the prospects for Distell's medium-term growth. We also look forward to the positive impact of duty-free market access for South Africa's exports. These include the possibility of continued inclusion of South Africa in the African Growth and Opportunity Act (AGOA); and the tripartite free trade agreement concluded between the members of the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC) and the East African Community (EAC). In addition, the duty-free market access for South African wines has also expanded significantly as part of the new economic partnership agreement between SADC and the European Union.

We shall continue to capitalise on our strong, appealing and diverse portfolio of brands, using our broad geographic footprint across a range of economies to further unlock real stakeholder value.

Corporate responsibility

As a responsible corporate citizen, we recognise our role in upholding industry standards, while contributing to an improved quality of life amongst the communities where we operate. Our areas of involvement include:

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

This year has seen active engagement between the liquor industry and government on the issue of responsible drinking. In May 2015, the Department of Trade and Industry (dti) published the National Liquor Policy Review, a discussion document for public consultation. To manage various stakeholder interests and considerations, the public and the liquor industry were invited to submit comments by August. Distell has been actively involved in this regard.

Together with other industry role players, we have stressed our willingness to work with government to find appropriate solutions to alcohol-related risks. We are confident that the liquor policy to emerge after extensive consultation will offer sound guidelines for managing economic opportunities in the liquor industry, while at the same time addressing health and social issues.

Through the Distell Foundation, we support a number of important corporate social investment (CSI) projects annually, spending R16,7 million with a focus on two key areas: youth development and awareness of fetal alcohol spectrum disorder (FASD) and steps to prevent it. Our strategy is to support programmes that have a holistic impact on communities and individuals. In line with government policy, we strongly support and promote industry transformation. Recognising the potential to partner with entrepreneurs and communities close to our production facilities, we are creating new and more significant roles for emerging producers of inputs required for our operations. For example, we are excited by the potential to increase the local supply of apple concentrate through empowering black entrepreneurs in South Africa.

As we continue to grow and expand in Africa, we are exploring ways to develop partnerships and create potential enterprise development opportunities within our portfolio of businesses.

We also recognise our obligation towards transformation, in particular to ensure that our leadership and management ranks are reflective of the demographics of the countries in which we operate. In South Africa, we are committed to improving our track record in this regard and to building a diverse, inclusive and representative workforce.

We are meeting this challenge by developing our people with technical, management and leadership skills. 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.

For further details, please refer to our corporate responsibility report on page 124 and to our online sustainability report at www.distell.co.za.

Acknowledgements

We have had high expectations of management and staff in accommodating and adapting to change, not only of company focus and structure, but also of culture and mindset. Across every facet of the business, from process to execution, we have made rigorous demands of people, all the while seeking higher standards and greater levels of innovation. Rather than seeing change as a disruption and a threat, our Brandcrafters have shown a willingness and ability to rise to the challenge with energy, ingenuity and resolve. It is this 'can do' conviction that is driving our progress and our growth as we meet the needs of a fast-changing and increasingly competitive global trading environment.

I am proud and excited by what has been achieved, particularly under such difficult trading conditions. I convey my deepest gratitude to our extraordinary directors, managers and staff for sharing in our corporate vision and bringing it to life in a way that benefits all our stakeholders. I consider it a privilege to lead such a bold, enthusiastic and committed team.

RM Rushton
Group Managing Director

Stellenbosch
19 August 2015

Regional performance report

South Africa	68,9%
Rest of Africa	15,7%
International markets outside Africa	14,9%

Award

Le Bonheur
2014 International Wine and Spirit Competition
(Gold – Le Bonheur Prima 2009)

South Africa

The South African economy recorded low growth for the period under review and there was a very modest improvement in real growth of consumer income. Consumer and business sentiment remains pessimistic as the country grapples with power shortages, high unemployment and a weakening rand. The estimated retail sales growth of the total liquor market was in the low-single digits. Excise increases on spirits over the past few years have impacted on the growth of the total market and together, excise and VAT now account for more than half of the average retail selling price of a bottle of brandy.

Against this backdrop, our South African operation performed exceptionally well, increasing sales volumes by 6,7% over the prior year with revenue rising by 11,8%.

Our performance is the result of the strategic focus that we are giving to raising the quality of our marketing and sales execution. We have also adopted new price and revenue management practices that are aimed at improving our competitiveness in the short term, while assisting us to ensure that our brands are strategically well positioned for sustainable growth in revenue and margin compared to our competitors in the market.

Our sales force effectiveness (SFE) programme, launched towards the end of last year on a regionally staggered basis, has been operating nationally since February 2015. This sales initiative aims to widen our outlet coverage of the domestic market and improve our levels of customer service and in-market execution.

Through a series of structural and systemic changes and the use of new technology and analytical tools, we are extending our reach and penetration of the domestic market, while improving our market intelligence and enhancing market responsiveness, service and flexibility. In addition, this programme is helping us to improve our trade marketing, sales and distribution capabilities.

A major advantage of the SFE programme is the extent to which it has already allowed us to strengthen our mainstream and township market presence, taking us into areas where we have been historically underrepresented. Not only is this opening up new business opportunities but it is also creating new jobs. To date, 120 previously unemployed people have been employed permanently as a result of this strategic project.

In tandem with the SFE project, we have decentralised our sales and distribution operations, giving greater autonomy to our three regional general managers, each of whom is now a member of our South African leadership team. This move is encouraging more entrepreneurial management and also allows us to become more responsive to customer and marketplace needs.

To drive operational efficiency, our new business structure has also provided for specialised centres of excellence to support our sales and logistics efforts in all facets of their operations through the provision of specialised analytical skills and technology.

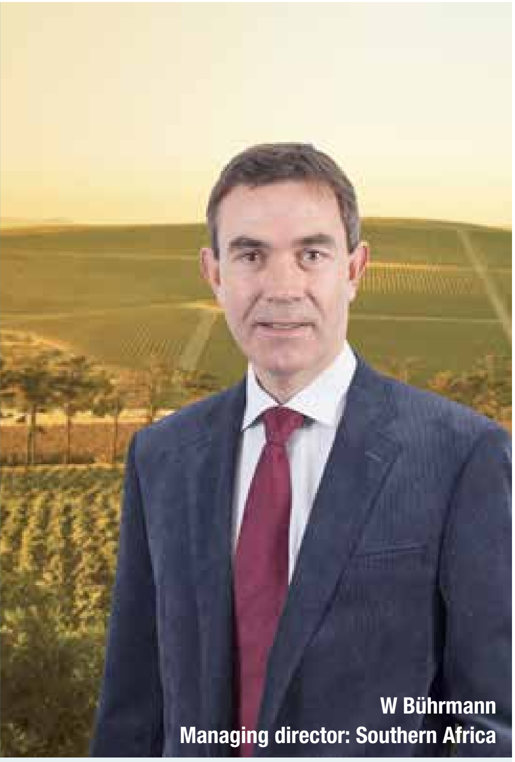
These strategic initiatives have helped to boost our top-line growth in the short term but more importantly place us on a more equal footing with our global liquor market competitors to compete for growth and profitable gains in market share.

Ciders and RTDs

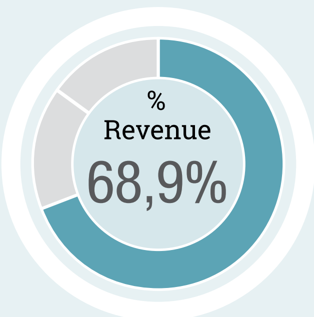
Our RTDs portfolio, including ciders, has seen a volume growth of 4,2%, with revenue increasing by 10,3%.

After a sustained period of meteoric growth, our cider sales have continued to rise, albeit at a moderated pace as the segment attains maturity in the domestic market. Hunter's, the world's number two cider brand, continues to deliver robust growth. Despite our domestic market strength in ciders, our SFE programme has demonstrated that further growth can be realised in new market segments where our business has not been well represented and we remain optimistic that growth will continue in the foreseeable future.

Savanna, participating in a more premium field, has shown some vulnerability to the aggressive premiumisation of the beer segment. Although volume declines have been modest, we are addressing the situation with a revitalised brand proposition and packaging. The early



W Bührmann
Managing director: Southern Africa



"Leading the way in tough market conditions."

trade and consumer response to these new initiatives has been encouraging.

Wines

Our wine portfolio has proved to be the star performer in the year under review with volumes increasing by 13,6% and revenue rising by 16,4%. The rate of volume growth achieved by our wines is significantly ahead of the industry indicating that we have gained market share in an extremely competitive market.

The relatively recent addition to our wine brand portfolio, 4th Street, has been the standout performer although perlé wines have also exhibited strong growth, as has Sedgwick's Old Brown. Our fine wines have also benefited as we continue to enhance the specialist capabilities required to service the premium end of the market.

Nederburg performed extremely well on volume and revenue across the range, with its gourmet Heritage Heroes collection exceeding expectations. Durbanville Hills, Fleur du Cap, Neethlingshof, Plaisir de Merle and Allesverloren also delivered excellent growth. The reputation of these brands continues to improve, as a result of increased focus and the critical acclaim appearing in widely read international wine publications and excellent scores achieved in leading wine competitions.

As a specialty Méthode Cap Classique brand appealing to less price-sensitive consumers, Pongrácz has also once again shown growth.

With fine wine in particular assuming a growing significance in our portfolio, we have recently created a new position of head winemaker. This role involves overseeing style and quality across the company's entire wine portfolio, as well as driving innovation. We believe that this key leadership appointment will provide an additional impetus to stimulate our winemaking excellence, assisting us to grow our premium wine credentials while enhancing our competitive advantage.

Spirits

Although Distell's spirits volumes have remained unchanged from a year ago, we have seen revenue rise by 10,8% and we have achieved notable successes across the spirits portfolio as a result of the implementation of our new pricing strategies, coupled with our improving sales execution and increased market penetration.

We have succeeded in moderating the decline of our brandies. As previously reported, our effort to drive the recovery of brandy in South Africa is an important long-term initiative. The revival of the category is a strategic imperative for Distell, which also has wider economic implications for the country given the brandy sector's significant importance in the South African wine value chain and its capacity to generate local employment compared to imported spirits.

Sales of Klipdrift, with improved distribution, and Richelieu now benefiting from a more premium positioning, are recovering. Popular brands such as Viceroy and Commando are showing outstanding growth, evidencing our improved market penetration.

Bisquit cognac, with its combination of strong intrinsics and *Luxury* branding cues has performed extremely well to significantly exceed the double-digit growth of the local cognac market.

Our Scotch whisky portfolio performed well during the period and our recently renovated Scottish Leader brand with its reformulated blend and new packaging has met with a very favourable trade and consumer response since the relaunch.

Our South African whiskies have maintained their ongoing growth trajectory with Three Ships earning a major boost when the 10 Year Old Single Malt was crowned 2015 IWSC Best Whisky Worldwide. The rise of Bain's Cape Mountain Whisky's has also been impressive and the brand's numerous major international awards demonstrate that this innovation is successfully meeting the need for an approachable, soft-textured and sweeter profiled South African whisky. Amarula, has retained its brand leadership despite the entry of a number of 'me-too' price competitors. Volumes have strengthened, along with a significant increase in revenue, the result of a successful premiumisation strategy.

Rest of Africa

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

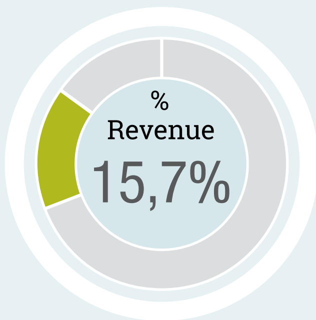
Our African operations excluding our South African business delivered strong results despite the slowdown in global economic growth, and the fall in demand for commodities, including lower oil prices, that have affected important economies in Africa such as **Nigeria**, **Angola** and **Ghana**.

Sales volumes have grown by 6,6%, while revenue has risen by 11,6%, with wines the strongest contributor to growth, followed by our cider brands. EBIT has increased by 5,2% as we continue to invest in expanding our sales and route-to-market teams in priority countries across the continent. EBIT has also been somewhat negatively impacted by currency devaluations in the past year.

Notwithstanding some of the challenges faced by the continent, the IMF is projecting real GDP growth for sub-Saharan Africa to accelerate from 4,5% in 2015 to 5,3% by 2017. It is envisaged that this growth will be fuelled by continued investment in infrastructure, greater agricultural output and buoyant services sector growth.

We therefore remain confident in the merits of our strategic focus on Africa and continue to invest in building our in-market teams in key areas, while enhancing our routes-to-market. There are many dynamic economies on the continent where we participate within carefully prescribed risk parameters. Our core *Power*

D Hegland
Managing director: Africa



"We are focussing on strengthening our local footprint."

Award

Amarula
2014 New York International Spirits Competition
(Liqueur of the Year – Amarula Gold)

brands are growing strongly in wines and ciders, as are a select basket of our *Luxury* spirits brands in a number of key African markets. We will therefore continue to invest in building these brand franchises in these economies using our export platform, while expanding judiciously through local production and distribution with local partners wherever possible.

The four countries neighbouring **South Africa**, namely **Botswana**, **Lesotho**, **Namibia** and **Swaziland**, are an important trading bloc and represent a significant revenue stream for the company. Together, they have delivered a sales volume increase of 7,3%, with revenue rising by 13,5%, illustrating the benefits of our premiumisation strategy. Key brands that recorded strong growth included Hunter's, Savanna, 4th Street, Klipdrift, Tassenberg and Autumn Harvest Crackling.

Angola has been a traditional stronghold for Distell in Africa. In the past year, our **Angolan business** has recorded volume and revenue growth of 7,1% and 13,2% respectively. Our core brands, Savanna, Nederburg, J.C. Le Roux, Amarula and Esprit, have all recorded strong revenue growth in spite of the substantial macro-economic and currency challenges that the country is facing. These brand franchises have proven to be very resilient in a tough economy. As **Angola** remains a priority market for Distell, land has been acquired in order to commission a greenfield spirits and RTD production plant in the country. We are also consolidating our route-to-market and expanding our sales presence in the market and these investments will be accelerated in the year ahead.

Mozambique's contribution to our African performance is assuming increasing significance as we strengthen our route-to-market and our major brands have recorded strong double-digit volume and revenue growth in the past year. Our ciders have performed exceptionally well, as have Amarula, Nederburg, Drostdy-Hof and J. C. Le Roux. To entrench our position, we are now increasing our sales and marketing presence in the country.

Although **Zimbabwe's** economy remains very fragile, thanks to improved pricing and distribution efforts, we are making good headway with our cider and local spirit range produced in-market, together with our partners African Distillers (Afdis).

Zambia's expanded retail environment has provided us with good opportunity for growth in the formal sector, with Hunter's and Amarula, as well as our other spirits and wines, showing good growth.

Distell has a growing footprint in **East Africa** and in the year under review we have been able to strengthen our presence in **Kenya**, thanks to our investment in KWA Holdings E.A. Limited (KHEAL), a prominent producer and distributor in the country. The transaction to acquire a 26% stake in KHEAL was concluded in December after extended negotiations and we look forward to realising substantial benefits from this strategic stake. Our brands have performed well in the broader region with our wine brands growing strongly, particularly 4th Street, while Viceroy is showing a promising recovery after an aggressive activation programme.

In **Tanzania**, we are very ably represented by our partners, Tanzania Distilleries Limited with its well-developed production, sales and distribution network. Drostdy-Hof and Savanna have been the star performers.

The past year has proven to be a challenging one for our **West African operations**. Beset not only by commodity and currency hurdles, **Nigeria** has also had to contend with civil conflict and security upheavals which have had a severe impact on the economy. Despite a drop in sales and revenue, we are strengthening our sales team, enhancing efficiencies and stepping up our activations programme to maximise our reach and presence for a select portfolio of brands in the country.

Although **Ghana** has not escaped the setbacks experienced by West Africa, exacerbated by the outbreak of Ebola, our operations here have proved more resilient than in **Nigeria**. We ascribe this in part to the good growth seen across our locally produced ciders and spirits, and we plan to extend sales to neighbouring countries using the wider trading benefits available to locally produced products in the region.

International markets outside Africa

Our international market report beyond Africa includes salient features of the performance of the Burn Stewart Distillers (BSD) operation, acquired in 2013, that is currently being integrated into Distell.

As highlighted earlier in the report, global growth has been modest and slower than anticipated. Economic challenges particularly in emerging markets have negatively impacted consumer spending across a broad range of categories, including alcoholic beverages. Euromonitor, for example, noted that in 2014, the spirits category grew globally at its slowest rate since the 2008 economic crisis, achieving year-on-year volume gains of just 2,0%. According to IWSR, the volume of global wine sales fell by 1,1% in 2014.

Despite these headwinds, our focus has been on investing in future growth for Distell, building the necessary capabilities, infrastructure and routes-to-market to strengthen our position in those geographies where we believe we are best placed to realise the potential of our brands. While we have been putting the right structures, talent and distribution partnerships in place to achieve this goal, we have not overlooked the importance of protecting brand equity so that we can successfully differentiate ourselves within the highly competitive markets where we operate. In some instances, such protection has meant eschewing short-term gains as we pursue more appropriate opportunities in line with our longer-term strategic aspirations.

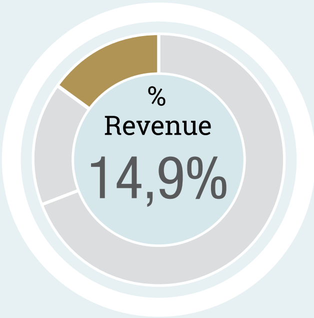
In those markets affected, we have also been escalating our branding and servicing levels to offset the impact of the selected wine recall, dealt with more comprehensively in the managing director's report.

We have continued to explore viable prospects across a wide range of markets, allowing us to make important and encouraging gains, where our premiumisation strategy is yielding very positive results. Amarula also continues to grow its profile and remains South Africa's only brand on the Impact Databank Top 100 Premium Spirits list worldwide.

Our international operations had a challenging year in which sales volumes declined by 5,5% while revenues rose by 3,8%.

EBIT derived from international operations outside of Africa declined 5,5% and contributed 20,4% to Group EBIT.

D Gallow
Managing director: International



"Good results in select international markets despite headwinds."

North America

Reflecting the more premium strategy we have been following, revenue has grown by 19,9%. EBIT has increased by 29,8%.

In the same way that we have been integrating the BSD business into our European operation, we have been using Distell's full acquisition of International Beverage Company (IBC) Inc, a distributor of premium imported spirits brands, to enhance our capabilities in the **US**. We view this as a high-potential market, despite the complexities of its three-tier system and legislative parameters that differ from state to state. IBC was previously majority owned by BSD. Its consolidation with Distell now allows us to adopt a more focused approach to branding, distribution and route-to-market.

Amongst the brands to show good growth in the **US** have been Amarula and the single malts in the BSD portfolio. Bain's Cape Mountain Whisky has made its first foray into the country and although it is being launched on a modest basis in selected areas, trade and consumer response has been very positive.

In **Canada**, Nederburg has also reflected good growth, while a recently revised pricing strategy for Two Oceans should have a positive impact.

The improving **US** economy is encouraging and we believe that it bodes well for our future business performance in the region.

Latin America

Revenue has risen by 22,4% in Latin America and EBIT by 61,8%. Our strong performance in the Latin American region has bucked the trend of economic slowdown, particularly in **Brazil**.

We have made organisational and leadership changes to build on the good gains already achieved across the region.

Amarula has not only succeeded in further entrenching its dominance in the Brazilian market but has also achieved strong gains in **Argentina** and **Paraguay**.

In **Brazil** alone, Distell brands account for 57% of South African wine volumes sold in the country. Our strong presence in the e-commerce business in the country has boosted sales, notably for Neethlingshof and Allesverloren.

Europe

Europe's EBIT declined by 32,9%, with revenue declining 10,1%. Our performance was affected by the ongoing macroeconomic challenges in the Eurozone and the impact of the Russian economic crisis.

However, the decision taken in the last quarter of our financial year to consolidate all our export, Bisquit and BSD operations into one integrated operation in **Europe** has provided an opportunity to restructure our European business, infusing it with new skills and resources to capitalise on opportunities in spirits, wine and RTDs. We also believe that we can extract cost synergies from this consolidation in due course.

In the **UK**, we have maintained our listings with the multiple grocers, despite an increasingly competitive environment. In **Germany**, where the South African category is losing market share to European producers, we have bucked the trend with Nederburg and Two Oceans reflecting excellent growth. Nederburg has also delivered excellent growth in the **Netherlands**.

However, in the Nordic region, and **Sweden** in particular, where the South African category has been losing out principally to Italian wines, we have not been as successful. Drostdy-Hof, our biggest brand here, has seen a decline in sales. Zonnebloem, our largest premium brand in **Sweden**, has also experienced some losses. We have assigned dedicated resources to address these setbacks, working closely with our distribution partner to find the best way to recover lost ground. With South Africa's eco-credentials well recognised across the Nordic region, we are increasing our organic wine offerings to meet the rising demand amongst consumers. However, we are to some extent constrained by the limited availability of organic grape supplies.

Amarula has fared well, defying the decline in the cream liqueur market as the brand continues to benefit from its African provenance and unique flavour proposition. The single malts in the BSD portfolio have continued to attract strong support, achieving good revenue growth, while the reformulated Black Bottle, closer in recipe to its 19th-century original and now in a striking black bottle, has also been launched in **France** and **Germany**. Supported by stepped-up marketing investment in these countries, it is expected to make promising progress.

Bisquit has been able to hold its own in its key market of **Belgium**, but has been hit by the political and economic turmoil in **Russia** and the Russian Commonwealth.

Travel retail

The focused expansion programme of our travel retail arm continues, serving not only to showcase our key brands but also to deliver good growth. New leadership, the expansion of the new European unit, an effective Asian arm and the creation of dedicated resources both in Africa and the Americas are yielding very promising results with impressive new listings in key markets.

The Scotch whisky portfolio has performed extremely well, constrained only by the lack of single malt stock, although limited availability has enhanced their rarity value. Amarula and Nederburg have also made exciting gains.

Integration of acquisitions

Efforts to integrate the BSD acquisition have included investigating new ways of extracting value, adjusting marketing priorities, realigning the entire whisky portfolio, tailoring offerings for specific geographies and establishing integrated marketing and route-to-market structures in priority countries.

We are pleased to report that good progress has been made and we are confident that BSD will add significant value as the business becomes more fully integrated and aligned into Distell structures.

BSD delivered a strong trading and financial performance for the year ended 30 June 2015. Revenue rose 2,7% to £64,8 million. Net profit after tax increased 8,5% to £3,7 million.

Asia Pacific

EBIT has grown by 40,9%. With the priority accorded our premium brands and a more favourable mix, revenue has grown by 30,9%, although volumes remained flat.

Across Asia Pacific, Bisquit and the single malts have performed well, with Amarula and wines delivering sound revenue growth.

We have identified **Taiwan** as a key market where we can leverage Scottish Leader's market dominance, while growing the presence of the other Scotch whiskies in the portfolio. It also gives us the resources to further build Amarula's profile and that of our wines.

We continue to focus on how best to optimise our operations in **China**, while in **Singapore**, we have taken steps to strengthen our operations, appointing new leadership.

The James Sedgwick Distillery

Financial performance

"Over a ten-year period Distell has delivered a Total Shareholder Return (TSR) of 24,8% per annum, performing ahead of other major competitors in the alcoholic beverage industry globally."

Creating value

Our ultimate governing objective is to create value for all stakeholders, shareholders in particular. Six strategic themes underpin our strategic journey. The accomplishment of our mission and the achievement of our longer-term aspirations depend largely on the successful execution of these strategic initiatives.

Linking strategy, strategic initiatives and value drivers

Financial value drivers	1 Lead selected emerging markets	2 Craft distinctive and compelling brands	3 Own the last mile	4 Scale up excellence	5 Shape the future	6 Care and contribute	Strategic themes
1 Revenue	– South Africa – Africa – One other	Execute cider growth strategy	Sale force effectiveness Revenue management	Cider production technology			Enabling strategic initiatives
2 Gross profit			Distribution network optimisation	Procurement Production network optimisation		Enterprise development projects for supply	
3 Operating costs	– South Africa – Africa – One other	Brand investment plan Building luxury capability			Innovation Technology People		

Each of these strategic themes, and their enabling strategic initiatives, are therefore closely linked to our financial value drivers. Internally, we measure our ability to maximise value within a comprehensive value-based management framework and assess our progress in this regard by measuring the key components of value:

- Revenue
- Earnings before interest, taxation, depreciation and amortisation (EBITDA)
- Profitability as measured by EBITDA margin
- Investment and asset efficiency
- Free cash flow
- Return on investment.

