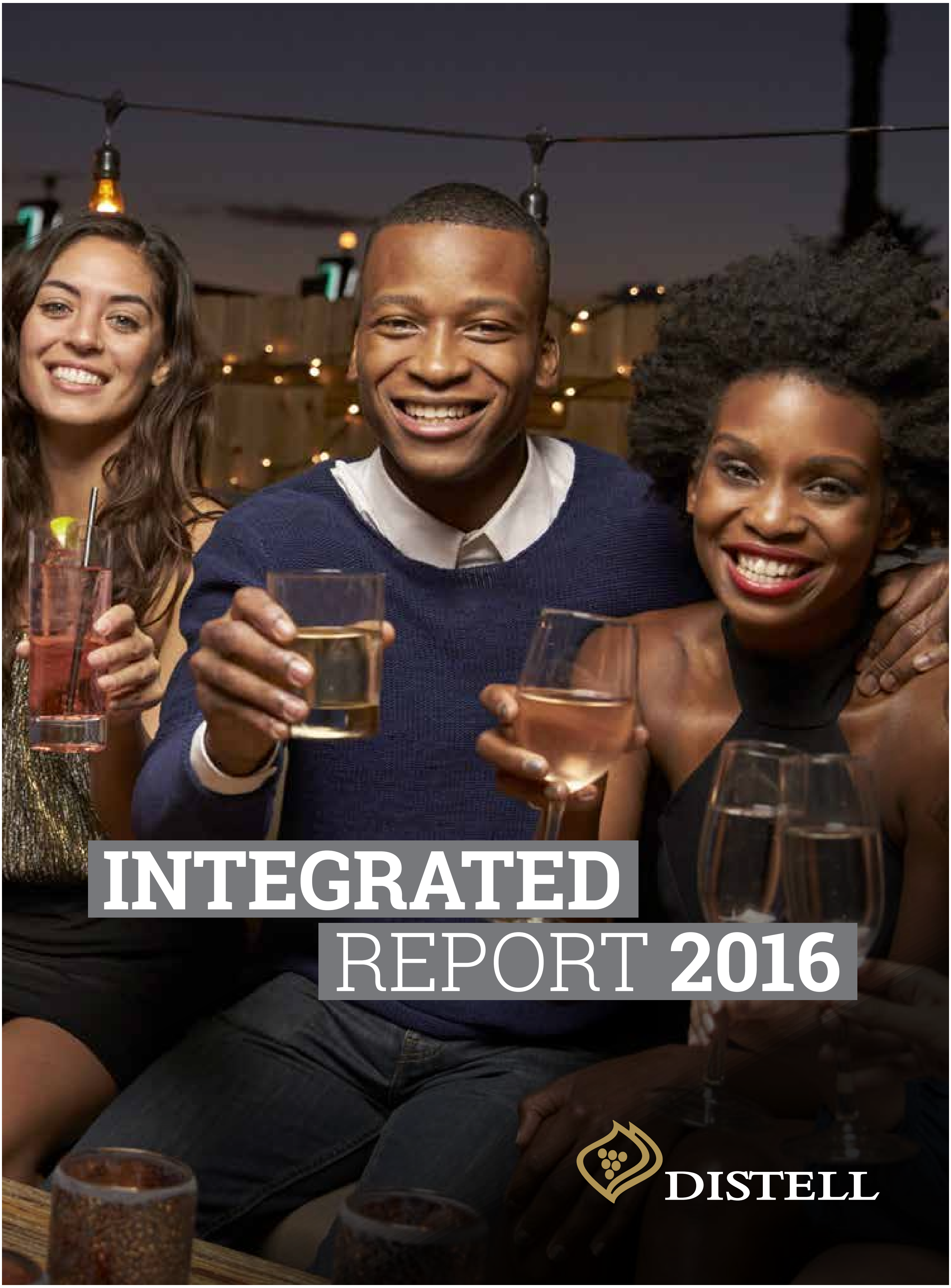


INTEGRATED REPORT 2016

DISTELL

Strong top-line **Group** revenue growth translated into double digit profit growth

Volumes +2,8%

Revenue +9,6%

South Africa:
Exceptional performance with volume growth across all categories

Volume +8,8%

Revenue +12,1%

Africa:
Good growth in focus markets negated by Angola downturn

Volume -14,3%

Revenue -3,2%

HIGHLIGHTS

International:
Exchange rate benefits compensated for tough economic and trading conditions

Volume -12,5%

Revenue +13,1%

Solid
EBITDA growth
allows us to invest in strategic capital projects

Normalised EBITDA growth
+12,8%

We continue to invest ahead of revenue growth in building and expanding our core **market-facing** activities and **route-to-market (RTM)** structures in selected markets

Normalised operating profit growth
+13,7%

Normalised headline earnings growth
+11,6%

Supply chain efficiencies
allowed us to invest in strategic initiatives

Gross margin improved to 35,9%

We continue to
reward our shareholders
Total return to shareholders of 20,2% per year over seven years

Annual dividend per share up 9,5%

CONTENTS

APPROACH TO INTEGRATED REPORTING

OUR INTEGRATED REPORT FOR THE YEAR ENDED 30 JUNE 2016 AIMS TO PROVIDE A BALANCED VIEW OF HOW WE CREATE AND SUSTAIN VALUE FOR SHAREHOLDERS AND OTHER STAKEHOLDERS IN THE SHORT, MEDIUM AND LONG TERM.

Further information

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

E-mail: info@distell.co.za
Tel: +27 021 809 7000

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

Introduction

Our integrated report for the year ended 30 June 2016 aims to provide a balanced view of how we create and sustain value for shareholders and other stakeholders 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;
- finance and operational performance; and
- governance and remuneration practices.

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

While Distell 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 (please 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 2016.

The Distell Group is Africa's leading producer and marketer of spirits, fine wines, ciders and ready-to-drinks (RTDs). While the majority of our products are produced in 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 (71,6%) 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.

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

Independent assurance

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

Approval of the integrated report

The board of directors has reviewed the report and collectively believes 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 2016 integrated report for release to shareholders on 31 August 2016.

DM Nurek	**RM Rushton**
Chairman	Group Managing Director

Stellenbosch
31 August 2016

CREATING AND SHARING VALUE

OUR BUSINESS PHILOSOPHY

Who we are

The Distell Group is South Africa and Africa's leading producer and marketer of wines, spirits, ciders and other ready-to-drink (RTD) 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 on all continents.

We employ approximately 5 500 people and have an annual turnover of R21,5 billion.

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

Many of our brands are household names to consumers in Africa and select international markets. They include Amarula, Hunter's, J.C. Le Roux, Klipdrift, Nederburg, Richelieu, Savanna, Viceroy and Zonnebloem, among others. 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 and have recently launched Savanna in China. Our cider brands, Hunter's and Savanna, are now readily available in many parts of Africa and we remain 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 (BSD), 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 ciders, wines and spirits.

Our key strengths

- Differentiated brand and product portfolio straddling all key consumption 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 RTM 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.

CAPITALS OF VALUE CREATION

THE PRIMARY PURPOSE OF AN INTEGRATED REPORT IS TO CLARIFY FOR FINANCIAL CAPITAL PROVIDERS HOW THE ORGANISATION UNDER REVIEW CREATES VALUE OVER TIME.

Financial capital

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

- Group finance director's report (page 42)
- Seven-year performance review (page 22)
- Group annual financial statements (page 48)
- Corporate strategic risks (page 16)

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 and societal 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 42)
- Corporate strategic risks (page 16)
- Sustainability report (page 124)

Intellectual capital

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

- Creating and sharing value (page 24)
- Our brands (page 12)
- Group strategy (page 10)
- Corporate strategic risks (page 16)
- Regional performance report (page 34)

DISTELL

Distiller of the Year Award – 2015 IWSC

AWARD

Human capital

This refers to our people and how we recruit, select, manage, develop and retain Brandcrafters and their talents and forge career opportunities for them. 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 (page 138)
- Remuneration report (page 150)
- Social and ethics committee report (page 154)
- Corporate strategic risks (page 16)
- Sustainability report (page 124)

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 143)
- Corporate strategic risks (page 16)
- Sustainability report (page 124)

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 16)
- Sustainability report (page 124)

THE DISTELL GROUP'S 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.

GROUP STRATEGY

THE SIX CORE STRATEGIC THEMES BELOW CONTAIN THE KEY 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

1 Lead selected markets

We will establish and grow a portfolio of alcoholic beverage businesses that are regional leaders in selected emerging markets.

We will grow strong, dominant brands that win across consumer segments and occasions.

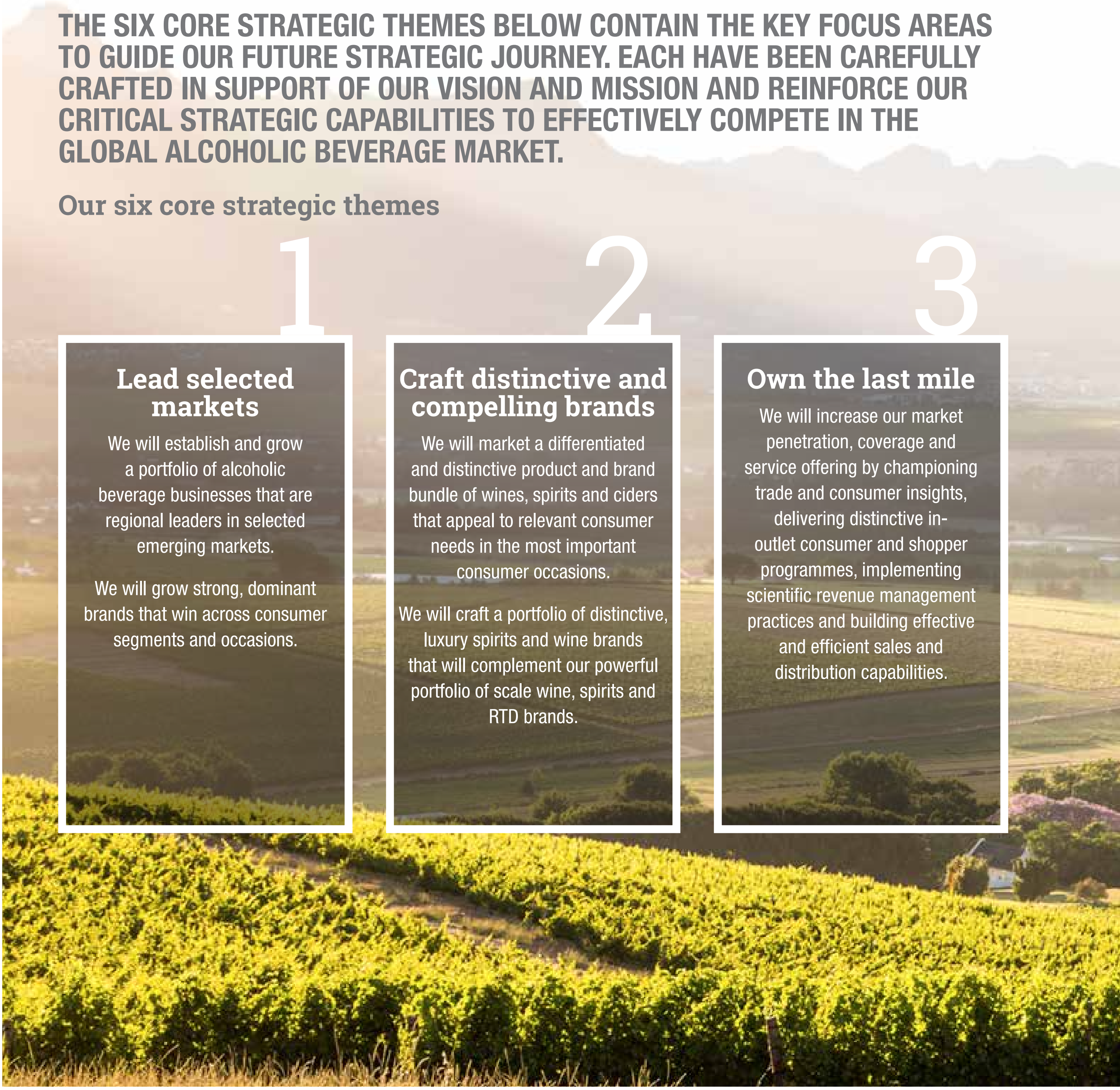
2 Craft distinctive and compelling brands

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, luxury spirits and wine brands that will complement our powerful portfolio of scale wine, spirits and RTD brands.

3 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.



4

Scale up excellence

We will drive an efficient, end-to-end supply chain supported by innovation and world-class operating practices.

5

Shape the future

We will develop industry foresight, business insights and accelerate the pace with which we translate these into action.

We will invest wisely in our talented, diverse people, ensuring an inclusive, well-aligned Distell Group.

6

Care and contribute

We will continue to 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.

OUR BRANDS

SALES VOLUMES FOR THE YEAR INCREASED BY 2,8%, WHILE SALES VALUE ROSE BY 9,6%, THANKS TO ONGOING INVESTMENT IN BRAND HEALTH, CREATIVE THINKING, INNOVATION AND DISCIPLINED REVENUE MANAGEMENT.

Healthy, vibrant, differentiated brands

Our comprehensive portfolio of wines, spirits, ciders and RTDs caters to a rich diversity of consumers and occasions. To optimise our marketing, sales and distribution effectiveness, we have organised our brand universe into two distinct components, each driven by its own set of imperatives. Our *power* brands focus on volume, scale, affordability and reach, while our *luxury* brands highlight provenance, craft and heritage. Common to both power and luxury groups, is a reputation for quality with assured product excellence, consistency and value, underpinned by effective and efficient service levels.

Detailed customer and consumer insights, achieved through sophisticated market intelligence and analysis, have allowed us to tailor and target our individual brand communications to anticipate and best meet the needs of the trade and consumers. Every brand has its own clearly crafted positioning and is designed to deliver a memorable experience.

Brands are continually appraised for their ability to resonate with targeted consumers and, where necessary, positioning and packaging are refined, refreshed and updated. During the review period, several brands were repositioned with new communications and packaging, and the results have been very encouraging.

TOP 15 BRANDS

Generate 71% of total revenue

Top 13 growing at 10%

Ciders and RTDs

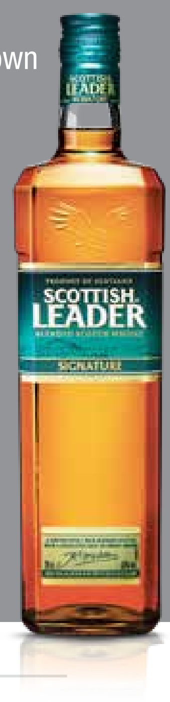
Hunter's
Savanna

Wines

4th Street
Nederburg
Drostdy-Hof
Autumn Harvest Crackling
Original Paarl Perlé
J.C. Le Roux
Sedgwick's Old Brown
Two Oceans

Spirits

Amarula
Scottish Leader
Klipdrift
Richelieu
Viceroy



POWER BRANDS

Our *power* brands delivered 4% volume growth achieved across all three segments: ciders and RTDs, wines and spirits, with revenue rising by 10%.

Hunter's is the world's second-biggest cider brand and despite its dominance in the domestic, as well as several other African markets, has continued to grow from an already well-established base. Growing ahead of the annual rate of increase for ciders globally, it has shown a clear ability to retain relevance, recruiting new support and expanding consumption occasions. Its success is backed by innovative communications, activations and a clear drive to raise visibility in the cold space environment both on- and off-consumption. Savanna has been showing encouraging growth since its unveiling of a new brand positioning in South Africa. After almost 20 years, in order to expand its appeal, its payoff line was changed from 'It's dry. But you can drink it' to 'Savanna's got apples. Have you?' It's new tequila-flavoured Loco that has given South Africa its first spirit-flavoured mix in the cider category, is also extending drinking occasions for the brand.

4th Street has continued its spectacular momentum to more than double revenue on last year, and is now the biggest wine brand in South Africa. Not only has it been driving much of the growth taking place within South Africa's wine industry, but its successful performance in a range of other African markets points to the extent of its broad appeal and therefore potential.

Other brands to demonstrate Distell's strength within the affordable, scale wine segment are Drostdy-Hof, with its recently refreshed positioning and packaging for improved shelf standout, as well as Sedgwick's Old Brown, Original Paarl Perlé and Two Oceans.

Power brand spirits' growth has been fuelled by the recent turnaround in brandy, our offering of accessibly priced Scotch whiskies and gin. Amarula is garnering positive attention with its recent repositioning and new communication launched in southern Africa and global travel retail, and that is scheduled for release in key duty paid markets within the next few months. Feedback from trade and consumers is that the new bottle shape inspired by the silhouette of an African elephant adds considerable stature to the brand while underscoring its African provenance.

OUR BRANDS

LUXURY BRANDS

Our *luxury* brands achieved growth in both wines and spirits, with value up 20%.

Increases were driven mainly by the premium whiskies in the Scottish Leader range, notably in southern Africa and Asia Pacific; by Bisquit, that is growing ahead of the global cognac sector and that delivered an exceptional performance in South Africa; by specialty single malts producer, Bunnahabhain, that was recently ranked Distillery of the Year at the San Francisco World Spirits Competition; and by Bain's Cape Mountain Whisky.
Our locally produced whisky continues to earn international acclaim, most recently winning the International Spirits Competition's (ISC) Whiskies of the World trophy for 2016.

Although the momentum achieved with power wine brands has not been matched by our premium and super-premium offerings, we are starting to see the benefits of a project designed to build our credentials within the luxury sphere. We have already achieved a 10% growth amongst our ultra-premium brands. Also very encouraging has been the inclusion of the highly awarded Nederburg on the prestigious *Drinks International* World's Most Admired Wine Brands for 2016. The list was compiled by 200 international wine professionals, including over 30 Masters of Wine. This achievement puts Nederburg in the company of several very famous wine names. According to the organisers, to make it into the international line-up of the top 50 wine brands, demands consistent or improving quality; a reflection of region or country of origin; a responsiveness to the needs and tastes of target audiences; excellent marketing and packaging; and a strong appeal to a wide demographic. The selection panel also highlighted the brand's innovative new communications and refreshed packaging.

Brand renovations and innovations

Hunter's: new communications campaign, new payoff line: 'Bring the Heat', updated packaging, new brand ambassador and launch of Extreme Bold in 250 ml and 440 ml sizes

Savanna: new payoff line: 'Savanna's got apples. Have you?', launch of Savanna Loco, South Africa's first spirit-flavoured cider mix

4th Street: launch of single serve size

Drostdy-Hof: new payoff line: 'Live in the now' and upgraded packaging

Two Oceans: label upgrade for white wines in the range and addition of 3-litre bag-in-box

Nederburg: new communications campaign, new payoff line: 'There's always a story in Nederburg' and updated packaging

Durbanville Hills: new range developed for Terlato Family Wines, brand distributor in US

J.C. Le Roux: updated packaging and streamlining of range with Sélection Vivante tier

Amarula: updated packaging with new bottle shape

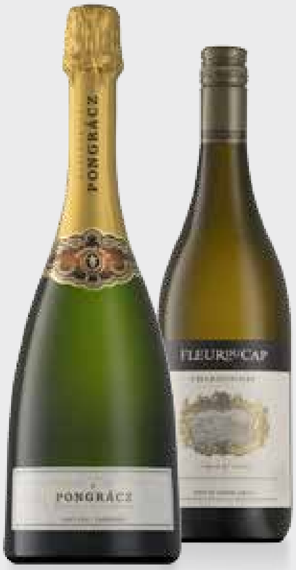
Bain's Cape Mountain whisky: updated packaging.

OVERVIEW BY **PRODUCT CATEGORY**

CIDERS & RTDs

Ciders and RTDs

Ciders continue to dominate the category buoyed by dynamic, compelling communication and product and packaging innovation. The category achieved revenue growth of 8%.



Wines

Revenue from wine increased by 11%, with gains achieved in all price categories and in key markets. Significant players in the portfolio were 4th Street, Nederburg and Drostdy-Hof. In South Africa, Durbanville Hills put in an excellent performance, growing revenue by double digits.

WINES

SPIRITS

Spirits

Spirits delivered 12% revenue growth, with brandy, liqueurs and white spirits contributing to the result, along with excellent sales from Scottish Leader in the key markets of South Africa and Taiwan, and those of our single malts offered in the US.

CORPORATE **STRATEGIC RISKS**

Corporate strategic risks

Within the context of the Group's strategy, business plans and business philosophy, management has identified material issues and risks which it believes could impact the Group'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. While looking to further diversify our business interests across several markets, we recognise the need to manage our exposure to geo-political risk, and to economic volatility in key geographies. (E.g. foreign currency risk, social instability, political risk, energy risks, increased crime, etc.)	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 the Group's geographic footprint will hamper the company's ability to mitigate the risks associated with industry consolidation and geographic and economic risks.
Business transformation	Distell needs to enhance critical strategic capabilities to effectively support and execute its business strategy. These include: • appropriate marketing management structures • building our luxury capability in select markets • integrating our portfolio of wine properties • an enterprise-wide focus on innovation • an integrated end-to-end supply chain division • a strategically aligned human resources function.	Ineffective change management and implementation to sustainably entrench our new organisational structure, management roles, routines and accountability to drive the successful execution of the Group'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	**Talent management and resource planning**	Social and relationship capital; Human capital
7	**Systems security**	Intellectual capital
8	**Rapid changes in consumer consumption trends**	Intellectual capital
9	**Integration of acquisitions**	Intellectual capital; Financial capital
10	**Product safety**	Intellectual capital; Financial capital
11	**Non-compliance with laws and regulations**	Human 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 the Group's ability to achieve its full revenue and earnings growth potential. An over-reliance on specific emerging markets could unduly expose Distell 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 the Group's business operations to ensure optimal 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 actively driving the change management process.

CORPORATE
STRATEGIC RISKS

	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's (WHO) focus on reducing the health burden on non-communicable diseases, including alcohol consumption as a key risk factor. Further regulatory policy interventions are under consideration, such as: • banning or restrictions on alcohol advertising • raising the legal drinking age • restrictions on availability, including outlet locations and trading hours • zero-tolerance approach to drinking and driving.	Growing anti-alcohol lobby that erodes the industry reputation to promote responsible alcohol consumption Exclusion of alcoholic beverage industry participants from alcohol policy formulation and development Unreasonably onerous legislative interventions Steep increases in taxation and excise duty, making products unaffordable and stimulating 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.	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 Unavailability of malt supplies for whisky production Scarcity of water supply Erratic electricity supply Key supplier dependency places the Group at risk if the local supply base is eroded or unable to meet demand.
Illicit trade in alcoholic beverages	Globally illicit trade in alcoholic beverages, including the trade in counterfeit products and cross-border smuggling, remains a key business challenge. This trend is exacerbated by rising excise duties in select geographies.	Expanded illicit trading, with cheaper products, including counterfeit merchandise, takes share from legal products Failure to effectively protect intellectual property rights.
Talent management and resource planning	The successful implementation of Distell's corporate strategy is dependent on having a deep pool of talent to draw from as well as management capacity for execution. It is therefore essential that we drive a best practice talent and performance management process.	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 Failure to embed good performance management practices in the Group.

POSSIBLE IMPACT	MITIGATION MEASURES
Restrictive alcohol policy measures not proven to effectively reduce alcohol harm, impede the commercial ability of the liquor industry to operate effectively and contribute to growth and job creation.	Compliance to alcohol legislation in key markets where we operate Close co-operation with industry bodies and constructive engagement with government and other external stakeholders on alcohol abuse and alcohol-related issues Establishing internal capabilities to efficiently manage licence to trade issues Pursuing a corporate social responsibility strategy, which includes initiatives that are proven to be effective and are aimed at reducing the harmful impact of alcohol abuse.
Limited raw material supplies will impact our ability to produce and supply our products to customers and consumers. Lack of availability will damage the reputation of Distell and our trademarks, and impose pressure on customer relations. Steep price increases in our key production inputs put the growth potential and profitability of our business at risk.	Global best practice procurement policies and procedures (supplier solvency monitoring, long-term contracts, supplier base diversification) Close collaboration with our suppliers to ensure the sustainability of the supply chain at cost-competitive levels Viticulturists assisting farmers to farm more effectively and efficiently to increase yield per hectare without any adverse impact on quality 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 brands are of poor quality or can cause harm.	Collaboration with local government authorities and industry bodies to quantify illicit trade for monitoring purposes and to assist in the effective enforcement of local legislation to thwart ongoing illicit trade Continuous innovation in tamper-proof packaging to eliminate counterfeiting.
Inability to successfully implement strategy and failure to deliver on the Group's strategic ambitions and financial goals Loss of high-potential talent and critical skills destabilises and impedes company operations.	Drive best practice performance and talent management processes to deliver deep talent pools and a high performance culture Acquire and develop specialist leaders and talent to sustain strategy execution, through our formal Talent Management Programme Invest in critical skills for both existing and emerging businesses Prioritise transformation to ensure that Distell has a diverse workforce reflecting the demographics of the countries where we operate.

CORPORATE
STRATEGIC RISKS

	CONTEXT	RISK
Systems Security	Speed and accuracy of information is essential for proactive strategic and operational decision-making. The stability, security and protection of IT systems are critical for business continuity and for the support of efficient management processes.	Disruption of information and communications technology (ICT) systems and the loss of valuable and sensitive company information Significant disruption of business operations, including limiting product supply to key customers and consumers 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 and the faster pace of Fast Moving Consumer Goods (FMCG) innovation. 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 due to lack of consumer insights Failure to proactively identify future growth opportunities that drive business services and product innovation.
Integration of acquisitions	The Group'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. Successful integration with specific strategies and business plans should ensure accretive economic value for the Group, while setting principles and parameters for future acquisitions.	Failure to develop and execute appropriate integration plans for new acquisitions to yield optimal return on investments, and being unable to achieve business improvements, synergies, revenue targets and cost-saving objectives.
Product Safety	The quality and safety of our products influence brand and corporate reputation.	Reputational damage, both in the market and with consumers.
Non-compliance with laws and regulations	Non-compliance with laws and regulations, including internal policies.	Non-compliance can do severe harm to our corporate reputation Inability to comply due to: • rapid changes in regulations • Distell employees transgressing laws wilfully or due to lack of knowledge of legislative requirements.

POSSIBLE IMPACT	MITIGATION MEASURES
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.	Ensure formal ICT governance processes and information security policies, ongoing enhancement of processes Embed ICT governance processes and ensure compliance with protection of information policies Implement disaster-recovery plans and regular system testing as well as back-up systems to use in case of system failure.
Loss of market share Missed market opportunities leading to lower revenue and profit 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 Reputational damage and unfavourable investor relations.	Embed the Group's culture, values, best practices, processes and systems in acquired businesses Monitor progress continually to successfully complete integrations through regular tracking of key performance indicators.
A product recall causes reputational damage, financial loss and loss of market share.	Supplier audits and agreements on specific standards with regular evaluation ISO accreditation Strengthening internal controls and policies, including regular self-audits Restricted access to production sites.
Non-compliance can result in significant penalties, both financial and otherwise.	Ensuring internal policies and procedures governing compliance to applicable laws and regulations, including Code of Conduct, anti-fraud and anti-corruption policy, anti-bribery policy, etc. Training and awareness programmes Monitoring and reporting on compliance Leadership leading by example.

SEVEN-YEAR PERFORMANCE REVIEW

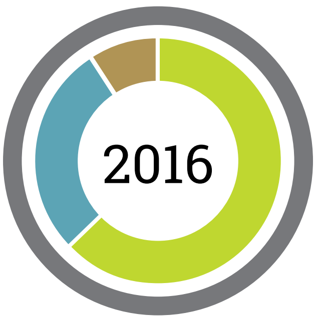
for the years ended 30 June

	Seven-year compound growth % p.a.	2016 IFRS	2015 IFRS	2014 IFRS	2013 IFRS	2012 IFRS	2011 IFRS	2010 IFRS
Statements of financial position (R'000)								
ASSETS								
Non-current assets								
Property, plant and equipment		**5 015 510**	4 351 965	3 882 077	3 388 950	2 647 304	2 349 699	2 157 912
Biological assets		**100 866**	105 914	104 559	101 287	122 638	131 827	138 915
Financial assets, investments in associates and joint ventures		**712 151**	685 021	517 677	466 497	199 296	166 505	133 159
Intangible assets		**2 004 191**	1 879 680	1 798 065	1 505 647	230 404	221 331	205 680
Retirement benefit assets		**343 420**	310 985	265 293	273 000	47 504	42 391	49 656
Deferred income tax assets		**136 031**	101 686	71 210	58 777	74 571	74 915	47 122
Total non-current assets		**8 312 169**	7 435 251	6 638 881	5 794 158	3 321 717	2 986 668	2 732 444
Current assets								
Inventories		**7 900 649**	7 509 937	6 872 615	6 259 836	4 489 281	3 961 917	3 818 661
Trade and other receivables		**2 659 749**	2 223 009	1 839 808	1 776 816	1 436 255	1 242 200	1 344 701
Current income tax assets		**36 922**	20 204	56 818	33 180	145 088	62 945	62 187
Cash and cash equivalents		**1 032 402**	619 367	451 611	355 575	462 429	229 850	243 038
Total current assets		**11 629 722**	10 372 517	9 220 852	8 425 407	6 533 053	5 496 912	5 468 587
Total assets	15,1	**19 941 891**	17 807 768	15 859 733	14 219 565	9 854 770	8 483 580	8 201 031
EQUITY AND LIABILITIES								
Total shareholders' equity		**10 672 259**	9 556 397	8 601 155	7 277 535	6 205 979	5 694 009	5 238 301
Non-current liabilities								
Interest-bearing borrowings		**1 200 000**	3 323 446	3 114 090	447 143	347 932	423 336	422 467
Retirement benefit obligations		**27 509**	24 243	25 176	22 604	80 954	73 790	21 099
Deferred income tax liabilities		**723 429**	627 983	584 221	479 226	231 067	234 732	230 380
Total non-current liabilities		**1 950 938**	3 975 672	3 723 487	948 973	659 953	731 858	673 946
Current liabilities								
Trade payables and provisions		**3 556 753**	3 348 783	2 770 339	3 202 359	2 803 208	2 042 347	1 932 591
Interest-bearing borrowings		**3 726 589**	870 378	761 761	2 786 771	180 501	865	336 657
Current income tax liabilities		**35 352**	56 538	2 991	3 927	5 129	14 501	19 536
Total current liabilities		**7 318 694**	4 275 699	3 535 091	5 993 057	2 988 838	2 057 713	2 288 784
Total equity and liabilities		**19 941 891**	17 807 768	15 859 733	14 219 565	9 854 770	8 483 580	8 201 031
Income statements (R'000)								
Revenue	10,2	**21 470 120**	19 588 970	17 739 609	15 725 608	14 176 047	12 327 786	11 808 884
Operating expenses		**(19 040 418)**	(17 454 599)	(15 744 401)	(13 972 438)	(12 762 506)	(10 889 439)	(10 413 146)
Trading income	8,1	**2 429 702**	2 134 371	1 995 208	1 753 170	1 413 541	1 438 347	1 395 738
Dividend income		**7 501**	6 698	6 150	6 279	7 645	5 180	1 493
Net financing costs		**(260 788)**	(236 470)	(217 627)	(239 727)	(31 905)	(42 584)	(68 652)
Share of equity-accounted earnings		**58 042**	89 401	86 266	65 169	37 160	37 950	32 412
Profit before exceptional items and taxation	6,7	**2 234 457**	1 994 000	1 869 997	1 584 891	1 426 441	1 438 893	1 360 991
Exceptional items		**(78 081)**	(5 315)	172 114	10 649	(1 216)	(1 756)	(2 821)
Profit before taxation		**2 156 376**	1 988 685	2 042 111	1 595 540	1 425 225	1 437 137	1 358 170
Taxation		**(624 485)**	(569 024)	(517 846)	(512 409)	(454 365)	(477 557)	(417 655)
Non-controlling interest		**95**	17 475	(961)	5 203	(1 790)	1 093	1 041
Net profit attributable to equity holders	7,0	**1 531 986**	1 437 136	1 523 304	1 088 334	969 070	960 673	941 556
Statements of cash flows (R'000)								
Cash generated from operations	13,4	**2 480 440**	2 111 938	1 559 892	1 022 676	1 728 426	1 771 957	1 555 285
Dividend income		**7 501**	6 698	6 150	6 279	7 645	5 180	1 493
Net financing costs		**(243 966)**	(197 078)	(232 395)	(185 501)	(31 644)	(42 868)	(70 764)
Taxation paid		**(617 203)**	(504 671)	(459 101)	(374 235)	(558 505)	(491 875)	(394 737)
Net cash generated from operating activities		**1 626 772**	1 416 887	874 546	469 219	1 145 922	1 242 394	1 091 277
Cash outflow from investment activities		**(1 091 425)**	(841 650)	(671 770)	(2 341 232)	(479 410)	(410 872)	(542 516)
Proceeds from ordinary shares issued		**8 361**	13 436	17 640	30 789	15 573	20 723	21 992
Non-controlling interest		**–**	–	(12 201)	12 982	–	–	–
Proceeds from interest-bearing borrowings		**69 259**	356 361	546 719	1 881 516	104 232	848	16
Dividends paid		**(773 507)**	(745 680)	(708 049)	(616 281)	(556 023)	(516 304)	(514 931)
Cash outflow from financing activities		**(695 887)**	(375 883)	(155 891)	1 309 006	(436 218)	(494 733)	(492 923)
Decrease in net cash, cash equivalents and bank overdrafts		**(160 540)**	199 354	46 885	(563 007)	230 294	336 789	55 838

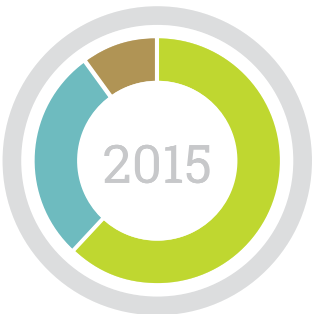
	Seven-year compound growth % p.a.	2016 IFRS	2015 IFRS	2014 IFRS	2013 IFRS	2012 IFRS	2011 IFRS	2010 IFRS
Performance per share (cents)								
Earnings								
attributable earnings basis	5,7	**699,4**	657,4	725,8	536,8	479,3	476,2	468,1
headline basis	6,4	**735,3**	656,2	721,3	531,7	479,7	476,8	469,1
cash equivalent basis	10,9	**1 159,0**	879,7	836,0	849,1	848,9	619,8	622,1
EBITDA basis	6,9	**1 273,2**	1 159,4	1 198,9	1 007,4	821,3	832,8	800,8
Dividends	5,8	**379,0**	346,0	337,0	335,0	295,0	256,0	256,0
Cash flow	14,7	**742,7**	648,1	416,7	231,4	566,8	615,8	542,5
Net asset value	10,5	**4 805,0**	4 309,8	3 884,3	3 579,7	3 059,6	2 813,3	2 596,1
Liquidity and solvency								
Financial gearing ratio		**0,36**	0,37	0,40	0,40	0,01	0,03	0,10
Total liabilities on total equity	Avg 0,7	**0,87**	0,86	0,84	0,95	0,59	0,49	0,57
Interest-free liabilities on total assets		**0,18**	0,19	0,18	0,23	0,29	0,25	0,24
Dividend cover (times)		**1,9**	1,9	2,1	1,6	1,6	1,9	1,8
Current ratio		**1,59**	2,43	2,61	1,41	2,19	2,67	2,39
Acid test ratio		**0,51**	0,67	0,66	0,36	0,68	0,75	0,72
Returns (%)								
Trading income on revenue		**11,3**	10,9	11,2	11,1	10,0	11,7	11,8
Pre-tax return on equity	Avg 23	**20,2**	20,8	23,7	21,9	23,0	25,2	25,9
Effective tax rate		**29,0**	28,6	25,4	32,1	31,9	33,2	30,8
Return on equity	Avg 16,2	**15,1**	15,0	17,6	14,8	15,6	16,9	18,0
Attributable earnings on total assets		**7,7**	8,1	9,6	7,7	9,8	11,3	11,5
Attributable earnings on revenue		**7,1**	7,3	8,6	6,9	6,8	7,8	8,0
Dividend yield		**2,3**	2,4	2,5	3,1	4,1	3,6	4,0
Productivity								
Cash value added (R million)	12,9	**9 501,6**	8 187,3	6 759,4	6 025,5	5 940,9	5 329,3	4 877,8
Net asset turn (times)		**2,0**	2,0	2,1	2,2	2,3	2,2	2,3
Net assets per employee (R'000)	10,3	**2 133,2**	1 866,1	1 741,5	1 466,7	1 315,1	1 214,3	1 144,2
Revenue per employee (R'000)	8,5	**4 291,4**	3 825,2	3 591,7	3 169,2	3 004,0	2 629,1	2 579,5
Number of permanent employees (excluding JV's)		**5 003**	5 121	4 939	4 962	4 719	4 689	4 578
JSE								
Price per share (cents)								
highest during the year		**18 300**	18 521	16 600	13 226	9 001	8 100	7 000
lowest during the year		**14 181**	12 306	11 500	8 699	5 699	6 510	5 500
closing at year-end		**16 180**	16 697	14 000	12 194	9 001	7 150	6 550
weighted average		**16 208**	14 428	13 281	10 736	7 214	7 036	6 394
Price-earnings ratio		**22,0**	25,4	19,4	22,9	18,9	15,0	14,0
JSE Actuaries' price index at year-end (2009: 100 cents)								
Distell Group Limited		**294**	304	255	222	164	130	119
Closing price/net asset value per share		**3,4**	3,9	3,6	3,4	2,9	2,5	2,5
Weighted average number of shares in issue ('000)		**219 038**	218 621	209 881	202 752	202 185	201 742	201 143
Number of shares traded ('000)		**18 529**	19 672	25 768	6 988	5 771	5 454	6 791
Shares traded/shares in issue (%)		**8,3**	8,9	11,6	3,4	2,9	2,7	3,4
Value of shares traded (R'000)		**3 003 294**	2 838 368	3 422 312	721 825	416 339	383 721	434 248
Number of transactions		**44 460**	57 346	18 581	8 332	3 112	2 701	3 814
Number of shareholders		**6 092**	6 514	6 081	5 118	4 364	4 398	4 278
Market capitalisation (R million)		**35 937**	37 023	31 001	24 790	18 257	14 471	13 216
Net asset value/market capitalisation		**0,30**	0,26	0,28	0,29	0,34	0,39	0,40

For definitions of financial abbreviations and a description of terms refer to page 162.

CREATING AND SHARING VALUE



2015		2016
62%	State	**63%**
28%	Employees	**28%**
10%	Other	**9%**



Cash value added statement

for the years ended 30 June

	GROUP	
	2016 R'000	2015 R'000
Cash generated		
Cash derived from sales	**21 033 380**	19 205 769
Net financing costs paid	**(243 966)**	(197 078)
Income from investments	**7 501**	6 698
Cash value generated	**20 796 915**	19 015 389
Cash payments to suppliers of materials and services	**(11 305 261)**	(10 828 055)
Cash value added/wealth created	**9 491 654**	8 187 334
Cash utilised to :		
Pay excise duty to the State	**4 785 528**	4 135 115
Pay tax on income to the State	**617 204**	504 671
Remunerate employees for their services	**2 462 152**	2 130 661
Provide shareholders with a return on the use of their risk capital	**773 507**	745 680
Cash disbursed among stakeholders	**8 638 391**	7 516 127
Net cash retained from operating activities	**853 263**	671 207
Reconciliation with cash generated		
Cash value added (above)	**9 491 654**	8 187 334
Less: Remuneration to employees for their services	**(2 462 152)**	(2 130 661)
Net financing costs paid	**243 966**	197 078
Payment of excise duty to the State	**(4 785 528)**	(4 135 115)
Cash generated from operating activities	**2 487 940**	2 118 636
State taxes		
Excise duty	**4 785 528**	4 135 115
Tax on income	**617 204**	504 671
Value added tax and alcohol levy	**1 007 026**	832 549
Employees' tax deducted from remuneration	**395 364**	297 117
Property taxes	**50 812**	47 499
Channelled through the Group	**6 855 934**	5 816 951

REVIEW AND BUSINESS OUTLOOK

CHAIRMAN'S REPORT

DM Nurek
CHAIRMAN

Revenue

+9,6%

Strong top-line Group revenue growth translated into double-digit profit growth

Amarula
Gold – 2015
International Wine & Spirit Competition

AWARD

Economic and trading conditions

The ongoing moderation in global economic activity during the period under review constrained consumer spending, making for a tough trading environment. However, for sound businesses willing to take a longer-term view, it also created an opportunity to focus on investments.

Over the past year, the South African rand depreciated substantially against the basket of currencies in which the Distell Group trades. Although this has benefited our export performance, it did have implications for some of our production inputs that are import-dependent. Our focus now is on managing the demands continuously imposed by the volatility of currencies.

The Distell Group's financial performance

Distell's strategic ambition remains centred on enhancing shareholder value and on unlocking wealth for our key business stakeholders through sustained growth in revenue and profit, and the optimisation of asset efficiencies. To realise these goals, we continue to enhance key capabilities in targeted areas across Distell's value chain.

Fully committed to our corporate strategy, we are geographically diversifying the Group's revenue and profit base beyond our home market in South Africa whilst aspiring to fortify our position in our domestic business to unlock maximum value.

We succeeded in delivering robust top-line growth despite very difficult domestic and international trading conditions. Group revenue increased by 9,6% to R21,5 billion. Strong top-line revenue growth translated into normalised EBITDA growth (earnings before interest, tax, depreciation and amortisation) of 12,8%. Normalised EBITDA excludes abnormal items set out on page 44. Reported EBITDA rose by 10,0% to R2,8 billion as we accelerated investment in capability-building initiatives to pursue our strategic aspirations.

Net operating assets increased by 11,0% to reach R14,1 billion. Investments in fixed assets and inventory rose by 15,2% and 5,2% respectively. The Group remains in a strong financial position to pursue its strategic ambitions with a debt-to-debt plus equity ratio of 26,7%.

The regulatory environment

Addressing the harmful consumption of alcohol remains a major policy priority in many of the countries where Distell trades. Reviews of alcohol policies have been initiated by authorities in some of our key markets, including South Africa, Kenya, Ghana, Namibia, Mozambique, and the European Union. The African Union has also finalised its health strategy for 2016 to 2030, which aims to reduce the burden of non-communicable diseases arising from substance abuse, including the misuse of alcohol.

Alcohol policy covers a broad spectrum of measures targeted to address alcohol harm. These typically include alcohol taxes; marketing of alcoholic beverages; drinking and driving; legal drinking age; packaging; health warnings on products and in media communication; licensing conditions; and measures to lessen the availability of alcohol such as reduced trading hours and zoning regulations.

In South Africa, the active participation of local industry is key to shaping alcohol policy so that proposed policy interventions are not only informed by best practice research, but are also subjected to rigorous impact studies in order to promote positive outcomes and to understand the nature and extent of their socio-economic impact. Industry believes it can contribute very meaningfully to the success of well-designed and enforced regulatory measures.

It is for this reason that the Group collaborates closely with civil society, industry bodies, and government at a national, provincial and local level in South Africa and some of our key priority countries. We seek to provide policies that advocate harmful alcohol reduction measures that can effectively address the root causes of alcohol abuse.

We are represented on several industry associations in our priority markets that work to support programmes aimed at reducing the harmful use of alcohol. We have also made it our company priority to concentrate specifically on interventions aimed at the prevention of fetal alcohol spectrum disorder (FASD) and at educating youth to make prudent lifestyle choices through our corporate social investment activities.