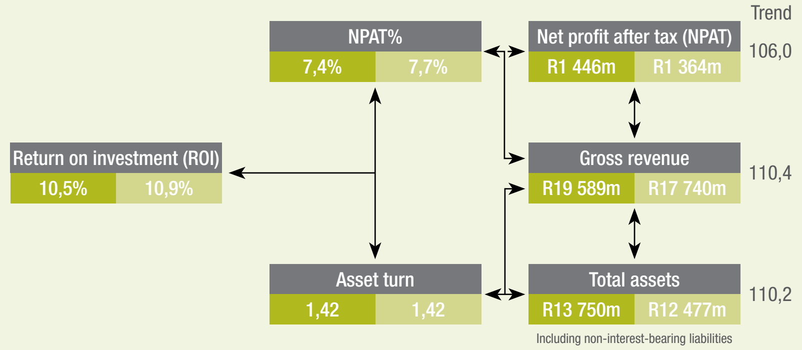
Financial highlights

			Margins	
	R'm	% change	**2015 %**	2014 %
Revenue	19 589	10,4		
Gross profit	6 775	10,5	**34,6**	34,6
EBITDA	2 447	8,1	**12,5**	12,8
Operating profit	2 138	6,5	**10,9**	11,3
NPAT	1 446	6,0	**7,4**	7,7
Headline earnings	1 443	6,5		
Free cash flow	1 266	88,1		

* Normalised

MJ Botha
Group Finance Director

Managing the underlying drivers of shareholder value



* Normalised 2014/15 2013/14

To comprehensively monitor our performance in maximising value, in line with our strategic objectives and initiatives, we use a range of key performance indicators (KPIs), financial and non-financial, to track progress and to adapt to changes in the external environment. In order to drive ownership and purpose, and to provide a tangible link to the corporate strategy and strategic initiatives, KPIs are also embedded in our short-term incentive scheme and have been broken down into targets at corporate, business unit and functional support team level. Targets set, at both corporate and team level, are weighted as follows:

- 60% weighting for the achievement of financial targets
- 40% weighting for the successful execution and achievement of strategic initiatives.

Sustainable value creation for our shareholders is best measured by Total Shareholder Return (TSR), a combination of share price appreciation and dividends paid over the medium to longer term. Over a ten-year period Distell has delivered a TSR of 24,8% per annum, performing ahead of other major competitors in the alcoholic beverage industry globally.

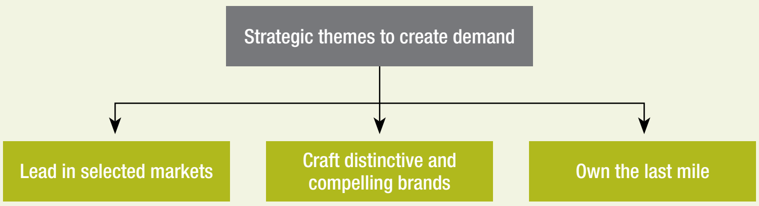
Analysis of current performance

Operating profit

Distell delivered a satisfactory performance amid continued tough trading conditions in many of the markets in which we trade. Revenue grew 10,4% to R19,6 billion, while operating costs increased 10,9% to R17,5 billion. Trading profit, that excludes 'other losses', as a result, rose 7,0% to R2,1 billion.

Operating profit, as reported, declined by 1,8% to R2,1 billion. In April 2013 the Group acquired Burn Stewart Distillers Limited (BSD). The purchase consideration for this acquisition included a contingent consideration of £10 million. During the previous financial year, this contingent consideration was remeasured and reversed and an amount of R159,0 million was reflected as 'other gains'. Normalised operating profit, which excludes the impact of the remeasurement of the contingent consideration, increased by 6,5%.

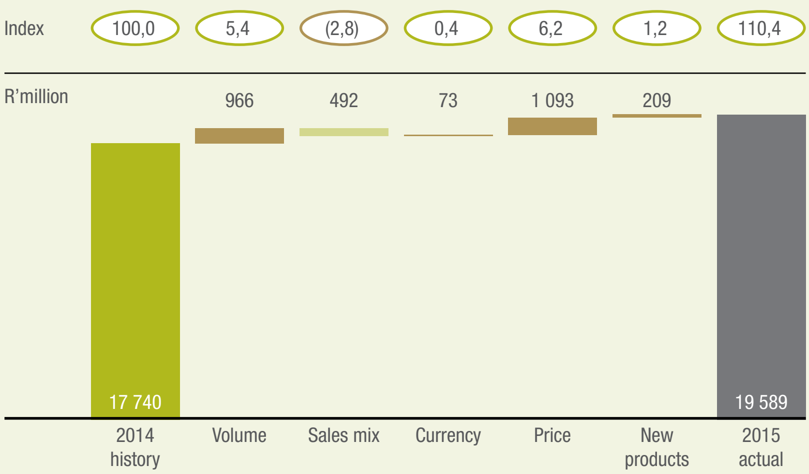
We also report EBITDA as this is a key performance metric used internally to manage and evaluate operating performance. EBITDA, on a normalised basis, grew 8,1% to R2,5 billion, while EBITDA margin contracted marginally to 12,5%.



The 10,4% increase in revenue was achieved through a combination of:

- Overall volume growth of 5,7%
- Selective price increases to ensure competitive pricing at responsible margins
- A change in product and sales mix
- Foreign currency movements.

Drivers of revenue growth



Revenue

Our operations in South Africa and other developing markets in the rest of Africa have delivered strong volume growth. Our business in **South Africa** grew ahead of leading competitors as we benefited from strategic initiatives such as our improved revenue and margin management and sales forces effectiveness programmes, despite adverse market conditions.

The expansion of the Group's business in the **rest of Africa** remains a strategic priority. The region was able to achieve strong volume growth despite challenging trading conditions in certain West African countries in the period under review. Our performance in **overseas markets** was also adversely impacted by tough economic and trading conditions in Europe and Asia Pacific. Volume losses in these regions were partly offset by stronger performances in North and Latin America. The rand, on a weighted average basis, deteriorated by 3,8% against the currencies of the countries in which we trade, and thus positively impacted revenue and earnings derived from international operations.

Revenue derived from operations outside of South Africa, on a non-duty paid basis, comprises 35,8% of Group revenue.

Operating costs

To support these strategic priorities and also achieve our financial goals, demands that we enhance operational effectiveness and efficiency across the business. The benefits flowing from increased throughput and enhanced efficiencies, allow us to reinvest in strategic areas of the business, such as brand development and support, stepping up marketing initiatives and extending marketing and sales capability as well as route-to-market capability in the domestic and other priority markets.

Gross margin was maintained at 34,6%. Through our business process improvement initiatives, we were able to achieve our savings target of R325,0 million this year. Favourable results flowing from supply chain improvement initiatives and the beneficial impact of a weaker rand on international revenue and earnings, were largely offset by steeper increases in excise duties, not fully passed on to consumers in certain price-sensitive product categories.

Our distribution network optimisation project has started to deliver benefits. Overheads in distribution rose 3,8% compared to an increase in domestic sales volumes of 6,7%, resulting in a 2,7% decrease in cost per unit sold.

The increase in other overheads is primarily due to investments in key strategic capabilities, as envisaged in the Distell Corporate Strategy. These include:

- Investments to improve and expand our Africa structures (Lead in selected markets)
- The restructuring of our operations in Europe, North America and Asia, including the integration of BSD in Distell, to infuse new skills and resource (own the last mile)
- Building strategic capability and capacity at the corporate centre (Scale up excellence, Shape the future)
- Building sales and marketing capabilities and capacity that enable us to increase market penetration, coverage and service offering (Revenue management, Own the last mile)
- Investment in core brand renovation projects (Craft distinctive and compelling brands).

These investments, which have been carefully evaluated by management, will enhance the competiveness of Distell to deliver sustainable revenue and profit growth in the medium term.

We recently announced a limited trade recall of some of our wines from distributors in various markets. We took this decision as a precautionary measure and in line with our company's very stringent quality and consumer safety policy. All costs relating to this incident have been provided for, amounting to R63,5 million, and have been expensed under 'administration and other costs' in the income statement.

Our strategic priorities

Create demand	Meet demand
• Lead in selected markets • To craft distinctive and compelling brands • To own the last mile	• Scale up excellence • Shape the future • Care and contribute

Despite the headwinds that we faced in various markets, our focus has been on investing to enable the future growth of our business, building the necessary capacity, capabilities, infrastructure and route-to-market, without sacrificing margins.

Share of equity-accounted earnings

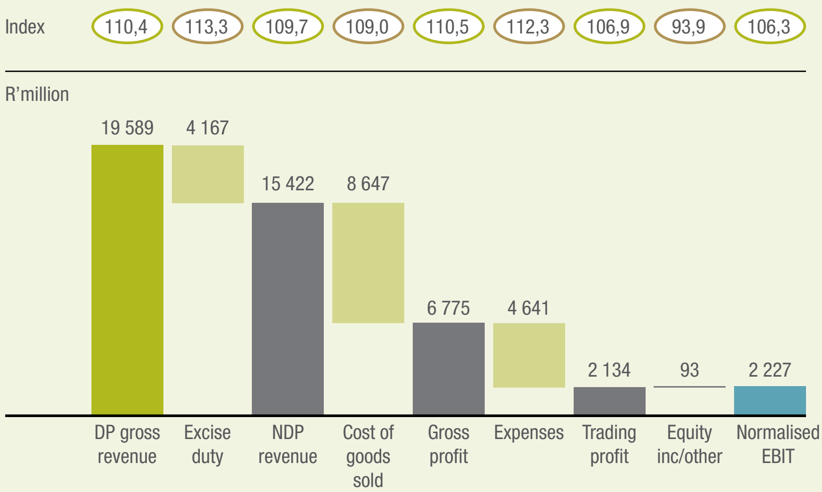
The Group's share of equity-accounted earnings comprises its share of the after-tax profits of associated companies and joint ventures.

Associates

Our investment in associated companies includes a 35% share in Tanzania Distilleries Limited (TDL), a 26% interest in the Mauritian company Grays Inc. Limited and a 26% interest in KWA Holdings E.A. Limited (KHEAL).

Despite a solid underlying performance, Distell's share of after-tax profits from associated companies declined by 5,4% to R69,3 million, as a result of unfavourable exchange rate movements on conversion to the Group's reporting currency.

Efficiency gains of 0,6% reinvested into pricing and capacity and capability building strategies



Note: Revenue after trade incentives and settlement discounts

	DP gross revenue	Excise duty	NDP revenue	Cost of goods sold	Gross profit	Expenses	Trading profit	Equity inc/other	Normalised EBIT
NDP% 14/15			100,0	56,1	43,9	30,1	13,8	0,6	14,4
NDP% 13/14			100,0	56,4	43,6	29,4	14,2	0,7	14,9
DP% 14/15	100,0	21,3	78,7	44,1	34,6	23,7	10,9	0,5	11,4
DP% 13/14	100,0	20,7	79,3	44,7	34,6	23,3	11,3	0,6	11,8

Note: DP = Duty paid NDP = Non-duty paid

Joint ventures

Investment in joint ventures comprises the Group’s 50% share in each of African Distillers Holdings (Private) Limited, a Zimbabwean company, and Lusan Holdings, a Stellenbosch-based wine producing operation. Our share of profits from joint ventures increased by 54,7% to R20,1 million.

Finance costs and cash flow

Total interest-bearing borrowings, net of cash and cash equivalents, increased from R3,4 billion to R3,6 billion.

Net cash generated from operations, before working capital movements, increased 14,1% to R2,6 billion.

Working capital increased by 7,4%, resulting in a cash outflow of R529,3 million (2014: R755,7 million).

As a result, cash generated from operations was R2,1 billion (2014: R1,6 billion).

Finance cost and taxation paid increased marginally to R701,7 million.

Cash outflow from investment activities was R841,7 million. This included fixed capital investment spent to maintain and expand operations amounting to R768,4 million (2014: R691,8 million) and the purchase consideration for a 26% share in KHEAL of R111,3 million.

Cash inflow before financing activities was R575,2 million. Dividends paid to shareholders amounted to R745,7 million (2014: R708,0 million).

The R170,5 million deficit was funded through an increase in interest-bearing borrowings.

Finance costs paid decreased from R232,4 million last year to R197,1 million.

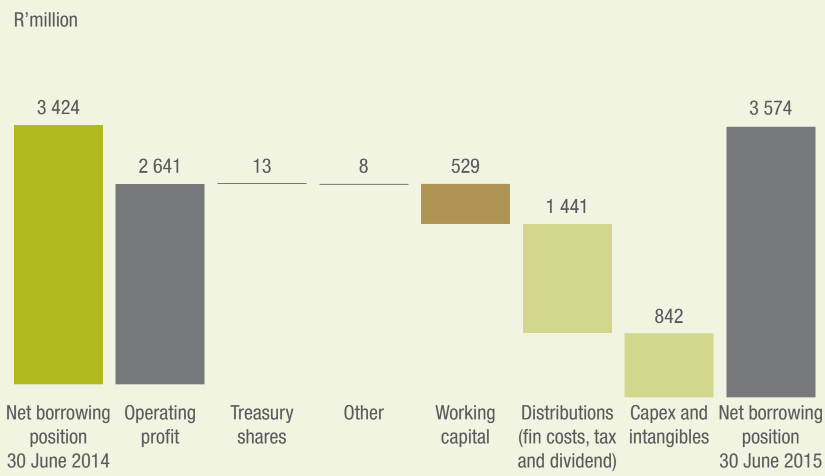
Taxation

The effective tax rate increased from 25,4% last year to 28,6%. This increase is as a result of the benefit of the remeasurement of the BSD contingent consideration, not taxable in the previous year.

Headline earnings

Normalised headline earnings, excluding ‘other losses’ arising from the remeasurement and reversal of the contingent purchase consideration for BSD the previous year, increased by 6,5%. Reported headline earnings declined by 5,2% to achieve a CAGR of 6,2% over a seven-year period.

Cash flow and funding



Investment and funding

Total assets grew by R1,9 billion to R17,8 billion, a 12,3% increase on the previous year. At the same time net operating assets (i.e. fixed assets, intangible assets, inventory and receivables less payables) increased 8,5% to R12,7 billion.

Capital expenditure amounted to R768,4 million (2014: R691,8 million) of which R321,8 million was spent on the replacement of assets, while a further R446,6 million was directed to capacity expansion.

Net working capital increased by R442,1 million to R6,4 billion, an increase of 7,4% on the previous year. Inventory, the main component, rose 9,3% to R7,5 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 11,7% to R3,3 billion. Investment in bottled stock and packaging material increased by 14,3%.

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

Our funding structure is as follows:	**2015 R’m**	2014 R’m
Bank overdrafts	**(388)**	(444)
Cash and cash equivalents	**619**	452
Medium-term bank loans	**(3 323)**	(3 114)
Short-term bank loans	**(482)**	(318)
	(3 574)	(3 424)
Debt maturity profile		
Within 1 year	**482**	318
Between 1 and 2 years	**2 123**	614
Between 2 and 5 years	**1 200**	2 500

Working capital needs are met by the availability of R2,1 billion of general banking facilities, of which R1,7 billion remains unutilised. We have sufficient headroom to service our operating activities and ongoing capital investment.

The Group remains in a strong financial position with interest-bearing debt, net of cash and cash equivalents, at R3,6 billion, and a debt-to-debt plus equity ratio of 27,2%.

Maturing debt in the next 18 months amounts to R1,3 billion. At 30 June 2015, committed undrawn borrowing facilities and cash and cash equivalents were sufficient to cover all maturing facilities over the next 24 months.

With a total debt capacity in excess of R5,9 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 are as follows:

Economic profit

	2015 R'm	2014 R'm	Trend (%)
Operating profit	**2 129,0**	2 167,3	(1,8)
Share of equity-accounted earnings	**89,4**	86,3	3,6
Exceptional items	**8,9**	(159,0)	(105,6)
Taxation	**(637,0)**	(576,0)	10,6
Actual returns achieved	**1 590,3**	1 518,6	4,7
Capital charge	**1 286,7**	1 165,9	10,4
Economic profit	**303,6**	352,7	(13,9)
Average total invested capital	**12 025,4**	10 895,8	10,4
Return on average total invested capital	**13,2**	13,9	

* Normalised

Dividend

Normalised headline earnings increased by 6,5% to R1,4 billion. The weighted average number of shares in issue increased by 4,1% to 218,6 million shares, mainly due to the fulfilment of the Group's obligations under its very successful, innovative and wealth-creating BEE ownership initiative during the previous year. Headline earnings per share on a normalised basis therefore increased by 2,3% to 660,3 cents.

The directors have resolved to declare a final gross cash dividend number 54 of 188,0 cents per share, bringing the total dividend for the year ended 30 June 2015 to 346,0 cents per share (2014: 337,0 cents per share). The total dividend of R762,7 million represents an increase of 2,2% on the previous year and dividend cover of 1,9 times (2014: 2,1 times) by headline earnings.

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

MJ Botha
Group Finance Director

Stellenbosch
19 August 2015

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 2016. 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 52 to 121 were supervised by the Group financial director, Merwe Botha CA(SA), approved by the board of directors and are signed on its behalf:

DM Nurek
Chairman

RM Rushton
Group Managing Director

Stellenbosch
19 August 2015

CERTIFICATE BY THE COMPANY SECRETARY

I, Lizelle Malan, being 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
19 August 2015

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:

	2015	2014
US dollar	**12,2**	10,6
UK pound	**19,3**	18,0
Euro	**13,7**	14,4
Canadian dollar	**9,9**	9,9
Botswana pula	**1,2**	1,2
Australian dollar	**9,4**	10,0

AUDIT AND RISK COMMITTEE REPORT

to the shareholders 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 attendence 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.

CE Sevillano-Barredo
Chairperson of the audit and risk committee

Stellenbosch
19 August 2015

REPORT OF THE BOARD OF DIRECTORS

for the year ended 30 June 2015

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:	2015 R'000	2014 R'000
Revenue	**19 588 970**	17 739 609
Operating profit	**2 129 056**	2 167 322
Attributable earnings	**1 437 136**	1 523 304
– Per share (cents)	**657,4**	725,8
Headline earnings	**1 434 561**	1 513 883
– Per share (cents)	**656,2**	721,3
Total assets	**17 807 768**	15 859 733
Total liabilities	**(8 251 371)**	(7 258 578)

The annual financial statements on pages 52 to 121 set out fully the financial position, results of operations and cash flows of the Group for the financial year ended 30 June 2015.

Dividends

Total dividends for the year (R'000)*	**762 663**	746 236
– Per share (cents)	**346,0**	337,0

** The final dividend of 188,0 cents (2014: 183,0 cents) per share was declared after year-end and was therefore not provided for in the annual financial statements. Refer to note 27 to the annual financial statements for payment details.*

Subsidiary companies and investments

Particulars of subsidiary companies, associated companies and joint venture companies are disclosed in notes 39 to 41.

Directors

The names of the directors, their attendance of meetings and their membership of board committees appear on pages 145 to 147, 151 and 154.

Lucas Verwey has been appointed as Group finance director with effect from 1 September 2015 to succeed Merwe Botha, who will retire as executive director at the end of December 2015. Johan Carinus will retire as non-executive director with effect from 28 October 2015.

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 35 to 37 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 158.

Secretary

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

Approval

The annual financial statements set out on pages 52 to 121 have been approved by the board.

Signed on behalf of the board of directors:

DM Nurek
Chairman

RM Rushton
Group Managing Director

Stellenbosch
19 August 2015

REPORT OF THE INDEPENDENT AUDITOR

to the shareholders of Distell Group Limited

We have audited the consolidated and separate financial statements of Distell Group Limited set out on pages 54 to 121, which comprise the statements of financial position as at 30 June 2015, income statements, 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 2015, 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 the requirements of 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 2015, we have read the Directors' Report, the Audit and Risk Committee 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
19 August 2015

STATEMENTS OF FINANCIAL POSITION

as at 30 June

		Group		Company	
	Notes	**2015 R'000**	2014 R'000	**2015 R'000**	2014 R'000
Assets					
Non-current assets					
Property, plant and equipment	2	**4 351 965**	3 882 077	**–**	–
Biological assets	3	**105 914**	104 559	**–**	–
Loans and receivables	4	**191 159**	211 288	**–**	–
Available-for-sale financial assets	4	**99 754**	91 424	**–**	–
Investments in subsidiaries	5	**–**	–	**2 645 044**	2 572 359
Investments in associates	5	**233 685**	77 064	**–**	–
Investments in joint ventures	5	**160 423**	137 901	**–**	–
Intangible assets	6	**1 879 680**	1 798 065	**–**	–
Retirement benefit assets	14	**310 985**	265 293	**–**	–
Deferred income tax assets	15	**101 686**	71 210	**–**	–
Total non-current assets		**7 435 251**	6 638 881	**2 645 044**	2 572 359
Current assets					
Inventories	7	**7 509 937**	6 872 615	**–**	–
Trade and other receivables	8	**2 223 009**	1 839 808	**–**	–
Current income tax assets		**20 204**	56 818	**–**	–
Cash and cash equivalents	28.7	**619 367**	451 611	**–**	–
Total current assets		**10 372 517**	9 220 852	**–**	–
Total assets		**17 807 768**	15 859 733	**2 645 044**	2 572 359
Equity and liabilities					
Capital and reserves					
Share capital	10	**741 145**	727 709	**752 607**	743 944
Non-distributable and other reserves	11	**1 559 216**	1 296 617	**137 515**	137 515
Retained earnings	12	**7 236 753**	6 545 297	**1 754 922**	1 690 900
Attributable to equity holders of the company		**9 537 114**	8 569 623	**2 645 044**	2 572 359
Non-controlling interest		**19 283**	31 532	**–**	–
Total equity		**9 556 397**	8 601 155	**2 645 044**	2 572 359
Non-current liabilities					
Interest-bearing borrowings	13	**3 323 446**	3 114 090	**–**	–
Retirement benefit obligations	14	**24 243**	25 176	**–**	–
Deferred income tax liabilities	15	**627 983**	584 221	**–**	–
Total non-current liabilities		**3 975 672**	3 723 487	**–**	–
Current liabilities					
Trade and other payables	16	**3 017 128**	2 567 301	**–**	–
Interest-bearing borrowings	13	**870 378**	761 761	**–**	–
Provisions	17	**331 655**	203 038	**–**	–
Current income tax liabilities		**56 538**	2 991	**–**	–
Total current liabilities		**4 275 699**	3 535 091	**–**	–
Total equity and liabilities		**17 807 768**	15 859 733	**2 645 044**	2 572 359

INCOME STATEMENTS

for the years ended 30 June

		Group		Company	
	Notes	**2015 R'000**	2014 R'000	**2015 R'000**	2014 R'000
Revenue	18	**19 588 970**	17 739 609	**819 593**	804 346
Operating costs	19	**(17 454 599)**	(15 744 401)	**–**	–
Costs of goods sold		**(12 813 730)**	(11 610 234)	**–**	–
Sales and marketing costs		**(2 699 733)**	(2 501 977)	**–**	–
Distribution costs		**(1 120 368)**	(1 063 200)	**–**	–
Administration and other costs		**(820 768)**	(568 990)	**–**	–
Other losses	20	**(5 315)**	172 114	**–**	–
Operating profit		**2 129 056**	2 167 322	**819 593**	804 346
Dividend income	21	**6 698**	6 150		
Finance income	22	**23 241**	15 082	**–**	–
Finance costs	23	**(259 711)**	(232 709)	**–**	–
Share of equity-accounted earnings	24	**89 401**	86 266	**–**	–
Profit before taxation		**1 988 685**	2 042 111	**819 593**	804 346
Taxation	25	**(569 024)**	(517 846)	**–**	–
Profit for the year		**1 419 661**	1 524 265	**819 593**	804 346
Attributable to:					
Equity holders of the company		**1 437 136**	1 523 304	**819 593**	804 346
Non-controlling interest		**(17 475)**	961	**–**	–
		1 419 661	1 524 265	**819 593**	804 346
Earnings per ordinary share (cents)	26				
Basic		**657,4**	725,8		
Diluted		**654,9**	695,6		

STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 30 June

	Notes	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Profit for the year		**1 419 661**	1 524 265	**819 593**	804 346
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	**5 692**	10 917	**–**	–
Currency translation differences		**178 460**	465 254	**–**	–
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefits	11	**60 863**	1 215	**–**	–
Share of other comprehensive income of associates	5	**(194)**	(3 188)	**–**	–
Other comprehensive income for the year (net of taxation)		**244 821**	474 198	**–**	–
Total comprehensive income for the year		**1 664 482**	1 998 463	**819 593**	804 346
Attributable to:					
Equity holders of the company		**1 683 154**	1 997 292	**819 593**	804 346
Non-controlling interest		**(18 672)**	1 171	**–**	–
		1 664 482	1 998 463	**819 593**	804 346