Strategic review

We continue to pursue a growth path underpinned by six strategic themes (discussed on page 10) that guide the Group's investment and operational priorities. Integral to these themes that provide the framework for change across Distell's value chain, are people, our most treasured asset.

Our revised corporate strategy has required several change management initiatives dealt with in more detail in the Group Managing Director's Report.

Distell's board is closely involved in the company's progress and supports the continued execution of the Group's corporate strategy. We are confident the company has the required leadership, talent and foresight to translate strategy into superior business performance with a steadfast commitment to stakeholder wealth creation.

Corporate governance and sustainability

The Group is committed to conducting its business operations to the highest ethical standards. These are brought to life by our well and continually communicated business values and supported by strong corporate governance protocols. We have embedded a culture of good governance across the business that extends beyond compliance; and we ensure that our practices in this regard are informed by international best practice.

Sustainability remains a key strategic business priority for us. From an environmental perspective, Distell has done excellent work to assess key areas of the value chain impacted by climate change over the long term. Several initiatives have been successfully implemented to manage our carbon footprint responsibly.

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 Limited Listings Requirements and the King Report on Governance for South Africa (King III).

It is of the opinion that the requirements of the Companies Act and the JSE Listings Requirements have been met. In line with the overarching 'apply or explain' principle of King III, we have to the best of our knowledge voluntarily applied the principles of King III in all material respects. A schedule of how the Distell Group 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 143 to 149.

Board of directors

We extend our enormous gratitude to retiring member Dr E de la H Hertzog, who has most ably served on the non-executive board since the inception of Distell, sharing with us his wise counsel and erudition. We are delighted to be augmenting the expertise and wisdom of our non-executive board with new, top-level, specialist skills and thinking, following the filling of several vacant positions. We welcome Kevin Hedderwick, Ethel Matenge-Sebesho and Prieur du Plessis. Mr Hedderwick, formerly group chief executive of Famous Brands, brings extensive experience in fast moving consumer goods and on-consumption markets. Ms Matenge-Sebesho contributes a wealth of banking, social enterprise and change management skills, while Dr Du Plessis brings substantial business and investment insights to the Distell board.

Acknowledgement

Pursuing a path of strategic change while delivering growth under challenging trading conditions has demanded courage, resilience, innovative thinking and resolute focus from all Distell Brandcrafters, and Distell's management team has very ably led the Group in managing the impact of the very challenging business environment. We recognise and appreciate the extent of everyone's determination, discipline and dedication in making this possible.
We extend our thanks to them all, along with our shareholders, partners, customers and suppliers for their ongoing support.

DM Nurek
Chairman

Stellenbosch
31 August 2016

GROUP MANAGING DIRECTOR'S REPORT

RM Rushton
GROUP MANAGING DIRECTOR

Normalised operating profit growth

+13,7%

We continue to invest ahead of revenue growth in building and expanding our core market-facing activities and RTM structures in selected markets

Klipdrift
World's Best Brandy – 2016 World Brandy Awards

AWARD

Introduction

Although Distell faces an increasingly competitive marketplace and a turbulent, rapidly changing external environment, we are confident that our corporate strategy is well positioned to respond effectively to these challenges and to yield sustainable future growth.

During the year under review, we continued to invest significantly in talent and infrastructure to best execute this strategy, in the process reassigning some leadership roles.

Buoyed by stepped-up investment and strengthened capabilities, we were able to successfully navigate the progressively demanding global macroeconomic environment and I am delighted to report that we achieved strong top-line growth in volume and revenue, which translated into solid double-digit profit growth, ahead of many of our global peers.

Our performance should be seen against the backdrop of moderated global economic growth, notably in China, Brazil, Russia and key African markets, which have been affected by the commodity slump. Lower commodity prices coupled with capital flows away from emerging markets also contributed to currency volatility in these economies. South Africa was beset with ongoing structural challenges, while business and consumer confidence reached an all-time low. In our key European markets, lower rates of economic growth were accompanied by increasing price competition to exacerbate already challenging trading conditions.

Despite these headwinds, we have continued to invest in our phased expansion on the African continent and in other targeted geographies around the world. We do so with the advantage of a strong, differentiated core brand portfolio aimed at multiple consumer occasions and price points, with sufficient depth to respond nimbly and appropriately to rapidly changing consumer trends.

Most of our efforts have been directed at the mainstream and affordable end of the alcoholic beverage spectrum in our core market and we are now increasingly expanding our focus to capitalise on the growing potential offered at the premium end of the market.

The proposed acquisition of SABMiller by AB Inbev

The global alcoholic beverages industry has witnessed further consolidation with the proposed acquisition of SABMiller by AB Inbev. The intended transaction has been subjected to review by various competition authorities around the world including South Africa. One of the conditions of the Competition Tribunal's ruling on the merger between AB Inbev and SABMiller in South Africa, has been the disposal of the latter's shareholding in Distell.

As SABMiller has no representation on the board of Distell and has never been involved in the management of the company, the disposal will not materially impact the direction of the company, nor how it operates. Nevertheless, we shall work closely with all parties involved to ensure the most appropriate outcome for all our shareholders.

Strategic themes

As part of our corporate strategy, we have identified a number of critical strategic capabilities to effectively compete against leading global alcoholic beverage companies. Highlights of our progress and changes implemented over the year are dealt with below.

Lead in selected markets

- The integration of our Bisquit and Burn Stewart businesses with the European arm of Distell International was completed on time and within budget. We expect that an integrated European business will unlock important synergies in the months and years ahead. Significantly, our European business delivered strong profit growth despite muted top-line growth. Our Burn Stewart business grew normalised EBITDA by 37,4% to end the financial year well ahead of our original acquisition business case.

- In the US, we have established a 50/50 joint venture with the Artisanal Spirits Division of the Terlato Wine Group, a leading player in America's wine market. The family-owned business represents over 70 wine brands from around the world, as well as an impressive portfolio of specialty spirits. It currently enjoys a 20% market share of wines retailing for $20 and above in the US. In terms of our agreement, we have merged our respective spirits businesses into a single entity, with a distribution agreement for our wines. This will add critical mass and complement the brands in the Terlato Artisanal portfolio. This joint venture represents an important step in strengthening Distell's US spirits interests and sets the stage for further development of this market.

- In China, we have concluded a joint venture agreement to launch Savanna and Bernini with China Haisheng Juice Holdings Company Limited, a long-standing partner and provider of our apple juice concentrate. In addition, the joint venture will build a portfolio of locally produced Chinese cider brands in the future. This is a very important step in building our long-term cider aspirations around the world.

Craft distinctive and compelling brands

- We have established a specialist luxury RTM capability in southern Africa as we continue to develop our luxury brand portfolio into a focused, compelling and competitive offering. These brands require differentiated consumer experiences for the right occasions and in outlets that are supported by a tailored RTM approach. We are fortunate to be able to draw on a substantial wine and spirits brand portfolio from which to build this new capability at Distell. We have therefore integrated our Cape Legends specialist wine sales force into the regional sales structures of our southern African business unit, allowing us to fully capitalise on this opportunity.

- We have successfully renovated a number of brands in the past year, including Hunter's and Savanna and we have also recently revitalised Amarula. Our wine portfolio has also been upgraded with renovations of Nederburg, Drostdy-Hof and Two Oceans. In our spirits portfolio, we have rejuvenated Three Ships and we have brought a number of new South African whisky innovations to the market to cement our credentials as a leading whisky player. Similar work has been undertaken for Deanston and Bunnahabhain from our Scotch whisky portfolio.

- We have complemented our marketing efforts with a specialist intrinsic development team made up of well-known deep subject matter experts with years of collective industry experience to build our brands. These teams are working closely with our self-standing innovations centre of excellence to bring new, relevant ideas to the market and to assist us in continuing to produce award-winning wine, spirits and ready-to-drink (RTD) offerings.

Own the last mile

- We have developed a best-in-class revenue management capability which combines brand, pack, customer and consumer insights with scientific price management tools in each class of trade to optimise the revenue and margin growth of our business. Our top-line growth and gross margin expansion in South Africa, despite the challenging economic conditions and higher-than-anticipated excise increases, reinforce the merits of building this capability.

- We have successfully expanded our national footprint in the South African market to reach still more customers as we continue to unlock the potential of our brand portfolio. Our mainstream outlet universe that receives a regular sales call has increased more than threefold in the past two years and we have also significantly expanded the key features of the sales force excellence programme to various key African markets.

- We have embarked on a trade marketing effectiveness (TME) project to ensure our promotional campaigns are on-time, fully integrated and that they effectively engage our consumers and key customers in South Africa.

Scale up excellence

- During 2015, we made sound progress in scoping out the work needed to optimise our supply chain network. We have now started implementing these changes, which is a complex process that will take several more years to fully implement. We have introduced a new, highly skilled leadership structure that integrates all elements of our end-to-end supply chain. We are also developing focused centres of excellence, consolidating our manufacturing operations into the supply chain structure and strengthening our quality functions. These initiatives, coupled with a programme of capacity building, are intended to establish a world-class supply chain capability.

Shape the future

- To optimally pursue our corporate strategy, we have streamlined our 20-member management board, replacing it with a 12-member executive committee. They all continue to play important leadership roles within Distell.

- We have also completed our first organisation-wide employee engagement survey so that we can use the insights to build agile, engaged and high-performance teams.

- We have also stepped up our investment in skills development and in driving transformation in our South African organisation.

- We have also invested more aggressively in our learnership and TOPP (training outside public practice) programmes to proactively respond to the pressing need to develop quality job opportunities in South Africa. All of the TOPP candidate recruits are from the historically disadvantaged communities.

- We have also been conducting values workshops with employees to ensure our value set remains relevant in a rapidly evolving company. Distell's mission, vision and values are included on pages 6 and 7.

- As our company grows and expands its footprint, it is essential that we integrate our information systems platforms. A three-year investment programme is now under way to ensure that we have access to real-time information that will enable faster decision-making at Distell.

Care and contribute

- When the Department of Trade and Industry (dti) revised the Codes of Good Practice for B-BBEE in October 2014, the impact on Distell, along with many other South African companies, was significant. We have developed an integrated transformation strategy to align our business priorities with the new guidelines. Our goal is to achieve and maintain a level 4 B-BBEE status by 2016; and significant progress has been made in this respect in all areas in the past year. Innovative new enterprise and supplier development programmes have been initiated. We have also embarked on a significant apple growing project that aims to bring small farmers into the formal economy through the supply of apple concentrate to Distell.

- As part of Distell's continuing collaboration with the government, the Distell Foundation is partnering with the Eastern Cape Liquor Board, Rhodes University and FASfacts to conduct research into the prevalence of fetal alcohol spectrum disorder (FASD) in a township of East London. The research will then inform interventions to mitigate and minimise the occurrence and impact of FASD in the area.

Business performance

Over the past year, Group revenue grew by 9,6% to R21,5 billion, while sales volume increased by 2,8%. Normalised EBITDA rose by an impressive 12,8% to R2,9 billion, despite investments in key strategic capabilities to position the company for long-term growth.

Once again, South Africa turned in a pleasing performance, achieving revenue growth of 12,1% to reach R15,4 billion, while volumes rose by 8,8%. What makes South Africa's performance more noteworthy is that it was achieved in a climate of very low consumer confidence, characterised by a slowdown in consumer spending on non-durable items. Growth was recorded in all segments, with wine the standout category. Encouragingly, brandy recorded annual volume growth of 5,6% and our premium spirits brands, led by Bisquit and Scottish Leader posted strong double-digit revenue growth. Cider and RTD volumes grew 6,6% in an increasingly competitive environment on the back of brand and pack innovation.

Reflecting the adverse trading conditions on the continent, revenues of our African operations (excluding South Africa) declined by 3,2%, with a 14,3% fall in volumes. Angola proved most vulnerable to the sharp decline in the oil price. Revenues derived from commodities account for more than 95% of its export receipts, impacting not only on the availability of foreign exchange but also the exchange rate and consumer demand. However, we recorded strong growth in Mozambique, Zambia and Kenya, with all delivering increased revenues. Nigeria, where we succeeded in strengthening our RTM, also grew revenue and we are now well placed to make further inroads in this important market over the medium term.

In our international markets, revenue grew by 13,1%, aided by the weaker rand. Volume growth remained elusive in Europe where our wines at the lower price segments were impacted by retailer destocking in the UK in particular. International volumes were also impacted by the sharp slowdown of the Brazilian economy. However, we are very gratified that our top 10 brands continued to perform well, building their global footprints in the key markets we have identified for future growth. Core brands such as Nederburg, Drostdy-Hof and Two Oceans all posted strong volume and revenue growth, while our Taiwanese business continued to grow volume, revenue and market share despite the tough trading conditions.

It is worth noting here that the headway we achieved occurred against a backdrop of declining global alcohol consumption. According to Euromonitor International, 2015 marked the first drop in global alcohol volumes in 14 years.

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

- The global cider category continued to outperform other subcategories of the RTD segment, including beer and spirit coolers. Hunter's mirrored this strong growth momentum, along with Savanna, while our wine-based RTD brand, Bernini, also produced good results.
- We demonstrated our world-class spirits quality credentials by winning the International Wine & Spirit Competition's (IWSC) title of Distiller of the Year for 2015, the second time we clinched the title. Our spirits brands performed well, especially when viewed against the muted gains achieved by the global spirits category. Stand out performances were achieved by Scottish Leader, Bisquit and Bunnahabhain.
- In South Africa, we saw a reversal in the long-term decline of brandy with the first signs of growth to emerge, thanks mainly to our focused investments in key brands that helped us to increase our share of the local spirits market. While whisky importers were negatively affected by the sharp depreciation of the rand, we were able to make notable market share gains with our locally produced whiskies, Bain's Cape Mountain Whisky and Three Ships.
- Our wine portfolio continued to deliver strong growth, led by South Africa, where 4th Street has been the star performer, in a clear demonstration of Distell's ability to expand the consumer footprint of wine through product innovation and by targeting new consumers in relevant consumption occasions.
- Our premium wine portfolio also made important gains in key wine markets at the same time as we earned a number of significant international accolades for excellence. In South Africa, Pongrácz, Durbanville Hills, Alto, and Allesverloren made very pleasing progress. In Europe, the premiumisation of Nederburg proved most successful.

To accommodate incremental marketing investment and organisation capability building, while at the same time protecting profit margins, it is important that we drive efficiencies and reduce our cost base.
This way, we can translate volume and revenue growth into stronger operating margin and improved cash flow. Our supply chain optimisation project is starting to produce good results and we have reduced bottled stock levels to bring about a significant saving in working capital. Our service levels to our customers also improved this year and further planned portfolio and asset optimisation initiatives will help to improve efficiencies and reduce costs in our supply chain.

Delivering value through the efficient use of our asset base remains a strategic priority. The investment in bulk spirits in maturation to support longer-term consumer demand, especially in whisky and cognac, combined with the conversion of offshore assets to local rand currency, have contributed to the increase in total assets and a slight deterioration in asset turn. This is an area that is receiving more attention as evidenced by the sale of non-essential spirits.

Van Ryn's
Best Worldwide Brandy Trophy – 2015 International Wine & Spirit Competition

AWARD

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 we face. Risk management is an integral component of the day-to-day running of our business and we fully recognise our responsibility to maximise opportunities and minimise any potential threats they may 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 143.)

The board of directors reviews these risks on an annual basis. The recent review reveals 11 key strategic business risks, pertaining to:

1) Industry consolidation and geographic risk
2) Business transformation
3) Regulatory change and industry responsiveness
4) Sustainable supply of raw materials
5) Illicit trade in alcoholic beverages
6) Talent management and resource planning
7) Systems security
8) Rapid changes in consumer consumption trends
9) Integration of acquisitions
10) Product safety
11) Non-compliance with laws and regulations

Please refer to our Corporate strategic risks on page 16.

Future prospects

The outlook for global economic growth remains uncertain, with China's slowdown, a lack of further monetary policy options to stimulate global economic growth, ongoing geopolitical tensions, and the UK's decision to leave the European Union all continuing to pose risks. In its World Economic Outlook Update published in July 2016, the International Monetary Fund (IMF) once again lowered its forecast for global GDP growth in 2016, this time from 3,2% to 3,1%.

In our priority emerging markets, economic growth is generally expected to improve in the medium term, with a steady recovery from the sharp fall in commodity prices. For **South Africa**, the IMF is projecting a growth rate of just 0,1% for this year. Key risks include insufficient structural reforms to lower unemployment, the possibility of lowering the sovereign credit rating to below investment grade and depressed consumer confidence levels. **Angola** will continue to feel the effects of the sharp reduction in the oil price and the associated foreign exchange shortages, with substantial risks to the economy's short-term outlook. The economic outlook for **East Africa** is notably better, supported by relatively more diverse economies and investment in infrastructure, which will benefit consumer income growth especially in **Tanzania** and **Kenya**. Finally, in **Mozambique**, the government's debt sustainability has come under pressure, which has placed associated pressures on the exchange rate. Nevertheless, we remain upbeat about the medium-term outlook for its economy, supported by infrastructure investments and the commercialisation of massive gas resources.

The economic performance of most of our key developed markets is expected to improve in 2017. The IMF anticipates that economic growth in the **US** will increase to 2,5% in 2017 from 2,2% in 2016. Meanwhile, with Brexit posing risks, economic expansion in the **UK** is expected to slow to 1,3% in 2017 from 1,7% in 2016. Economic growth in **Taiwan**, one of our key markets in Asia Pacific, is expected to improve significantly in 2017, as the effects of the declining demand from China start to taper off and private and government consumption increases.

In the short term, we do not expect economic conditions to improve markedly. We anticipate further trading down by consumers and intensifying competition in some of our key markets. However, despite the uncertainty of the global economic climate, we are confident 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 in a number of key markets including in the US, the European Union and potentially in Africa as regional economic co-operation gathers momentum through more trade agreements.

We will continue to capitalise on our strong, appealing and diverse portfolio of brands, using our expertise and local presence in key markets to grow and 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 in the communities where we operate. We adopt environmentally-friendly and sustainable business practices and champion responsible alcohol consumption. Our key areas of involvement include the following:

- Promoting responsible drinking
- Liaising with government in respect of excise duties and illicit trade
- Sustaining our communities
- Promoting transformation
- Building optimal employee relations and advancing their well-being

- Driving responsible supply chain management
- Preserving our environment.

In May 2015, South Africa's dti published the National Liquor Policy Review. Industry has continued to engage with the government in this regard. We are confident that the liquor policy to emerge after extensive consultation will offer sound guidelines for managing economic opportunities within the liquor industry, while at the same time addressing health and social issues.

The Distell Foundation has redirected its socio-economic investment strategy over the past year so it better aligns with South Africa's National Liquor Policy. This involves scaling down our key social initiatives, intended to advance socio-economic development and make meaningful contributions to the communities in which we operate, from 66 in 2015, to approximately 21 as from July 2016. Our key focus areas are alcohol harm reduction, youth and entrepreneurship development, and arts and culture. Education, life and technical skills, job creation, entrepreneurship and environmental awareness are the outcomes we pursue in implementing our holistic development strategy. Over the past year, we successfully broadened the scope of projects linked to the prevention of FASD. We are also in the process of assessing the impact of our flagship initiatives in terms of their social return on investment. The African continent remains pivotal to the Group's overall growth ambitions, and as our footprint continues to expand at a measured pace, we are continuously exploring ways to develop partnerships and create potential enterprise development opportunities within our portfolio of businesses.

Our ability to attract, develop, deploy and retain talent provides us with a major competitive advantage and it is vital that we build a diverse and sustainable talent pipeline that reflects global, regional and local business realities.

Our leadership and management ranks must also mirror the demographics of the countries where we operate. In a highly competitive world in which talent is increasingly scarce and mobile, we have to ensure that diversity is matched by competence and leadership effectiveness. We are meeting this challenge by developing Distell Brandcrafters with the necessary technical, management and leadership skills.

Transformation is a continuous journey integrated into all aspects of our business. It shapes our corporate culture, making it more accessible and welcoming, and also better able to attract and retain diverse talent. In South Africa, we are committed to improving our track record in this regard and to building a diverse, inclusive and representative workforce.

Distell is wholly dependent on the long-term health of the physical environment, from farm to consumer, and we are therefore fully committed to reducing our carbon footprint. By 2020, we aim to reduce our on-site fossil fuel-based energy usage and the amount of electricity used in our production processes by 20% per litre of packaged product. We further aim to reduce our water usage by 15% and our greenhouse gas emissions (GHG) emissions by 20% by 2020.

For further details, please refer to our sustainability report on page 124.

Acknowledgements

Once again, prevailing global economic pressures have made great demands on everyone at Distell. We have continued to execute key organisational change initiatives, prompted by our corporate strategy, all the while seeking higher standards and greater levels of innovation. Even with the difficulties posed by the tough economic conditions and the changes brought about by our revised organisational operating model, Brandcrafters have proved willing and able to rise to the challenges, exceeding our most ambitious expectations. It is this positive, energised approach that is driving our progress and growth as we meet the needs of a fast-changing and increasingly competitive global trading environment.

I am enormously proud of what has been achieved and extend my sincerest gratitude to our external board, the executive committee, directors, managers and staff for sharing in our corporate vision and for their passion and dedication in delivering a strong performance in an ever-changing world. I consider it a privilege to lead such a bold, enthusiastic and committed team.

RM Rushton
Group Managing Director

Stellenbosch
31 August 2016

Bunnahabhain
Distillery of the Year – 2016 San Francisco World Spirits Competition

AWARD

REGIONAL PERFORMANCE REPORT

Revenue

+12,1%

Exceptional performance with volume growth across all categories

Contribution to Group revenue

71,6%

South Africa

Our performance in the domestic market has shown the extent to which we have been able to meet and overcome considerable challenges, given a focused strategy, motivated people, strong brands and improved systems. We have made impressive gains with a notable improvement in market share in several categories, notwithstanding the slowdown in real consumer spending growth.