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
2015								
Balance as at 1 July 2014		**743 944**	**(16 235)**	**1 296 617**	**6 545 297**	**8 569 623**	**31 532**	**8 601 155**
Comprehensive income								
Profit for the year		–	–	–	1 437 136	1 437 136	(17 475)	1 419 661
Other comprehensive income (net of taxation)								
Fair value adjustments:								
– available-for-sale financial assets	11	–	–	5 692	–	5 692	–	5 692
Currency translation differences	11	–	–	179 657	–	179 657	(1 197)	178 460
Remeasurements of post-employment benefits	11	–	–	60 863	–	60 863	–	60 863
Share of other comprehensive income of associates	5	–	–	(194)	–	(194)	–	(194)
Total other comprehensive income		–	–	246 018	–	246 018	(1 197)	244 821
Total comprehensive income for the year		–	–	246 018	1 437 136	1 683 154	(18 672)	1 664 482
Transactions with owners								
Employee share scheme:								
– proceeds from ordinary shares issued	10	8 663	(8 663)	–	–	–	–	–
– shares paid and delivered	10	–	13 436	–	–	13 436	–	13 436
– value of employee services		–	–	31 265	–	31 265	–	31 265
Dividends paid	28.4	–	–	–	(745 680)	(745 680)	(831)	(746 511)
Total contributions by and distributions to owners		8 663	4 773	31 265	(745 680)	(700 979)	(831)	(701 810)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Transactions with non-controlling interests		–	–	(14 684)	–	(14 684)	7 254	(7 430)
Total transactions with owners		8 663	4 773	16 581	(745 680)	(715 663)	6 423	(709 240)
Balance as at 30 June 2015		752 607	(11 462)	1 559 216	7 236 753	9 537 114	19 283	9 556 397

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 as at 1 July 2013		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
Remeasurements of 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
BEE share-based payment		177	–	(177)	–	–	–	–
Dividends paid	28.4	–	–	–	(708 049)	(708 049)	(742)	(708 791)
Total transactions with 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		–	–	(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 as at 30 June 2014		743 944	(16 235)	1 296 617	6 545 297	8 569 623	31 532	8 601 155

	Notes	Company			
		Attributable to equity holders			
		Share capital and premium R'000	Non-distributable and other reserves R'000	Retained earnings R'000	Total R'000
2015					
Balance as at 1 July 2014		**743 944**	**137 515**	**1 690 900**	**2 572 359**
Comprehensive income					
Profit for the year		**–**	**–**	**819 593**	**819 593**
Total comprehensive income for the year		**–**	**–**	**819 593**	**819 593**
Transactions with owners					
Proceeds from ordinary shares issued	10	**8 663**	**–**	**–**	**8 663**
Dividends paid	28.4	**–**	**–**	**(755 571)**	**(755 571)**
Total transactions with owners		**8 663**	**–**	**(755 571)**	**(746 908)**
Balance as at 30 June 2015		**752 607**	**137 515**	**1 754 922**	**2 645 044**
2014					
Balance as at 1 July 2013		723 758	137 692	1 599 600	2 461 050
Comprehensive income					
Profit for the year		–	–	804 346	804 346
Total comprehensive income for the year		–	–	804 346	804 346
Transactions with owners					
Proceeds of ordinary shares issued	10	20 009	–	–	20 009
BEE share-based payment		177	(177)	–	–
Dividends paid	28.4	–	–	(713 046)	(713 046)
Total transactions with owners		20 186	(177)	(713 046)	(693 037)
Balance as at 30 June 2014		743 944	137 515	1 690 900	2 572 359

STATEMENTS OF CASH FLOWS

for the years ended 30 June

	Notes	Group 2015 R'000	Group 2014 R'000
Cash flows from operating activities			
Operating profit		**2 129 056**	2 167 322
Non-cash flow items	28.1	**512 207**	148 225
Working capital changes	28.2	**(529 325)**	(755 655)
Cash generated from operations		**2 111 938**	1 559 892
Dividend income		**6 698**	6 150
Finance income		**23 241**	15 082
Finance costs		**(220 319)**	(247 477)
Taxation paid	28.3	**(504 671)**	(459 101)
Net cash generated from operating activities		**1 416 887**	874 546
Cash flows from investment activities			
Purchases of property, plant and equipment (PPE) to maintain operations	28.5	**(321 801)**	(276 349)
Purchases of PPE to expand operations	28.6	**(446 580)**	(415 463)
Proceeds from sale of PPE		**14 550**	19 286
Purchases of financial assets		**(146)**	(23 939)
Proceeds from financial assets		**44 159**	66 486
Purchases of associates		**(111 282)**	–
Purchases of intangible assets		**(13 120)**	(41 791)
Acquisition of subsidiaries, net of cash acquired		**(7 430)**	–
Cash outflow from investment activities		**(841 650)**	(671 770)
Cash flows from financing activities			
Proceeds from ordinary shares issued		**13 436**	17 640
Proceeds from interest-bearing borrowings		**356 361**	546 719
Dividends paid to company's shareholders	28.4	**(745 680)**	(708 049)
Consideration paid to non-controlling interest		**–**	(12 201)
Cash outflow from financing activities		**(375 883)**	(155 891)
Increase in net cash, cash equivalents and bank overdrafts		**199 354**	46 885
Cash, cash equivalents and bank overdrafts at the beginning of the year		**7 335**	(70 197)
Exchange gains on cash, cash equivalents and bank overdrafts		**24 179**	30 647
Cash, cash equivalents and bank overdrafts at the end of the year	28.7	**230 868**	7 335

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:

- Amendments to IAS 19: Employee Benefits (effective 1 July 2014)*
- Amendments to IAS 32: Financial Instruments – Presentation (effective 1 January 2014)*
- Amendments to IAS 36: Impairment of Assets – Recoverable amount disclosures for non-financial assets (effective 1 January 2014)*
- Annual Improvements 2010 – 2012 cycle (effective 1 July 2014)*
- Annual Improvements 2011 – 2013 cycle (effective 1 July 2014)*

** 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 2015, 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:

- Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures (effective 1 January 2016)
- Amendments to IFRS 11: Joint Arrangements (effective 1 January 2016)
- Amendments to IAS 1: Presentation of Financial Statements (effective 1 January 2016)
- Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets – 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)
- Amendments to IAS 27: Separate Financial Statements (effective 1 January 2016)
- IFRS 15: Revenue from contracts with customers (effective 1 January 2017)
- IFRS 9: Financial Instruments (effective 1 January 2018)
- Annual Improvements 2012 – 2014 cycle (effective 1 January 2016)

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 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 includes 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. Further details are provided in note 2.

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.

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.

Disposal of subsidiaries
When the Group ceases to have control any retained interest in the entity remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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 and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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 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
The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. 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.

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 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
- the expenditure attributable to the software product during its development can be reliable 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.

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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.

Interest rate swaps are taken out to hedge variable rate bank borrowings and are accounted for as cash flow hedges. The gain or loss relating to the effective portion of these interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'Finance costs'.

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 2015 is 28% (2014: 28%). Deferred tax assets and liabilities for South African entities at 30 June 2015 have been calculated using the 28% (2014: 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.

Dividend withholding tax (DWT)
Shareholders are 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.

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.

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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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
2015					
Opening balance	**1 574 279**	**2 023 727**	**153 700**	**130 371**	**3 882 077**
Additions	**75 630**	**384 413**	**79 426**	**228 334**	**767 803**
Disposals	**(1 959)**	**(8 319)**	**(696)**	**–**	**(10 974)**
Transfers	**4 636**	**78 549**	**34**	**(83 219)**	**–**
Exchange differences	**6 024**	**(1 498)**	**(1 132)**	**–**	**3 394**
Depreciation	**(11 310)**	**(248 129)**	**(30 896)**	**–**	**(290 335)**
	1 647 300	**2 228 743**	**200 436**	**275 486**	**4 351 965**
At cost	**1 750 990**	**4 139 812**	**389 661**	**275 486**	**6 555 949**
Accumulated depreciation	**(103 690)**	**(1 911 069)**	**(189 225)**	**–**	**(2 203 984)**
Net carrying value	**1 647 300**	**2 228 743**	**200 436**	**275 486**	**4 351 965**
2014					
Opening balance	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

Included in equipment and vehicles are capitalised finance lease vehicles with a net carrying value of R0,5 million (2014: R1,0 million) (note 13).

Depreciation of R219,4 million (2014: R180,2 million) is included in 'cost of goods sold', R20,6 million (2014: R15,9 million) in 'sales and marketing costs', R18,8 million (2014: R18,3 million) in 'distribution costs' and R31,5 million (2014: R32,5 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 R35,6 million (2014: R33,3 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 2015 amounted to approximately 1 257 ha (2014: 1 260 ha), of which approximately 1 150 ha (2014: 1 154 ha) can be classified as mature vines. The total output of grapes harvested during the current year amounted to 10 755 tons (2014: 12 360 tons).

The fair value of the grapes harvested during the current financial year amounted to R50,7 million (2014: R51,2 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 18,5% (2014: 18,4%). 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 (2014: 23 years).

	2015 R'000	2014 R'000
Carrying amount		
Opening balance	**104 559**	101 287
Acquisitions	**578**	2 830
Disposals	**–**	(46)
Decrease due to harvest	**(50 651)**	(51 166)
Gain due to biological change, price, yield, maturity and cost changes	**51 428**	51 654
Balance at the end of the year	**105 914**	104 559

An amount of R4,5 million (2014: R2,5 million) for vineyard development expenses is included in the total of capital commitments in note 30.

The fair value of grapevines cultivated on land, of which the operating lease expires in 2018, amounts to R5,6 million (2014: R4,7 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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	2015 R'000	2014 R'000
4. Financial assets		
Loans and receivables at amortised cost		
Loans to producers and other unrelated parties, denominated in rand, at market-related interest rates	**2 220**	2 773
Loans to related parties, denominated in rand, bearing no interest	**188 939**	208 515
	191 159	211 288
Available-for-sale financial assets		
Equities, denominated in the following currencies:		
Rand	**19 804**	17 281
Canadian dollar	**12 527**	11 040
UK pound	**67 423**	63 103
	99 754	91 424
Movement in available-for-sale financial assets		
Opening balance	**91 424**	88 694
Additions	**1 713**	–
Disposals	**–**	(9 970)
Exchange differences	**3**	6
Net gains transferred to equity (note 11)	**6 614**	12 694
Balance at the end of the year	**99 754**	91 424

The fair value estimation of equities are indicated in note 32.2.

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. Loans and other receivables consists of receivables from related parties. There is no history of defaulted payments.

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.

	2015 R'000	2014 R'000
5. Investments in subsidiaries, associates and joint ventures		
Company		
Investments in subsidiaries (note 39)	**2 645 044**	2 572 359
Distell Group Limited subordinated all its claims against South African Distillers and Wines (SA) Limited.		
Group		
Investments in associates (note 40)		
Opening balance	**77 064**	48 477
Additions	**111 282**	–
Share of profit	**69 261**	73 246
Share of actuarial loss	**(194)**	(3 188)
Dividends received	**(22 086)**	(37 134)
Exchange differences and withholding taxes	**(1 642)**	(4 337)
Balance at the end of the year	**233 685**	77 064
Made up as follows:		
Cost and share of profits	**178 005**	67 988
Goodwill	**55 680**	9 076
	233 685	77 064
Summary of goodwill		
Opening balance	**9 076**	9 076
Additions	**46 604**	–
Balance at the end of the year	**55 680**	9 076
Group		
Investments in joint ventures (note 41)		
Opening balance	**137 901**	96 506
Additions – rights issue	**–**	23 939
Share of profit	**20 140**	13 020
Share of non-distributable reserves	**2 382**	4 436
Balance at the end of the year	**160 423**	137 901

Impairment tests of investments in associates

The investments in Tanzania Distilleries Limited, Grays Inc. Limited and KWA Holdings E.A. 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:

	2015		2014	
	Long-term growth rate %	**Discount rate %**	Long-term growth rate %	Discount rate %
Tanzania Distilleries Limited	**2,0**	**19,9**	2,0	19,9
Grays Inc. Limited	**2,0**	**10,4**	2,0	11,3
KWA Holdings E.A. Limited	**2,0**	**17,0**	n/a	n/a

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.

6. Intangible assets

	Capitalised software R'000	Goodwill R'000	Trademarks and other intangibles R'000	Total R'000
2015				
Opening balance	**45 147**	**957 946**	**794 972**	**1 798 065**
Additions	**13 120**	**–**	**–**	**13 120**
Exchange differences	**(84)**	**64 726**	**22 964**	**87 606**
Amortisation	**(19 111)**	**–**	**–**	**(19 111)**
Balance at the end of the year	**39 072**	**1 022 672**	**817 936**	**1 879 680**
Cost	**154 478**	**1 022 672**	**817 936**	**1 995 086**
Accumulated amortisation and impairment	**(115 406)**	**–**	**–**	**(115 406)**
Net carrying value	**39 072**	**1 022 672**	**817 936**	**1 879 680**
2014				
Opening balance	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

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

Included in trademarks and other intangibles, are brand names and customer relationships, relating to the acquisition of Burn Stewart Distillers Limited and Distell (Hong Kong) Limited which occurred in prior years.

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:

	2015		2014	
	Long-term growth rate %	**Discount rate %**	Long-term growth rate %	Discount rate %
Distell Winemasters Limited	**2,0**	**16,9**	2,0	15,8
Distell (Hong Kong) Limited	**1,8**	**6,3**	2,0	6,5
Burn Stewart Distillers Limited	**3,0**	**6,7**	3,0	7,2
Lomond Wine Estate Proprietary Limited	**2,0**	**10,7**	2,0	10,7

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:

	2015		2014	
	Long-term growth rate %	**Discount rate %**	Long-term growth rate %	Discount rate %
Burn Stewart Distillers Limited	**3,0**	**6,7**	3,0	7,2
Bisquit Dubouché et Cie	**1,5**	**6,7**	1,5	7,2

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.

	2015 R'000	2014 R'000
7. Inventories		
Bulk wines, flavoured alcoholic beverages and spirits	**5 078 031**	4 767 117
Bottled wines, flavoured alcoholic beverages and spirits	**2 029 650**	1 716 410
Packaging material and other	**402 256**	389 088
	7 509 937	6 872 615

The cost of inventories recognised as an expense and included in 'costs of goods sold' amounted to R11 273,4 million (2014: R10 265,8 million).

No previous write-down was reversed during the year (2014: Nil).

Excise duty of R495,9 million (2014: R506,7 million) is included in bulk inventories and R428,7 million (2014: R378,1 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 for a maximum value of R885,7 million (2014: R764,1 million) (note 13).

	2015 R'000	2014 R'000
8. Trade and other receivables		
Trade receivables	**1 920 053**	1 666 243
Provision for impairment of receivables	**(10 259)**	(12 671)
Trade receivables – net	**1 909 794**	1 653 572
Insurance claims	**2 156**	1 682
Prepayments	**125 143**	49 660
Other receivables	**158 406**	112 461
Value added tax	**27 510**	22 433
	2 223 009	1 839 808

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 R117,0 million (2014: R85,3 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:

Ageing of past due but not impaired trade and other receivables	2015 R'000	2014 R'000
30 to 60 days overdue	**61 202**	45 183
Past 60 days overdue	**55 784**	40 067
Total	**116 986**	85 250

At 30 June 2015 trade receivables of R10,3 million (2014: R12,7 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.

8. Trade and other receivables (continued)

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

	2015 R'000	2014 R'000
Ageing of impaired trade and other receivables		
60 to 120 days overdue	**2 082**	2 436
Past 120 days overdue	**8 177**	10 235
Total	**10 259**	12 671
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:		
South African rand	**1 677 214**	1 008 748
US dollar	**54 817**	230 450
Euro	**64 690**	222 063
UK pound	**230 916**	185 684
Canadian dollar	**5 311**	61 246
Namibian dollar	**103 486**	71 442
Botswana pula	**46 592**	17 293
Other currencies	**39 983**	42 882
	2 223 009	1 839 808
The movement of the Group's provision for impairment of trade receivables are as follows:		
Opening balance	**12 671**	7 896
Provision for receivable impairment	**2 340**	9 543
Receivables written off during the year as uncollectible	**(5 803)**	(2 259)
Exchange difference	**(9)**	469
Unused amounts reversed	**1 060**	(2 978)
Balance at the end of the year	**10 259**	12 671

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.

	2015 R'000	2014 R'000
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	**1 401**	38
Current liabilities		
Interest rate swaps – cash flow hedges	**(5 658)**	–
Forward foreign exchange contracts – held-for-trading	**–**	(17 494)
Total	**(4 257)**	(17 456)

Refer to note 32.2 for the fair value estimation of forward foreign exchange contracts and interest rate swaps.

Interest rate swaps

In order to hedge specific exposures in the interest rate repricing profile of existing borrowings, the Group may use interest rate derivatives to generate the desired interest profile.

	Borrowings hedged '000	Interest payable %	Interest receivable	Fair value gain/(loss) R'000
2015				
Interest rate swaps (0 – 2 years) (Rand)	**500 000**	**7,095**	**3M Jibar**	**(2 384)**
Interest rate swaps (0 – 1 year) (Pound)	**20 000**	**0,94**	**BoE Base**	**(3 274)**

The Rand denominated interest rate swap agreements reset every three months, with the final reset on 30 June 2017, and the pound swap agreements have a final reset on 30 April 2016 (BoE = Bank of England).

9. Derivative financial instruments (continued)

Forward foreign exchange contracts

Material forward exchange contracts as at 30 June 2015 and 30 June 2014 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
2015			
Forward foreign exchange sales			
Australian dollar	**70**	**660**	**4**
Canadian dollar	**1 550**	**15 447**	**220**
Euro	**12 400**	**171 938**	**880**
New Zealand dollar	**150**	**1 262**	**19**
US dollar	**4 013**	**48 722**	**278**
		238 029	**1 401**
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)

The net uncovered trade proceeds at 30 June 2015 amounted to R428,0 million (2014: R302,1 million) and net uncovered trade purchases at 30 June 2015 amounted to R132,2 million (2014: R143,2 million).

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	2015 Number '000	2014 Number '000
10. Share capital		
Shares authorised		
Ordinary shares of 1 cent each	**250 000**	250 000
Shares issued		
Opening balance	**221 435**	203 298
Issue of shares – share and share appreciation right (SAR) schemes	**302**	457
Issue of shares – BEE transaction	**–**	17 680
Ordinary shares of 1 cent each issued and fully paid	**221 737**	221 435
Treasury shares		
Opening balance	**2 981**	250
Issue of shares– share and SAR schemes	**302**	457
Issue of shares – BEE transaction	**–**	2 652
Shares paid and delivered – share and SAR schemes	**(356)**	(378)
	2 927	2 981

	Company	Company		Group
	Ordinary shares R'000	Share premium R'000	Treasury shares R'000	Total R'000
2015				
Opening balance	**2 214**	**741 730**	**(16 235)**	**727 709**
Issue of shares – share and SAR schemes	**3**	**8 660**	**(8 663)**	**–**
Shares paid and delivered – share and SAR schemes	**–**	**–**	**13 436**	**13 436**
Balance at the end of the year	**2 217**	**750 390**	**(11 462)**	**741 145**
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	177	–	–	177
Balance at the end of the year	2 214	741 730	(16 235)	727 709

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.

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 2015	Number of shares paid and delivered as at 30 June 2015
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**	**195 208**
23 October 2008	Executive directors	45,50	**164 086**	**164 086**	**164 086**
23 October 2008	Other participants	45,50	**563 368**	**563 368**	**494 929**
22 October 2009	Executive directors	64,00	**54 540**	**54 540**	**51 651**
22 October 2009	Other participants	64,00	**405 962**	**405 962**	**278 418**
			8 227 718	**8 227 718**	**8 028 845**

	2015 Average offer price per share (Rand)	**2015** Number of shares	2014 Average offer price per share (Rand)	2014 Number of shares
The current status of the share scheme is as follows:				
Ordinary shares due to participants				
Previous financial years	**56,89**	**429 544**	55,79	759 678
Shares paid for and delivered	**56,49**	**(237 834)**	54 13	(322 596)
Resignations and other	**64,00**	**7 163**	64,00	(7 538)
Outstanding at the end of the year	**57,63**	**198 873**	56,89	429 544

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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 2015	Number of shares 2014
Shares offered, not issued, not paid for and not delivered (Share Trust):	**57,63**	**198 873**	301 377
October 2014	**64,00**	**–**	128 167
		198 873	429 544

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 2015	Number of SARs exercised as at 30 June 2015
21 October 2010	Executive directors	**72,00**	**70 188**	**70 188**	**23 395**
21 October 2010	Other participants	**72,00**	**438 860**	**438 860**	**212 572**
25 November 2011	Executive directors	**66,00**	**96 551**	**96 551**	**–**
25 November 2011	Other participants	**66,00**	**429 274**	**429 274**	**104 225**
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**	**–**
27 October 2014	Executive directors	**129,00**	**74 241**	**74 241**	**–**
27 October 2014	Other participants	**129,00**	**1 017 526**	**1 017 526**	**–**
1 December 2014	Other participants	**130,50**	**51 519**	**51 519**	**–**
23 March 2015	Other participants	**152,00**	**65 850**	**65 850**	**–**
			3 693 861	**3 693 861**	**340 192**

10. Share capital (continued)

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

	2015		2014	
	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	**97,82**	**2 371 857**	78,94	1 752 275
Offered in current financial year	**130,32**	**1 209 136**	139,00	732 450
Exercised during the year	**69,25**	**(227 324)**	72,00	(112 868)
Outstanding at the end of the year	**111,47**	**3 353 669**	97,82	2 371 857

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

	Exercise price per SAR (Rand)	**Number of SARs 2015**	Number of SARs 2014
SARs offered, accepted and issued, but not exercised:			
October 2013	**72,00**	**33 772**	56 821
October 2014	**72,00**	**69 629**	169 679
November 2014	**66,00**	**71 050**	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**	244 150
October 2017	**129,00**	**363 922**	–
November 2017	**93,35**	**239 134**	239 134
December 2017	**130,50**	**17 173**	–
February 2018	**139,00**	**244 150**	244 150
March 2018	**152,00**	**21 950**	–
October 2018	**129,00**	**363 922**	–
December 2018	**130,50**	**17 173**	–
February 2019	**139,00**	**244 150**	244 150
March 2019	**152,00**	**21 950**	–
October 2019	**129,00**	**363 923**	–
December 2019	**130,50**	**17 173**	–
March 2020	**152,00**	**21 950**	–
		3 353 669	2 371 857

10. Share capital (continued)

10.3 Bonus shares

The managing director has been awarded 230 000 shares during the prior 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 his 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 R152,00
exercise price	shown above
expected volatility	19,99% to 35,90%
dividend yield	2,47% 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' (note19.4) relating to the above equity-settled share-based payments was R31,7 million (2014: R20,3 million).

11. Non-distributable and other reserves

	2015 R'000	2014 R'000
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	**866 493**	686 836
Opening balance	**686 836**	221 792
Currency translation differences for the year	**179 657**	465 044
Fair value adjustments	**47 696**	42 004
Opening balance	**42 004**	31 087
Fair value adjustments of available-for-sale financial assets	**6 614**	12 694
Deferred income tax on fair value adjustments	**(922)**	(1 777)
BEE share-based payment option reserve	**122 080**	122 080
Opening balance	**122 080**	122 257
Issue of shares – BEE transaction	**–**	(177)
Employee share scheme reserve	**121 689**	90 424
Opening balance	**90 424**	69 842
Employee share-based payment for the year	**31 265**	20 582
Remeasurements of post-employment benefits reserve	**368 435**	307 766
Opening balance	**307 766**	309 739
Remeasurements of post-employment benefits for the year	**85 011**	1 732
Associates' remeasurements of post-employment benefits for the year	**(194)**	(3 188)
Deferred income tax on remeasurements of post-employment benefits	**(24 148)**	(517)
Gains and losses on transactions with non-controlling interests	**(17 884)**	(3 200)
Opening balance	**(3 200)**	1 350
Gains and losses for the year	**(14 684)**	(4 550)
	1 559 216	1 296 617
Company		
BEE share-based payment option reserve	**122 080**	122 080
Opening balance	**122 080**	122 257
Issue of shares – BEE transaction	**–**	(177)
Reserves at formation of a previous holding company	**15 199**	15 199
Capital reduction	**236**	236
	137 515	137 515

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	2015 R'000	2014 R'000
12. Retained earnings		
Group		
Company	**1 754 922**	1 690 900
Consolidated subsidiaries	**5 268 992**	4 705 646
Joint ventures	**112 128**	91 988
Associated companies	**100 711**	56 763
	7 236 753	6 545 297
Opening balance	**6 545 297**	5 730 042
Profit for the year	**1 437 136**	1 523 304
Dividends paid	**(745 680)**	(708 049)
Balance at the end of the year	**7 236 753**	6 545 297
Company		
Opening balance	**1 690 900**	1 599 600
Profit for the year	**819 593**	804 346
Dividends paid	**(755 571)**	(713 046)
Balance at the end of the year	**1 754 922**	1 690 900
13. Interest-bearing borrowings		
Non-current		
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	**814 608**	600 764
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	**14 475**	18 066
Secured term facility rand loan, bearing interest at a variable rate of 7,458% (2014: 6,902%) per annum. Interest is payable quarterly and the loan is repayable on 30 June 2019	**1 200 000**	1 200 000
Secured term facility rand loan, bearing interest at a variable rate of 7,298% (2014: 6,742%) per annum. Interest is payable quarterly and the loan is repayable on 30 June 2017	**900 000**	900 000
Secured revolving term facility rand loan, bearing interest at a variable rate of 7,298% (2014: 6,742%) per annum. Interest is payable quarterly and the loan is repayable on 30 June 2017	**400 000**	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 R22 110 (2014: R41 429) for 48 months (note 30)	**368**	1 094
	3 329 451	3 119 924
Less: Portion of loans repayable within one year, included in current liabilities	**(6 005)**	(5 834)
	3 323 446	3 114 090

	2015 R'000	2014 R'000
13. Interest-bearing borrowings (continued)		
Current		
Unsecured euro loan, bearing interest at a fixed rate of 0,966% per annum, repayable on 31 August 2015	**290 192**	156 992
Secured euro loan, bearing interest at euribor plus 0,85% per annum, repayable on 1 April 2015	**–**	102 809
Unsecured euro loan, bearing interest at a fixed rate of 1,814% per annum, repayable on 31 August 2015	**175 055**	–
Unsecured US dollar loan, bearing interest at a variable rate of 7,783% (2014: 7,745%) per annum, repayable on demand	**10 627**	51 850
Unsecured rand call accounts and bank overdrafts	**388 499**	444 276
Short-term portion of non-current borrowings	**6 005**	5 834
	870 378	761 761
Total interest-bearing borrowings	**4 193 824**	3 875 851

The interest rate repricing profile at 30 June 2015 and 30 June 2014 is summarised as follows:

	2015		2014	
Interest-bearing borrowings	**% of total**	**R'000**	% of total	R'000
Floating rate (secured loans)	**79,3**	**3 329 451**	83,1	3 222 733
Floating rate (unsecured loans)	**0,3**	**10 627**	1,3	51 850
Fixed rate (unsecured loans)	**11,1**	**465 247**	4,1	156 992
Floating call rate (2015: 6,7%, 2014: 6,8%)	**9,3**	**388 499**	11,5	444 276
Total interest-bearing borrowings	**100,0**	**4 193 824**	100,0	3 875 851

The maturity profile of the interest-bearing borrowings is indicated in note 32.1(c).

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

	Fair value		**Carrying amount**	
Interest-bearing borrowings	**2015 R'000**	2014 R'000	**2015 R'000**	2014 R'000
Bank borrowings	**3 240 187**	3 082 664	**3 323 307**	3 113 425
Finance lease liabilities	**139**	665	**139**	665
	3 240 326	3 083 329	**3 323 446**	3 114 090

The fair value of non-current borrowings is calculated using cash flows discounted at a rate based on the borrowings rate of 3,2% to 7,4% (2014: 3,6% to 6,9%).

Total borrowings include secured liabilities of R3 329,5 million (2014: R3 222,7 million). These borrowings are secured by mortgages 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.

	2015 R'000	2014 R'000
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	**2 100 000**	2 010 246
Less: Current interest-bearing borrowings	**(388 499)**	(444 276)
Unutilised banking facilities	**1 711 501**	1 565 970
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	**(103 894)**	(70 838)
Post-retirement medical liability	**(207 091)**	(194 455)
	(310 985)	(265 293)
Liabilities		
Post-retirement medical liability	**24 243**	25 176
	24 243	25 176
Net retirement benefit asset	**(286 742)**	(240 117)
Income statement charge for:		
Pension benefits	**(4 227)**	(2 250)
Post-retirement medical liability	**37 036**	22 230
	32 809	19 980
Actuarial gains and losses		
Actuarial gains recognised in other comprehensive income (before taxation)	**84 950**	1 732
Cumulative actuarial gains recognised in other comprehensive income (before taxation)	**492 948**	407 998

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 March 2014 and indicated that the plans are in a sound financial position.

	2015 R'000	2014 R'000
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	**231 407**	220 061
Fair value of plan assets	**(383 039)**	(399 801)
Funded position	**(151 632)**	(179 740)
Asset not recognised in terms of IAS 19, paragraph 58 limit*	**47 738**	108 902
Net asset in statement of financial position	**(103 894)**	(70 838)

* *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 reduction in effect of asset limit of R70,5 million and interest cost of R9,4 million.*

	2015 R'000	2014 R'000
The movement in the defined-benefit obligation over the year is as follows:		
Opening balance	**220 061**	229 072
Current service cost	**1 683**	2 107
Interest cost	**17 468**	16 748
Contributions	**402**	382
Risk premiums	**(123)**	(230)
Transfer employer surplus	**–**	(186)
Benefits paid	**(37 817)**	(13 795)
Remeasurements		
Actuarial loss	**29 733**	(14 037)
Balance at the end of the year	**231 407**	220 061
The movement in the fair value of plan assets over the year is as follows:		
Opening balance	**399 801**	349 230
Interest income	**32 744**	25 675
Employer contributions	**890**	864
Risk premiums	**(123)**	(230)
Transfer employer surplus	**–**	7 420
Employer surplus utilised	**(5 350)**	–
Benefits paid	**(38 895)**	(14 404)
Remeasurements		
Return on plan assets	**(6 028)**	31 246
Balance at the end of the year	**383 039**	399 801

	2015 R'000	2014 R'000
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	**1 683**	2 107
Interest cost	**26 834**	21 318
Interest income	**(32 744)**	(25 675)
Total income	**(4 227)**	(2 250)
Actual return on plan assets	**(26 716)**	(56 921)

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 R25,3 million was recognised at 30 June 2015 in this regard. The outstanding balance at 30 June 2015 which is available in the form of reductions in future contributions, amounts to R103,9 million.

	2015 R'000	2014 R'000
Principal actuarial assumptions on statement of financial position date		
Discount rate	**8,6%**	8,6%
Expected rate of return on plan assets	**8,6%**	8,6%
Future salary increases	**7,5%**	7,5%
Future pension increases	**6,5%**	6,5%
Inflation rate	**6,5%**	6,5%
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	**934 266**	919 250
Fair value of plan assets	**(1 117 114)**	(1 088 529)
Net asset in statement of financial position	**(182 848)**	(169 279)
The movement in the defined-benefit obligation over the year is as follows:		
Opening balance	**919 250**	719 798
Current service cost	**54 079**	40 949
Interest cost	**88 727**	67 951
Benefits paid	**(18 905)**	(16 787)
Remeasurements		
Actuarial gain	**(108 885)**	107 339
Balance at the end of the year	**934 266**	919 250
The movement in the fair value of plan assets over the year is as follows:		
Opening balance	**1 088 529**	910 964
Interest income	**105 770**	86 670
Benefits paid	**(18 481)**	(16 297)
Remeasurements		
Return on plan assets	**(58 704)**	107 192
Balance at the end of the year	**1 117 114**	1 088 529

14. Retirement benefits (continued)

14.2 Post-retirement medical liability (continued)

	2015 R'000	2014 R'000
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	**54 079**	40 949
Interest cost	**88 727**	67 951
Interest income	**(105 770)**	(86 670)
Total expense	**37 036**	22 230
Actual return on plan assets	**(46 292)**	(194 771)
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		
Discount rate	**9,6%**	9,8%
Expected rate of return on assets	**9,6%**	9,8%
Future salary increases	**7,5%**	7,5%
Annual increases in health cost	**9,1%**	9,5%
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	**29 303**	**69 634**
Effect on the defined-benefit obligation	**163 695**	**381 517**

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	**2015 R'000**	2014 R'000	2013 R'000	2012 R'000	2011 R'000
Present value of funded obligation	**934 266**	919 250	719 798	820 492	729 288
Fair value of plan assets	**(1 117 114)**	(1 088 529)	(910 964)	(739 538)	(655 498)
Surplus in the plan	**(182 848)**	(169 279)	(191 166)	80 954	73 790
Experience adjustments on plan liabilities	**66 144**	17 632	148 515	37 594	6 431
Experience adjustments on plan assets	**(58 704)**	106 330	124 750	36 991	9 149

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14. Retirement benefits (continued)

14.3 Retirement benefits (pension and medical)

	2015 R'000	2015 %	2014 R'000	2014 %
Plan assets are comprised as follows:				
Cash	**252 413**	**16,8**	232 011	15,6
Bonds	**396 309**	**26,4**	284 624	19,1
Equity instruments	**813 856**	**54,3**	878 485	59,0
Property	**21 739**	**1,4**	26 202	1,8
International equities and cash	**15 836**	**1,1**	67 008	4,5
	1 500 153	**100,0**	1 488 330	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 2016 are R1,0 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 relates to the same fiscal authority.

	2015 R'000	2014 R'000
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	**(101 686)**	(12 636)
Deferred tax asset to be recovered within 12 months	**–**	(58 574)
	(101 686)	(71 210)
Companies in the Group with net deferred income tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**514 889**	584 221
Deferred tax liability to be recovered within 12 months	**113 094**	–
	627 983	584 221
Net deferred income tax liability	**526 297**	513 011
The net movement on the deferred income tax account is as follows:		
Opening balance	**513 011**	420 449
Income statement charge (note 25)		
Provision for the year	**(26 026)**	83 020
Exchange differences	**14 242**	7 248
Charged to other comprehensive income (note 11)	**25 070**	2 294
Balance at the end of the year	**526 297**	513 011

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
2015					
Opening balance	**119 956**	**433 378**	**21 420**	**63 459**	**638 213**
Exchange differences	**8 233**	**2 898**	**–**	**–**	**11 131**
Charged to the income statement	**–**	**57 512**	**176**	**(10 147)**	**47 541**
Charged to other comprehensive income	**–**	**–**	**–**	**24 148**	**24 148**
Balance at the end of the year	**128 189**	**493 788**	**21 596**	**77 460**	**721 033**
2014					
Opening balance	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

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
2015					
Opening balance	**(1 616)**	**(76 921)**	**(24 913)**	**(21 752)**	**(125 202)**
Exchange differences	**–**	**3 227**	**–**	**(116)**	**3 111**
Charged to the income statement	**351**	**(28 963)**	**(26 952)**	**(18 003)**	**(73 567)**
Charged to other comprehensive income	**–**	**–**	**–**	**922**	**922**
Balance at the end of the year	**(1 265)**	**(102 657)**	**(51 865)**	**(38 949)**	**(194 736)**
2014					
Opening balance	(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)

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 25 for taxation losses and capital improvements available for off-set 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

	2015 R'000	2014 R'000
Trade payables	**2 064 665**	1 694 715
Accrued expenses	**159 593**	93 124
Accrued leave pay	**86 815**	78 844
Excise duty	**678 742**	676 486
Value added tax	**27 313**	24 132
	3 017 128	2 567 301

	2015 R'000	2014 R'000
17. Provisions		
Bonuses		
Opening balance	**13 257**	116 286
Charged to the income statement		
Additional provisions	**135 597**	5 837
Unused amounts – reversed	**–**	(1 335)
Interest cost	**333**	313
Utilised during the year	**(19 203)**	(107 844)
Balance at the end of the year	**129 984**	13 257
Excise duty		
Opening balance	**189 781**	178 569
Additional provisions	**11 890**	11 212
Balance at the end of the year	**201 671**	189 781
Summary		
Performance and other bonuses	**125 250**	9 354
Long-service bonuses	**4 734**	3 903
	129 984	13 257
Excise duty	**201 671**	189 781
	331 655	203 038

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 8,0% (2014: 9,0%) and an attrition rate of 7,0% (2014: 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.

	2015 R'000	2014 R'000
18. Revenue		
Group		
Sales	**15 421 903**	14 062 333
Excise duty	**4 167 067**	3 677 276
	19 588 970	17 739 609
Sales volumes (litres '000)	**653 670**	618 664
Company		
Dividends received		
Ordinary shares: South African Distilleries and Wines (SA) Limited	**627 630**	607 590
Preference shares: Distell Beverages (RF) Proprietary Limited	**191 963**	196 756
	819 593	804 346
19. Operating costs		
19.1 Costs classified by function		
Costs of goods sold	**12 813 730**	11 610 234
Sales and marketing costs	**2 699 733**	2 501 977
Distribution costs	**1 120 368**	1 063 200
Administration and other costs	**820 768**	568 990
	17 454 599	15 744 401
19.2 Costs classified by nature		
Group		
Administrative and managerial fees	**22 834**	19 701
Advertising costs and promotions	**1 736 643**	1 788 097
Amortisation of intangible assets (note 6)	**19 111**	9 555
Auditors' remuneration (note 19.3)	**14 290**	14 451
Depreciation (note 2)	**290 335**	246 870
Employee benefit expense (note 19.4)	**2 130 661**	1 724 688
Impairment of trade and other receivables	**13 204**	5 541
Maintenance and repairs	**191 886**	179 411
Net fair value adjustment of biological assets (note 3)	**(777)**	(488)
Net foreign exchange gains	**(22 348)**	(35 021)
Operating lease expenses (notes 19.5 and 30)	**268 214**	228 317
Raw materials and consumables used	**11 273 401**	10 265 826
Research and development expenditure: trademarks and brands	**57 853**	36 884
Transportation costs	**379 459**	349 447
Other expenses	**1 079 833**	911 122
	17 454 599	15 744 401
19.3 Auditors' remuneration		
Audit fees	**9 015**	9 617
Audit fees in respect of previous year	**94**	259
Fees for other services		
Taxation	**1 242**	3 778
Other	**3 813**	677
Expenses	**126**	120
	14 290	14 451

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	2015 R'000	2014 R'000
19. Operating costs (continued)		
19.4 Employee benefit expense		
Salaries and wages	**1 879 094**	1 517 345
Share Appreciation Rights and Scheme Shares granted to directors and employees	**31 686**	20 252
Pension costs – defined-contribution plans	**105 887**	95 138
Medical aid contributions	**81 185**	71 973
Pension benefits (note 14.1)	**(4 227)**	(2 250)
Post-retirement medical benefits (note 14.2)	**37 036**	22 230
	2 130 661	1 724 688
19.5 Operating lease expenses		
Properties	**159 367**	135 944
Vehicles	**58 134**	52 000
Equipment	**27 879**	21 007
Machinery	**22 834**	19 366
	268 214	228 317
20. Other losses		
Remeasurement of contingent consideration	**(8 891)**	159 029
Profit on disposal of property, plant and equipment	**3 576**	13 085
	(5 315)	172 114
Taxation	**(1 001)**	(3 664)
	(6 316)	168 450
21. Dividend income		
Dividend income derived from unlisted investments	**6 698**	6 150
	6 698	6 150
22. Finance income		
Interest received		
Bank	**22 388**	12 986
Other	**853**	2 096
	23 241	15 082
23. Finance costs		
Interest paid		
Bank borrowings	**(240 933)**	(220 976)
Other	**(13 120)**	(11 733)
Losses on financial instruments		
Interest rate swaps: cash flow hedges	**(5 658)**	–
	(259 711)	(232 709)
24. Share of equity-accounted earnings		
Share of profit of associates		
Share of profit before taxation	**97 936**	102 045
Share of taxation	**(28 675)**	(28 799)
Share of profit for the year	**69 261**	73 246
Share of profit of joint ventures		
Share of profit before taxation	**28 991**	18 585
Share of taxation	**(8 851)**	(5 565)
Share of profit for the year	**20 140**	13 020
	89 401	86 266

	2015 R'000	2014 R'000
25. Taxation		
25.1 Normal company taxation		
Group		
Current taxation		
current year	**595 333**	433 103
previous year	**(283)**	1 723
Deferred taxation	**(26 026)**	83 020
	569 024	517 846
Composition		
Normal South African taxation	**483 582**	473 774
Foreign taxation	**85 442**	44 072
	569 024	517 846
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	**922**	1 777
remeasurements of post-employment benefits	**24 148**	517
	25 070	2 294
25.2 Reconciliation of rate of taxation (%)		
Standard rate for companies	**28,0**	28,0
Differences arising from normal activities:		
non-taxable income	**–**	(2,4)
non-deductible expenses	**1,5**	1,2
adjustments in respect of prior years	**0,3**	(0,5)
foreign tax rate differential, withholding taxes and income from associates	**(1,2)**	(0,9)
Effective rate	**28,6**	25,4
The standard rate of tax for companies in South Africa is 28,0% (2014: 28,0%).		
25.3 Taxation losses		
Calculated taxation losses and capital improvements available for off-set against future taxable income	**277 058**	233 597
Applied to reduce deferred income tax	**(276 278)**	(232 912)
	780	685

The taxation losses have no expiry dates.

	2015 R'000	2014 R'000

26. Earnings per ordinary share

26.1 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.

	2015 R'000	2014 R'000
Weighted average number of ordinary shares in issue ('000)	**218 621**	209 881
Earnings reconciliation		
Profit attributable to equity holders	**1 437 136**	1 523 304
Adjusted for (net of taxation):		
net other capital gains (note 20)	**(2 575)**	(9 421)
Headline earnings	**1 434 561**	1 513 883
Adjusted for (net of taxation):		
remeasurement of contingent consideration (note 20)	**8 891**	(159 029)
Normalised headline earnings	**1 443 452**	1 354 854
Basic earnings per share (cents)	**657,4**	725,8
Headline earnings per share (cents)	**656,2**	721,3
Normalised headline earnings per share (cents)	**660,3**	645,5
Cash equivalent earnings		
Profit attributable to equity holders	**1 437 136**	1 523 304
Adjusted for:		
deferred income tax (note 25.1)	**(26 026)**	83 020
non-cash flow items (note 28.1)	**512 207**	148 225
Total cash equivalent earnings	**1 923 317**	1 754 549
Cash equivalent earnings per share (cents)	**879,7**	836,0

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.

26.2 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.

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.

	2015 R'000	2014 R'000
26. Earnings per ordinary share (continued)		
26.2 Diluted earnings per share (continued)		
Weighted average number of ordinary shares in issue ('000)	**218 621**	209 881
Adjusted for:		
Share and SAR scheme and bonus shares	**834**	750
BEE transaction	**–**	8 358
Weighted average number of ordinary shares for diluted earnings ('000)	**219 455**	218 989
Diluted earnings per share (cents)	**654,9**	695,6
Diluted headline earnings per share (cents)	**653,7**	691,3
Diluted normalised headline earnings per share (cents)	**657,7**	618,7
Diluted cash equivalent earnings per share (cents)	**876,4**	801,2

27. Dividends

	2015 R'000	2014 R'000
Paid: 158,0 cents (2014: 154,0 cents)	**345 797**	341 010
Declared: 188,0 cents (2014: 183,0 cents)	**416 866**	405 226
Total: 346,0 cents (2014: 337,0 cents)	**762 663**	746 236

A final dividend of 188,0 cents per share was declared for the financial year ended 30 June 2015. The dividend will be paid on Monday, 21 September 2015. The last date to trade cum dividend will be Friday, 11 September 2015.

The shares of Distell will commence trading ex dividend from the commencement of business on Monday, 14 September 2015, and the record date will be Friday, 18 September 2015.

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

28. Cash flow information

	2015 R'000	2014 R'000
28.1 Non-cash flow items		
Depreciation	**290 335**	246 870
Net fair value adjustment of biological assets	**(777)**	(488)
Intangible assets amortisation	**19 111**	9 555
Profit on disposal of property, plant and equipment	**(3 576)**	(13 085)
Provision for impairment of receivables	**(2 412)**	4 775
Provision for retirement benefits	**38 192**	8 823
Provision for leave and bonuses	**141 478**	8 435
Provision for excise duty and interest	**11 890**	11 212
Share Appreciation Rights and Scheme Shares granted to directors and employees	**31 686**	20 252
Remeasurement of contingent consideration	**–**	(159 029)
BEE share-based payment	**–**	(177)
Other	**(13 720)**	11 082
	512 207	148 225
28.2 Working capital changes		
Increase in inventories	**(580 136)**	(390 088)
Increase in trade and other receivables	**(363 624)**	(41 380)
Increase in trade and other payables	**414 435**	(324 187)
	(529 325)	(755 655)

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	2015 R'000	2014 R'000
28. Cash flow information (continued)		
28.3 Taxation paid		
Prepaid at the beginning of the year	**53 827**	29 253
Current provision for taxation	**(595 050)**	(434 826)
Exchange differences	**218**	299
Unpaid at the end of the year	**36 334**	(53 827)
	(504 671)	(459 101)
28.4 Dividends paid		
Group		
Dividends declared	**(755 571)**	(713 046)
Dividends paid to The Distell Group Share Trust	**848**	913
Dividends paid to Distell Beverages (RF) Proprietary Limited	**9 043**	4 084
Unpaid at the end of the year	**–**	–
	(745 680)	(708 049)
Company		
Dividends declared	**(755 571)**	(713 046)
Unpaid at the end of the year	**–**	–
	(755 571)	(713 046)
28.5 Purchases of property, plant and equipment (PPE) to maintain operations		
Properties	**(31 851)**	(33 876)
Machinery, tanks and barrels	**(182 030)**	(186 961)
Equipment and vehicles	**(34 119)**	(15 677)
Assets under construction	**(73 801)**	(39 835)
	(321 801)	(276 349)
28.6 Purchases of PPE to expand operations		
Properties	**(43 779)**	(127 969)
Biological assets	**(578)**	(2 830)
Machinery, tanks and barrels	**(202 383)**	(182 271)
Equipment and vehicles	**(45 307)**	(36 085)
Assets under construction	**(154 533)**	(66 308)
	(446 580)	(415 463)
28.7 Increase in net cash, cash equivalents and bank overdrafts		
Balance at the beginning of the year	**(7 335)**	70 197
Exchange gains on cash, cash equivalents and bank overdrafts	**(24 179)**	(30 647)
Balance at the end of the year	**230 868**	7 335
Cash at bank and on hand	**619 367**	451 611
Call accounts and bank overdrafts	**(388 499)**	(444 276)
	199 354	46 885

29. 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:

	2015 R'000	2014 R'000
Revenue from external customers		
Sales of alcoholic beverages		
Republic of South Africa	**13 499 183**	12 073 559
International	**6 002 238**	5 577 014
	19 501 421	17 650 573
Other non-alcoholic items	**87 549**	89 036
Consolidated revenue	**19 588 970**	17 739 609
Operating profit		
Republic of South Africa	**2 216 159**	1 796 352
International	**843 890**	886 703
	3 060 072	2 683 055
Corporate services	**(925 701)**	(687 847)
	2 134 371	1 995 208
Other losses	**(5 315)**	172 114
Consolidated operating profit	**2 129 056**	2 167 322

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:

	2015 R'000	2014 R'000
Revenue from external customers		
Republic of South Africa	**13 499 183**	12 073 559
Rest of Africa	**3 083 826**	2 764 320
Botswana, Lesotho, Namibia and Swaziland (BLNS)	**1 666 093**	1 472 015
Other	**1 417 733**	1 292 305
Rest of the world	**2 918 412**	2 812 694
Europe	**1 493 677**	1 619 590
Other	**1 424 735**	1 193 104
Other non-alcoholic items	**87 549**	89 036
	19 588 970	17 739 609

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29. Segment reporting (continued)

	2015 R'000	2014 R'000
Non-current assets		
Republic of South Africa	**4 448 930**	3 937 875
Rest of Africa	**388 931**	332 653
Botswana, Lesotho, Namibia and Swaziland (BLNS)	**64 022**	64 564
Other	**324 909**	268 089
Rest of the world	**2 597 390**	2 368 353
Europe	**2 592 354**	2 365 640
Other	**5 036**	2 713
	7 435 251	6 638 881

Comparative figures within 'Revenue from external customers: Rest of the world' have been restated to align with the current year segmentation as reported by management.