Political instability, policy uncertainty, and a lack of structural reforms have all contributed to record-low consumer and business confidence levels, with the Bureau for Economic Research (BER) projecting that the country's real consumer spending on non-durable goods (including alcoholic beverages) will slow from 2,2% in 2015 to just 0,6% in 2016 and 2017.

Nevertheless, we have remained resolute in seeking and capitalising on opportunities, tapping the depth of potential still very much evident in our diverse, versatile and well-balanced brand portfolio. We continue to invest in talent, the health of our brands and in structures and systems so we can execute to best effect and maintain our position despite the muted trading environment and the stepped-up competition.

We delivered sound growth across all categories, achieving a year-on-year volume increase of 8,8%, with revenue increasing by 12,1%. What makes this performance all the more noteworthy is that our overview of industry data indicates that South Africa's total liquor consumption for the period grew by 2%.

Through agile and well-targeted marketing, we have seen improved visibility, recognition, support and loyalty for our top 15 brands. Distell's value market share in total alcohol increased by 0,8% during the 12 months ending June 2016 (AC Nielsen). The advances we have made have come largely from our affordable power brands where the accent of our portfolio lies, with strong performances from cider, wine, brandy and gin. We have now established a dedicated project to achieve similar success with our luxury brands.

We continue to make excellent headway with our sales force effectiveness programme. We have reached our target of accessing 36 000 outlets, unlocking new job opportunities in the process. Up-skilling of sales staff remains ongoing. Their performance is closely monitored and employees are well-incentivised to maintain their momentum.

The sales force effectiveness programme, underpinned by portfolio optimisation and better market intelligence, has led to significantly enhanced market penetration, improved customer service levels and in-market execution. We have also put in place a highly focused cold space strategy to strengthen our share of cold beverages at point-of-sale and consumption points. At the same time, improved revenue management and raised value-chain efficiencies have allowed us to compete very effectively on targeted price points.

Ciders and RTDs

Our portfolio of RTDs and ciders saw volumes grow by 6,6%, a performance that reflects our capacity to still keep on realising the potential offered especially by the cider category, where we have strengthened our leadership position.

Front-rankers Hunter's and Savanna both delivered growth from an already very strong base, thanks to deeper market penetration and efforts to raise their presence and visibility amongst cold beverages in off- and on-consumption venues countrywide.

Hunter's remains the world's second biggest cider brand, despite rising competition within the category. It enjoys robust brand health and relevance, and continues to grow support with highly focused and targeted communications. Its recent multi-channel #BeTheChina drive to find a new brand ambassador elicited widespread interest, raising Hunter's profile in a cluttered market. The hunt for a new face has formed part of a wider through-the-line campaign entitled 'Bring the Heat' that highlights Hunter's refreshment credentials while urging South Africans to remain upbeat in their response to life's daily challenges.

The launch of Savanna's tequila-flavoured Loco has given South Africa its first spirit-flavoured mix in the cider category. The innovative variant has captured even stronger than anticipated market support and extended drinking occasions for the brand. The original offerings in the range, presented in a variety of sizes, also continue to increase sales, further boosting brand health.

Wines

Once again, wine has been Distell's strongest category performer, pointing to the encouraging progress we are making in our initiative to grow South Africa's wine category. Our success has been most marked in the mainstream segment, particularly as more urban women make sweeter reds and rosés their drink of choice. The wine portfolio delivered a 13,9% volume increase to significantly outperform the market. We are very proud of this achievement.

4th Street has had another meteoric year, with volumes and revenue rising sharply. What makes the brand so appealing is a mix of taste accessibility, affordable pricing and an ability to break through the barriers of intimidation traditionally associated with wine in South Africa.

Several other mainstream brands that have also contributed to sound revenue growth include Sedgwick's Old Brown that celebrates its 100th year in 2016, as well as Autumn Harvest Crackling, Paarl Perlé, Drostdy-Hof and Two Oceans, demonstrating Distell's dexterity in this segment of the market.

We also look forward to further mainstream wine growth when Drostdy-Hof and Two Oceans each introduce a refreshed new positioning to the local market later this year, underpinned by striking new packaging for stronger shelf stand-out.

Nederburg, that already enjoys a well-entrenched prize-winning pedigree, has introduced a premium new look, along with an innovative communication campaign that emphasises the sensory over the cerebral to ensure its relevance amongst a wider audience. The changes have met with a very positive reception from the trade and from premium consumers.

J.C. Le Roux remains the indisputable leader in the domestic sparkling wine category and brand health continues to strengthen. The brand team has been hard at work to revitalise and premiumise its positioning, with a fresh new communications campaign and packaging to amplify its credentials. The popular Le Domaine, La Chanson, La Fleurette and Sauvignon Blanc are now housed under the Sélection Vivante label, highlighted with a signature red ribbon.

Although the momentum achieved with our mainstream offerings has not been matched by our more premium, specialty offerings, we have made good headway with brands such as Pongrácz, Durbanville Hills, Alto and Allesverloren.

Spirits

Our spirits portfolio accomplished volume growth of 4,6%. After several difficult years, the brandy segment is now showing the first signs of growth, thanks to a well-tiered strategy with clearly differentiated roles for each of our brands. Strong performers were Viceroy, that has benefited from a new price tiering strategy, and Olof Bergh.

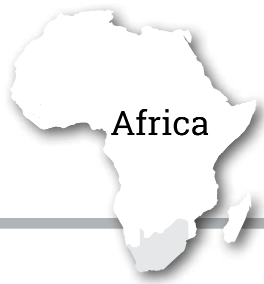
Prestige cognac brand, Bisquit, has had another exceptional year, delivering double-digit volume and value growth. Its cachet has been highlighted with several tactical local appearances by Denis Lahouratate, the distinguished French Maître de Chai for the House of Bisquit.

Blended Scotch whisky, Scottish Leader, has similarly produced double-digit volume and value increases. Very successful advertising and activations in key urban centres have helped to build a strong brand following. Meanwhile, the locally produced and much-awarded Bain's Cape Mountain Whisky has been able to capitalise on its unique provenance as well as its growing international credentials. After being ranked the world's best grain whisky at the World Whisky Awards in 2013, it won the International Spirits Competition's (ISC) Whiskies of the World trophy for 2016.

Our gin brands also performed well, while Amarula's domination of the cream liqueur category is testimony to its ongoing relevance and appeal for South Africans. A contemporary new communications campaign for the liqueur has been launched and an impressive new bottle shape, inspired by the silhouette of the majestic African elephant, is scheduled to be launched in the local market within the next few months. It has already been very favourably received in the travel retail market.

W Bührmann
MANAGING DIRECTOR: SOUTHERN AFRICA

REGIONAL PERFORMANCE REPORT



Revenue

-3,2%

Good growth in focus markets negated by Angola downturn

Contribution to Group revenue

13,3%

Rest of Africa

We remain committed to pursuing sustainable growth in Africa. However, given the present economic environment, we are approaching investment in a measured and circumspect manner to manage risk. For now, our priorities are to build and develop talent to support our aspirations, particularly to drive the sales force effectiveness model that has produced such outstanding results for us in South Africa; to optimise our RTM; and to focus on our mainstream wine, spirit and RTD/cider portfolio as we gear ourselves to achieve a position of leadership over the longer term. We are making good progress across all three fronts and our stepped-up investment is yielding very encouraging results in all our product categories in a range of markets.

Sub-Sahara's GDP growth of 3,3% in 2015, fell short of the expected 5,1% that had been anticipated earlier. Forecasts for economic growth this year have been revised downwards to 3,2% in a climate of subdued commodity demand, lower oil prices, foreign exchange shortages, currency devaluations, rising inflation, political uncertainty and security threats. Nevertheless, structural reform in many countries, ongoing investment in infrastructure and greater diversification all suggest that growth will accelerate over the medium term. The rapid pace of urbanisation could also fuel faster economic development, speeding up industrialisation and foreign direct investment.

The impact of highly adverse conditions in Angola, our most significant market on the continent, diluted strong performances elsewhere in Africa notably, those of Nigeria, Mozambique and Zambia. As a result, volumes across the region declined 14,3% while value declined 3,2%.

Angola has proven particularly vulnerable to the macroeconomic challenges confronting the continent. It was the only one of our key African markets not to produce revenue growth. Tough trading conditions linked to the commodity slump were further exacerbated by the impact of rampant inflation, poor forex liquidity and the inroads made by local producers who have been able to capitalise on the significant price advantage of their offerings.

To manage the situation, we are currently enhancing our RTM in Angola, switching from a single to a multi-customer model. We are also developing a range of alternative packaging options for several of our brands to accommodate the locally reduced disposable income and consumer spending.

Central Africa delivered robust volume and value growth and nearly all product categories benefited as the **Democratic Republic of the Congo (DRC)**, **Mauritius** and the **Seychelles** emerged as the star performers. Amarula put in an outstanding showing, along with Hunter's, Chamdor and Nederburg.

In **Nigeria**, our strong relationship with our distributors allowed us to defy difficult trading conditions and achieve double-digit revenue growth across almost all categories, albeit from a small base. Ciders, mainstream wines, notably Drostdy-Hof, as well as our specialty wines all benefited.

Economic growth in **Ghana** has been lower than anticipated. Targets for both oil and gold production have been revised downwards for this year, the currency has been significantly devalued and the impact on our portfolio of reduced disposable income, has been marked. To accommodate the changed trading landscape, we are continuing to import brands into the market while building on our sales capabilities and expanding our reach with a multi-customer model.

Although **Kenya's** performance was impeded by supply chain challenges at both KWA Holdings E.A. Limited (KHEAL), and Distell Winemasters, good revenue growth was achieved for a range of both mainstream and specialty wines, as well as Amarula. Since year-end, new leadership and organisational structures have been put in place. The team is implementing a new distribution strategy and also focusing on portfolio innovation and operational efficiencies to realise the significant potential that exists in the business.

Our performance across south-east Africa was extremely gratifying, with **Mozambique** and **Zambia** achieving double-digit revenue growth. Key contributors to these results were Hunter's, Amarula, 4th Street and other mainstream wines. In our view, while currency shortages and low-intensity political conflict appear to be under control in Mozambique at present, state measures are needed to pick up the pace of growth while ensuring fiscal and debt sustainability. It is expected that the advancement of gas and coal production projects and the ability to attract foreign investment will occur over the medium term. Assuming so, we can look forward to capitalising more fully on our current initiative to optimise our RTM.

In **Zambia**, despite falling copper prices and electricity supply shortages, we succeeded in raising margins by improving the customer and product mix.

South Africa's immediate neighbours – **Botswana, Lesotho, Namibia and Swaziland** – represent a significant revenue stream for the company. The sales force effectiveness programme is being applied in these markets and the benefits to date have been marked. Collectively, the four countries have delivered very pleasing revenue growth, driven mostly by Namibia and Botswana. Hunter's, Bisquit, Gordon's Gin, 4th Street, Tassenberg, Nederburg and Two Oceans were the standout performers, while specialty wine brands Durbanville Hills, Fleur du Cap, Alto and Pongrácz also showed excellent growth, as did several RTD brands.

Our strategy for sustainable growth remains intact. We are confident that with our strong, committed and energised leadership team we are well placed to benefit from the continent's economic recovery in time. We are therefore continuing with our phased investment in strengthening our RTM and developing innovative mainstream product offerings, while also seeking further opportunities for inorganic growth.

D Hegland
MANAGING DIRECTOR: AFRICA

REGIONAL PERFORMANCE REPORT

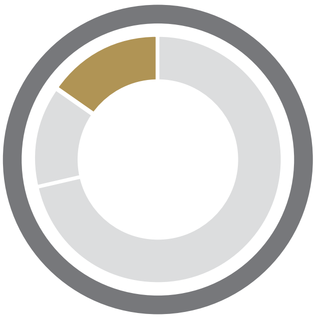
Revenue

+13,1%

Exchange rate benefits compensated for tough economic and trading conditions

Contribution to Group revenue

15,2%



International markets outside Africa

This year has been one of both successes and challenges. We have made good progress in consolidating our position in several key markets, where we can now provide improved service levels and do so more profitably.

Much of 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 portfolios where we believe we are best placed to realise the potential of our brands. While we have been putting in place the right structures, talent and distribution partnerships 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.

We have continued to explore viable prospects across a wide range of markets, allowing us to make important and encouraging gains, and where our premiumisation strategy is yielding 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.

I am pleased to say that the headway in meeting our strategic priorities has been made notwithstanding an extremely tough trading environment that saw the first fall in global alcohol consumption in 14 years, according to Euromonitor. Geopolitical uncertainties in many parts of the world, the impact of constrained demand from China, rising private sector debt in some of the large emerging economies and economic challenges in mature markets all contributed to curbed consumer spending.

Although sales volumes for the period were down by 12,5%, we substantially exceeded both revenue and EBIT budgets on the back of a weak rand, but also as a result of improved product mix and stepped up premiumisation. Revenue increased by 13,1%.

Adverse conditions in Brazil, Russia, China and global travel retail meant we were not able to achieve targeted volume or value growth in these specific markets. We are also not expecting any short-term recovery from these markets. We also continue to work hard to recover lost volumes in wine listings as a result of last year's limited glass-packaged product recall.

Europe

Our integration of the Bisquit and Burn Stewart Distillers operations with the European arm of Distell International has been completed on time and on budget, yielding not only greater efficiencies but also better-than-expected profits. Our front-facing business in the UK now supplies spirits, wines and RTDs via a single entity with significant cost-savings and enhanced route-to-market.

Across Europe, the effect of Nederburg's more premium positioning and packaging has been very positive and resulted in a sound increase in revenue. The brand's exclusive premium wine partnership with the UCI World Tour cycling squad, Team Dimension Data for Qhubeka, also promises to further raise brand visibility. Trade relationship building and consumer activations during the recent Tour de France have been just the beginning of the steps we are pursuing to create closer customer and consumer engagement on the continent as a result of this three-year deal that runs until 2018. We also believe the team's support for the non-profit organisation, Qhubeka, will further enhance Nederburg's standing. Qhubeka, which means "to move forward", gives bicycles to needy Africans in 13 countries on the continent so they can increase the distance and speed at which they can travel, whether for work, school or community.

As far as the wider wine portfolio is concerned, we can report that our key wine brands have returned to health in the Nordic countries, where we have worked assiduously with our distribution partner to recover lost ground. These efforts, coupled with revitalised positioning and packaging for many of our brands are translating into promising gains. Drostdy-Hof, in particular, has benefited from more impactful and contemporary packaging and a focus on blends to further distinguish it from its competitors.

Looking ahead, we recently signed a distribution agreement with a company that will represent several of our spirits brands, including Black Bottle, Scottish Leader, Bisquit and Amarula, in Italy and Slovakia, and we are keen to begin building our profile in these markets.

Asia Pacific

Ongoing retail consolidation in Australia and New Zealand, as well as the slowing of the Chinese economy, all took a toll on our performance.

Fortunately, in Taiwan, Scottish Leader remains the indisputable brand leader in its category, and has been able to increase its market share with an expanded range.

Our recently strengthened RTM in Taiwan has also brought new listings for Amarula, Bunnahabhain, Nederburg, as well as specialty wine brands Alto and Stellenzicht, and Savanna, to strengthen revenue growth. We expect the benefits of the enhanced market access to yield still further gains in the new year.

In a very significant step for the company, we are in the process of establishing a basis from which to participate in China's fast-growing cider and fruit alcoholic beverage sector. We have formed a new business entity with China Haisheng Juice Holdings Company Limited, a long-standing partner and provider of our apple juice concentrate, to produce and distribute Savanna, Bernini, as well as local brands in China. Distell has a 51% stake in the operation, trading as Distell Haisheng that will launch Savanna in Shanghai and Xi'an later this year, followed by Bernini in early 2017. We are planning to create a production facility to support this endeavour, during the course of 2017. We are also excited about the potential the venture offers to the marketing of our wines, whiskies and cognac.

North America

United States

To build the presence of our spirits portfolio, we established a joint venture with the Terlato Wine Group. In operation since February 2016 and trading as Terlato Artisan Spirits, it has achieved good early wins in listings and distribution for our whiskies and Amarula. We have also concluded a long-term agreement with the Terlato Wine Group, now our primary wine partner in the country, to distribute a range of our wine brands and we look forward to future gains.

Canada

Two Oceans has returned to growth in this, its most important global market, along with brands such as Nederburg, Inception, Fleur du Cap and Plaisir de Merle. We are also confident of new opportunities over the coming year, with the various changes afoot in the country's provincial liquor trading regulations.

Latin America

The severe contraction of the Brazilian economy, our biggest export destination in the region, hit Amarula particularly hard. However, the brand has kept its long-established dominance in the cream liqueur segment here, while also retaining its share of the market.

Nederburg performed extremely well in Brazil and neighbouring countries, with good growth also coming from Obikwa and Durbanville Hills.

S Nathan
MANAGING DIRECTOR: INTERNATIONAL

Travel retail

Last year, for the first time since 2009, global duty free and travel retail sales fell, with the wine and spirits category reporting a year-on-year drop in sales of 2,7%, according to the Tax Free World Association (TFWA).

The effect of lower demand from China and Russia, Eurozone turbulence and tough trading conditions in Latin America and Africa, were exacerbated by a contraction in the number of retail players in the travel retail market, through recent mergers and consolidation. The sector also faced increased competition from duty paid retailers, especially online.

Despite these setbacks, brands to show strong growth have been single malts, Bunnahabhain and Ledaig, Pongrácz and Fleur du Cap.

FINANCIAL PERFORMANCE

GROUP FINANCE DIRECTOR'S REPORT

LC Verwey
GROUP FINANCE DIRECTOR

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.

Each of these strategic themes, and their enabling strategic initiatives, are therefore closely linked to our financial value drivers. Investments made in the pursuit of our growth targets include the following initiatives, reflected according to the strategic priorities of the Group:

Revenue growth of 9,6% translated into normalised operating profit growth of 13,7%

	Financial value drivers impacted			Strategic priorities					
				Create demand			Meet demand		
Initiatives	Revenue	Gross profit	Operating cost	Lead in selected markets	Craft distinctive and compelling brands	Own the last mile	Scale up excellence	Shape the future	Care and contribute
Investments to improve and expand our Africa structures	♦		♦	♦					
Merging our operations in Europe by integrating Burn Stewart Distillers and Distell Europe and establishing Distell International Holdings Limited	♦		♦	♦		♦		♦	
Restructuring our operations in North America and establishing joint venture with Terlato Wine Group	♦		♦	♦		♦			
Restructuring our operations in Asia, including expanding our product portfolio in Taiwan and establishing a distribution footprint in Hong Kong	♦					♦			
Investment in core brand health projects and Wine Growth strategy	♦	♦			♦				
Continuing to build sales and marketing capabilities and capacity			♦			♦			
Extending revenue management capabilities in South Africa, Africa and international markets	♦					♦			
Building strategic capability and capacity at the corporate centre and within the supply chain			♦				♦	♦	
Investing in community projects through the Distell Development Trust			♦						♦

These investments are monitored as part of the performance targets of the relevant management teams and are intended to enhance the competitiveness of Distell in delivering sustainable revenue and profit growth in the medium term.

We use a value-based management framework to evaluate our performance and allocate resources. The key components of value being measured are:

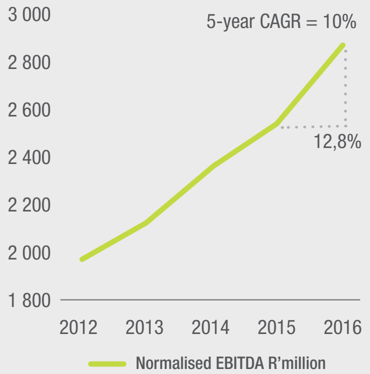
- Revenue
- Earnings before interest, taxation, depreciation and amortisation (EBITDA)
- Profitability as measured by EBITDA margin
- Investment and asset efficiency
- Free cash flow
- Return on investment.

Financial highlights

	R'm	% change	Margins 2016 %	Margins 2015 %
Revenue	21 470	9,6		
Gross profit	7 702	13,7	**35,9**	34,6
EBITDA	2 869	12,8	**13,4**	13,0
Operating profit	2 432	13,7	**11,3**	10,9
Net profit after tax	1 612	11,5	**7,5**	7,4
Headline earnings	1 611	11,6		
Free cash flow	1 702	5,8		

Note: Normalised

Delivered constant EBITDA growth



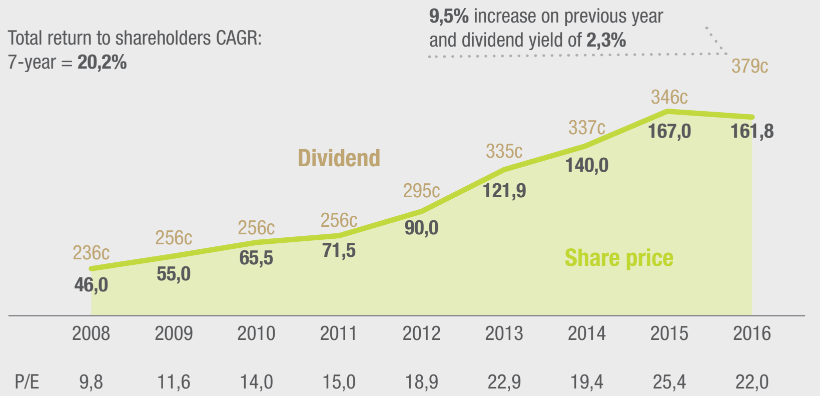
We use a range of key performance indicators (KPIs) – financial and non-financial – to monitor our performance, track progress and adapt to changes in the external environment. KPIs are embedded in our short-term incentive scheme to provide a measurable link to strategic initiatives and the corporate strategy, and are broken down into corporate, business unit and functional support team level targets. Targets set are weighted as follows:

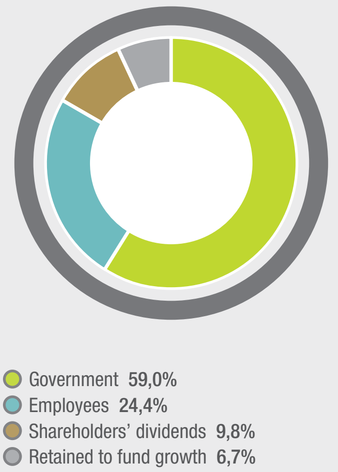
- 60% weighting for the achievement of financial targets
- 40% weighting for the successful execution and achievement of strategic initiatives.