30. Commitments

	2015 R'000	2014 R'000
Capital commitments		
Capital expenditure contracted, not yet incurred	**411 334**	196 268
Capital expenditure authorised by the directors, not yet contracted	**1 052 387**	1 181 503
	1 463 721	1 377 771
Composition of capital commitments		
Subsidiaries	**1 463 721**	1 377 771
	1 463 721	1 377 771

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:

	2015 R'000	2014 R'000
Not later than one year	**67 212**	67 397
Later than one year and not later than five years	**116 017**	83 440
	183 229	150 837

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 rentals.

	Not later than 1 year R'000	Later than 1 year and not later than 5 years R'000	2015 Total R'000	2014 Total R'000
Minimum lease payments	**208**	**183**	**391**	1 181
Finance costs	**(19)**	**(4)**	**(23)**	(87)
Present value of minimum lease payments	**189**	**179**	**368**	1 094

31. 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
2015						
Available-for-sale financial assets (note 4)	**–**	**–**	**99 754**	**–**	**–**	**99 754**
Other loans and receivables (note 4)	**191 159**	**–**	**–**	**–**	**–**	**191 159**
Cash and cash equivalents	**619 367**	**–**	**–**	**–**	**–**	**619 367**
Trade and other receivables	**2 068 955**	**–**	**–**	**–**	**–**	**2 068 955**
Derivative financial instruments (note 9)	**–**	**1 401**	**–**	**(5 658)**	**–**	**(4 257)**
Interest-bearing borrowings (note 13)	**–**	**–**	**–**	**–**	**(4 193 824)**	**(4 193 824)**
Trade and other payables	**–**	**–**	**–**	**–**	**(2 218 600)**	**(2 218 600)**
	2 879 481	**1 401**	**99 754**	**(5 658)**	**(6 412 424)**	**(3 437 446)**
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	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	–	–	–	–	(1 770 345)	(1 770 345)
	2 430 576	38	91 424	(17 494)	(5 646 196)	(3 141 652)

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32. Financial risk management

32.1 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.

32.1(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 2015, with all other variables remaining constant, the post-tax profit for the year would have been R5,5 million (2014: R17,6 million) lower/higher, mainly as a result of translating outstanding foreign currency denominated monetary items.

Similiarly, had the rand at 30 June 2015 weakened/strengthened by 10% against the euro, with all other variables remaining constant, the post-tax profit for the year would have been R37,9 million (2014: R15,5 million) lower/higher.

32. Financial risk management (continued)

32.1 Financial risk factors (continued)

32.1(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 2015, 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 R28,4 million (2014: R27,8 million).

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

32.1(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:

	2015 R'000	2014 R'000
P-1	**508 003**	431 281
P-2	**109 932**	12 466
Cash	**1 432**	7 864
	619 367	451 611

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32. Financial risk management (continued)

32.1 Financial risk factors (continued)

32.1(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 R30,3 million (2014: R30,6 million) and staff housing loans of R2,5 million (2014: R2,5 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 2015 the Group did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

32.1(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**	**2015 Total R'000**	2014 Total R'000
Financial liabilities						
Forward exchange contracts held for trading						
– Outflow	**236 628**	**–**	**–**	**–**	**236 628**	287 145
– Inflow	**238 029**	**–**	**–**	**–**	**238 029**	269 689
Trade and other payables	**2 224 258**	**–**	**–**	**–**	**2 224 258**	1 770 345
Financial guarantees	**30 343**	**–**	**–**	**–**	**30 343**	30 598
Interest-bearing borrowings	**1 035 679**	**2 338 622**	**1 398 710**	**–**	**4 773 011**	4 542 751

32. Financial risk management (continued)

32.2 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. Several valuation techniques are used included discounted cash flow analysis for level 2 and 3 financial assets.

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. The fair value of mature grapevines was calculated using discounted net cash flows. Refer to note 3 for more detail.

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.

Interest rate swaps: The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows through the use of discounted cash flow techniques using only market observable information.

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
2015				
Available-for-sale financial assets	**16 554**	**15 734**	**67 466**	**99 754**
Biological assets	**–**	**–**	**105 914**	**105 914**
Derivative financial assets	**–**	**1 401**	**–**	**1 401**
Derivative financial liabilities	**–**	**(5 658)**	**–**	**(5 658)**
	16 554	**11 477**	**173 380**	**201 411**
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

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

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32. Financial risk management (continued)

32.2 Fair value estimation (continued)

The movement in level 3 assets for the year ended 30 June 2015 is as follows:

	2015 R'000	2014 R'000
Opening balance	**167 662**	157 695
Acquisitions	**578**	2 830
Disposals	**–**	(3 315)
Decrease due to harvest	**(50 651)**	(51 166)
Gain due to biological change, price, yield, maturity and cost changes	**51 428**	51 654
Gains and losses recognised in the statements of comprehensive income	**4 363**	9 964
Balance at the end of the year	**173 380**	167 662

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

32.3 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 sheet plus net debt.

During 2015 the Group's strategy, which was unchanged from 2014, 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 2015 and 2014 was as follows:

	2015 R'000	2014 R'000
Total borrowings (note 13)	**4 193 824**	3 875 851
Less: Cash and cash equivalents	**(619 367)**	(451 611)
Net debt	**3 574 457**	3 424 240
Total equity	**9 556 397**	8 601 155
Total capital	**13 130 854**	12 025 395
Gearing ratio	**27,2%**	28,5%

33. Acquisition of KWA Holdings E.A. Limited

Acquisition of interest in associate

In December 2014 the Group acquired a 26% interest in the issued share capital of KWA Holding E.A. Limited (KHEAL) for a purchase consideration of R111,3 million.

The consideration paid for KHEAL, the total net assets and goodwill, is summarised as follows:

	2015 R'000	2014 R'000
Total net assets	**64 678**	–
Goodwill	**46 604**	–
Total consideration	**111 282**	–

34. 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 Distell's qualifying 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 was spread over a vesting period of eight years. Also see accounting policy note 1.24 and note 26.2.

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.

34. BEE transaction (continued)

Restructured transaction (continued)

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.

35. Directors' emoluments

	2015			2014		
	Executive R'000	**Non-executive R'000**	**Total R'000**	Executive R'000	Non-executive R'000	Total R'000
Salaries and fees	**7 403**	**3 743**	**11 146**	6 947	2 937	9 884
Incentive bonuses	**–**	**–**	**–**	1 435	–	1 435
Retirement fund contributions	**1 537**	**–**	**1 537**	1 443	–	1 443
Medical aid contributions	**63**	**–**	**63**	62	–	62
Vehicle benefits	**689**	**–**	**689**	710	–	710
Paid by subsidiaries	**9 692**	**3 743**	**13 435**	10 597	2 937	13 534

	Salaries R'000	**Incentive bonuses R'000**	**Retirement fund contributions R'000**	**Medical aid contributions R'000**	**Vehicle benefits R'000**	**2015 Total R'000**	2014 Total R'000
Executive							
JJ Scannell[1]	**–**	**–**	**–**	**–**	**–**	**–**	3 592
RM Rushton[2]	**4 827**	**–**	**1 002**	**33**	**394**	**6 256**	3 830
MJ Botha	**2 576**	**–**	**535**	**30**	**295**	**3 436**	3 175
Subtotal	**7 403**	**–**	**1 537**	**63**	**689**	**9 692**	10 597

35. Directors' emoluments (continued)

	Fees R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Medical aid contributions R'000	Vehicle benefits R'000	2015 Total R'000	2014 Total R'000
Non-executive							
FC Bayly	–	–	–	–	–	–	54
PE Beyers	203	–	–	–	–	203	163
JG Carinus	203	–	–	–	–	203	163
GP Dingaan[3]	382	–	–	–	–	382	257
JJ Durand[4]	265	–	–	–	–	265	204
E de la H Hertzog	203	–	–	–	–	203	163
MJ Madungandaba	203	–	–	–	–	203	163
LM Mojela[5]	265	–	–	–	–	265	204
DM Nurek[6]	883	–	–	–	–	883	574
CA Otto	203	–	–	–	–	203	163
AC Parker[7]	322	–	–	–	–	322	204
CE Sevillano-Barredo[8]	409	–	–	–	–	409	326
BJ van der Ross	202	–	–	–	–	202	163
LC Verwey[9]	–	–	–	–	–	–	136
Subtotal	3 743	–	–	–	–	3 743	2 937
Total	11 146	–	1 537	63	689	13 435	13 534

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 resigned on 5 May 2014 and joined the management team of the Group.*

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36. Interest of directors in share capital and contracts

On 30 June 2015 and on 30 June 2014, 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**	**2015 Total**	2014 Total
MJ Botha	**37 925**	**–**	**–**	**–**	**37 925**	77 925
E de la H Hertzog	**25 200**	**–**	**–**	**11 000**	**36 200**	36 200
DM Nurek	**–**	**–**	**15 000**	**–**	**15 000**	15 000
	63 125	**–**	**15 000**	**11 000**	**89 125**	129 125

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.

37. Share and share appreciation right schemes

Share Scheme

In the financial years ended 30 June 2015 and 30 June 2014 no additional shares were offered to directors.

Current status

Ordinary shares **Participant**	Shares accepted prior to 30 June 2014	**Shares accepted in the year to 30 June 2015**	**Offer price (Rand)**	Number of shares paid and delivered prior to 30 June 2014	**Number of shares paid and delivered in the year to 30 June 2015**	**Share price on date of payment and delivery (Rand)**	**Increase in value* R'000**	**Balance of shares accepted as at 30 June 2015**
Executive								
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**	23 421	**–**	**–**	**–**	**–**
MJ Botha	34 839	**–**	**45,50**	34 839	**–**	**–**	**–**	**–**
MJ Botha	8 667	**–**	**64,00**	5 778	**–**	**–**	**–**	**2 889**
Total	586 811	**–**		583 922	**–**		**–**	**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).

37. Share and share appreciation right schemes (continued)

Distell Share Appreciation Right Scheme

In the current financial year 74 241 (2014: 381 660) share appreciation rights (SARs) were offered to directors.

Current status

Share appreciation rights **Participant**	SARs accepted prior to 30 June 2014	**SARs accepted in the year to 30 June 2015**	**Offer price (Rand)**	Number of SARs exercised prior to 30 June 2014	**Number of SARs exercised in the year to 30 June 2015**	**Share price on exercise date (Rand)**	**Increase in value* R'000**	**Balance of SARs accepted as at 30 June 2015**
Executive								
RM Rushton	342 834	–	139.00	–	–	–	–	342 834
RM Rushton	–	28 941	129.00	–	–	–	–	28 941
MJ Botha	8 176	–	72.00	2 725	–	–	–	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
MJ Botha	–	45 300	129.00	–	–	–	–	45 300
Total	458 985	74 241		2 725	–		–	530 501

* 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.

Bonus shares

In the current financial year no additional (2014: 230 000) shares were offered to the managing director (note 10.3).

Current status

Ordinary shares **Participant**	Shares accepted prior to 30 June 2014	**Shares accepted in the year to 30 June 2015**	**Offer price (Rand)**	Number of shares paid and delivered prior to 30 June 2014	**Number of shares paid and delivered in the year to 30 June 2015**	**Share price on date of payment and delivery (Rand)**	**Increase in value* R'000**	**Balance of shares accepted as at 30 June 2015**
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).

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	2015 R'000	2014 R'000
38. Related-party transactions		
Distell Group Limited is controlled by Remgro-Capevin Investments Limited which owns 52,9% 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		
Holding company		
Remgro Management Services Limited (management services)	**12 033**	9 826
Remgro Management Services Limited (interest on loans)	**14 321**	20 096
Joint ventures		
LUSAN Holdings Proprietary Limited (goods and services)	**104 929**	95 298
Tonnellerie Radoux (SA) Proprietary Limited (goods and services)	**6 114**	7 670
Solamoyo Processing Company Proprietary Limited (goods and services)	**1 068**	1 491
Sale of goods and services		
Joint ventures		
Tonnellerie Radoux (SA) Proprietary Limited (administration fees)	**226**	213
Tonnellerie Radoux (SA) Proprietary Limited (rent received)	**553**	530
LUSAN Holdings Proprietary Limited (administration fees)	**224**	217
LUSAN Holdings Proprietary Limited (marketing support)	**7 857**	7 348
Year-end balances arising from purchases of goods and services		
Current account		
Holding company		
Remgro Management Services Limited (including VAT)	**2 131**	1 809
Joint ventures		
Tonnellerie Radoux (SA) Proprietary Limited (current account)	**(6 053)**	(12 965)
Solamoyo Processing Company Proprietary Limited (current account)	**4 301**	5 438
Loan account		
Other related parties	**12 222**	29 298
Joint ventures		
LUSAN Holdings Proprietary Limited (loan account)	**161 754**	164 254
Les Domaines de Mauricia Limitee (loan account)	**417**	417
Associates		
Papkuilsfontein Vineyards Proprietary Limited (loan account)	**14 546**	14 546
Loans to related parties (note 4)	**188 939**	208 515

	2015 R'000	2014 R'000

38. Related-party transactions (continued)

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. No amount was outstanding at the end of the current or previous financial years.

	2015 R'000	2014 R'000
Key management compensation		
Directors of Distell Limited, the main operating company in the Group	**36 600**	29 237

Also refer to notes 35, 36, 40 and 41.

Company

Refer to notes 18 and 21 for dividends received from subsidiaries.

39. Interest in subsidiaries

The total profits/(losses) after taxation of consolidated subsidiaries for the year are as follows:

	2015 R'000	2014 R'000
Profits	**1 469 143**	1 538 783
Losses	**(97 534)**	(60 279)
Net consolidated profit after taxation	**1 371 609**	1 478 504

The company's direct interests in its subsidiaries are as follows:

	2015 R'000	2014 R'000
South African Distilleries and Wines (SA) Limited (85%) – Unlisted	**993 756**	991 639
Long-term loan – interest-free and repayable on demand	**871 498**	869 381
Share-based payment contribution	**122 257**	122 257
Shares	**1**	1
Distell Beverages (RF) Proprietary Limited	**1 651 288**	1 580 720
Variable rate cumulative redeemable preference shares (note 34)	**869 411**	869 411
Cumulative arrear preference shares dividend	**781 877**	711 309
Investments in subsidiaries	**2 645 044**	2 572 359

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39. Interest in subsidiaries (continued)

The company's indirect interest in subsidiaries through South African Distilleries and Wines (SA) Limited is as follows:

		Issued share capital	
Manufacturers and distributors	**Nature of business**	Interest %	R
Bisquit Dubouché et Cie (France)	Manufacturer and distributor	100	405 036 148
Burn Stewart Distillers Limited (United Kingdom)	Manufacturer and distributor	100	360 205 109
Devon Road Property Proprietary Limited	Manufacturer	100	100
Distell Angola Limitada (Angola)	Distributor	95	68 066 045
Distell Botswana (Proprietary) Limited (Botswana)	Distributor	100	3
Distell Ghana Limited (Ghana)	Distributor	60	20 178 649
Distell (Hong Kong) Limited (Hong Kong)	Distributor	100	19 520 165
Distell International Limited (Mauritius)	Investment company	100	430 272 739
Distell Limited	Manufacturer and distributor	100	1 000
Distell Namibia Limited (Namibia)	Distributor	100	4 000
Distell Swaziland Limited (Swaziland)	Distributor	100	10 000
Durbanville Hills Wines Proprietary Limited	Manufacturer	72	981 700
Ecowash Proprietary Limited	Dormant	100	100
Expo Liquor Limited	Dormant	100	4 066 625
Lomond Development Company Limited	Dormant	100	100
Lomond Wine Estates Proprietary Limited	Farming	84	2 975
Mirma Products Proprietary Limited	Farming	45	450
Namibia Wines & Spirits Limited (Namibia)	Distributor	100	100 000
Nederburg Wine Farms Limited	Farming	100	200
Nederburg Wines Proprietary Limited	Manufacturer	100	218 870
SFW Financing Company Limited	Dormant	100	70 000
SFW Holdings Limited	Investment company	100	200
Stellenbosch Farmers Winery Limited	Dormant	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 2015 amounted to R782 million (2014: R711 million). The preference shares have a dividend rate of CPI (excluding owner's equivalent rent) plus 7%.*

40. Interest in unlisted associates

The Group's interest in associates is as follows:

	Nature of the business	2015 R'000	2014 R'000
Tanzania Distilleries Limited (Tanzania) (35%)	Manufacturer and distributor	**91 866**	50 509
Cost price		**13 352**	13 352
Equity-accounted retained earnings		**78 514**	37 157
Grays Inc. Limited (Mauritius) (26%)	Distributor	**28 806**	26 371
Cost price		**6 949**	6 949
Equity-accounted retained earnings		**21 857**	19 422
Papkuilsfontein Vineyards Proprietary Limited (49%)	Farming	**340**	184
Cost price		**–**	–
Equity-accounted retained earnings		**340**	184
KWA Holdings E.A. Limited (Kenya) (26%)	Manufacturer and distributor	**112 673**	–
Cost price		**111 282**	–
Equity-accounted retained earnings		**1 391**	–
Investments in associates		**233 685**	77 064
Share in net assets of associates		**178 005**	67 988
Goodwill		**55 680**	9 076
		233 685	77 064
The aggregate statements of financial position of associates are summarised as follows:			
Property, plant and equipment		**299 205**	179 492
Financial and intangible assets		**31 627**	22 932
Current assets		**608 877**	330 033
Total assets		**939 709**	532 457
Interest-free liabilities		**21 358**	–
Interest-bearing liabilities		**361 803**	301 665
Total liabilities		**383 161**	301 665
Equity		**556 548**	230 792
Non-controlling interest		**(378 543)**	(162 804)
Group's share in equity		**178 005**	67 988
Loans to associates		**14 748**	14 311
Group's share in net assets of associates		**192 753**	82 299
Tanzania Distilleries Limited (35%)		**85 288**	43 931
Grays Inc. Limited (26%)		**26 308**	23 873
Papkuilsfontein Vineyards Proprietary Limited (49%)		**340**	184
KWA Holdings E.A. Limited (26%)		**66 069**	–
		178 005	67 988
The Group's interest in the revenue and profit of the associates is as follows:			
Revenue		**593 763**	476 814
Profit for the year		**65 280**	73 246

Notes:

1. *All associates are incorporated in South Africa, unless otherwise stated.*
2. *The interest in KWA Holdings E.A. Limited was aquired during December 2014.*
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 associates are equity accounted using management prepared information on a basis coterminous with the Group's accounting reference date.*

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	Nature of the business	2015 R'000	2014 R'000
41. Interest in joint ventures			
The Group's interest in joint ventures is as follows:			
Afdis Holdings (Private) Limited (Zimbabwe) (50%)	Manufacturer and distributor	**61 308**	49 747
Cost price		**23 938**	23 938
Equity-accounted retained earnings		**37 370**	25 809
Les Domaines de Mauricia Limitee (Mauritius) (50%)	Distributor	**168**	165
Cost price		**20**	20
Equity-accounted retained earnings		**148**	145
LUSAN Holdings Proprietary Limited (50%)	Manufacturer and distributor	**89 337**	78 897
Cost price		**1**	1
Equity-accounted retained earnings		**89 336**	78 896
Solamoyo Processing Company Proprietary Limited (40%)	Effluent management	**(171)**	(168)
Cost price		**–**	–
Equity-accounted retained earnings		**(171)**	(168)
Tonnellerie Radoux (SA) Proprietary Limited (50%)	Manufacturer and distributor of maturation vats	**9 781**	9 260
Cost price		**220**	220
Equity-accounted retained earnings		**9 561**	9 040
Investments in joint ventures		**160 423**	137 901
The aggregate statements of financial position of joint ventures are summarised as follows:			
Non-current assets			
Property, plant and equipment		**443 248**	389 430
Biological assets		**31 358**	29 587
Intangible assets		**3 067**	3 832
Deferred income tax assets		**12 257**	34 098
Long-term loans and investments		**8 443**	6 327
Current assets			
Inventories		**197 886**	186 986
Trade and other receivables		**81 408**	68 225
Current income tax assets		**362**	1 334
Financial assets		**6 053**	12 965
Cash and cash equivalents		**61 495**	76 854
Total assets		**845 577**	809 638
Non-current liabilities			
Shareholders' loan		**162 171**	164 671
Borrowings		**9 626**	12 480
Deferred income tax liabilities		**10 912**	24 307
Current liabilities			
Bank overdrafts and borrowings		**57 839**	49 005
Trade payables and provisions		**64 912**	90 709
Current income tax liability		**12 743**	1 902
Total liabilities		**318 203**	343 074
Equity		**527 374**	466 564
Non-controlling interest		**(366 951)**	(328 663)
Group's share in equity		**160 423**	137 901
Loans to joint ventures		**162 171**	164 671
Group's share in net assets of joint ventures		**322 594**	302 572
The revenue and profit of the joint ventures are as follows:			
Revenue		**425 444**	359 030
Profit for the year		**52 461**	36 516

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.*

42. Analysis of shareholders

at 30 June 2015

	Number of holders	% of holders	Number of ordinary shares	% of issued shares
Distribution of shareholders				
Public shareholders	**6 496**	**99,71**	**42 520 379**	**19,18**
Non-public shareholders	**18**	**0,29**	**179 216 977**	**80,82**
Major beneficial shareholders	**2**	**0,03**	**176 022 000**	**79,38**
Directors, including those of subsidiaries, and their associates	**13**	**0,20**	**267 858**	**0,12**
The Distell Group Share Trust	**1**	**0,02**	**198 873**	**0,09**
Distell Share Appreciation Right Scheme (SAR scheme)	**1**	**0,02**	**76 300**	**0,03**
Distell Beverages (RF) Proprietary Limited	**1**	**0,02**	**2 651 946**	**1,20**
	6 514	**100,00**	**221 737 356**	**100,00**

	2015	2014
Number of shares in issue		
Total number of shares in issue	**221 737 356**	221 435 026
Shares accounted for as treasury shares		
The Distell Group Share Trust and SAR scheme	**(275 173)**	(328 937)
Distell Beverages (RF) Proprietary Limited	**(2 651 946)**	(2 651 946)
	218 810 237	218 454 143
Weighted number of shares	**218 621 282**	209 880 871

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**	**52,9**
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 19. By understanding the legal environment, managing our risks and engaging with our various stakeholders, we have identified seven key issues contributing to our corporate responsibility: promoting responsible drinking, excise and illicit trade, sustaining our communities, our people, transformation, responsbile 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 issues	Stakeholders
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 (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 Brandowners Association (SALBA) • Liquor wholesalers, retailers and smaller outlets
Excise and illicit trade	
• Economic impact of high excise duty • Rise in illicit trade	• National treasury • Industry associations • Communities
Sustaining our communities	
• Service to communities • Addressing unemployment	• Communities • NGOs • Government: Departments of Trade and Industry, Health, Social Development, Transport, Labour, Arts and Culture, Agriculture, Forestry and Fisheries • Various organisations, including educational institutions, research institutions and arts practitioners • Employees
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

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 the 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.
- Distell's input is included in SALBA's response to the Draft National Liquor Review Document (submitted on 13 August 2015).
- We invest in FASfacts, a non-profit organisation specialising in raising awareness amongst communities and providing treatment and counselling to those affected. FASfacts' Pregnant Women Mentoring Programme (PMWP) serves 120 mentees. A 77% success rate amongst the 79 women recruited was achieved, measured in terms of their refraining from alcohol during pregnancy and breastfeeding. Currently, 76 women (63%) stopped drinking during pregnancy. Of the 21 pregnant teenagers who took part in the project, 11 (52,4%) stopped drinking during pregnancy. Of the 13 (61,9%) school-goers, six went back to school.

- Excise tariffs in Southern Africa increased by 6% for cider, 7% for wine and 8,5% for spirits in 2015.
- Distell participated in the Southern African Customs Union's (SACU) tax policy review, advocating that further increases in excise tax are unlikely to reduce the misuse of alcohol products and may lead to serious unintended consequences, such as increased illicit trade, as well as job losses from reduced production activities.
- Develop, in collaboration with all stakeholders, a framework of action to quantify and mitigate the risk to the industry posed by the illicit liquor trade.

- Supported financially (and in-kind) 69 corporate social investment (CSI) programmes through the Distell Foundation.
- Total spend for 2015 financial year was R16,67 million (2014: R16,41 million).
- Supported various arts 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 the Chrysalis Academy, FASfacts and Goedgedacht Trust's Path-out-of-Poverty programme (POP).
- In December 2014, 541 students from Khayelitsha, Nyanga, Stellenbosch, Macassar, Mitchell's Plain, Worcester and the Eden District graduated from the Chrysalis Academy.
- An evaluation of the Goedgedacht Trust's POP programme showed significant improvement attendance and graduation from the Riebeek River Valley school, while teen and pre-teen pregnancy rates have also dropped significantly. Social cohesion was judged to have improved commensurately.

- Engage with staff through various media, including in-house magazines, workplace forums, union-management meetings, 284 mission-directed work teams and our on-site Full Circle Communications Model.
- Employee numbers increased to 5 520* (2014: 5 284), with approximately 88,50% located in South Africa.
- Staff turnover increased to 11,14% (2014: 8,96%).
- Union membership decreased marginally to 33,08%. No strike action.
- Training spend increased by 56% to R24,5 million, with 81% of our training spend allocated to previously disadvantaged individuals (PDIs).
- Lost-time injuries increased marginally to 149 (2014: 146), while the number of lost days increased to 1 701.
- 72 matters were reported for investigation, a significant increase following an awareness campaign. Of these, 34 were reported through the Ethics Line. There were no known instances of human rights violations by Distell.
- 44 cases were referred to the CCMA, with 41 resolved in favour of Distell.

* Figure includes LUSAN

Material issues	Stakeholders
Transformation	
• Broad-based black economic empowerment • Integrated transformation	• Employees • Suppliers • Government: Departments of Labour, and Trade and Industry • Communities
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
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 Affairs and Water and Sanitation, and Agriculture, Forestry and Fisheries • Consumers • Local communities • NGOs

Our response and performance

- Of our total South African staff complement, 73,10% are historically disadvantaged individuals (HDIs) and 19,04% are female HDIs.
- Over 90% of all new appointments and 86% of all promotions were awarded to PDIs (74,4% to HDIs).
- Management comprises 35,8% females (2014: 35,4%).
- Improved our B-BBEE score to 68,14 (2013: 64,06) and improved our contributor status from Level 5 to Level 4.
- Department of Trade and Industry (dti) introduced government's Revised Codes of Good Practice for B-BBEE. When in effect, our contribution level will drop and in response we have put in place a strategy to further transform our leadership and achieve Level 4 B-BBEE status under the revised codes by 2020.

- Spend in excess of R2,3 billion on raw materials in our primary production phase.
- Spend more than R3 billion on packaging materials (secondary production phase).
- Secured 370,2 million litres of grape, wine and wine-related products, 93,7% of which was sourced locally in South Africa.
- Sourced 90% of our wine requirements from independent wine cellars, 8,5% from independent grape growers, and 2,0% from our own farms.
- All grape and wine suppliers comply with the IPW.
- 83% (2014: 66%) 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.
- Certified the Papkuilsfontein farm as Fairtrade and market two Fairtrade-accredited wines: Place in the Sun and Earthbound. The latter is an organic wine brand. Both directly benefit the Papkuilsfontein farm workers through the Fairtrade standard.
- Limited trade recall of wine produced on a single bottling line representing 4,8% of total wine production and following a 0,33% incidence of small glass particles detected in a quality assurance test by our agent in Japan.

- Embedded the use of a 'site services' database for detailed measurement and reporting at our sites.
- Established and embedded ISO 14001-compliant management structures, with nine sites fully ISO 14001 certified and seven more sites advancing well towards certification.
- New revised 2020 resource usage targets were set after reaching the previous targets for 2018 in 2014.
- Against our new 2020 per-product reduction targets (using 2014 as base year) achieved a:
  - 7,8% reduction in on-site fossil fuel energy usage, against a target of 20%
  - 5,5% reduction in electricity usage, against a target of 20%
  - 7,2% reduction in GHG emissions against a new target of 25%
  - 5,9% reduction in water usage, against a target of 15%.
- Carbon footprint (Scope 1 and 2) of 159 787 tonnes CO_2e.
- Captured 4 698 tonnes (2014: 3 908 tonnes) of CO_2 at our cider production facility.
- Reused 154,2 million bottles, representing 27,0% (2014: 28,4%) of our total glass requirements in weight this year.
- Effluent discharged per litre of packaged product amounted to 2,55 litres (2014: 2,32 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 (2014: 2 017 hectares).

Sustainability report

"We recognise our responsibility as a corporate citizen to uphold industry standards and improve the overall quality of life of the communities we serve."

We have a responsibility to address a number of important areas of concern to our stakeholders – both internal and external to Distell:

- Promoting responsible drinking
- Excise and illicit trade
- Sustaining our communities
- Our people
- Transformation
- Responsible supply chain management
- Preserving our environment

Refer to our Corporate Responsibility Issues table on page 124.

Promoting responsible drinking

Distell respects the right of adults to consume alcoholic beverages in moderation as an acceptable and enjoyable way to celebrate and relax. As an indirect benefit to society, Distell adds significant value to the economy in terms of job creation and tax contributions. Nonetheless, we recognise that alcohol can harm people who drink irresponsibly, as well as those around them.

The South African government expects the alcohol and beverage industry to contribute towards reducing the burden its products have on the welfare of all South Africans. We take this responsibility seriously and believe government wishes to act prudently. That is why we have welcomed an opportunity to make submissions in respect of the new National Liquor Policy document which cabinet approved for consultation with all affected role-players.

Key aspects of the proposed policy which we need to address include:

- Transformation of the industry
- Alcohol abuse and related harm
- Responsible drinking
- Trading regulation

In focusing on these issues, government has also indicated that it is giving strong consideration to issues of accessibility, availability, marketing and price.

Distell has made input to the South African Liquor Brandowners Association's (SALBA) submission as part of government's engagement process with the industry. We believe that the liquor policy that can emerge after consultations will offer sound guidelines for managing economic opportunities in the liquor industry, while at the same time addressing health and social issues.

Leading practice starts at Distell. Many of our employees are exposed to alcohol within the workplace during the production of wine, spirits and ready-to drink (RTDs) beverages. We have a strict company-wide alcohol policy, enforced by management, and we supplement employee education training programmes with practical interventions to ensure responsible employee behaviour.

Reducing underage drinking

Underage drinking and alcohol abuse among the youth is a significant problem in South Africa. A wide spectrum of stakeholder groups, including the World Health Organisation (WHO), international bodies, Non-Governmental Organisations (NGOs), parents and communities continue to raise valid concerns around the economic and social impact of underage and binge drinking among the youth.

Amongst the proposals made by government is to raise the drinking age limit from 18 to 21 years. While we agree that underage drinking is a serious challenge, adding legislation will serve largely to criminalise responsible people enjoying the benefits of moderate alcohol consumption. Rather, we encourage collaboration between retailers, government, law enforcement agencies, parents, educators and community leaders to prevent alcohol being sold to anyone under the age of 18. In particular, we support stronger enforcement of the Association for Responsible Alcohol use (ARA) Code of Conduct and, as an ARA member, we comply with and promote the ARA Code of Conduct among our distribution channels.

We will continue to work with government, the ARA and NGOs to develop, promote and disseminate educational materials and programmes, such as Life Talk, an NGO, and our Age Watch campaign, designed to prevent underage alcohol purchases and reduce underage consumption.

Preventing fetal alcohol spectrum disorder (FASD)

FASD is the most common preventable form of mental disability in the world. FASD includes a wide range of intellectual, emotional and physiological disabilities in children whose mothers drink alcohol during pregnancy, and its cost to society is substantial. People with FASD are afflicted with lifelong intellectual, learning and behavioural challenges, thus contributing to many of the social ills faced by communities, including unemployment, crime and violence.

The Foundation for Alcohol-Related Research (FARR) estimates that as many as one in every four South African women is a heavy drinker and that about two million people are impacted by drinking during pregnancy.

As a member of the ARA, we acknowledge these concerns, and in response, we invest in FARR to help raise awareness around the consequences of drinking while pregnant.

We also support the Goedgedacht Trust and an NGO called FASfacts that has similar objectives.

FASfacts directs most of its resources towards its Pregnant Women Mentoring Program (PWMP), which recruits pregnant women through consultations with community and family members and door-to-door campaigns. Participants have to sign a contract, pledging not to drink while pregnant. They are closely monitored to ensure they comply and are provided family counselling. Men are also included to share in their parental responsibility.

There are 30 female and 10 male mentors working with the group of 120 mentees in the Worcester community. In 2014, a 77% success rate amongst the 79 women recruited was achieved, measured in terms of their refraining from alcohol during pregnancy and breastfeeding. Currently 72% of the original group have remained sober.

We will do impact assessment studies of all of our prevention and remediation programmes to assess their effectiveness. Where the results show programmes have proven to be effective, we will extend their reach in order to tackle harm more effectively.

Controlling the sale and marketing of alcoholic beverages

Amongst the recommendations being made in the National Liquor Policy Review, currently under discussion, are that the Minister of Trade and Industry be empowered to determine the restrictions and parameters for advertising and marketing of liquor products, "guided by the extent of the problem faced." Further that liquor premises must be located at least 500 m away from certain sensitive locations, such as schools, places of worship and public institutions.

Other recommendations include restricted trading hours and days within zoned areas, as well as the transferring of liability for harm or damages as a result of intoxication to manufacturers supplying unlicenced traders.

The industry recognises that the government is searching for a policy that reduces self-harm, while promoting economic interests. Within this context, the National Department of Health developed a draft Control of the Marketing of Alcohol Beverages Bill to the Cabinet's Inter-Ministerial Committee (IMC) calling for the restriction of advertising of alcoholic beverages and the prohibition of sponsorship and promotion of alcoholic beverages. The Bill was approved by cabinet in may 2015, pending the findings of a study into the economic impact of such a ban on advertising. While the results of that study have not been made public, it can be assumed that this research has informed the development of proposed legislation currently under discussion.

Our marketing strategy is aligned with the ARA's Code of Commercial Communication and Conduct. We support only licensed outlets and ensure that all relevant people involved in distribution are properly trained.

This has resulted in a 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 was withdrawn.

Together with industry, we urge government to take a more precautionary approach and consider the industry's submission on the National Liquor Policy draft document proposed by the National Liquor Authority.

Reducing drinking and driving

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.

Distell firmly maintains that people should not drive while intoxicated, considering the risks of harm. However, the picture is not so clear cut, for recent research by Stats SA has shown that pedestrians under the influence of alcohol are actually the main risk facing safety on the country's roads, accounting for approximately a third of all road fatalities in South Africa.

Further, people often enjoy alcoholic beverages with their meals, and do so responsibly. While we support government's proposal for novice drivers, we oppose the intended reduction for all other drivers. The imposition of a zero-tolerance policy on all drivers runs the risk of potentially criminalising the actions of responsible and productive citizens. Rather, we call for effective enforcement of existing laws to improve road safety, including more effective awareness and prevention campaigns aimed at pedestrians.

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 staff members in our distribution chain 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.

Excise and illicit trade

In February 2015, National Treasury revised the tax burden targets for alcoholic beverages by excluding the VAT component and as such they have not been materially adjusted upwards. The new targets for beer, wine and spirits are 23%, 11% and 36% respectively.

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. Tax increases on alcoholic beverages hit low-income households hardest as they spend a significantly larger proportion of their income on consumables.

The South African brandy industry has been severely impacted by real increases in excise on spirits and sales volumes continued to decline in 2015. This has had a significant impact on the local wine industry, resulting in a loss of R1,56 billion in economic value add to the South African economy and of over 7 500 job opportunities, according to the Department of Agricultural Economics at the University of Stellenbosch.

Increases in excise tax are an important catalyst for illicit trading and the consequent evasion of tax on a large scale. According to WHO, this could amount to more than a quarter of total alcohol volumes per capita consumed.

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.

Distell, along with its industry peers and SALBA, has participated in the South African Customers Union (SACU) tax policy review, with the aim of providing constructive inputs that objectively consider all the consequences of excise policy, unintended as well as intended. We are awaiting the finalisation of the SACU tax policy on alcoholic beverages.

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

Strong and healthy communities offer a measure of protection or prevention against abusive practices, including alcohol abuse. Distell's approach to socio-economic development is therefore to participate constructively in the communities in which we operate, supporting their welfare.

The 69 corporate social investment (CSI) projects we supported during the year under review are the responsibility of the Distell Foundation. The Foundation's CSI activities fall under the Company's corporate and regulatory affairs division and the Foundation reports to Distell's social and ethics committee.

In focussing on life skills and programmes related to alcohol-usage, we seek to achieve better alignment between our business and our affected communities. Our strategy for achieving significant impact, especially amongst the youth, is to support programmes that have a holistic impact on communities and individuals. A number of aspects, such as education, life skills, technical skills, job creation, entrepreneurship and environmental awareness, are therefore often the outcomes of many of our projects.

Further, considering our involvement in the South African arts and culture world for 50 years, we draw on the power of arts and culture to focus on specific social issues such as education, unemployment, health and the awareness of responsible drinking. Indeed, some 45% of our CSI budget supports programmes related to arts and culture.

Over the past two years, the Foundation has been collaborating with Distell's environmental unit to promote environmental awareness in our communities. Such projects, in protecting and rehabilitating the local environment, often also yield direct social benefits.

We continue to link the arts with life skills education by supporting organisations such 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.

Based in Tokai, Western Cape, the Chrysalis Academy's youth development programme teaches life skills to 540 marginalised young men and women, who may have been exposed to substance abuse, family, gang and community violence, as well as facing disappointment and rejection associated with unemployment. The three-month, holistic healing course that seeks to address physical, emotional, practical and spiritual needs, is essentially an initiative to provide resiliency skills. The results are significant: Students describe a physical and emotional release, a new ability for self-reflection and greater understanding and confidence.

Durbanville Hills

The Goedgedacht Trust, headquartered at Kasteelberg near Malmesbury, is a Western Cape community development trust helping rural children and youth in West Coast and Boland towns to break free from the entrapment of the long-entrenched cycle of generational poverty.

Its innovative Path-Out-of-Poverty (POP) programme takes a multi-faceted approach and is based on the premise that early intervention in education, health care, personal development and environmental awareness can transform rural communities, resulting in substantial savings in social spending by Government.

Each centre provides those in its care one nutritious meal a day and runs surrogate parenting projects that provide safe spaces for very poor children, many of whom have been badly damaged by poverty. The POP programme is yielding good results. For example, in 1998, virtually all farm children from the Riebeek River Valley dropped out of school before the fifth academic year. Now all POP members go to high school, many complete their matric or at least reach Grade 10 and go on to get jobs. Teen and pre-teen pregnancy has dropped and increasingly POP graduates are having their first babies in their 20s, as sober, responsible parents.

Our people

We are responsible for providing a working environment that is fair, safe and without risk or prejudice to our employees. This year, Distell's staff complement increased to 5 520* (2014: 5 284), of which approximately 88,5% are located in South Africa. Of our total South African staff complement, 73,1% are historically disadvantaged individuals (HDI) and 19,04% are female HDIs. Staff turnover increased to 11,14% (2014: 8,96%), and appointments increased to 12,50% (2014: 10,2%) of our total permanent headcount for the year.

* Figure includes LUSAN

Employee relations and employment practices

Distell engages with staff through workplace forums, 284 mission-directed work teams (MDWT) and annual negotiations with representative trade unions.

MDWTs have been successful in improving employee performance, encouraging a sense of ownership and accountability, increasing co-operation and fostering a climate of mutual respect. We have implemented an internal communications tool, known as the Full Circle Communications Model, at our four largest production sites: Springs, Green Park, Adam Tas and Ecowash. 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.

We carry out regular communication audits to monitor the effectiveness of our employee engagement. We also carry out employee engagement surveys to gauge employee satisfaction levels and establish how well informed people are about Distell's corporate practices, brand performance and ongoing improvement projects.

We aim to manage sound employee relations through our internal processes. We fully support our employees' right to freedom of association and the right of individuals to belong to the union of their choice. This policy also holds for Nederburg Wine Farms Limited (wholly-owned) and LUSAN Holdings Proprietary Limited (50% joint venture). In our South African operations, 33,08% of Distell's employee base is unionised, and several unions are represented through formal agreements.

Our managers meet regularly with the respective union representatives at plant level. Despite tough economic and labour market conditions, wage negotiations were concluded successfully and without industrial action. Our line management and human resources practitioners are well-trained in the application of the Corrective Action Code. This year, 44 cases were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) (2014: 21), with 41 resolved in favour of Distell.

Talent management, training and development

Annual talent management review forums are held to review our talent management landscape and ensure we attract, develop and retain diverse and motivated talent, as well as to address our leadership pipeline. This year, 85,22% (2014: 86,37%) of all new appointments were previously disadvantaged individuals (PDIs) and 86,01% of all promotions were awarded to PDIs, while 74,40% were awarded to HDIs.

After a thorough vendor selection process, Distell chose SuccessFactors as the technology to drive talent processes within our company. Optimising the Employee Value Proposition is paramount and the following essential modules will be implemented: Performance & Goals, Recruitment, Marketing & Execution, Succession and Career Planning, Onboarding, LMS and Compensation Planning. The package includes both employee self-service (ESS) and manager self-service (MSS) functionality.

We are committed to grooming Distell's future leaders and we invest in various training programmes, including internships, learnerships, skills programmes, apprenticeships and adult education. This year our training spend increased by 56% to R24,5 million (2014: R15,7 million). In support of our transformation goals, 81% of our training spend and 96% of internship spend is allocated to previously disadvantaged individuals (PDI).

Mentorships: Fifteen protégés were selected for phase one of Distell's mentorship programme. Protégés personally selected their mentors, and we set up development plans for each of them. A second mentorship programme will be implemented during the second half of 2015.

Learnerships: This structured learning process gives learners the opportunity to obtain National Qualifications Framework (NQF) certification. This year, a total of 84 (2014: 128) people participated in learnerships, of which 64% were unemployed learners.

Internships: We have 36 PDI students on the current internship programme, which runs from 1 February 2015 to 31 January 2016.

Senior leadership development: Aimed at speeding up transformation at Senior Occupational levels, we have six HDI employees enrolled on the 2015 senior leadership programme. All six employees from 2013 completed the programme successfully, as did the eight who enrolled in 2014.

NQF-accredited skills: 98 employees completed NQF-accredited technical skills programmes, ranging from machine operation to people management skills.

We promote occupational health and safety (OHS) through various educational 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 Integrated Production of Wine (IPW) certification system.

The number of injuries resulting in lost time remained stable at 149 (2014: 146), while the number of lost days increased to 1 701 (2014: 1 534) due to more serious accidents that required longer periods of off-duty rehabilitation.

This year, nursing staff carried out 30 124 (2014: 30 932) consultations addressing a variety of health-related issues, including voluntary counselling and testing (VCT) for HIV/Aids.

Ethics

In upholding our values, we encourage all employees to report fraud, theft and corruption via the Distell Ethics Line. Following an awareness campaign we ran this year, the number of matters reported for investigation increased significantly to 72 (2014: 23). Of these, 34 matters were reported through the Ethics Line. Investigations into 51 matters have been completed and 21 remain open and under investigation.

Following due process, these investigations have resulted in a number of dismissals and other disciplinary actions, as well as the implementation of improved controls in certain business processes and the blacklisting of vendors.

Transformation

Transformation is a continuous journey, integrated into all aspects of the business. It informs the way we do business and aligns us with South Africa's national transformation goals. It shapes our corporate culture to be more inviting and welcoming, capable of attracting and retaining diverse talent. It helps us build a high performance culture through effective leadership, communication and a commitment to a common set of goals. It protects our licence to operate and also safeguards our reputation as a responsible corporate citizen.

We strive to be representative of all South Africans and everyone who represents its operations outside the borders of South Africa. Achieving this demands that we continuously nurture a workplace that respects and includes differences and recognises the unique contributions that individuals make.

On 1 May 2015, the Department of Trade and Industry (dti) brought the government's Broad-Based Black Economic Empowerment (B-BBEE) Revised Codes of Good Practice into effect. These codes are set to significantly transform South Africa's transformation landscape. Among other changes, the previous seven elements have been reduced to only five elements, with Preferential Procurement now forming part of Enterprise and Supplier Development and Employment Equity integrated into Management Control.

Although our last B-BBEE audit was conducted against the old codes, we remain fully committed to the spirit and the letter of the revised codes. While they are more stringent and present new challenges, we understand their importance to the country's future.

We responded swiftly to the revised codes by launching an integrated transformation strategy that aims to demonstrate transformation leadership by implementing flagship initiatives that are aligned to our business strategy and that impact on the communities living and working near the company's operations. The strategy's ultimate purpose is to guide our business towards achieving Level 4 B-BBEE status under the revised codes by 2020.

Significantly, our integrated transformation strategy also takes into account recent moves by the dti to reinforce the drive towards transforming South Africa's liquor industry. The department's commitment to achieving this objective is laid out in its National Liquor Policy Review document, which was published in May 2015 and presented to parliament in June. The main concern is that the dynamics of ownership of the South African liquor industry has, over the years, made it almost impossible for new players to emerge in the industry. Looking ahead, we hope our business will have the opportunity to engage with the dti in this vitally important area.

Meanwhile, the development, implementation and evaluation of our integrated transformation strategy are the core responsibilities of the Transformation Council. Established in October 2014, this council is made up of the Group managing director working alongside various other directors. Progress on transformation is also monitored by the social and ethics committee with the emphasis on going beyond the B-BBEE scorecard.

Our integrated transformation strategy comprises four pillars: broad-based black economic empowerment, employment equity, talent management and skills development.

Our overall score increased to 68,14 (2013: 64,06) and we successfully regained our status as a Level 4 B-BBEE contributor. Our latest B-BBEE score is valid until the end of 2015 and reflects our 2014 fiscal year performance.

Between July 2014 and June 2015, we facilitated 50 transformation workshops that were attended by 812 employees from across the business. We will continue to roll out these workshops across the business, aiming to reach all employees by June 2017.

Responsible supply chain management

We recognise our responsibility for responsible practices and behaviour in our supply chain, both primary and secondary. Our primary production comprises raw material such as grapes, wine, grape juice concentrate, distilling products, apple juice concentrate and cream to the value of R2,3 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 370 million litres of grape, wine and wine-related products (2014: 350 million litres), 93,7% of which was sourced locally (2014: 95,9%), almost all of it from independent wine cellars or growers.

More than 5 000 hectares of land, either wholly or partly 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 species are threatened. Through the Biodiversity and Wine Initiative (BWI) and other conservancy organisations, we have set aside 39%, or 2 017 hectares of this land for conservation.

All Distell farms are registered with the Integrated Production of Wine Scheme (IPW), which promotes biodiversity conservation and aims to reduce the environmental impact of agricultural activities as well as the amount of industrial inputs that go into the farming system for growing vines. 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 order for us to certify our wines under the new South African wine industry sustainability seal, we ensure all our independent suppliers are IPW-accredited.

The Wine Industry Ethical Trade Association (WIETA) was formally established in 2002 and was instrumental in bringing together stakeholders in the Western Cape wine industry to discuss and debate issues around ethical trade. Distell has been part of WIETA since its inception, and all the farms we own comply with WIETA principles.

In 2011, we introduced the WIETA principles to the rest of our grape growers and wine producers. Our target is to ensure that all of these suppliers adhere to WIETA principles by 2017.

We are also on track to ensure the rest of our grape growers and wine producers adhere to WIETA principles by 2017; 83% (2014: 66%) have already been accredited and 12% are 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 organically cultivated vineyards, which we jointly own with a consortium of black entrepreneurs and a local community trust, as well as our Nederburg and Adam Tas cellars, which are accredited for the production of organic wines. Further acreage is expected to be SGS-accredited within the next three years.

Over the short to medium term, we expect primary production costs to continue rising faster than inflation owing to our dependency on fuel, electricity and labour costs. To remain financially viable in these economic conditions, we assist growers by providing viticultural expertise and technical innovations to improve production quality and yield, and decrease input costs. As a result, independent growers have implemented different vine trellis systems on more than 1 000 ha of suitable land in the coastal wine growing region.

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, and more recently established vineyards in Gansbaai, with 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 plant nursery in the Cape Winelands which is developing superior plant material for our farms, ensuring 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. Funds and land are supplied by government; technical expertise and training are provided by viticulturists from a nearby independent cellar, and grapes produced are processed by the cellar. Distell purchases the wine produced. We have played a leading role in bringing together the respective stakeholders and managing the working groups involved.

We envisage that this project will lead to the establishment of approximately 500 ha of vineyards. By year-end 2014, a total of 86,6 ha had already been established.

A similar approach is being piloted to develop new farmers in the apple growing industry, and a dedicated project team is working on different methods to achieve sustainability for this initiative.

Secondary production activities

Distell spends more than R3 billion annually 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 transport of bulk and packed product, business support services and marketing.

For key commodities, such as glass, labels, cartons and closures, 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 factors affecting lead time.

Where feasible we source 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.

Despite the general preference for locally sourced and produced materials, a portion of materials has to be imported. This includes materials currently not produced in South Africa, as well as materials where insufficient capacity exists in the local industry, necessitating imports to meet our demand. We are developing a road map to transfer more of our business to black owned suppliers, either by developing new suppliers, or by procuring from those that have higher BEE level scores.