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 seven-year period Distell has delivered a TSR of 20,2% per annum, performing ahead of other major competitors in the alcoholic beverage industry globally.

Over the past 10 years, the Group distributed R58,1 billion cash to stakeholders, the main beneficiaries being the government, who received 59,0% or R34,3 billion by way of taxes, and our employees, who were allocated 24,4% of the distribution by way of emoluments.

Rewarding shareholders





GROUP FINANCE DIRECTOR'S REPORT

Analysis of current performance

Revenue

The 9,6% increase in revenue was achieved through a combination of:

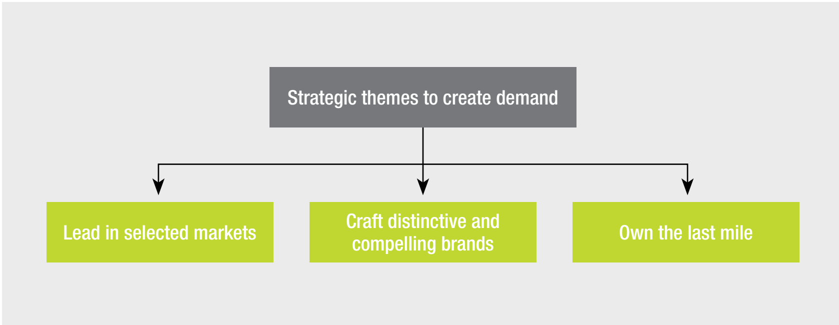
- Overall volume growth of 2,8%
- Price increases to ensure competitive pricing of our core product portfolio while maintaining margins
- A change in product and sales mix
- Foreign currency movements.

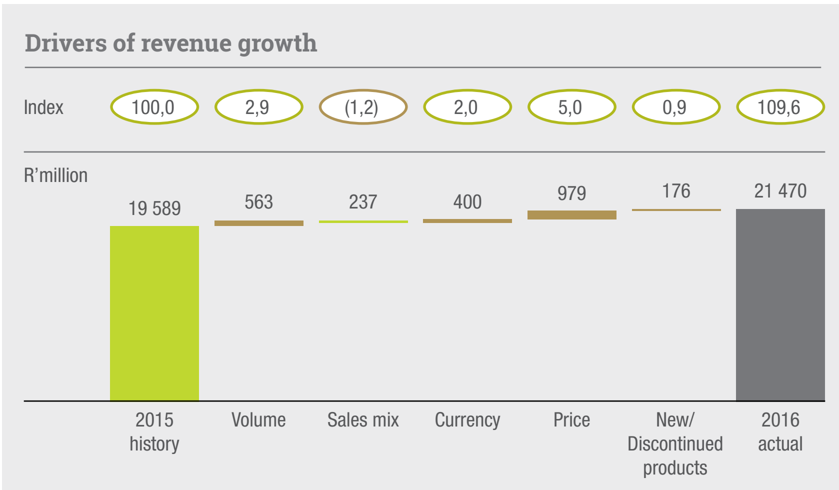
Our operations in **South Africa** delivered strong volume and revenue growth, outpacing leading competitors to improve our market share. We benefited from improved revenue and margin management, sales forces effectiveness and portfolio optimisation programmes, despite a slowdown in real consumer spending.

The **rest of Africa** delivered mixed results amid slower economic growth. Revenue declined 3,2% on sales volumes which were down 14,3%. Focus markets in Africa such as Namibia, Mozambique, Nigeria, Ghana and Zambia all recorded strong growth, but our overall performance was impacted by the challenging macro-economic conditions in Angola. The expansion of the Group's business in the **rest of Africa** remains a strategic priority, but we are adapting the pace of investment given the prevailing economic conditions.

Our performance in **overseas markets** was also adversely impacted by tough economic and trading conditions in Eastern Europe, Brazil and Asia Pacific. Volume losses in these regions were partly offset by stronger performances in North America. Revenue and earnings from our international operations were positively impacted by a weaker rand which depreciated by 18,9% against a basket of currencies of the countries in which we trade.

Revenue derived from operations outside of South Africa, on a non-duty paid basis, comprises 33,5% of Group revenue.





Operating profit

Distell delivered a pleasing performance amid persistently challenging economic conditions and a trading environment of curtailed consumer spending in many of the markets in which we trade. Revenue grew 9,6% to R21,5 billion, while operating costs increased 9,1% to R19,0 billion. Trading profit, that excludes 'other losses', as a result, rose 13,8% to R2,4 billion.

Operating profit, as reported, increased by 10,5% to R2,4 billion. The potential in targeted growth markets in Asia and Eastern Europe for our Bisquit cognac brand, acquired in 2009, further deteriorated this year and we wrote down R80,2 million of the R303,5 million book value of the trademark. This amount is reflected in 'other losses' in the income statement. During the previous financial year, the contingent consideration relating to the acquisition of Burn Stewart Distillers Limited (BSD) in 2013, was remeasured with an amount of R8,9 million reflected in 'other losses'. Normalised operating profit, which excludes the impact of the trademark impairment this year and the remeasurement of the contingent consideration the previous year, increased by 13,7%.

EBITDA is a key performance metric used internally to evaluate operating performance and against which performance targets are set. EBITDA, on a normalised basis, grew 12,8% to R2,9 billion, while the EBITDA margin improved marginally to 13,4%.

Operating costs

Our strategic priorities demand that we enhance operational effectiveness and efficiency across the business. We are reinvesting the benefits flowing from improved throughput and greater efficiencies in strategic areas of the business, such as brand development and support, targeted marketing initiatives and improved in-market execution and penetration in the domestic and other priority markets.

Gross margin improved from 34,6% to 35,9%. Through our business process improvement initiatives, we were able to achieve savings of R445,6 million this year, substantially up from last year's total of R325,0 million. Supply chain improvement initiatives and the beneficial impact of a weaker rand on international revenue and earnings, were largely offset by steep increases in excise duties which were not fully passed on to consumers in certain price-sensitive product categories. Our distribution network optimisation project continued to deliver benefits and distribution overheads declined 2,9%. The increase in other overheads is primarily due to investments in key strategic capabilities to support the Distell corporate strategy.

Despite the headwinds that we faced in various markets, we continue to invest in building the necessary capacity, capabilities, infrastructure and route-to-market as we pursue our growth initiatives.

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.

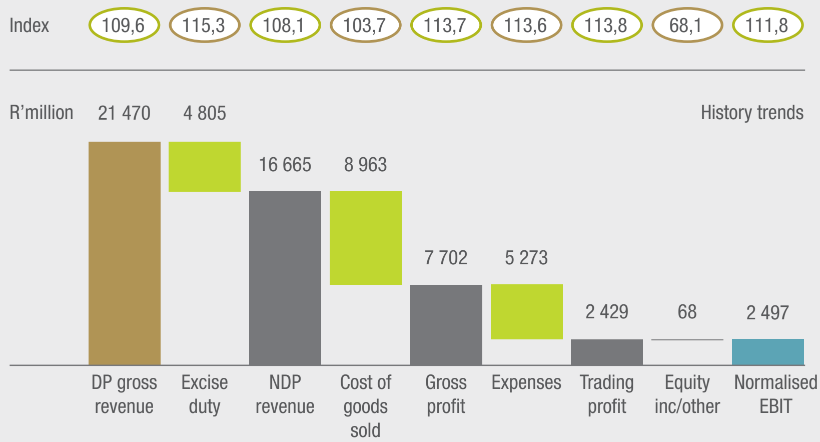
Associates

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). Distell's share of after-tax profits from associated companies declined by 23,5% to R53,0 million, mainly as a result of tough economic and trading conditions in Tanzania impacting the TDL performance.

Joint ventures

Investment in joint ventures comprises the Group's 50% share in each of African Distillers Holdings (Private) Limited (Afdis), a Zimbabwean company; LUSAN Holdings Proprietary Limited, a Stellenbosch-based wine producing operation; and TD Spirits LLC, our new strategic partnership with Terlato Wine Group Limited in the US, which started operating from February this year. Our share of profits from joint ventures declined to R5,0 million (2015: R20,1 million), mainly due to the start-up costs of TD Spirits and the prevailing negative economic conditions in Zimbabwe impacting the performance of Afdis.

Enhanced margins reinvested into efficiencies, capacity and capability 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	53,8	46,2	31,6	14,6	(0,4)	15,0
NDP% 13/14			100,0	56,1	43,9	30,1	13,8	(0,7)	14,5
DP% 14/15	100,0	22,4	77,6	41,7	35,9	24,6	11,3	(0,3)	11,6
DP% 13/14	100,0	21,3	78,7	44,1	34,6	23,7	10,9	(0,5)	11,4

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

Finance costs and cash flow

Total interest-bearing borrowings, net of cash and cash equivalents, increased from R3,6 billion to R3,9 billion.

Net cash generated from operations, before working capital movements, increased 21,3% to R3,2 billion. Investment in working capital resulted in a cash outflow of R724,7 million (2015: R529,3 million), mainly due to the increase in accounts receivable as trading activities improved towards the end of the financial year compared to the previous year.

As a result, cash generated from operations was R2,5 billion (2015: R2,1 billion).

Finance cost and taxation paid increased to R861,2 million (2015: R701,7 million).

Cash outflow from investment activities was R1,1 billion. This included fixed capital investment spent to maintain and expand operations amounting to R1,4 billion (2015: R768,4 million) and the purchase consideration for a 50% share in TD Spirits of R48,4 million.

Cash inflow before financing activities was R535,3 million. Dividends paid to shareholders amounted to R773,5 million (2015: R745,7 million).

The R238,2 million deficit was funded through an increase in interest-bearing borrowings.

Finance costs paid increased from R197,1 million last year to R244,0 million.

Taxation

The effective tax rate increased from 28,6% last year to 29,0%. This increase is largely as a result of the write-down of the trademark referred to earlier which is not tax deductible.

Headline earnings

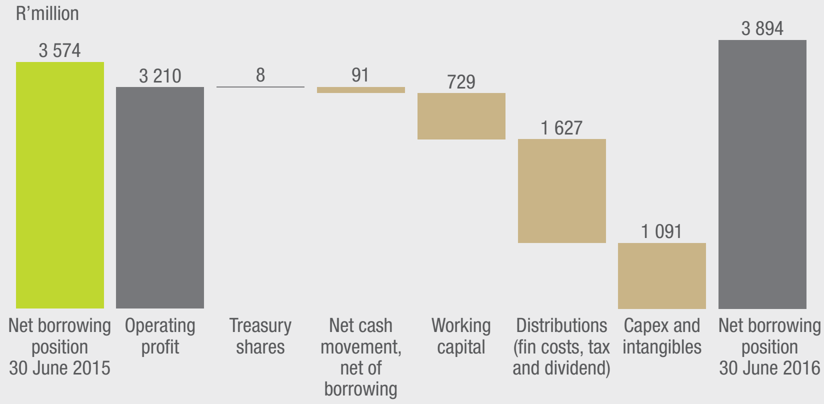
Reported headline earnings grew by 12,3% to achieve a CAGR of 7,8% over a seven-year period. Normalised headline earnings, excluding 'other losses' arising from the remeasurement of the contingent purchase consideration for BSD the previous year, increased by 11,6%.

Investment and funding

Total assets grew by R2,1 billion to R19,9 billion, a 12,0% increase on the previous year, driven to a large extent by the conversion of foreign assets to the reporting currency. At the same time net operating assets (i.e. fixed assets, intangible assets, inventory and receivables less payables) increased 10,7% to R14,8 billion. If foreign currency movements are excluded, net operating assets increased by 8,4%.

Capital expenditure amounted to R1,04 billion (2015: R768,4 million) of which R425,7 million was spent on the replacement of assets, while a further R612,9 million was directed to capacity expansion.

Cash flow and funding



Our funding structure is as follows:	2016 R'm	2015 R'm
Bank overdrafts and call accounts	**(930)**	(388)
Cash and cash equivalents	**1 032**	619
Medium-term bank loans	**(1 200)**	(3 323)
Short-term bank loans	**(2 796)**	(482)
	(3 894)	(3 574)
Debt maturity profile		
Within 1 year	**2 796**	482
Between 1 and 2 years	**–**	2 123
Between 2 and 5 years	**1 200**	1 200

Net working capital increased by R619,5 million to R7,0 billion, an increase of 9,7% on the previous year. Inventory, the main component, rose 5,2% to R7,9 billion. Bulk spirits in maturation, planned in accordance with the Group's longer-term view of consumer demand for our brands in this category, increased 1,9% to R3,4 billion. Investment in bottled stock and packaging material decreased by 8,5%. Trade and other receivables increased by 19,6%, reflecting an improved revenue performance for the last quarter of this financial year compared to the more subdued trading environment for the corresponding period of the previous year.

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 rand when deemed cost-effective.

The Group has access to R2,1 billion of general banking facilities, of which R1,2 billion remains unutilised. We have sufficient headroom to service our operating activities, working capital requirements and ongoing fixed capital investment.

The Group remains in a strong financial position with interest-bearing debt, net of cash and cash equivalents, at R3,9 billion, and a debt-to-debt plus equity ratio of 26,7%.

Maturing debt in the next 12 months amounts to R2,8 billion. The majority of these loans are fully secured by high-quality assets and the debt will be refinanced during the course of the next financial year.

With a total debt capacity in excess of R6,7 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	2016 R'm	2015 R'm	Trend (%)
Operating profit	**2 352,0**	2 129,0	10,5
Share of equity-accounted earnings	**58,0**	89,4	(35,1)
Exceptional items	**80,2**	8,9	801,1
Taxation	**(722,2)**	(637,0)	13,4
Actual returns achieved	**1 768,0**	1 590,3	11,2
Capital charge at 10,7%	**1 463,1**	1 277,9	14,5
Economic profit	**304,9**	312,4	(2,4)
Average total invested capital	**13 673,8**	11 943,2	14,5
Return on average total invested capital	**12,9%**	13,3%	

Note: Normalised

The Group remains focused on creating shareholder value by improving its operating margin, while driving revenue growth and the efficient use of assets. This is despite the impact of the weakening of exchange rates that has increased the average invested capital base and thus adversely effecting economic profit over the recent past.

Dividend

Headline earnings increased by 12,3% to R1,6 billion and headline earnings per share by 12,1%. Headline earnings per share on a normalised basis increased by 11,4% to 735,3 cents.

The directors have resolved to declare a final gross cash dividend number 56 of 214,0 cents per share, bringing the total dividend for the year ended 30 June 2016 to 379,0 cents per share (2015: 346,0 cents per share). The total dividend per share represents an increase of 9,5% on the previous year and a dividend cover of 1,9 times (2015: 1,9 times) by headline earnings.

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

LC Verwey
Group Finance Director

Stellenbosch
31 August 2016

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' **RESPONSIBILITIES**

for financial reporting

The South African Companies Act (No. 71 of 2008) (the Act) 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 2017. 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 50 to 121 were supervised by the Group financial director, Lucas Verwey CA(SA), approved by the board of directors and are signed on its behalf:

DM Nurek
Chairman

RM Rushton
Group Managing Director

Stellenbosch
31 August 2016

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
31 August 2016

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:

	2016	2015
US dollar	**14,9**	12,2
UK pound	**19,9**	19,3
Euro	**16,5**	13,7
Canadian dollar	**11,5**	9,9
Botswana pula	**1,4**	1,2
Australian dollar	**11,1**	9,4

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
31 August 2016

REPORT OF THE **BOARD OF DIRECTORS**

for the year ended 30 June 2016

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:	2016 R'000	2015 R'000
Revenue	**21 470 120**	19 588 970
Operating profit	**2 351 621**	2 129 056
Attributable earnings	**1 531 986**	1 437 136
– Per share (cents)	**699,4**	657,4
Headline earnings	**1 610 648**	1 434 561
– Per share (cents)	**735,3**	656,2
Total assets	**19 941 891**	17 807 768
Total liabilities	**(9 269 632)**	(8 251 371)

The annual financial statements on pages 50 to 121 set out fully the financial position, results of operations and cash flows of the Group for the financial year ended 30 June 2016.

Dividends

Total dividends for the year (R'000)*	**831 398**	762 663
– Per share (cents)	**379,0**	346,0

* *The final dividend of 214,0 cents (2015: 188,0 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 38 to 40.

Directors

The names of the directors, their attendance at meetings and their membership of board committees appear on pages 144 to 147, 151 and 154.

Ms EG Matenge-Sebesho and Dr DP du Plessis have been appointed as non-executive directors with effect from 25 November 2015 and Mr JG Carinus resigned as non-executive director with effect from 28 October 2015. Mr LC Verwey has been appointed as Group finance director with effect from 1 September 2015 and as executive director with effect from 25 January 2016 to succeed Mr MJ Botha who retired at the end of December 2015. Dr E de la H Hertzog resigned as non-executive director with effect from 17 February 2016 and Mr KA Hedderwick has been appointed as an independent non-executive director with effect from 22 June 2016.

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 34 to 36 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 Proprietary 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 50 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
31 August 2016

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 52 to 121, which comprise the statements of financial position as at 30 June 2016, 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 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and 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 2016, we have read the Report of the Board of Directors, the Audit and Risk Committee's Report and the Certificate by the Company Secretary 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.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Distell Group Limited for 28 years. The business of Distell Group Limited was previously transacted through Stellenbosch Farmers Winery Group Limited and Distillers Corporation (SA) Limited, of which, based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms have been the auditor for 71 years.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
Director: H Zeelie
Registered Auditor

Stellenbosch
31 August 2016

STATEMENTS OF **FINANCIAL POSITION**

as at 30 June

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	2	**5 015 510**	4 351 965	**–**	–
Biological assets	3	**100 866**	105 914	**–**	–
Loans and receivables	4	**181 195**	191 159	**–**	–
Available-for-sale financial assets	4	**79 708**	99 754	**–**	–
Investments in subsidiaries	5	**–**	–	**2 734 880**	2 645 044
Investments in associates	5	**237 249**	233 685	**–**	–
Investments in joint ventures	5	**213 999**	160 423	**–**	–
Intangible assets	6	**2 004 191**	1 879 680	**–**	–
Retirement benefit assets	14	**343 420**	310 985	**–**	–
Deferred income tax assets	15	**136 031**	101 686	**–**	–
Total non-current assets		**8 312 169**	7 435 251	**2 734 880**	2 645 044
Current assets					
Inventories	7	**7 900 649**	7 509 937	**–**	–
Trade and other receivables	8	**2 659 749**	2 223 009	**–**	–
Current income tax assets		**36 922**	20 204	**–**	–
Cash and cash equivalents	28.7	**1 032 402**	619 367	**53**	–
Total current assets		**11 629 722**	10 372 517	**53**	–
Total assets		**19 941 891**	17 807 768	**2 734 933**	2 645 044
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	10	**749 506**	741 145	**752 611**	752 607
Non-distributable and other reserves	11	**1 912 259**	1 559 216	**137 515**	137 515
Retained earnings	12	**7 995 232**	7 236 753	**1 844 807**	1 754 922
Attributable to equity holders of the company		**10 656 997**	9 537 114	**2 734 933**	2 645 044
Non-controlling interest		**15 262**	19 283	**–**	–
Total equity		**10 672 259**	9 556 397	**2 734 933**	2 645 044
Non-current liabilities					
Interest-bearing borrowings	13	**1 200 000**	3 323 446	**–**	–
Retirement benefit obligations	14	**27 509**	24 243	**–**	–
Deferred income tax liabilities	15	**723 429**	627 983	**–**	–
Total non-current liabilities		**1 950 938**	3 975 672	**–**	–
Current liabilities					
Trade and other payables	16	**3 234 972**	3 017 128	**–**	–
Interest-bearing borrowings	13	**3 726 589**	870 378	**–**	–
Provisions	17	**321 781**	331 655	**–**	–
Current income tax liabilities		**35 352**	56 538	**–**	–
Total current liabilities		**7 318 694**	4 275 699	**–**	–
Total equity and liabilities		**19 941 891**	17 807 768	**2 734 933**	2 645 044

INCOME STATEMENTS

for the years ended 30 June

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Revenue	18	**21 470 120**	19 588 970	**873 234**	819 593
Operating costs	19	**(19 040 418)**	(17 454 599)	**(2)**	–
Costs of goods sold		**(13 767 664)**	(12 813 730)	**–**	–
Sales and marketing costs		**(3 211 513)**	(2 699 733)	**–**	–
Distribution costs		**(1 087 991)**	(1 120 368)	**–**	–
Administration and other costs		**(973 250)**	(820 768)	**(2)**	–
Other losses	20	**(78 081)**	(5 315)	**–**	–
Operating profit		**2 351 621**	2 129 056	**873 232**	819 593
Dividend income	21	**7 501**	6 698	**–**	–
Finance income	22	**21 002**	23 241	**–**	–
Finance costs	23	**(281 790)**	(259 711)	**–**	–
Share of equity-accounted earnings	24	**58 042**	89 401	**–**	–
Profit before taxation		**2 156 376**	1 988 685	**873 232**	819 593
Taxation	25	**(624 485)**	(569 024)	**–**	–
Profit for the year		**1 531 891**	1 419 661	**873 232**	819 593
Attributable to:					
Equity holders of the company		**1 531 986**	1 437 136	**873 232**	819 593
Non-controlling interest		**(95)**	(17 475)	**–**	–
		1 531 891	1 419 661	**873 232**	819 593
Earnings per ordinary share (cents)	26				
Basic		**699,4**	657,4		
Diluted		**697,1**	654,9		