Distell embarked on a cider supply chain optimisation project last year. It included all aspects of the supply chain, such as production, packaging and transport, as well as the processes supporting forecasting and planning. Management procedures and controls were also put in place to ensure continuous improvement. As a result, the throughput of our RTDs supply chain improved by 12%.

Quality and product recall

In the second half of the financial year we carried out a limited trade recall as a result of very small glass particles being detected in some of our bottled wine products during quality assurance tests carried out by our agent in Japan. Expert medical opinion has confirmed that there is no risk of any adverse consequences associated with the ingestion of such small fragments of glass.

The resultant investigations isolated the cause to a small proportion of bottled wines produced on a single bottling line at one of Distell's wine packaging facilities. The problem has since been rectified. This production line represents 4,8% of Distell's total wine production and the incident rate of these particles was less than 0,33%.

We have worked with our agents and customers to implement a targeted trade recall of specified batches and maintain ongoing consultation with the relevant authorities.

Upholding human rights

As a member of the United Nations Global Compact (UNGC), Distell undertakes to respect human rights and to ensure that the company is not complicit in human rights abuses.

Distell had been implicated in one reported human-rights-related complaint during the period under review. The complaint was made by a blind patron, who alleged unfair discrimination against disabled people by Durbanville Hills. It had been lodged with the South African Human Rights Commission, which was still investigating.

After careful internal investigation, Durbanville Hills and Distell were satisfied that the company's policy did not discriminate unfairly against disabled people and that its policy had been communicated clearly to the complainant.

The social and ethics committee (SEC) was also informed of subsequent steps taken with the help of the Institute for the Blind to sensitise staff members so as to prevent the occurrence of such an incident in the future.

The treatment of workers and their families on farms that supply the agricultural processing industry remains a controversial issue.

In July 2015, the report: "Farm Workers' Living and Working Conditions in South Africa: key trends, emergent issues, and underlying and structural problems" was published. This was a research project commissioned by the Pretoria office of the International Labour Organisation.

Amongst the report's conclusions were that farms in the Western Cape were found to be more compliant than those in other areas. Most producers in this study complied with minimum wage legislation. The issue that led to the 2012 De Doorns farm worker protest was not one of non-compliance with the minimum wage, but one of a "too low" legislated wage. That key challenge persists because trade liberalisation and deregulation has considerably weakened producers' collective power in the market place. As price takers, growers are increasingly on the defensive to protect their dwindling profit margins and consequently struggle to afford a wage of R150 per day, itself barely a living wage.

The research points to the critical role which government must play to enable the industry to break this stalemate.

To ensure we uphold the human rights of all workers, especially on our farms, we adhere to and exceed the standard requirements set out in South Africa's Basic Conditions of Employment Act. We offer 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 IPW certification. 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

Economic equity extends to our farming operations. Together with a group of Gauteng entrepreneurs and a local community trust, Distell is the joint owner of Papkuilsfontein Vineyards, a 975 ha farming venture. Established in 1998, the project aims to transfer skills to the local community, including wine-growing, wine farm management, winemaking and marketing. The 2014 harvest saw the introduction of a new organic and Fairtrade wine brand called Earthbound with grapes primarily sourced from the Papkuilsfontein farm.

The personnel policy applied to Papkuilsfontein is also applied to all our wholly-owned farms and has 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 farm workers on the board of directors. The Workers' Trust drives several development initiatives within the farm worker 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. Important aspects that can have a major impact on our operations include changes in climate, the quality and supply of water and the rising cost of energy. Further, our industrial activities impact on the environment as we burn fossil fuels and cause emissions, effluent and waste.

We are continually improving our production processes for optimal cost-efficiency. Improving the energy efficiency of our production processes and substituting fossil fuel with renewable energy solutions where possible, have become a major focus.

Governance and management

Distell's social and ethics committee oversees all its environmental practices. We are progressively implementing the ISO 14001 environmental management system at all our primary and secondary production facilities. In total, 94% of our sites (2014: 88%) are actively implementing ISO 14001. Fifty-two percent (2014: 47%) have already been externally certified. During the new financial year we will undertake external certification at our Goudini distillery in accordance with the ISO 14001 system. During the reporting year, we continued our focus on our four secondary production sites located outside of the Western Cape, while also initiating the system at our J.C. Le Roux facility.

We regularly review all new and proposed environmental legislation, engage with the regulatory bodies and proactively take the necessary steps to ensure compliance. The most significant regulatory developments include:

- *Carbon Tax and offset* – due for enforcement in 2016, the proposed tax rate is R120/t CO_2e (carbon dioxide emissions) 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. A further policy and implementation document was expected during July/August 2015.
- *Environmental impact assessment (EIA) legislation* – The reporting year saw the amendment of the EIA regulations to include more upfront consultation prior to submission of an application.
- *Air quality legislation* – New national regulations for reporting atmospheric emissions are required annually, based on the size/capacity of the installed boilers and affect a number of Distell sites.

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, tracking GHG emissions for all our South African-based facilities. In addition, we developed a site services dashboard (SSD) to monitor our performance against our resource usage reduction targets related to water, electricity and fossil fuel-based energy.

Following the successful roll-out of the SSD system to all our fully-owned secondary

Deanston Distillery

production sites and our cider and spirit primary production sites, this year we rolled out the SSD system to our LUSAN and other remaining winery sites. One of the functions of the newly created Supply Chain Excellence division includes the standardisation of best practice across all operations, including for our African (Ghana) and European (France and Scotland) production facilities.

Climate change and carbon footprint

Our largest impact on climate change is caused by burning fossil fuels on-site to generate steam for our boilers (43,2%), as well as the purchase of mainly coal-based electricity from Eskom (52,5%).

We continue to expand the scope of our reporting and raise the level of performance targets. Our GHG database was expanded during the reporting year to include all the third party transportation of intermediary products (wine from supplier wineries), packaged products to Distell's distribution centres, as well as packaged products delivered directly to customers' distribution centres. Thus we have restated our emissions, revising our calculations to comply with new international standards.

This year, we submitted our fifth annual carbon footprint report to the Carbon Disclosure Project (CDP). Our direct emissions (Scope 1 and 2) increased by 4% to 159 787 tonnes CO_2e (2014: 153 646 tCO_2e). However, with production volumes increasing by 12,1%, we reduced our emission intensity per litre of product by 7,2% to 238,1 tonnes CO_2e per million litres of packaged product (2014: 256,6 tonnes).

Our total GHG emissions, including Scope 3 and "out of scope" emissions, amount to 511 303 tonnes CO_2e (2014: 490 112 tCO_2e).

Having reached the targets we set in 2010 for reduction of water, electricity and fossil-fuel based energy, we have now committed to achieving an efficiency improvement for our carbon footprint of a further 25% by 2020. At 238,1 tonnes CO_2e per million litres of packaged product for 2015, we are ahead of the glide path set to achieve our target of 192,4 tonnes CO_2e per million litres of packaged product by 2020.

Our Scope 3 emissions associated with the packaging material increased by 5,3%. This can be linked to the 12,1% increase in the production volumes, as well as the 13,1 % increase in the weight of new glass bought.

Following additional insulation and improved automation, this year we achieved a 7,8% reduction from the 2014 base year for our usage of fossil fuel-based energy, ahead of our glide path guide of 4% per annum (towards our 2020 target).

This year we achieved a 5,5% reduction in electricity usage from the 2014 base year, again ahead of our glide path towards reaching our target in 2020.

We 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 for cider production to carbonate our products. A more stable production process has allowed us to capture 20% more CO_2 from fermentation than in 2014.

Water usage and sustainable water supplies

Distell is dependent on water for the agricultural component of its supply chain, as well as for its production processes. In general, our farms use groundwater supplies for drinking purposes and industrial usage in our wineries and bottling facilities, except for Groenhof and J.C. Le Roux farms where a portion of our irrigation needs is also met by groundwater. All our other farms are dependent on surface water for irrigation purposes.

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 (Act 36 of 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.

We recognise our obligation to use water responsibly and, in particular, treat and dispose of waste water sensibly. Having surpassed our water reduction target in 2014, we have set a revised reduction target of 15% by 2020, based on the new 2014 base year, which includes LUSAN production sites. This year we achieved a 5,9% reduction from the 2014 base year, well ahead of the required glide path.

Waste management

The majority of our waste consists of organic primary waste as well as inorganic waste like glass bottles and other packaging waste. Primary waste consists of grape skins, stalks and seeds left over after we have extracted the juices we use in our products. This waste is organic and can be composted or used elsewhere.

The reporting year saw a 10,6% reduction in the volume of organic waste recycled and recovered. This directly relates to a decrease in the volume of grapes pressed, which depends on the grape harvest as well as the wine production requirements.

Packaging material waste is generated during secondary production processes, such as the bottling and packaging of our products. We used a total of 280 572 tonnes (2014: 263 397 tonnes) of glass bottles, of which 80,5 % (2014: 75,6%) comprised new glass, and the remaining 54 563 tonnes (2014: 64 168 tonnes) comprised re-used bottles.

This year we bought 226 009 tonnes of new glass, a 13% increase compared to last year's 199 229 tonnes, largely as a result of the production volume increase of 12%. This was offset by re-using glass bottles collected through our ongoing Give back, Get back (GBGB) initiative, as well as by washing bottles at three of our plants, Ecowash, Green Park and Port Elizabeth. We re-used a total of 84 891 tonnes (2014: 79 123) of glass, or 154,2 million bottles (2014: 141,6), representing 27,0 % (2014: 28,4%) of our total glass requirements. Further, we introduced cider-on-tap (which makes use of returnable kegs instead of glass), bag-in-box (BIB) packaging for wine, cans for ciders, and made use of larger volume packaging such as 500 ml cider bottles and 440 ml cider cans.

CO_2e savings equate to 148 353 tonnes (2014: 136 142). We also recycle glass for melting and remaking bottles. During 2015 the volume of glass recycled increase to 8 898 tonnes, which is a 20% increase from 2014 (7 388 tonnes).

We have initiated a business improvement project specifically looking at the complete GBGB programme with the aim of increasing the return ratio of all returnable bottles. As part of this project we will be implementing a new dedicated crate for our 660 ml cider products to allow traders to return bottles more directly. This is expected to result in a substantial increase in the return ratio of the 660 ml bottles.

Effluent and waste water

Waste water is generated primarily as a result of mandatory washing and 'cleaning in place' (CIP) practices at the different sites. Waste water is also produced as a by-product of the brandy distilling process. The absolute volume of waste water and effluent from our sites increased by 26,9% during the reporting year to 1 768 096 m^3 (2014: 1 393 562 m^3), while our waste water intensity increased to 2,63 litres of effluent per litre of packaged product (2014: 2,32/ℓ).

Effluent has to be treated to prevent ongoing fermentation and anaerobic digestion of waste water, which otherwise results in the production of CO_2 and methane, a greenhouse gas with more than 20 times the potency of CO_2. Two effluent treatment plants have been authorised to start construction. We will be initiating a detailed technical feasibility assessment for a possible new anaerobic treatment facility at our Worcester facility during the new financial year.

The amount of organic matter discharged, as measured by its chemical oxygen demand (COD), increased significantly to 8 318 980 kg COD (2014: 6 727 104 kg COD), reflecting the increased concentration of organic loading as a result of reducing the volume of waste water discharged.

We look for ways to reduce the load on the local authorities and use treated waste water for irrigation while minimising our environmental impact. The relevant disposal method depends on the site-specific conditions and the type of effluent. Periods of intense rainfall have challenged our facilities for handling water volumes at our controlled evaporation facility at Klipvlak in Worcester and during the new financial year we will continue improving the operational controls at the site.

We expect construction of our new anaerobic treatment facility at Adam Tas to commence during August 2015. Plans for our effluent treatment plant at our Goudini Distillery are also on track.

Oude Libertas

Governance

Board of directors

Piet Beyers (65)
BCom LLB, MBA

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

Merwe Botha# (62)
Director: Group finance

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

Johan Carinus* (66)
BCom

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

Louisa Mojela* (59)
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 committee in 2006. Also a member of the nomination committee.

David Nurek* (65)
Diploma in Law, Graduate Diploma in Advanced Company Law

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

Chris Otto* (65)
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.

* Independent
\# Executive

Gugu Dingaan* (39)
BCom (Accounting), H Dip Acc, CA(SA)

Investment executive at WIPHOLD and non-executive board member and audit committee member of Landis+Gyr, SA Corporate Real Estate Limited and Novus Holdings Limited. She is also a non-executive board member of Adcorp Holdings Limited and Novus 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.

Jannie Durand (48)
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 and Unilever SA Holdings. Appointed to the Distell board, remuneration committee and nomination committee in 2012.

Dr Edwin Hertzog (66)
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.

Joe Madungandaba* (57)
CPA(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.

Richard Rushton# (52)
Group managing director
BCom

André Parker* (64)
MCom

Chairperson of Tiger Brands. Retired managing director of SABMiller Africa and 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 committee in 2013. Also a member of the nomination committee.

Catharina Sevillano-Barredo* (52)
BCom (Hons), CA(SA)

Founder, director and chief financial officer of the Universal Healthcare group of companies. Formerly a director of WIPHOLD and chairperson of the Concor Limited audit committee. Appointed to the Distell board in 2008 and as chairperson of the audit and risk committee in 2009.

Ben van der Ross* (68)
Dip Law

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

Executive management

Kate Rycroft (42)
Director: Corporate development

Richard Rushton (52)
Group managing director

Merwe Botha (62)
Director: Group finance

Kay Pillay (48)
Director: International cider development

Lucas Verwey (41)
Director: Office of the Group MD

Vernon de Vries (57)
Director: Corporate and regulatory affairs

Lizelle Malan (35)
Group company secretary

Dr Marius Lambrechts (49)
Director: Innovation

Schalk Klopper (54)
Director: Supply chain

Johan Venter (56)
Director: Primary production

JP van der Walt (52)
Director: Human resources

Debra Ullrich (41)
Director: *Power* brands

Carina Gous (51)
Director: Vineyards and estates

Don Gallow (57)
Managing director: International

Dave Carruthers (59)
Director: Marketing

Wim Bührmann (49)
Managing director: Southern Africa

Nantha Moodley (56)
Sales director: Southern Africa

Donovan Hegland (41)
Managing director: Africa

Dr Caroline Snyman (40)
Marketing director: Southern Africa

Pieter Carolin (60)
Distribution director: Southern Africa

Corporate governance report

"Sound corporate governance ensures that the business is managed to the highest standards of professionalism, integrity, ethics, fairness and social responsibility."

Distell's governing objective is to ensure ongoing sustainability of the business and 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 of our business activities 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.

The board of directors, being ultimately responsible for governance, considers itself fully accountable to stakeholders in its ongoing commitment to applying the disciplines and guidelines laid out in the Companies Act, 71 of 2008, as amended (the Companies Act), the JSE Listings Requirements and the King Report on Governance for South Africa (King III).

The board is of the opinion that, for the period 1 July 2014 to 30 June 2015, 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, in all material respects voluntarily applied the principles of King III. A schedule of how Distell has applied King III is available on www.distell.co.za.

Board of directors

The board of directors provides direction and leadership to the Group and is ultimately accountable for the overall performance of the Group. The board focuses on strategy and material issues which can impact shareholder value and long-term sustainability. Operational responsibility has been delegated to the management board which is accountable for the ongoing management of the business.

Roles and responsibilities

The board has adopted a charter setting out its responsibilities, duties and accountability 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, which are reviewed from time to time, are to:

- Create sustainable shareholder value;
- Provide strategic direction and review the execution of strategic initiatives;
- 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 responsiblities and duties. These include a remuneration committee and nomination committee, a social and ethics committee and an audit and risk committee (for more detail please refer to separate sections for the roles these committees fulfil on behalf of the board);
- Evaluate and approve the integrated report, annual financial statements, interim financial statements, and dividend payable to shareholders;
- Implement internal controls to manage both financial and operational risks, ensure adequate risk management practices are followed and oversee information technology governance;
- Advise on and review transformation and empowerment;
- Consider significant financial matters such as investment proposals;
- Evaluate the performance and effectiveness of individual directors, the board as a whole and its committees as well as the managing director and company secretary on an annual basis;

Award

Fleur Du Cap
2015 Chardonnay du Monde
(Gold – Fleur du Cap Unfiltered Chardonnay 2014)

- Appoint new directors, including the chair of the board, chairs of committees and the managing director, based on the recommendations made by the nominations committee;
- Ensure that remuneration and incentive schemes of directors and senior management comply with the remuneration policy;
- Ensure that relevant and accurate information is timeously communicated to stakeholders; and
- Evaluate the viability of the Group as a going concern.

Board meetings and attendance

The board meets at least four times per year to review a formal schedule of matters, of which its members are fully briefed in advance. It also meets on an ad hoc basis, if required. No additional meetings were held during the year.

The quorum for a directors' meeting is a majority of the directors in office. Decisions taken at board meetings are decided by a majority of votes, with each director having one vote on a matter. A majority of the votes cast on a resolution is sufficient to approve that resolution. In the case of a tied vote, the chairman may not cast a deciding vote, and such resolution shall fail.

Effective chairing and a formal agenda with supporting documentation ensure all issues requiring attention are raised and addressed. Supporting documentation is distributed a week in advance of the meeting. This enables directors to discharge their fiduciary 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.

The composition of and attendance at committee meetings are set out below.

Board of directors

Independent non-executive directors		Non-executive directors		Executive directors	
DM Nurek (Chairperson)	(4/4)	PE Beyers	(4/4)	MJ Botha (FD)	(4/4)
JG Carinus	(4/4)	Dr E de la H Hertzog	(4/4)	RM Rushton (MD)	(4/4)
GP Dingaan	(4/4)	JJ Durand	(4/4)		
MJ Madungandaba	(3/4)				
LM Mojela	(4/4)				
CA Otto	(4/4)				
AC Parker	(4/4)				
CE Sevillano-Barredo	(4/4)				
BJ van der Ross	(4/4)				

The roles of the chairman and managing director are separated, with responsibilities divided between them.

The chairman has no executive responsibilities.

Refer to pages 140 and 141 for further information on each board member.

The board is satisfied that all directors have the required qualifications and relevant experience to actively contribute to the success of Distell. Furthermore, the independent, non-executive directors, who have no material contractual relationships with Distell, ensure that their judgement is exercised independently. King III recommends that the independence of long-serving directors be assessed and the board has concluded that these directors remain independent.

Appointment, orientation and development

Board member appointments are made transparently and involve the full board's consideration. This responsibility falls to the nominations committee which makes recommendations of new appointments to the board for approval.

A formal appointment procedure is defined in the board charter which stipulates that every effort should be made to ensure that its 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 members, to ensure it is adequately equipped to achieve Distell's objectives.

Generally, non-executive directors have no fixed period of appointment and retire by rotation. One-third of the directors retire at the annual general meeting during which they may make themselves available for re-election for a further term. The directors who retire are those longest in office since their last election.

In accordance with the memorandum of incorporation, the board annually appoints a managing director and the chairman. The current executive directors have a notice period of one month. For new appointments going forward, the managing director and financial director will have a notice period of six months and certain key management will be subject to a restraint of trade agreement.

A formal induction programme exists for all new directors.

Board and director evaluation

An evaluation of the effectiveness of the board, individual directors and the committees of the board (audit and risk, remuneration, nominations and social and ethics committee) is undertaken annually.

During the current financial year, an independent service provider was appointed to conduct a comprehensive evaluation of the board as a whole, individual directors and board committees.

The process included each board member being interviewed and asked to give their opinions of the board's performance, responding to questions under five broad headings:

- Strategic alignment and direction
- Board composition and structure
- Processes and practices
- Board culture and engagement with business issues
- Contribution of each director.

Each board member was also asked to complete an online confidential peer and self review as well as an online board evaluation questionnaire. The results of the evaluation were discussed with the board as a whole and each director received their own feedback individually.

Share trading

Procedures are in place to prevent directors and senior management of Distell from trading in the company's shares during price-sensitive or closed periods. In terms of the Group's policy, closed periods commence a week before the end of the interim (December) and annual (June) financial periods and end the day after the financial results are disclosed on SENS. Directors and senior management throughout Distell are informed of the closed periods by the company secretary.

Additional restictions on trading may apply where unpublished, price-sensitive information exists in relation to the company shares in terms of the policy set by the remuneration committee.

Directors and the company secretary are required to advise the chairman and obtain his clearance before dealing in Distell shares. Directors of subsidiary companies are required to advise the managing director or the company secretary and obtain clearance, while other senior employees require the approval and clearance of the company secretary before dealing in Distell 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 shareholding in Distell, other directorships and any potential conflict 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.

Company secretary's role and responsibilities

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. 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.

As part of the board evaluation conducted by an independent service provider, the effectiveness and competence of the company secretary was also evaluated. This evaluation process included an assessment by each board member of the company secretary's eligibility, skills, knowledge and execution of duties. The board is of the opinion that the company secretary, who is a CA(SA), suitably fulfils the role as she possesses the requisite competence and knowledge to carry out the duties of a secretary of a public company.

As recommended by King III, the company secretary is suitably independent as she is not a director of the company and accordingly maintains an arm's length relationship with the board and its directors.

Board committees

While the board remains accountable for the performance and affairs of the company, it delegates specific responsibilities to committees who 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

Audit and risk committee	
CE Sevillano-Barredo (Chairperson)	(3/4)
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 the shareholders.

The committee meets at least four times per year and the managing director, finance director, external audit, head of internal audit and selected senior management attend the meetings.

In terms of their charter, the responsibilities of the audit and risk committee include:

- Reviewing the adequacy and effectiveness of the financial reporting process and the system of internal control, external audit and financial reporting;
- Ensuring compliance of published information with relevant legislation, reporting standards and good governance;
- Monitoring compliance with both the JSE Listings Requirements and King III;
- Overseeing risk management procedures and information technology governance;
- Overseeing the internal audit function and approving the annual internal audit plan;
- Overseeing the management of financial and operating risks and Distell's procedures for monitoring compliance with laws, regulations and its own code of conduct;
- Reviewing and approving Distell's integrated report, annual financial statements, interim reports and other financial media releases, and recommending final approval to the board; and
- Appointing and approving the terms of engagement and fees of the external auditors.

The committee makes the following three 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 chairperson 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 Distell'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. The board is in agreement with this and has approved the interim and year-end financial statements as well as the integrated report.

The information contained in the report has been partially validated, with combined assurance obtained from external and internal assurance providers.

The nomination committee

Meetings attended	
DM Nurek (Chairperson)	(4/4)
AC Parker	(4/4)
LM Mojela	(4/4)
JJ Durand	(3/4)

The primary responsibility of the nomination committee is to:

1. Review and recommend to the board the size and composition of the board and the criteria for board membership;
2. Assist the board in identifying the necessary and desirable competences of board members and maintaining an appropriate mix of skills, experience, expertise and diversity on the board;
3. Assist the board in identifying appropriate individuals as potential candidates for board membership and re-election;
4. To craft succession plans for executive and non-executive directors;
5. Develop a process for the evaluation of the performance and independence of the board, its committees and individual directors (including executive, non-executive and independent non-executive directors and the company secretary) and implement a process to identify, assess and enhance the skill set of directors.

During the past financial year, the committee ensured that succession plans are in place for key positions and oversaw the execution of the talent management program. The committee also oversaw the independent board review that was conducted and are in the process implementing the recommendations flowing from this review.

The social and ethics committee

The main responsibility of the committee is monitoring Distell's social and economic development, its corporate citizenship and its labour relations, measured against specific indicators.

Please refer to page 154 for a comprehensive social and ethics report.

The remuneration committee

The main responsibility of this committee is to ensure that Distell'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.

Please refer to page 150 for a comprehensive remuneration report.

Risk management

The board of directors is ultimately accountable for the management of risk and responsible for ensuring that an adequate and effective internal controls environment exists.

The board has delegated its responsibility for risk management to the audit and risk committee.

The committee ensures that adequate frameworks and methodologies are in place to identify risks, assess the probability of occurrence and review their impact. The committee further reviews the effectiveness of Distell'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 are adopted.

The policy

The Risk Management Policy is based on the principles of the Enterprise Risk Management Integrated Framework and takes into account the recommendations of King III. This policy defines the objectives, methodology, process and responsibilities of all employees that have responsibilities towards risk management. This policy is reviewed annually by the audit and risk committee that submits amendments to the board for approval.

Risk tolerance and appetite

The board has formalised and approved the risk tolerance levels to define its risk appetite and to ensure that all risks within the Group are managed within the prescribed parameters. Risk appetite is defined as the risk that Distell is prepared or willing to accept or the amount of risk without further mitigating action being put in place.

Distell 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, 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.

The overall risk profile of Distell has not changed materially during this financial year. Please refer to pages 14 to 19 for the key risks facing the Group with mitigating actions.