STATEMENTS OF **COMPREHENSIVE INCOME**

for the years ended 30 June

		Group		Company	
	Notes	**2016 R'000**	2015 R'000	**2016 R'000**	2015 R'000
Profit for the year		**1 531 891**	1 419 661	**873 232**	819 593
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	**(17 319)**	5 692	**–**	–
Currency translation differences	11	**242 494**	178 460	**–**	–
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefits	11	**82 464**	60 863	**–**	–
Share of other comprehensive income of associates	5	**(1 003)**	(194)	**–**	–
Other comprehensive income for the year (net of taxation)		**306 636**	244 821	**–**	–
Total comprehensive income for the year		**1 838 527**	1 664 482	**873 232**	819 593
Attributable to:					
Equity holders of the company		**1 838 755**	1 683 154	**873 232**	819 593
Non-controlling interest		**(228)**	(18 672)	**–**	–
		1 838 527	1 664 482	**873 232**	819 593

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
2016								
Balance at 1 July 2015		752 607	(11 462)	1 559 216	7 236 753	9 537 114	19 283	9 556 397
Comprehensive income								
Profit for the year		–	–	–	1 531 986	1 531 986	(95)	1 531 891
Other comprehensive income (net of taxation)								
Fair value adjustments:								
– available-for-sale financial assets	11	–	–	(17 319)	–	(17 319)	–	(17 319)
Currency translation differences	11	–	–	242 627	–	242 627	(133)	242 494
Remeasurements of post-employment benefits	11	–	–	82 464	–	82 464	–	82 464
Share of other comprehensive income of associates	5	–	–	(1 003)	–	(1 003)	–	(1 003)
Total other comprehensive income		–	–	306 769	–	306 769	(133)	306 636
Total comprehensive income for the year		–	–	306 769	1 531 986	1 838 755	(228)	1 838 527
Transactions with owners								
Employee share scheme:								
– proceeds from ordinary shares issued	10	4	(4)	–	–	–	–	–
– shares paid and delivered	10	–	8 361	–	–	8 361	–	8 361
– value of employee services		–	–	46 274	–	46 274	–	46 274
Dividends paid	28.4	–	–	–	(773 507)	(773 507)	(3 793)	(777 300)
Total contributions by and distributions to owners		4	8 357	46 274	(773 507)	(718 872)	(3 793)	(722 665)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Transactions with non-controlling interests		–	–	–	–	–	–	–
Total transactions with owners		4	8 357	46 274	(773 507)	(718 872)	(3 793)	(722 665)
Balance at 30 June 2016		752 611	(3 105)	1 912 259	7 995 232	10 656 997	15 262	10 672 259

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 transactions with 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 at 30 June 2015		752 607	(11 462)	1 559 216	7 236 753	9 537 114	19 283	9 556 397

		Company			
		Attributable to equity holders			
	Notes	Share capital and premium R'000	Non-distributable and other reserves R'000	Retained earnings R'000	Total R'000
2016					
Balance at 1 July 2015		**752 607**	**137 515**	**1 754 922**	**2 645 044**
Comprehensive income					
Profit for the year		**–**	**–**	**873 232**	**873 232**
Total comprehensive income for the year		**–**	**–**	**873 232**	**873 232**
Transactions with owners					
Proceeds of ordinary shares issued	10	**4**	**–**	**–**	**4**
Dividends paid	28.4	**–**	**–**	**(783 347)**	**(783 347)**
Total transactions with owners		**4**	**–**	**(783 347)**	**(783 343)**
Balance at 30 June 2016		**752 611**	**137 515**	**1 844 807**	**2 734 933**
2015					
Balance 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 of 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 at 30 June 2015		752 607	137 515	1 754 922	2 645 044

STATEMENTS OF **CASH FLOWS**

for the years ended 30 June

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Cash flows from operating activities					
Operating profit		**2 351 621**	2 129 056	**873 232**	819 593
Non-cash flow items	28.1	**857 954**	512 207	**(89 887)**	(64 022)
Working capital changes	28.2	**(729 136)**	(529 325)	**–**	–
Cash generated from operations		**2 480 439**	2 111 938	**783 345**	755 571
Dividend income	21	**7 501**	6 698	**–**	–
Finance income	22	**21 002**	23 241	**–**	–
Finance costs		**(264 968)**	(220 319)	**–**	–
Taxation paid	28.3	**(617 204)**	(504 671)	**–**	–
Net cash generated from operating activities		**1 626 770**	1 416 887	**783 345**	755 571
Cash flows from investment activities					
Purchases of property, plant and equipment (PPE) to maintain operations	28.5	**(425 686)**	(321 801)	**–**	–
Purchases of PPE to expand operations	28.6	**(612 867)**	(446 580)	**–**	–
Proceeds from sale of PPE		**19 787**	14 550	**–**	–
Purchases of financial assets		**(4 577)**	(146)	**–**	(8 663)
Proceeds from financial assets		**63 346**	44 159	**2 195**	–
Purchases of associates and joint ventures		**(48 380)**	(111 282)	**–**	–
Purchases of intangible assets		**(83 047)**	(13 120)	**–**	–
Acquisition of subsidiaries, net of cash acquired		**–**	(7 430)	**(2 144)**	–
Cash outflow from investment activities		**(1 091 424)**	(841 650)	**51**	(8 663)
Cash flows from financing activities					
Proceeds from ordinary shares issued		**8 361**	13 436	**4**	8 663
Proceeds from interest-bearing borrowings		**69 259**	356 361	**–**	–
Dividends paid to company's shareholders	28.4	**(773 507)**	(745 680)	**(783 347)**	(755 571)
Cash outflow from financing activities		**(695 887)**	(375 883)	**(783 343)**	(746 908)
Decrease in net cash, cash equivalents and bank overdrafts		**(160 541)**	199 354	**53**	–
Cash, cash equivalents and bank overdrafts at the beginning of the year		**230 868**	7 335	**–**	–
Exchange gains on cash, cash equivalents and bank overdrafts		**32 075**	24 179	**–**	–
Cash, cash equivalents and bank overdrafts at the end of the year	28.7	**102 402**	230 868	**53**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the years ended 30 June 2016

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.

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 2016, 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 – on sale of or contribution of assets (Postponed) (initially 1 January 2016)
- Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures – on applying the consolidation exemption (effective 1 January 2016)
- Amendment to IFRS 11: Joint Arrangements – on acquisition of an interest in a joint operation (effective 1 January 2016)
- IFRS 14 – Regulatory Deferral Accounts (effective 1 January 2016)
- Amendments to IAS 1: Presentation of Financial Statements – disclosure initiative on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies (effective 1 January 2016)
- Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets – on depreciation and amortisation (effective 1 January 2016)
- Amendments to IAS 16: Property, Plant and Equipment and IAS 41: Agriculture – Classification on bearer plants (effective 1 January 2016)
- Amendments to IAS 27: Separate Financial Statements – on equity accounting (effective 1 January 2016)
- Amendments to IAS 12: Income Taxes – issued to clarify the requirements for recognising deferred tax assets on unrealised losses (effective 1 January 2017)
- Amendments to IAS 7: Cash Flow Statements (effective 1 January 2017)
- IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018)
- Amendment to IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 9: Financial Instruments – on financial liabilities, derecognition of financial instruments, financial assets and general hedge accounting (effective 1 January 2018)
- Amendment to IFRS 9: Financial Instruments – on general hedge accounting (effective 1 January 2018)
- Amendment to IFRS 2: Classification of share-based payment transactions (effective 1 January 2018)
- IFRS 16: Leases (effective 1 January 2019)
- Annual Improvements 2012 – 2014 cycle (effective 1 January 2016)
- Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations – on the changes in methods of disposal
- Amendment to IFRS 7: Financial Instruments – Disclosures – on the offsetting disclosures to condensed interim financial statements
- Amendment to IFRS 7: Financial Instruments – Disclosures – on servicing contracts
- Amendment to IAS 19: Employee Benefits – on the discount rate
- Amendment to IAS 34: Interim Financial Reporting – on the disclosure of information elsewhere in the interim financial report

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, which 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 Proprietary Limited. 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' 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.

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 – 45 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 costs 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 costs 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.

Industrial property rights
Industrial property rights are intangible 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 industrial property rights are stated at historical costs less subsequent amortisation and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the industrial property rights and is amortised on a straight-line basis, from the date that assets are available for use, over 60 years, taking into account the residual values.

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 reliably measured.

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

Computer software is amortised 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 'dividend 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 Group 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 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 2016 is 28% (2015: 28%). Deferred tax assets and liabilities for South African entities at 30 June 2016 have been calculated using the 28% (2015: 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 costs.

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.

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 permanent 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 the income statement.

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 Limited 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.

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
2016					
Opening balance	**1 647 300**	**2 228 743**	**200 436**	**275 486**	**4 351 965**
Additions	**109 938**	**743 096**	**105 943**	**77 790**	**1 036 767**
Disposals	**(5 264)**	**(10 729)**	**(1 345)**	**(368)**	**(17 706)**
Reclassification to intangible assets	**(46 696)**	**–**	**–**	**–**	**(46 696)**
Transfers	**1 354**	**74 759**	**(488)**	**(75 625)**	**–**
Exchange differences	**4 601**	**31 733**	**(1 573)**	**–**	**34 761**
Depreciation	**(13 365)**	**(291 919)**	**(38 297)**	**–**	**(343 581)**
	1 697 868	**2 775 683**	**264 676**	**277 283**	**5 015 510**
At cost	**1 825 838**	**4 971 204**	**490 510**	**277 283**	**7 564 835**
Accumulated depreciation	**(127 970)**	**(2 195 521)**	**(225 834)**	**–**	**(2 549 325)**
Net carrying value	**1 697 868**	**2 775 683**	**264 676**	**277 283**	**5 015 510**
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

Included in equipment and vehicles are capitalised finance lease vehicles with a net carrying value of R0,1 million (2015: R0,5 million) (note 13).

Depreciation of R248,6 million (2015: R219,4 million) is included in 'cost of goods sold', R26,6 million (2015: R20,6 million) in 'sales and marketing costs', R35,5 million (2015: R18,8 million) in 'distribution costs' and R32,9 million (2015: R31,5 million) in 'administration and other costs'.

During the year industrial property rights to the value of R46,7 million (2015: Rnil) was transferred to intangible assets.

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

The secured term facility of Distell Limited is secured by mortgages over immovable property, general notarial bonds over movable assets and a cession over trade and other receivables of specific Group subsidiaries to a maximum of R5,5 billion (note 13).

Bank borrowings of Distell International Limited (previously known as Burn Stewart Distillers Limited) are secured over land and buildings to a maximum value of R36,9 million (2015: R35,6 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 2016 amounted to approximately 1 232 ha (2015: 1 257 ha), of which approximately 1 119 ha (2015: 1 150 ha) can be classified as mature vines. The total output of grapes harvested during the current year amounted to 8 663 tons (2015: 10 755 tons).

The fair value of the grapes harvested during the current financial year amounted to R41,5 million (2015: R50,7 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 19,1% (2015: 18,5%). 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 (2015: 23 years).

	2016 R'000	2015 R'000
Carrying amount		
Opening balance	**105 914**	104 559
Additions	**1 786**	578
Disposals	**(7)**	–
Decrease due to harvest	**(41 491)**	(50 651)
Gain due to biological change, price, yield, maturity and cost changes	**34 664**	51 428
Balance at the end of the year	**100 866**	105 914

An amount of R13,4 million (2015: R4,5 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 R3,8 million (2015: R5,6 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.

	2016 R'000	2015 R'000

4. Financial assets

	2016 R'000	2015 R'000
Loans and receivables at amortised cost		
Loans to producers and other unrelated parties, denominated in rand, at market-related interest rates	**4 207**	2 220
Loans to related parties, denominated in rand, bearing no interest	**176 988**	188 939
	181 195	191 159
Available-for-sale financial assets		
Equities, denominated in the following currencies:		
Rand	**18 795**	19 804
Canadian dollar	**14 817**	12 527
UK pound	**46 096**	67 423
	79 708	99 754
Movement in available-for-sale financial assets		
Opening balance	**99 754**	91 424
Additions	**86**	1 713
Exchange differences	**2**	3
Fair value adjustments (note 11)	**(20 134)**	6 614
Balance at the end of the year	**79 708**	99 754

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.

	2016 R'000	2015 R'000
5. Investments in subsidiaries, associates and joint ventures		
Company		
Investments in subsidiaries (note 38)	**2 734 880**	2 645 044
Distell Group Limited subordinated all its claims against South African Distillers and Wines (SA) Limited.		
Group		
Investments in associates (note 39)		
Opening balance	**233 685**	77 064
Additions	**–**	111 282
Share of profit	**52 966**	69 261
Share of actuarial loss	**(1 003)**	(194)
Dividends received	**(48 802)**	(22 086)
Exchange differences and withholding taxes	**404**	(1 642)
Balance at the end of the year	**237 249**	233 685
Made up as follows:		
Cost and share of profits	**181 569**	178 005
Goodwill	**55 680**	55 680
	237 249	233 685
Summary of goodwill		
Opening balance	**55 680**	9 076
Additions	**–**	46 604
Balance at the end of the year	**55 680**	55 680
Investments in joint ventures (note 40)		
Opening balance	**160 423**	137 901
Additions	**48 380**	–
Share of profit	**5 076**	20 140
Share of non-distributable reserves	**120**	2 382
Balance at the end of the year	**213 999**	160 423

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:

	2016		2015	
	Long-term growth rate %	**Discount rate %**	Long-term growth rate %	Discount rate %
Tanzania Distilleries Limited	**2,0**	**22,9**	2,0	19,9
Grays Inc. Limited	**2,0**	**11,5**	2,0	10,4
KWA Holdings E.A. Limited	**2,0**	**17,6**	2,0	17,0

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

	Industrial property rights R'000	Capitalised software R'000	Goodwill R'000	Trademarks and other intangibles R'000	Total R'000
2016					
Opening balance	**–**	**39 072**	**1 022 672**	**817 936**	**1 879 680**
Additions	**–**	**83 047**	**–**	**–**	**83 047**
Exchange differences	**(5 841)**	**(15)**	**36 259**	**72 636**	**103 039**
Impairments	**–**	**–**	**–**	**(80 155)**	**(80 155)**
Reclassification from property, plant and equipment	**46 696**	**–**	**–**	**–**	**46 696**
Amortisation	**(1 991)**	**(26 125)**	**–**	**–**	**(28 116)**
Balance at the end of the year	**38 864**	**95 979**	**1 058 931**	**810 417**	**2 004 191**
Cost	**40 554**	**237 520**	**1 058 931**	**890 572**	**2 227 577**
Accumulated amortisation and impairment	**(1 690)**	**(141 541)**	**–**	**(80 155)**	**(223 386)**
Net carrying value	**38 864**	**95 979**	**1 058 931**	**810 417**	**2 004 191**
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

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 Distell International 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 testing of non-financial assets
Discount rates
The discount rates used are the pre-tax weighted average cost of capital (WACC) which reflects the returns on government bonds specific to the cash-generating units to which the goodwill is attributed. In cases where the cash-generating unit (CGU) is deemed to be of greater risk than the Group as a whole, a risk premium has been included within the discount rate applied.

Growth rates
In determining the growth rate, consideration is given to the growth potential of the respective CGU. Volume growth assumptions are based on management's best estimates of known strategies and future plans to grow the business.

	2016 R'000	2015 R'000
Goodwill		
Distell Winemasters Limited	**1 919**	1 919
Distell (Hong Kong) Limited	**7 510**	7 510
Distell International Limited	**1 043 991**	1 007 732
Lomond Wine Estates Proprietary Limited	**5 511**	5 511
	1 058 931	1 022 672

6. Intangible assets (continued)

Impairment tests for goodwill

The goodwill acquired through the investments in Distell Winemasters Limited (Kenya), Distell (Hong Kong) Limited, Distell International Limited and Lomond Wine Estates Proprietary Limited was allocated to those CGU's and are tested for impairment on an annual basis. The recoverable amounts of the CGU 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. A longer than five-year period was used as these longer periods better reflect the nature of the spirits category due to the long maturation periods required for some of the products.

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

	2016		2015	
	Long-term growth rate %	Discount rate %	Long-term growth rate %	Discount rate %
Distell Winemasters Limited	**2,0**	**17,6**	2,0	16,9
Distell (Hong Kong) Limited	**1,8**	**7,1**	1,8	6,3
Distell International Limited	**3,0**	**6,7**	3,0	6,7
Lomond Wine Estates Proprietary Limited	**2,0**	**11,9**	2,0	10,7

These calculations indicate that no impairment was necessary in the carrying value of the goodwill.

	2016 R'000	2015 R'000
Trademarks		
Bisquit	**223 324**	251 374
Black Bottle	**62 459**	60 262
Scottish Leader	**292 604**	282 329
Bunnahabhain	**79 431**	76 673
Deanston	**16 676**	16 097
Tobermory	**12 168**	11 745
Ledaig	**11 829**	11 418
Customer relationships	**79 671**	76 903
Trade names	**32 255**	31 135
	810 417	817 936

Impairment tests for tademarks

The trademarks are allocated to their respective CGU's and are tested for impairment on an annual basis. The recoverable amounts of the CGU 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 fifteen-year period. A longer than five-year period was used as these longer periods better reflect the nature of the spirits category due to the long maturation periods required for some of the products.

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

	2016		2015	
	Long-term growth rate %	Discount rate %	Long-term growth rate %	Discount rate %
Distell International Limited	**3,0**	**6,7**	3,0	6,7
Bisquit Dubouché et Cie	**1,5**	**6,3**	1,5	6,7

An impairment charge of R80,2 million was recognised in the current year as a result of the annual impairment test performed on trademarks relating to the Bisquit Dubouché et Cie CGU in the international reportable segment. Forecast cashflow assumptions have been reduced principally due to the challenging economic environments in which this CGU operates. In determining this fair value, a disounted cash flow was used to perform the valuation taking into consideration 15-year forecasts. In addition, the inputs into the model were based on a WACC rate of 6,3% (2015: 6,7%).

If one or more of the inputs within the other trademarks and goodwill testing were changed to a reasonable possible alternative assumption, there would be no further significant impairments that would have to be recognised.

	2016 R'000	2015 R'000

7. Inventories

Bulk wines, flavoured alcoholic beverages and spirits	**5 570 098**	5 078 031
Bottled wines, flavoured alcoholic beverages and spirits	**1 889 058**	2 029 650
Packaging material and other	**441 493**	402 256
	7 900 649	7 509 937

The cost of inventories recognised as an expense and included in 'costs of goods sold' amounted to R12 179,1 million (2015: R11 273,4 million).

No previous write-down was reversed during the year (2015: Nil).

Excise duty of R512,0 million (2015: R495,9 million) is included in bulk inventories and R543,5 million (2015: R428,7 million) in bottled inventories.

The secured term facility of Distell Limited is secured by mortgages over immovable property, general notarial bonds over movable assets and a cession over trade and other receivables of specific Group subsidiaries to a maximum of R5,5 billion (note 13).

Bank borrowings are secured over inventories of Distell International Limited for a maximum value of R843,9 million (2015: R885,7 million) (note 13).

8. Trade and other receivables

Trade receivables	**2 351 364**	1 920 053
Provision for impairment of receivables	**(20 708)**	(10 259)
Trade receivables – net	**2 330 656**	1 909 794
Insurance claims	**803**	2 156
Prepayments	**74 734**	125 143
Other receivables	**227 229**	158 406
Value added tax	**26 327**	27 510
	2 659 749	2 223 009

The secured term facility of Distell Limited is secured by mortgages over immovable property, general notarial bonds over movable assets and a cession over trade and other receivables of specific Group subsidiaries to a maximum of R5,5 billion (note 13).

Included in the Group's trade receivables are debtors with carrying amounts of R136,8 million (2015: R117,0 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		
30 to 60 days overdue	**37 953**	61 202
Past 60 days overdue	**98 810**	55 784
Total	**136 763**	116 986

At 30 June 2016 trade receivables of R20,7 million (2015: R10,3 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.

	2016 R'000	2015 R'000

8. Trade and other receivables (continued)

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

	2016 R'000	2015 R'000
Ageing of impaired trade and other receivables		
60 to 120 days overdue	**1 997**	2 082
Past 120 days overdue	**18 111**	8 177
Total	**20 708**	10 259
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:		
South African rand	**1 434 889**	1 190 702
US dollar	**395 175**	292 600
Euro	**223 284**	196 750
UK pound	**201 178**	263 348
Canadian dollar	**68 918**	51 227
Namibian dollar	**123 163**	103 486
Botswana pula	**43 989**	46 592
Other currencies	**169 153**	78 304
	2 659 749	2 223 009
The movement of the Group's provision for impairment of trade receivables are as follows:		
Opening balance	**10 259**	12 671
Provision for receivable impairment	**15 425**	2 340
Receivables written off during the year as uncollectible	**(323)**	(5 803)
Exchange difference	**432**	(9)
Unused amounts reversed	**(5 085)**	1 060
Balance at the end of the year	**20 708**	10 259

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.

	2016 R'000	2015 R'000

9. Derivative financial instruments

The following amounts are included in 'other receivables' (note 8) and 'accrued expenses' (note 16):

	2016 R'000	2015 R'000
Current assets		
Interest rate swaps – cash flow hedges	**4 453**	–
Commodities	**5 292**	–
Forward foreign exchange contracts – held-for-trading	**1 138**	1 401
	10 883	1 401
Current liabilities		
Interest rate swaps – cash flow hedges	**(252)**	(5 658)
Forward foreign exchange contracts – held-for-trading	**(17 416)**	–
	(17 668)	(5 658)
Total	**(6 785)**	(4 257)

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
2016				
Interest rate swaps (0 – 2 years) (Rand)	**500 000**	**7,095**	**3M Jibar**	**4 453**
Interest rate swaps (0 – 1 year) (Pound)	**20 000**	**0,94**	**BoE Base**	**(252)**

The Rand denominated interest rate swap agreements reset every three months, with the final reset on 30 June 2017, and the pound swap agreements had 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 2016 and 30 June 2015 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
2016			
Forward foreign exchange sales			
Canadian dollar	**1 400**	**17 082**	**1 091**
Euro	**13 100**	**201 339**	**(14 427)**
New Zealand dollar	**300**	**3 206**	**47**
US dollar	**3 013**	**43 320**	**(520)**
		264 947	**(13 809)**
Forward foreign exchange purchases			
US dollar	**7 600**	**115 819**	**(2 469)**
		115 819	**(2 469)**
		380 766	**(16 278)**
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

The net uncovered trade proceeds at 30 June 2016 amounted to R477,5 million (2015: R428,0 million) and net uncovered trade purchases at 30 June 2016 amounted to R139,8 million (2015: R132,2 million).