The audit and risk committee is satisfied with the effectiveness of the risk management process.

Statement of internal control

The board recognises the importance of systems of internal control that support the achievement of Distell'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 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.

Distell'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, treasury does not undertake speculative financial transactions.

During the year under review, audit reviews did not indicate any material breakdown in the functioning of internal controls. Where compliance issues were identified, they were reported and timeously rectified. 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 breakdown 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 Distell's objectives.

The internal audit provides assurance, through the audit and risk committee, on the adequacy and effectiveness of Distell's internal control and risk management practices.

Internal audit maintains its independence by reporting directly to the chairperson of the audit and risk committee and the department function under the mandate of the internal audit and audit and risk committee charters. The head of the internal audit also has a standing invitation to attend meetings of the executive committee.

The internal audit function forms an integral part of Distell's combined assurance framework and establishes a robust, risk-based approach to identifying the risk management processes to be tested and evaluated. This methodology enables internal audit to provide assurance that the key strategic, statutory, financial and operational risks are understood, identified, and effectively managed and mitigated.

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 external auditors refrain from providing non-audit services if doing so can compromise their independence. The chairperson of the audit and risk committee approves all non-audit services before their commencement to ensure independence is not an issue.

PricewaterhouseCoopers is Distell's external auditor and it has confirmed its continuing independence to the committee. It is required to rotate its lead audit partner every five years unless there are unusual circumstances. The lead audit partner, Hugo Zeelie, has now completed four years.

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.

The committee considers the effectiveness of information and communications technology (ICT) policies and processes in so far as these might pose a risk to the financial reporting process and the effectiveness of financial controls and monitors management's initiatives to ensure that ICT risks are managed appropriately so as not to pose a threat to the continuity of operations.

The Group ICT manager reports to the financial director and is responsible for all elements of ICT governance. The ICT function has a documented governance framework as well as documented key performance indicators and formally reports on all ICT matters to the committee and progress made on all initiatives.

Information technology risks are governed by the Control Objectives for Information and Related Technology (COBIT) governance framework. Compliance is measured against these standards by specialised independent service providers and internal audit.

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. Based on the information reviewed, the directors believe the Group has adequate resources to continue as a going concern in the foreseeable future.

Investor relations

As there is a growing demand for transparency and accountability on sustainability issues, the board is committed to providing timely and transparent information on corporate strategy and financial performance.

It is important that the board achieves an appropriate balance between its various stakeholder groups and the best interests of the company while ensuring compliance with disclosure regulations and good governance practices. The board should also protect management and limit reputational risk.

The Group manages communications with its key financial audiences, including institutional shareholders and financial analysts. The goal is to pass timely, 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 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 nomination 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 online news service, SENS.

Compliance with laws and regulations

The Group company secretary and Group legal counsel are responsible for guiding the board in discharging its regulatory responsibilities.

New developments during the current financial year saw a project team working with external legal consultants to assess the impact of the Protection of Personal Information Bill. This legislation will impact the secure maintenance and transmission of customer and employee data.

Distell maintained its focus on other legislative compliance, particularly on anti-bribery. The implementation of the Anti-Bribery Compliance Project continued during the financial year and Distell remains committed to anti-bribery.

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 Cooperation and Development (OECD) recommendations on reducing corruption as well as the United Nations Global Compact Principles.

Distell had no instances of major non-compliance with legislation and no material fines were incurred.

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.

Whistle-blowing 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). Distell has an in-house forensic investigator and by consulting with the Group company secretary and the human resources department will decide on the method and level of investigation.

The social and ethics committee monitors the whistle-blowing policy and workings to ensure effectiveness and that appropriate action is taken on reported matters. Please refer to page 132 in the 'Our People' section for statistics and results for the year under review.

Remuneration report

“The Group’s remuneration philosophy is aimed at driving a high performance culture. Remuneration principles and practices are closely aligned to the Group’s strategic objectives and business strategies.”

Remuneration philosophy

The Group’s remuneration philosophy is aimed at driving a high performance culture by ensuring that our employees are motivated and committed to the success of Distell.

The Group’s reward strategies are designed to attract, develop, motivate and retain talented employees who enable Distell to pursue and achieve its strategic objectives, and thereby enhancing shareholder value.

Remuneration principles and practices are closely aligned to the Group’s strategic objectives and business strategies and to the achievement of performance objectives on a Group, team and individual level.

Total remuneration comprises all elements of remuneration, including guaranteed remuneration and variable remuneration such as short- and long-term incentives. The specific composition of total remuneration is determined by the employee’s role in the business.

The Group’s remuneration policy is transparent and is based on reward principles of market competitiveness, internal equity and pay for performance.

In particular, it addresses the following:

- External equity to ensure employees are competitively rewarded in relation to the market.
- Internal equity to ensure employees are rewarded appropriately in relation to their peers.
- The need for a strong link between performance, contribution and potential through an appropriate mix of fixed remuneration plus a mix of short- and long-term incentives.
- The need for annual salary increases based on merit, directly related to the employee’s annual performance assessment.

Remuneration governance

The remuneration committee, operating under the authority delegated to it by the board, has oversight of the Group’s remuneration strategies, practices and policies, and is responsible for reviewing, recommending and approving the remuneration for non-executive directors, and other key executives and senior management.

The committee periodically reviews the Group’s remuneration strategy to assess whether it remains aligned with the Group’s strategic objectives.

The primary responsibility of the remuneration committee is to ensure that remuneration principles applied by the Group succeed in the following:

1) Attracting, retaining and rewarding a talented, motivated and high-performing executive team.
2) Motivating the Managing Director and executive team to achieve the long-term strategy of the Group to the benefit of shareholders.
3) Demonstrating a clear relationship between performance, contribution and reward.
4) Achieving an appropriate balance between guaranteed and variable remuneration.
5) Establishing a clear differentiation in the remuneration of higher and average performers through the application of effective and formal performance management practices.
6) Ensuring that directors and senior executives are fairly and competitively rewarded for their contribution to the overall performance of the business.

During the past financial year, the committee completed the following tasks:

1) Reviewed the remuneration of non-executive directors and made recommendations to shareholders for their approval.
2) Reviewed and approved the performance evaluation and remuneration of executive directors and other key executives.

Award

Nederburg
2014 International Sweet Wine Challenge
(South African Sweet Chenin Blanc Trophy – Nederburg Wine Masters Reserve Noble Late Harvest 2011)

3) Agreed and recommended for board approval the performance targets for the 2015 short-term incentive scheme.
4) Approved the issue of share appreciation rights for the 2015 financial year.
5) Ensured that the critical elements of the remuneration policy for all employees, including annual guaranteed pay and long-term incentive participation, were appropriately benchmarked to ensure that the Group remains competitive in the employment market.
6) Ensured the remuneration policy was aligned to the achievement of the Group's strategic objectives as well as the encouragement of individual performance.
7) Reviewed and recommended for board approval the Group's financial, operational and strategic performance against approved targets.

While the Group's performance did not fully meet all the financial targets for the 2015 financial year, the committee decided to pay a reduced short-term incentive bonus to all qualifying staff.

The Group's remuneration policy was proposed to shareholders for a non-binding vote at the annual general meeting in October 2014 and was approved by 97,87% of the votes cast. The policy is proposed to shareholders annually.

The remuneration paid to directors is disclosed on pages 112 to 113.

The remuneration committee comprises the following independent non-executive directors:

Meetings attended	
AC Parker (Chairperson)	(4/4)
DM Nurek	(4/4)
LM Mojela	(4/4)
JJ Durand	(3/4)

The Group's managing director and company secretary attend the meetings by invitation, but do not participate in any discussions relating to their remuneration.

Remuneration of executive directors and other senior executives

Principles

The following principles underpin the Group's remuneration strategy:

- Aligning the interests of executives with those of shareholders.
- Linking reward with the Group's performance over the short and longer term.
- Ensuring the retention of key executives.

Remuneration structure

Guaranteed remuneration (annual base pay):

- Consisting of monthly salary, car benefit, retirement and medical benefit contributions, life and disability insurance.
- Based on performance and market benchmarks relative to responsibilities.

Variable and performance-related remuneration:

Over the short term

- A short-term cash incentive scheme.
- Based on Group and team performance criteria, payable on the achievement of predetermined targets.

Over the long term

- The Distell Share Appreciation Rights Scheme (SARs).
- Aimed at encouraging performance that enhances sustainable shareholder value as well as retention of key executives.

Benchmarking

The Group's benchmarking exercises are based on independent surveys which are being conducted on a continuous basis. External compensation and benefit consultants assist in advising the committee on remuneration practices, competitive positioning and benchmarking.

Performance management

The performance of executive directors and other senior executives is reviewed annually by the committee and compared against predetermined financial, operational and strategic targets.

The primary key performance indicators on which these executives are measured include:

Financial indicators

a) Operational indicators

b) Strategic goals and objectives.

Incentive schemes

Short-term incentive scheme (STI)

All permanent employees participate in the Group's short-term cash incentive scheme. The scheme is designed to drive performance and encourage all employees to focus on both the financial and non-financial value drivers. Performance is measured relative to strategic and operational targets.

The short-term incentive metrics are the following:

	Weightings of participants	
Targets	Corporate level %	Business unit level %
Financial KPIs		
Corporate level		
Revenue	20	10
EBITDA	20	10
Investment	10	10
Efficiencies	10	10
Business unit level		
Revenue	–	10
EBIT	–	10
Strategic initiatives	40	40
	100	100

These targets are approved by the board, and embedded in strategic and operating plans, budgets and employee performance contracts. Short-term targets are further aligned to the Group's long-term strategic and financial objectives.

The achievement of targets is validated internally and approved by the remuneration committee before any payments are made to executives and other employees.

Performance exceeding the targeted performance levels may result in the payment of a higher bonus. The scheme is, however, self-funded and performance bonuses are only paid if the Group achieves or exceeds the financial performance targets after the cost of the incentives is taken into account.

By collective agreement, employees within the bargaining unit also qualify for a fixed annual bonus, equalling one month's salary.

The Group's senior executive team comprises 21 members, included the managing director and financial director, who are also members of the Distell Group Limited board. Their compensation is disclosed in note 38 in the Group annual financial statements. The remuneration of the executive directors is as follows:

	Salaries R'000	**Incentive bonuses R'000**	**Retirement fund contributions R'000**	**Medical aid contributions R'000**	**Vehicle benefits R'000**	**2015 Total R'000**	2014 Total R'000
Executive							
JJ Scannell[1]	**–**	**–**	**–**	**–**	**–**	**–**	3 592
RM Rushton[2]	**4 827**	**–**	**1 002**	**33**	**394**	**6 256**	3 830
MJ Botha	**2 576**	**–**	**535**	**30**	**295**	**3 436**	3 175
Subtotal	**7 403**	**–**	**1 537**	**63**	**689**	**9 692**	10 597

1) JJ Scannell retired on 31 December 2013.

2) RM Rushton was appointed on 1 November 2013.

Long-term incentive scheme (LTI)

The Group's long-term incentive scheme is aimed at aligning executive remuneration with the interests of shareholders by rewarding executives for the creation of shareholder value over the medium term. The scheme (under certain conditions) also supports the retention of key executives and staff.

Conditions pertaining to the existing scheme:

Participants in the Distell long-term incentive scheme are awarded Share Appreciation Rights (SARs), based on a multiple of annual guaranteed pay that enables them to participate in the growth in value of the Distell Group Limited shares.

The scheme is 'equity settled' where recipients of SARs become entitled to Distell Group Limited shares at vesting dates to a value equal to the increase in the market value of a Distell Group Limited share over the vesting period, multiplied by the number of SARs granted to a participant at inception and subsequently exercised.

Participants are offered the SARs at market value on the day of the award, thus benefiting only if additional value is created.

Participants are entitled to exercise SARs granted to them in three tranches, being on the third, fourth and fifth anniversaries of the SAR grant date.

All SARs must be exercised by participants before the seventh anniversary of the grant date.

The SAR units allocated to executive directors under the current scheme are detailed in the table on page 153.

Enhancement to the existing scheme:

The Distell LTI scheme is regularly reviewed and enhanced in order to align with evolving best practice.

Share allocations and vesting under the SAR scheme are currently not subject to performance conditions and a valid concern exists that participants in these schemes could potentially benefit from an appreciation in the share price without any corresponding improvement in organisational performance.

As a result of this, the remuneration committee has mandated management to introduce performance conditions that must be achieved before the vesting of any shares may be considered. The introduction of performance conditions will further:

- Align the interests of executives with those of shareholders
- Drive performance of the business
- Enhance Distell's reputation for sound corporate governance.

After a thorough evaluation of different performance criteria, it was decided to implement Revenue Growth and EBITDA as the most appropriate performance criteria for Distell. The remuneration consultation company, 21st Century Pay Solutions, and Rand Merchant Bank assisted Distell with this exercise.

The performance criteria set out above and the respective targets are designed in such a way as to ensure that the benefits accrue upon the successful implementation of factors within management's control. Executives will therefore not benefit from growth in the share price due to uncontrollable or incidental external factors, especially where the underlying performance of the business may well have deteriorated.

SAR units allocated to executive directors:

Share appreciation rights **Participant**	SARs accepted prior to 30 June 2014	**SARs accepted in the year to 30 June 2015**	**Offer price (Rand)**	Number of SARs exercised prior to 30 June 2014	**Number of SARs exercised in the year to 30 June 2015**	**Share price on exercise date (Rand)**	**Increase in value* R'000**	**Balance of SARs accepted as at 30 June 2015**
Executive								
RM Rushton	342 834	**–**	**139,00**	–	**–**	**–**	**–**	**342 834**
RM Rushton	–	**28 941**	**129,00**	–	**–**	**–**	**–**	**28 941**
MJ Botha	8 176	**–**	**72,00**	2 725	**–**	**–**	**–**	**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**
MJ Botha	–	**45 300**	**129,00**	–	**–**	**–**	**–**	**45 300**
Total	458 985	**74 241**		2 725	**–**		**–**	**530 501**

In addition to the above SARs units MJ Botha has 2 889 shares available at R64,00 per share under a previous share scheme.

Non-executive directors' remuneration

Non-executive directors all receive the same fixed annual retainer. This remuneration is augmented by additional compensation for services rendered as members of sub-committees of the board. These additional fees are based on an assessment of the committee members' additional time commitment and responsibilities. A premium is paid to the chair of the board as well as the chairs of the board committees.

Non-executive directors may not participate in incentive schemes and do not receive performance-based remuneration. None of the non-executive directors had service contracts with the Group or received any consulting fees during the period under review.

The remuneration of non-executive directors is reviewed annually by the committee and recommendations for increases are made to the shareholders for consideration and approval at the annual general meeting.

The proposed fees for the 2016 financial year were benchmarked against fees payable by other JSE-listed companies with a similar profile, and are detailed below.

Committee role	2014 R	**Current 2015 R**	Proposed 2016 R
Board chairperson	460 000	**735 000**	954 975
Board member	163 000	**202 725**	242 435
Audit and risk chairperson	163 000	**205 840**	246 161
Audit and risk member	73 000	**84 287**	109 513
Remuneration chairman	41 000	**119 700**	155 525
Remuneration member	41 000	**63 000**	81 855
Social and ethics chairperson	20 500	**94 500**	122 783
Social and ethics member	20 500	**56 196**	73 015
Investment chairperson	–	**–**	155 525
Investment member	–	**–**	81 855

AC Parker
Chairman of the Remuneration Committee

Stellenbosch
19 August 2015

Award

Durbanville Hills
2015 Sommelier Selection wine competition
('Full and Rich' Category Trophy – Durbanville Hills Rhinofields Chardonnay 2012)

Social and ethics committee report

"The main responsibility of the committee is monitoring Distell's social and economic development, its corporate citizenship and its labour relations, measured against specific indicators."

The composition of the social and ethics committee (SEC) and attendance at SEC meetings are set out below:

Members of the committee	
GP Dingaan (Chairperson)	(2/2)
MJ Botha	(2/2)
RM Rushton	(2/2)

Other members

VC de Vries
W Bührmann
SW Klopper
Dr M Lambrechts*
L Malan
JP van der Walt*

* Appointed April 2015.

The SEC report

In accordance with its formal mandate from the board, Distell's SEC was convened twice during the year under review – in August 2014 and in February 2015. The SEC reports to shareholders and other stakeholders via the company's integrated report and the sustainability report.

The SEC performed an oversight role of 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;
- Transformation, with the focus on employment equity, broad-based black economic empowerment and corporate culture;
- Human resources, specifically employee engagement, employee relations, fair employment practices and educational assistance for employees.

In expressing its satisfaction with Distell's overall performance in the above-mentioned areas, the SEC has highlighted a few salient points in the table alongside.

GP Dingaan
Chairperson: Social and ethics committee

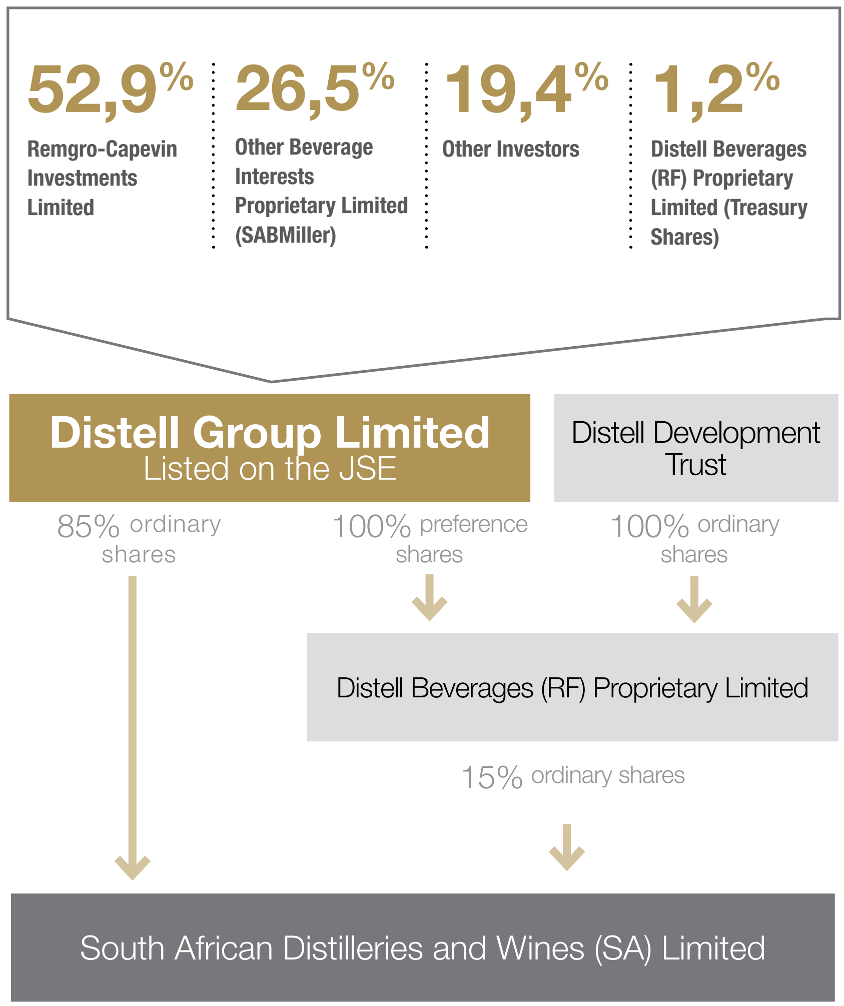
Stellenbosch
19 August 2015

Area of work	Salient points
Environmental impact	The SEC was pleased to note that Distell continued to reduce its usage of water, electricity and fossil fuel. Distell has exceeded 2018 targets for water and fossil fuel usage reduction and this has necessitated that the company resets its 2020 usage targets. The SEC also requested that Distell track its environmental performance against that of its competitors.
Product quality and consumer protection	At the end of May 2015, Distell engaged in a voluntary product recall that affected several of its brands and markets in different parts of the world due to very small glass particles being detected in some of its bottled wine products during quality assurance tests carried out by its agent in Japan. Expert medical opinion confirmed that there was no risk of any adverse consequences associated with the ingestion of such small fragments of glass. This voluntary product recall process had not yet been closed at the time that this integrated report was going to press and management has kept the board fully informed. Management has assured the SEC that product quality and customer safety are integral to Distell and that processes are in place to prevent such incidences from recurring.
Ethics and anti-corruption	The SEC noted with approval the awareness programmes that had been run and also that around a quarter of Distell's staff had received anti-bribery and anti-corruption training. The roll-out of the training to the rest of the Distell employees is continuing and the target is that all employees will receive this training. An awareness campaign of the Distell ethics line was done and this has resulted in an increased use of the ethics line.
Human rights	The SEC noted that Distell had been implicated in one reported human rights-related complaint during the period under review. The complaint was made by a blind patron, who alleged unfair discrimination against disabled people at Durbanville Hills. It had been lodged with the South African Human Rights Commission, which was still investigating. After careful internal investigation, Durbanville Hills and Distell were satisfied that the company's policy did not discriminate unfairly against disabled people and that its policy had been communicated clearly to the complainant. The SEC was also informed of subsequent steps taken with the help of the Institute for the Blind to sensitise staff members so as to prevent the occurrence of such an incident in the future. The SEC noted also that a human rights audit had not been carried out yet among any of the major suppliers in Distell's Operations supply chain.
Social investment and responsible drinking	The SEC was informed that global and South African regulatory measures for curbing alcohol abuse were focused on the following: advertising; access to alcohol; pricing; legal drinking age; drinking and driving; and public awareness and behaviour change. The SEC noted that Distell's social investments aimed at preventing or minimising alcohol abuse, particularly projects relating to youth and pregnant women, were becoming well established and were achieving some positive results.
Transformation	Having flagged transformation as an area of concern in the previous year's SEC report, the SEC noted with approval the several transformation initiatives that Distell had implemented, including: • The establishment of the Distell Transformation Council. • The development of an integrated transformation strategy, which included, among other things, a careful analysis of and preparation for the more stringent B-BBEE Revised Codes of Good Practice that came into effect on 1 May 2015. • The achievement of a level 4 B-BBEE contributor status for the 2013-14 financial year • Clear employment equity directives from the human resources director to managers.
Employee relations, fair employment practices and educational assistance for employees	The SEC is satisfied that Distell has not been implicated in unfair labour practices during the period under review. The SEC was pleased to note Distell's investment in numerous employee assistance programmes, particularly the middle management and senior leadership development programmes, as well as the mentor-protégé initiative, the bursary scheme, internships and learnerships. These investments affirm the value Distell places on its employees.

Supplementary information

Group structure

"While the majority of our operations are located in South Africa, we are continuously expanding our global footprint."



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 an expanding network of operations in the rest of 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 United Kingdom, USA, Brazil, Taiwan and Singapore. These provide support and direction to a network of agents in more than 80 countries. We further own production facilities in France, Scotland and Ghana.

In Tanzania, Zimbabwe, Kenya and Mauritius, we have interests in associated companies responsible for manufacturing and distribution, while in Namibia, Botswana, Swaziland and China we have wholly-owned distribution subsidiaries.

We operate 17 trading depots in South Africa with a further four in Namibia. We have 27 TradeXpress wholesale distribution outlets in South Africa and one in Swaziland. 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) (95%)
- 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%)
- KWA Holdings E.A. Limited (Kenya) (26%)

Manufacturers of branded alcoholic beverages (joint ventures)

- LUSAN Holdings Proprietary Limited (50%)

Accreditation and certification

As at 30 June 2015

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. The maroela production facility in Phalaborwa was also certified this year. Distell's Namibian facilities in Windhoek, Walvis Bay, Oshakati and Keetmanshoop are also ISO 9001:2008 certified. Our ISO 9001:2008 certification also includes corporate functions, namely: quality management, innovation, group purchasing, logistics, technical services, export logistics, 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, Worcester and Wellington are all ISO 14001: 2004 certified. The ISO 14001: 2004 system has been fully implemented at Goudini distillery. In the new financial year we plan to externally certify Goudini, and continue with the implementation of the standard at J.C. Le Roux, 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, Uitkyk and Alto are also certified while Le Bonheur is in the process of implementing WIETA standards and aim to be fully certified in last quarter of 2015.

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.

Dates of importance to shareholders

Annual general meeting	October 2015
Financial report	
Interim report	February 2016
Preliminary announcement of annual results	August 2016
Annual financial statements	September 2016
Ordinary dividends	
Interim dividends	
– declaration	February 2016
– payable	March 2016
Final dividends	
– declaration	August 2016
– payable	September 2016

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 26.1, 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 26.1, 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 the remeasurement of contingent consideration, 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.

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
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Transfer secretaries
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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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