Commodity hedges	Fair value gain/(loss) R'000
2016	
Gasoil – held for trading	**4 447**
Aluminium – held for trading	**845**

10. Share capital

	2016 Number '000	2015 Number '000
Shares authorised		
Ordinary shares of 1 cent each	**250 000**	250 000
Shares issued		
Opening balance	**221 737**	221 435
Issue of shares – share and share appreciation right (SAR) schemes	**372**	302
Ordinary shares of 1 cent each issued and fully paid	**222 109**	221 737
Treasury shares		
Opening balance	**2 927**	2 981
Issue of shares – share and SAR schemes	**372**	302
Shares paid and delivered – share and SAR schemes	**(399)**	(356)
	2 900	2 927

	Company		Group	
	Ordinary shares R'000	Share premium R'000	Treasury shares R'000	Total R'000
2016				
Opening balance	**2 217**	**750 390**	**(11 462)**	**741 145**
Issue of shares – share and SAR schemes	**4**	**–**	**(4)**	**–**
Shares paid and delivered – share and SAR schemes	**–**	**–**	**8 361**	**8 361**
Balance at the end of the year	**2 221**	**750 390**	**(3 105)**	**749 506**
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

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 2016	Number of shares paid and delivered as at 30 June 2016
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**	**563 368**
22 October 2009	Executive directors	64,00	**54 540**	**54 540**	**54 540**
22 October 2009	Other participants	64,00	**405 962**	**405 962**	**357 483**
			8 227 718	**8 227 718**	**8 179 238**

	2016		2015	
	Average offer price per share (Rand)	**Number of shares**	Average offer price per share (Rand)	Number of shares
The current status of the share scheme is as follows:				
Ordinary shares due to participants				
Previous financial years	**57,63**	**198 873**	56,89	429 544
Shares paid for and delivered	**55,58**	**(150 393)**	56,49	(237 834)
Resignations and other	**–**	**–**	64,00	7 163
Outstanding at the end of the year	**64,00**	**48 480**	57,63	198 873

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 2016	Number of shares 2015
Shares offered, not issued, not paid for and not delivered (Share Trust):			
22 October 2009	64,00	**48 480**	198 873

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

Specific performance criteria, which are linked to revenue and EBITDA growth, are stipulated for SARs offered after 1 July 2015.

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 2016	Number of SARs exercised as at 30 June 2016
21 October 2010	Executive directors	72,00	**70 188**	**70 188**	**49 518**
21 October 2010	Other participants	72,00	**437 110**	**437 110**	**326 715**
25 November 2011	Executive directors	66,00	**96 551**	**96 551**	**35 156**
25 November 2011	Other participants	66,00	**404 902**	**404 902**	**214 333**
2 October 2012	Executive directors	93,35	**190 794**	**190 794**	**63 598**
2 October 2012	Other participants	93,35	**495 254**	**495 254**	**106 949**
21 February 2014	Executive directors	139,00	**381 660**	**381 660**	**–**
21 February 2014	Other participants	139,00	**333 735**	**333 735**	**–**
27 October 2014	Executive directors	129,00	**74 241**	**74 241**	**–**
27 October 2014	Other participants	129,00	**970 216**	**970 216**	**–**
1 December 2014	Other participants	130,50	**51 519**	**51 519**	**–**
23 March 2015	Other participants	152,00	**65 850**	**65 850**	**–**
1 July 2015	Other participants	166,97	**133 542**	**133 542**	**–**
22 October 2015	Executive directors	170,30	**198 567**	**198 567**	**–**
22 October 2015	Other participants	170,30	**1 194 804**	**1 194 804**	**–**
18 February 2016	Other participants	167,60	**243 690**	**243 690**	**–**
			5 342 623	**5 342 623**	**796 269**

10. Share capital (continued)

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

	2016		2015	
	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	**111,47**	**3 353 669**	97,82	2 371 857
Offered in current financial year	**169,69**	**1 804 758**	130,32	1 209 136
Exercised during the year	**78,07**	**(456 077)**	69,25	(227 324)
Resignations and other	**121,49**	**(155 996)**	–	–
Outstanding at the end of the year	**137,59**	**4 546 354**	111,47	3 353 669

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

	Exercise price per SAR (Rand)	**Number of SARs 2016**	Number of SARs 2015
SARs offered, accepted and issued, but not exercised:			
October 2013	72,00	**–**	33 772
October 2014	72,00	**–**	69 629
November 2014	66,00	**–**	71 050
October 2015	72,00	**131 065**	169 680
November 2015	66,00	**99 155**	175 275
November 2015	93,35	**52 746**	239 134
November 2016	66,00	**152 809**	175 275
November 2016	93,35	**223 621**	239 134
February 2017	139,00	**238 465**	244 150
October 2017	129,00	**348 152**	363 922
November 2017	93,35	**239 134**	239 134
December 2017	130,50	**17 173**	17 173
February 2018	139,00	**238 465**	244 150
March 2018	152,00	**21 950**	21 950
July 2018	166,97	**44 514**	–
October 2018	129,00	**348 152**	363 922
October 2018	170,30	**464 457**	–
December 2018	130,50	**17 173**	17 173
February 2019	139,00	**238 465**	244 150
February 2019	167,60	**81 230**	–
March 2019	152,00	**21 950**	21 950
July 2019	166,97	**44 514**	–
October 2019	129,00	**348 153**	363 923
October 2019	170,30	**464 457**	–
December 2019	130,50	**17 173**	17 173
February 2020	167,60	**81 230**	–
March 2020	152,00	**21 950**	21 950
July 2020	166,97	**44 514**	–
October 2020	170,30	**464 457**	–
February 2021	167,60	**81 230**	–
		4 546 354	3 353 669

10. Share capital (continued)

10.3 Bonus shares

The managing director was awarded 230 000 shares in 2014. He becomes entitled to the shares on 1 November 2016, subject to certain performance conditions linked to headline earnings growth, being met. This allocation was 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 R170,30
exercise price	shown above
expected volatility	19,85% to 35,90%
dividend yield	2,29% 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 R45,6 million (2015: R31,7 million).

	2016 R'000	2015 R'000
11. Non-distributable and other reserves		
Group		
Reserves at formation of a previous holding company	**15 199**	15 199
Capital reduction	**236**	236
Transfer of share capital on cancellation of shares	**13 226**	13 226
Transfer of share premium	**15 873**	15 873
Capital redemption reserve fund	**400**	400
Reclassification of pallets to deposit value	**5 773**	5 773
Foreign currency translations	**1 109 120**	866 493
Opening balance	**866 493**	686 836
Currency translation differences for the year	**242 627**	179 657
Fair value adjustments	**30 377**	47 696
Opening balance	**47 696**	42 004
Fair value adjustments of available-for-sale financial assets	**(20 134)**	6 614
Deferred income tax on fair value adjustments	**2 815**	(922)
BEE share-based payment option reserve	**122 080**	122 080
Opening balance	**122 080**	122 080
Employee share scheme reserve	**167 963**	121 689
Opening balance	**121 689**	90 424
Employee share-based payment for the year	**46 274**	31 265
Actuarial gains and losses reserve	**449 896**	368 435
Opening balance	**368 435**	307 766
Remeasurements of post-employment benefits for the year	**115 842**	85 011
Associates' remeasurements of post-employment benefits for the year	**(1 003)**	(194)
Deferred income tax on remeasurements of post-employment benefits	**(33 378)**	(24 148)
Gains and losses on transactions with non-controlling interests	**(17 884)**	(17 884)
Opening balance	**(17 884)**	(3 200)
Gains and losses for the year	**–**	(14 684)
	1 912 259	1 559 216
Company		
BEE share-based payment option reserve	**122 080**	122 080
Opening balance	**122 080**	122 080
Reserves at formation of a previous holding company	**15 199**	15 199
Capital reduction	**236**	236
	137 515	137 515

	2016 R'000	2015 R'000

12. Retained earnings

	2016 R'000	2015 R'000
Group		
Company	**1 844 807**	1 754 922
Consolidated subsidiaries	**5 903 320**	5 268 992
Joint ventures	**141 439**	112 128
Associated companies	**105 666**	100 711
	7 995 232	7 236 753
Opening balance	**7 236 753**	6 545 297
Profit for the year	**1 531 986**	1 437 136
Dividends paid	**(773 507)**	(745 680)
Balance at the end of the year	**7 995 232**	7 236 753
Company		
Opening balance	**1 754 922**	1 690 900
Profit for the year	**873 232**	819 593
Dividends paid	**(783 347)**	(755 571)
Balance at the end of the year	**1 844 807**	1 754 922

13. Interest-bearing borrowings

	2016 R'000	2015 R'000
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	**843 919**	814 608
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	**24 845**	14 475
Secured term facility rand loan, bearing interest at a variable rate of 8,617% (2015: 7,458%) 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 8,457% (2015: 7,298%) 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 8,457% (2015: 7,298%) 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 R6 993 (2015: R22 110) for 48 months (note 30)	**60**	368
	3 368 824	3 329 451
Less: Portion of loans repayable within one year, included in current liabilities	**(2 168 824)**	(6 005)
	1 200 000	3 323 446

	2016 R'000	2015 R'000

13. Interest-bearing borrowings (continued)

	2016 R'000	2015 R'000
Current		
Unsecured euro loan, bearing interest at a fixed rate of 1,0029% per annum, repayable on 26 July 2016	**425 460**	290 192
Unsecured euro loan, bearing interest at a fixed rate of 1,717% per annum, repayable on 29 July 2016	**202 305**	175 055
Unsecured US dollar loan, bearing interest at a variable rate of 7,783% per annum, repayable on demand	**–**	10 627
Unsecured rand call accounts and bank overdrafts	**930 000**	388 499
Short-term portion of non-current borrowings	**2 168 824**	6 005
	3 726 589	870 378
Total interest-bearing borrowings	**4 926 589**	4 193 824

The interest rate repricing profile at 30 June 2016 and 30 June 2015 is summarised as follows:

	2016		2015	
Interest-bearing borrowings	% of total	R'000	% of total	R'000
Floating rate (secured loans)	**68,4**	**3 368 824**	79,3	3 329 451
Floating rate (unsecured loans)	**–**	**–**	0,3	10 627
Fixed rate (unsecured loans)	**12,7**	**627 765**	11,1	465 247
Floating call rate (2016: 7,3%, 2015: 6,7%)	**18,9**	**930 000**	9,3	388 499
Total interest-bearing borrowings	**100,0**	**4 926 589**	100,0	4 193 824

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	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Bank borrowings	**1 187 442**	3 240 187	**1 200 000**	3 323 307
Finance lease liabilities	**–**	139	**–**	139
	1 187 442	3 240 326	**1 200 000**	3 323 446

The fair value of non-current borrowings is calculated using cash flows discounted at a rate based on the borrowings rate of 2,9% to 8,6% (2015: 3,2% to 7,4%).

Total borrowings include secured liabilities of R3 368,8 million (2015: R3 329,5 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.

	2016 R'000	2015 R'000

13. Interest-bearing borrowings (continued)

The Group's unutilised banking facilities and reserve borrowing capacity are as follows:

	2016 R'000	2015 R'000
Unutilised banking facilities		
Total floating rate banking facilities expiring within one year	**2 100 000**	2 100 000
Less: Current interest-bearing borrowings	**(930 000)**	(388 499)
Unutilised banking facilities	**1 170 000**	1 711 501

Banking facilities are renewed annually and are subject to review at various dates during the next year.

14. Retirement benefits

	2016 R'000	2015 R'000
Statement of financial position		
Assets		
Pension benefits	**(40 165)**	(103 894)
Post-retirement medical benefits	**(303 255)**	(207 091)
	(343 420)	(310 985)
Liabilities		
Post-retirement medical obligation	**27 509**	24 243
	27 509	24 243
Net retirement benefit asset	**(315 911)**	(286 742)
Income statement charge for:		
Pension benefits	**(6 144)**	(4 227)
Post-retirement medical benefits	**30 460**	37 036
	24 316	32 809
Actuarial gains and losses		
Actuarial gains recognised in other comprehensive income (before taxation)	**115 842**	84 950
Cumulative actuarial gains recognised in other comprehensive income (before taxation)	**608 790**	492 948

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.

	2016 R'000	2015 R'000
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	**228 307**	231 407
Fair value of plan assets	**(316 424)**	(383 039)
Funded position	**(88 117)**	(151 632)
Asset not recognised in terms of IAS 19, paragraph 58 limit*	**47 952**	47 738
Net asset in statement of financial position	**(40 165)**	(103 894)

** 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 the asset limit of R3,9 million and interest cost of R4,1 million.*

	2016 R'000	2015 R'000
The movement in the defined-benefit obligation over the year is as follows:		
Opening balance	**231 407**	220 061
Current service cost	**2 607**	1 683
Interest cost	**18 989**	17 468
Contributions	**347**	402
Expenses	**(701)**	–
Risk premiums	**(124)**	(123)
Benefits paid	**(25 457)**	(37 817)
Remeasurements		
Actuarial loss	**1 239**	29 733
Balance at the end of the year	**228 307**	231 407
The movement in the fair value of plan assets over the year is as follows:		
Opening balance	**383 039**	399 801
Interest income	**31 845**	32 744
Employer contributions	**781**	890
Risk premiums	**(124)**	(123)
Expenses	**(701)**	–
Employer surplus utilised	**(67 880)**	(5 350)
Benefits paid	**(25 457)**	(38 895)
Remeasurements		
Return on plan assets	**(5 079)**	(6 028)
Balance at the end of the year	**316 424**	383 039

	2016 R'000	2015 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:

	2016 R'000	2015 R'000
Current service cost	**2 607**	1 683
Interest cost	**23 094**	26 834
Interest income	**(31 845)**	(32 744)
Total income	**(6 144)**	(4 227)
Actual return on plan assets	**(26 766)**	(26 716)

The Financial Services Board (FSB) approved the surplus apportionments within the Distell Retirement Fund, Distillers Corporation Pension Fund and SFW Pension Fund and the outstanding balance at 30 June 2016 which is available in the form of reductions in future contributions amounts to R40,2 million.

Principal actuarial assumptions on statement of financial position date

	2016	2015
Discount rate	**10,1%**	8,6%
Expected rate of return on plan assets	**10,1%**	8,6%
Future salary increases	**8,8%**	7,5%
Future pension increases	**7,8%**	6,5%
Inflation rate	**7,8%**	6,5%

14.2 Post-retirement medical benefits

Statement of financial position

Amounts recognised in the statement of financial position are as follows:

	2016 R'000	2015 R'000
Present value of funded obligation	**984 549**	934 266
Fair value of plan assets	**(1 260 295)**	(1 117 114)
Net asset in statement of financial position	**(275 746)**	(182 848)

The movement in the defined-benefit obligation over the year is as follows:

	2016 R'000	2015 R'000
Opening balance	**934 266**	919 250
Current service cost	**54 498**	54 079
Interest cost	**87 712**	88 727
Settlement gain	**(10 992)**	–
Benefits paid	**(20 648)**	(18 905)
Remeasurements		
Actuarial gain	**(60 287)**	(108 885)
Balance at the end of the year	**984 549**	934 266

The movement in the fair value of plan assets over the year is as follows:

	2016 R'000	2015 R'000
Opening balance	**1 117 114**	1 088 529
Interest income	**105 312**	105 770
Benefits paid	**(20 113)**	(18 481)
Remeasurements		
Return on plan assets	**57 982**	(58 704)
Balance at the end of the year	**1 260 295**	1 117 114

	2016 R'000	2015 R'000

14. Retirement benefits (continued)

14.2 Post-retirement medical 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:

	2016 R'000	2015 R'000
Current service cost	**54 498**	54 079
Interest cost	**87 712**	88 727
Interest income	**(105 312)**	(105 770)
Gain on settlement	**(6 438)**	–
Total expense	**30 460**	37 036
Actual return on plan assets	**(162 087)**	(46 292)

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

	2016	2015
Discount rate	**11,5%**	9,6%
Expected rate of return on assets	**11,5%**	9,6%
Future salary increases	**8,8%**	7,5%
Annual increases in health cost	**11,2%**	9,1%
Expected membership continuation at retirement	**100,0%**	100,0%
Expected retirement age	**60**	60

	Decrease R'000	Increase R'000
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	**34 274**	**46 927**
Effect on the defined-benefit obligation	**170 675**	**226 461**

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	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Present value of funded obligation	**984 549**	934 266	919 250	719 798	820 492
Fair value of plan assets	**(1 260 295)**	(1 117 114)	(1 088 529)	(910 964)	(739 538)
Surplus in the plan	**(275 746)**	(182 848)	(169 279)	(191 166)	80 954
Experience adjustments on plan liabilities	**108 082**	66 144	17 632	148 515	37 594
Experience adjustments on plan assets	**57 015**	(58 704)	106 330	124 750	36 991

	2016		2015	
	R'000	%	R'000	%

14. Retirement benefits (continued)

14.3 Retirement benefits (pension and medical)

Plan assets are comprised as follows:	2016 R'000	2016 %	2015 R'000	2015 %
Cash	**312 519**	**19,8**	252 413	16,8
Bonds	**339 554**	**21,5**	396 309	26,4
Equity instruments	**890 855**	**56,6**	813 856	54,3
Property	**20 576**	**1,3**	21 739	1,4
International equities and cash	**13 215**	**0,8**	15 836	1,1
	1 576 719	**100,0**	1 500 153	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 2017 are R0,4 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.

	2016 R'000	2015 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	**(136 031)**	(101 686)
Companies in the Group with net deferred income tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**580 044**	514 889
Deferred tax liability to be recovered within 12 months	**143 385**	113 094
	723 429	627 983
Net deferred income tax liability	**587 398**	526 297
The net movement on the deferred income tax account is as follows:		
Opening balance	**526 297**	513 011
Income statement charge (note 25)		
Provision for the year	**43 305**	(26 026)
Exhange differences	**(12 767)**	14 242
Charged to other comprehensive income (note 11)	**30 563**	25 070
Balance at the end of the year	**587 398**	526 297

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
2016					
Opening balance	**128 189**	**493 788**	**21 596**	**77 460**	**721 033**
Exchange differences	**4 363**	**(2 468)**	**–**	**–**	**1 895**
Charged to the income statement	**(1 996)**	**127 886**	**(1 323)**	**(8 165)**	**116 402**
Charged to other comprehensive income	**–**	**–**	**–**	**33 378**	**33 378**
Balance at the end of the year	**130 556**	**619 206**	**20 273**	**102 673**	**872 708**
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

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
2016					
Opening balance	**(1 265)**	**(102 657)**	**(51 865)**	**(38 949)**	**(194 736)**
Exchange differences	**–**	**(14 871)**	**–**	**209**	**(14 662)**
Charged to the income statement	**(3 196)**	**(28 370)**	**(28 567)**	**(12 964)**	**(73 097)**
Charged to other comprehensive income	**–**	**–**	**–**	**(2 815)**	**(2 815)**
Balance at the end of the year	**(4 461)**	**(145 898)**	**(80 432)**	**(54 519)**	**(285 310)**
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)

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

	2016 R'000	2015 R'000
Trade payables	**2 107 754**	2 064 665
Accrued expenses	**169 172**	159 593
Accrued leave pay	**88 397**	86 815
Excise duty	**797 382**	678 742
Value added tax	**72 267**	27 313
	3 234 972	3 017 128

	2016 R'000	2015 R'000

17. Provisions

	2016 R'000	2015 R'000
Bonuses		
Opening balance	**129 984**	13 257
Charged to the income statement		
Additional provisions	**234 540**	135 597
Unused amounts – reversed	**(750)**	–
Interest cost	**402**	333
Utilised during the year	**(124 458)**	(19 203)
Balance at the end of the year	**239 718**	129 984
Excise duty		
Opening balance	**201 671**	189 781
Payments made	**(131 477)**	–
Charged to the income statement		
Additional provisions	**11 869**	11 890
Balance at the end of the year	**82 063**	201 671
Summary		
Performance and other bonuses	**234 880**	125 250
Long-service bonuses	**4 838**	4 734
	239 718	129 984
Excise duty	**82 063**	201 671
	321 781	331 655

Performance and other bonuses

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

Long-service bonuses

The Group pays long-service bonuses to employees after 10, 25 and 35 years of service respectively. An actuarial calculation is done to determine the Group's liability under this practice using the projected unit credit method. The calculation is based on a discount rate of 9,6% (2015: 8,0%) and an attrition rate of 7,0% (2015: 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 remained in dispute and the Supreme Court in Pretoria in February 2016 ruled in favour of SARS. Following the ruling by the Supreme Court the additional duty was paid. The amount provided for herein is for interest on such additional duty which remains in dispute. Our matter before the courts is based on expert opinion and legal advice of Senior Counsel.

	2016 R'000	2015 R'000
18. Revenue		
Group		
Sales	**16 664 825**	15 421 903
Excise duty	**4 805 295**	4 167 067
	21 470 120	19 588 970
Sales volumes (litres '000)	**671 844**	653 670
Company		
Dividends received		
Ordinary shares: South African Distilleries and Wines (SA) Limited	**656 507**	627 630
Preference shares: Distell Beverages (RF) Proprietary Limited	**216 727**	191 963
	873 234	819 593
19. Operating costs		
19.1 Costs classified by function		
Costs of goods sold	**13 767 664**	12 813 730
Sales and marketing costs	**3 211 513**	2 699 733
Distribution costs	**1 087 991**	1 120 368
Administration and other costs	**973 250**	820 768
	19 040 418	17 454 599
19.2 Costs classified by nature		
Group		
Administrative and managerial fees	**18 772**	22 834
Advertising costs and promotions	**1 866 180**	1 736 643
Amortisation of intangible assets (note 6)	**28 116**	19 111
Auditors' remuneration (note 19.3)	**13 538**	14 290
Depreciation (note 2)	**343 581**	290 335
Employee benefit expense (note 19.4)	**2 462 152**	2 130 661
Impairment of trade and other receivables	**11 314**	13 204
Impairment of trademark	**80 155**	–
Maintenance and repairs	**219 911**	191 886
Net fair value adjustment of biological assets (note 3)	**6 827**	(777)
Net foreign exchange gains	**(125 293)**	(22 348)
Operating lease expenses (notes 19.5 and 30)	**294 882**	268 214
Raw materials and consumables used	**12 179 071**	11 273 401
Research and development expenditure: trademarks and brands	**49 250**	57 853
Transportation costs	**409 968**	379 459
Other expenses	**1 181 994**	1 079 833
	19 040 418	17 454 599
19.3 Auditors' remuneration		
Audit fees	**9 702**	9 015
Audit fees in respect of previous year	**336**	94
Fees for other services		
Taxation	**367**	1 242
Other	**3 003**	3 813
Expenses	**130**	126
	13 538	14 290

	2016 R'000	2015 R'000
19. Operating costs (continued)		
19.4 Employee benefit expense		
Salaries and wages	**2 195 188**	1 879 094
Share and share appreciation right scheme shares granted to directors and employees	**45 573**	31 686
Pension costs – defined-contribution plans	**115 113**	105 887
Medical aid contributions	**88 746**	81 185
Costs capitalised	**(6 784)**	–
Pension benefits (note 14.1)	**(6 144)**	(4 227)
Post-retirement medical benefits (note 14.2)	**30 460**	37 036
	2 462 152	2 130 661
19.5 Operating lease expenses		
Properties	**183 733**	159 367
Vehicles	**54 589**	58 134
Equipment	**32 468**	27 879
Machinery	**24 092**	22 834
	294 882	268 214
20. Other losses		
Remeasurement of contingent consideration	**–**	(8 891)
Impairment of trademark	**(80 155)**	–
Profit on disposal of property, plant and equipment	**2 074**	3 576
	(78 081)	(5 315)
Taxation	**(581)**	(1 001)
	(78 662)	(6 316)
21. Dividend income		
Dividend income derived from unlisted investments	**7 501**	6 698
	7 501	6 698
22. Finance income		
Interest received		
Bank	**15 158**	22 388
Other	**1 643**	853
Gains on financial instruments		
Interest rate swaps: cash flow hedges	**4 201**	–
	21 002	23 241
23. Finance costs		
Interest paid		
Bank borrowings	**(269 657)**	(240 933)
Other	**(12 133)**	(13 120)
Losses on financial instruments		
Interest rate swaps: cash flow hedges	**–**	(5 658)
	(281 790)	(259 711)
24. Share of equity-accounted earnings		
Share of profit of associates		
Share of profit before taxation	**73 305**	97 936
Share of taxation	**(20 339)**	(28 675)
Share of profit for the year	**52 966**	69 261
Share of profit of joint ventures		
Share of profit before taxation	**6 486**	28 991
Share of taxation	**(1 410)**	(8 851)
Share of profit for the year	**5 076**	20 140
	58 042	89 401

25. Taxation

	2016 R'000	2015 R'000
25.1 Normal company taxation		
Group		
Current taxation		
current year	**589 427**	595 333
previous year	**(8 247)**	(283)
Deferred taxation	**43 305**	(26 026)
	624 485	569 024
Composition		
Normal South African taxation	**537 865**	483 582
Foreign taxation	**86 620**	85 442
	624 485	569 024
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	**(2 815)**	922
remeasurements of post-employment benefits	**33 378**	24 148
	30 563	25 070
25.2 Reconciliation of rate of taxation (%)		
Standard rate for companies	**28,0**	28,0
Differences arising from normal activities:		
non-taxable income	**(0,1)**	–
non-deductible expenses	**2,4**	1,5
adjustments in respect of prior years	**(0,4)**	0,3
foreign tax rate differential, withholding taxes and income from associates	**(0,9)**	(1,2)
Effective rate	**29,0**	28,6
The standard rate of tax for companies in South Africa is 28,0% (2015: 28,0%).		
25.3 Taxation losses		
Calculated taxation losses and capital improvements available for off-set against future taxable income	**389 684**	277 058
Applied to reduce deferred income tax	**(388 607)**	(276 278)
	1 077	780

The taxation losses have no expiry dates.

	2016 R'000	2015 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.

	2016 R'000	2015 R'000
Weighted average number of ordinary shares in issue ('000)	**219 038**	218 621
Earnings reconciliation		
Profit attributable to equity holders	**1 531 986**	1 437 136
Adjusted for (net of taxation):		
impairment of trademark	**80 155**	–
net other capital gains (note 20)	**(1 493)**	(2 575)
Headline earnings	**1 610 648**	1 434 561
Adjusted for (net of taxation):		
remeasurement of contingent consideration (note 20)	**–**	8 891
Normalised headline earnings	**1 610 648**	1 443 452
Basic earnings per share (cents)	**699,4**	657,4
Headline earnings per share (cents)	**735,3**	656,2
Normalised headline earnings per share (cents)	**735,3**	660,3
Cash equivalent earnings		
Profit attributable to equity holders	**1 531 986**	1 437 136
Adjusted for:		
deferred income tax (note 25.1)	**43 305**	(26 026)
non-cash flow items (note 28.1)	**857 954**	512 207
Total cash equivalent earnings	**2 433 245**	1 923 317
Cash equivalent earnings per share (cents)	**1 110,9**	879,7

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 Rights 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.

	2016 R'000	2015 R'000

26. Earnings per ordinary share (continued)

26.2 Diluted earnings per share (continued)

	2016 R'000	2015 R'000
Weighted average number of ordinary shares in issue ('000)	**219 038**	218 621
Adjusted for:		
Share and SARs Scheme and bonus shares	**725**	834
Weighted average number of ordinary shares for diluted earnings ('000)	**219 763**	219 455
Diluted earnings per share (cents)	**697,1**	654,9
Diluted headline earnings per share (cents)	**732,9**	653,7
Diluted normalised headline earnings per share (cents)	**732,9**	657,7
Diluted cash equivalent earnings per share (cents)	**1 107,2**	876,4

27. Dividends

	2016 R'000	2015 R'000
Paid: 165,0 cents (2015: 158,0 cents)	**361 954**	345 797
Declared: 214,0 cents (2015: 188,0 cents)	**469 444**	416 866
Total: 379,0 cents (2015: 346,0 cents)	**831 398**	762 663

A final dividend of 214,0 cents per share was declared for the financial year ended 30 June 2016. The dividend will be paid on Monday, 26 September 2016. The last date to trade cum dividend will be Tuesday, 20 September 2016.

The shares of Distell will commence trading ex dividend from the commencement of business on Wednesday, 21 September 2016, and the record date will be Friday, 23 September 2016.

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

28.1 Non-cash flow items

	2016 R'000	2015 R'000
Depreciation	**343 581**	290 335
Net fair value adjustment of biological assets	**6 827**	(777)
Intangible assets amortisation	**28 116**	19 111
Profit on disposal of property, plant and equipment	**(2 074)**	(3 576)
Provision for impairment of receivables	**10 449**	(2 412)
Provision for retirement benefits	**85 670**	38 192
Provision for leave and bonuses	**244 590**	141 478
Provision for excise duty and interest	**11 869**	11 890
Share Appreciation Rights and Scheme Shares granted to directors and employees	**45 573**	31 686
Impairment of trademarks	**80 155**	–
Other	**3 198**	(13 720)
	857 954	512 207

28.2 Working capital changes

	2016 R'000	2015 R'000
Increase in inventories	**(204 555)**	(580 136)
Increase in trade and other receivables	**(491 093)**	(363 624)
Decrease in trade and other payables	**(33 488)**	414 435
	(729 136)	(529 325)

28. Cash flow information (continued)

	2016 R'000	2015 R'000
28.3 Taxation paid		
Unpaid at the beginning of the year	**(36 334)**	53 827
Current provision for taxation	**(581 180)**	(595 050)
Exchange differences	**1 880**	218
Prepaid at the end of the year	**(1 570)**	36 334
	(617 204)	(504 671)
28.4 Dividends paid		
Group		
Dividends declared	**(783 347)**	(755 571)
Dividends paid to The Distell Group Share Trust	**479**	848
Dividends paid to Distell Beverages (RF) Proprietary Limited	**9 361**	9 043
Unpaid at the end of the year	**–**	–
	(773 507)	(745 680)
Company		
Dividends declared	**(783 347)**	(755 571)
Unpaid at the end of the year	**–**	–
	(783 347)	(755 571)
28.5 Purchases of property, plant and equipment (PPE) to maintain operations		
Properties	**(69 350)**	(31 851)
Machinery, tanks and barrels	**(309 285)**	(182 030)
Equipment and vehicles	**(30 806)**	(34 119)
Assets under construction	**(16 245)**	(73 801)
	(425 686)	(321 801)
28.6 Purchases of PPE to expand operations		
Properties	**(40 588)**	(43 779)
Biological assets	**(1 786)**	(578)
Machinery, tanks and barrels	**(433 811)**	(202 383)
Equipment and vehicles	**(75 137)**	(45 307)
Assets under construction	**(61 545)**	(154 533)
	(612 867)	(446 580)
28.7 Decrease in net cash, cash equivalents and bank overdrafts		
Balance at the beginning of the year	**(230 868)**	(7 335)
Exchange gains on cash, cash equivalents and bank overdrafts	**(32 075)**	(24 179)
Balance at the end of the year	**102 402**	230 868
Cash at bank and on hand	**1 032 402**	619 367
Call accounts and bank overdrafts	**(930 000)**	(388 499)
	(160 541)	199 354

29. Segmental analysis

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.

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, corporate service cost centres such as global marketing, corporate governance, corporate affairs, business improvement, human resources, information technology, corporate finance, supply chain and the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments that are shown separately under 'corporate'. Finance income and finance costs 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.

Operating segments that have been aggregated meets the majority of the aggregation criteria as per IFRS 8 paragraph 12. In addition they have similar economic characteristics based on similar gross profit margin. The operating segments that have been aggregated within the 'rest of international' column consist out of Asia Pacific, Taiwan, North America, Latin America and Travel Retail.

29. Segmental analysis (continued)

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

	South Africa R'000	BLNS R'000	Rest of Africa R'000	Europe R'000	Rest of Inter-national R'000	Corporate R'000	Total R' 000
2016							
Revenue	15 362 115	1 748 679	1 103 484	1 639 887	1 614 994	961	21 470 120
Costs of goods sold	(10 158 302)	(1 139 763)	(696 045)	(1 012 262)	(716 552)	(44 740)	(13 767 664)
Gross profit	5 203 813	608 916	407 439	627 625	898 442	(43 779)	7 702 456
Operating costs	(2 390 404)	(210 700)	(259 619)	(475 655)	(650 143)	(1 364 314)	(5 350 835)
Operating profit before allocations	2 813 409	398 216	147 820	151 970	248 299	(1 408 093)	2 351 621
Equity-accounted earnings and dividend income	–	–	56 862	–	(6 678)	15 359	65 543
EBIT before allocations	2 813 409	398 216	204 682	151 970	241 621	(1 392 734)	2 417 164
Allocations	(244 704)	(22 043)	(10 789)	(13 870)	(9 773)	301 179	–
EBIT after allocations	2 568 705	376 173	193 893	138 100	231 848	(1 091 555)	2 417 164
Equity-accounted earnings and dividend income	–	–	(56 862)	–	6 678	(15 359)	(65 543)
Operating profit	2 568 705	376 173	137 031	138 100	238 526	(1 106 914)	2 351 621
EBIT before allocations attributable to:							
Equity holders of the company	2 813 409	398 216	215 393	151 970	241 621	(1 403 350)	2 417 259
Non-controlling interest	–	–	(10 711)	–	–	10 616	(95)
	2 813 409	398 216	204 682	151 970	241 621	(1 392 734)	2 417 164
Non-current assets	5 111 533	70 100	345 912	2 782 583	2 041	–	8 312 169
2015							
Revenue	13 709 486	1 659 830	1 287 388	1 392 969	1 485 393	53 904	19 588 970
Costs of goods sold	(9 067 029)	(1 091 535)	(857 874)	(926 401)	(724 407)	(146 484)	(12 813 730)
Gross profit	4 642 457	568 295	429 514	466 568	760 986	(92 580)	6 775 240
Operating costs	(2 266 327)	(199 171)	(228 252)	(433 695)	(506 304)	(1 012 435)	(4 646 184)
Operating profit before allocations	2 376 130	369 124	201 262	32 873	254 682	(1 105 015)	2 129 056
Equity-accounted earnings and dividend income	–	–	78 287	–	–	17 812	96 099
EBIT before allocations	2 376 130	369 124	279 549	32 873	254 682	(1 087 203)	2 225 155
Allocations	(180 590)	(14 614)	(7 381)	(7 155)	(5 158)	214 898	–
EBIT after allocations	2 195 540	354 510	272 168	25 718	249 524	(872 305)	2 225 155
Equity-accounted earnings and dividend income	–	–	(78 287)	–	–	(17 812)	(96 099)
Operating profit	2 195 540	354 510	193 881	25 718	249 524	(890 117)	2 129 056
EBIT before allocations attributable to:							
Equity holders of the company	2 376 130	369 124	301 379	32 873	254 682	(1 091 558)	2 242 630
Non-controlling interest	–	–	(21 830)	–	–	4 355	(17 475)
	2 376 130	369 124	279 549	32 873	254 682	(1 087 203)	2 225 155
Non-current assets	4 448 930	64 022	324 909	2 592 354	5 036	–	7 435 251

Note: BLNS = Botswana, Lesotho, Namibia and Swaziland
EBIT = Earnings before interest and tax

	2016 R'000	2015 R'000

30. Commitments

	2016 R'000	2015 R'000
Capital commitments		
Capital expenditure contracted, not yet incurred	**893 322**	411 334
Capital expenditure authorised by the directors, not yet contracted	**1 163 271**	1 052 387
	2 056 593	1 463 721
Composition of capital commitments		
Subsidiaries	**2 056 593**	1 463 721
	2 056 593	1 463 721

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:

	2016 R'000	2015 R'000
Not later than one year	**67 821**	67 212
Later than one year and not later than five years	**90 347**	116 017
Later than five years	**30 995**	–
	189 163	183 229

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	2016 Total R'000	2015 Total R'000
Minimum lease payments	**61**	**–**	**61**	391
Finance costs	**(1)**	**–**	**(1)**	(23)
Present value of minimum lease payments	**60**	**–**	**60**	368

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:

	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
2016						
Available-for-sale financial assets (note 4)	**–**	**–**	**79 708**	**–**	**–**	**79 708**
Other loans and receivables (note 4)	**181 195**	**–**	**–**	**–**	**–**	**181 195**
Cash and cash equivalents	**1 032 402**	**–**	**–**	**–**	**–**	**1 032 402**
Trade and other receivables	**2 547 805**	**–**	**–**	**–**	**–**	**2 547 805**
Derivative financial instruments (note 9)	**–**	**10 883**	**–**	**(17 668)**	**–**	**(6 785)**
Interest-bearing borrowings (note 13)	**–**	**–**	**–**	**–**	**(4 926 589)**	**(4 926 589)**
Trade and other payables	**–**	**–**	**–**	**–**	**(2 259 258)**	**(2 259 258)**
	3 761 402	**10 883**	**79 708**	**(17 668)**	**(7 185 847)**	**(3 351 522)**
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)

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 expose 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 2016, with all other variables remaining constant, the post-tax profit for the year would have been R24,7 million (2015: R5,5 million) lower/higher, mainly as a result of translating outstanding foreign currency denominated monetary items.

Similiarly, had the rand at 30 June 2016 weakened/strengthened by 10% against the euro, with all other variables remaining constant, the post-tax profit for the year would have been R29,5 million (2015: R37,9 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 2016, 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 R30,9 million (2015: R28,4 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:

	2016 R'000	2015 R'000
P-1	**1 030 728**	508 003
P-2	**280**	109 932
Cash	**1 394**	1 432
	1 032 402	619 367

32. Financial risk management (continued)

32.1 **Financial risk factors** (continued)

32.1(b) Credit risk management

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 R30,4 million (2015: R30,3 million) and staff housing loans of R2,5 million (2015: 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 2016 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	2016 Total R'000	2015 Total R'000
Financial liabilities						
Forward exchange contracts held for trading						
– Outflow	**397 044**	**–**	**–**	**–**	**397 044**	236 628
– Inflow	**380 766**	**–**	**–**	**–**	**380 766**	238 029
Trade and other payables	**2 259 510**	**–**	**–**	**–**	**2 259 510**	2 224 258
Financial guarantees	**30 343**	**–**	**–**	**–**	**30 343**	30 343
Interest-bearing borrowings	**3 950 569**	**104 557**	**1 304 496**	**–**	**5 359 622**	4 773 011

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 including 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 the year-end as the significant inputs in the valuation.

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

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2016				
Available-for-sale financial assets	**15 532**	**18 036**	**46 140**	**79 708**
Biological assets	**–**	**–**	**100 866**	**100 866**
Derivative financial assets	**–**	**10 883**	**–**	**10 883**
Derivative financial liabilities	**–**	**(17 668)**	**–**	**(17 668)**
	15 532	**11 251**	**147 006**	**173 789**
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

There were no transfers between level 1, 2 or 3 during the year.

32. Financial risk management (continued)

32.2 **Fair value estimation** (continued)

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

	2016 R'000	2015 R'000
Opening balance	**173 380**	167 662
Additions	**1 786**	578
Disposals	**(7)**	–
Impairments	**(28 080)**	–
Decrease due to harvest	**(41 491)**	(50 651)
Gain due to biological change, price, yield, maturity and cost changes	**34 664**	51 428
Gains and losses recognised in the statements of comprehensive income	**6 754**	4 363
Balance at the end of the year	**147 006**	173 380

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 plus net debt.

During 2016 the Group's strategy, which was unchanged from 2015, 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 2016 and 2015 was as follows:

	2016 R'000	2015 R'000
Total borrowings (note 13)	**4 926 589**	4 193 824
Less: Cash and cash equivalents	**(1 032 402)**	(619 367)
Net debt	**3 894 187**	3 574 457
Total equity	**10 672 259**	9 556 397
Total capital	**14 566 446**	13 130 854
Gearing ratio	**26,7%**	27,2%

	2016 R'000	2015 R'000

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 Holdings 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:

	2016 R'000	2015 R'000
Total net assets	–	64 678
Goodwill	–	46 604
Total consideration	–	111 282

34. Directors' emoluments

	2016			2015		
	Executive R'000	Non-executive R'000	Total R'000	Executive R'000	Non-executive R'000	Total R'000
Salaries and fees	8 639	5 294	13 933	7 403	3 743	11 146
Incentive bonuses	1 780	–	1 780	–	–	–
Payments on retirement	706	–	706	–	–	–
Retirement fund contributions	1 793	–	1 793	1 537	–	1 537
Medical aid contributions	83	–	83	63	–	63
Vehicle and other benefits[15]	811	254	1 065	689	–	689
Paid by subsidiaries	13 812	5 548	19 360	9 692	3 743	13 435

	Salaries R'000	Incentive bonuses R'000	Payments on retirement R'000	Retirement fund contributions R'000	Medical aid contributions R'000	Vehicle benefits R'000	2016 Total R'000	2015 Total R'000
Executive								
RM Rushton	5 234	1 043	–	1 086	36	406	7 805	6 256
MJ Botha[1]	1 373	386	706	285	16	151	2 917	3 436
LC Verwey[2]	2 032	351	–	422	31	254	3 090	–
Subtotal	8 639	1 780	706	1 793	83	811	13 812	9 692

34. Directors' emoluments (continued)

	Fees R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Medical aid contributions R'000	Other benefits R'000	2016 Total R'000	2015 Total R'000
Non-executive							
PE Beyers[3]	324	–	–	–	13	337	228
JG Carinus[4]	81	–	–	–	–	81	228
GP Dingaan[5]	557	–	–	–	23	580	420
JJ Durand[6]	406	–	–	–	24	430	291
DP Du Plessis[7]	158	–	–	–	6	164	–
E de la H Hertzog[8]	162	–	–	–	20	182	227
MJ Madungandaba	242	–	–	–	14	256	245
EG Matenge-Sebesho[9]	121	–	–	–	7	128	–
LM Mojela[10]	324	–	–	–	16	340	299
DM Nurek[11]	1 302	–	–	–	25	1 327	904
CA Otto[12]	324	–	–	–	28	352	242
AC Parker[13]	480	–	–	–	27	507	350
CE Sevillano-Barredo[14]	571	–	–	–	20	591	434
BJ van der Ross	242	–	–	–	31	273	220
Subtotal	5 294	–	–	–	254	5 548	4 088
Total	13 933	1 780	1 793	83	1 065	19 360	13 780

1. *Mr MJ Botha retired on 31 December 2015.*
2. *Mr LC Verwey was appointed as Group finance director from 1 September 2015 to succeed Mr MJ Botha.*
3. *Mr PE Beyers is a member of the investment sub-committee.*
4. *Mr JG Carinus resigned on 28 October 2015.*
5. *Ms GP Dingaan is chairperson of the social and ethics committee, a member of the audit and risk committee and the investment sub-committee.*
6. *Mr JJ Durand is a member of the remuneration and nomination committees and of the investment sub-committee.*
7. *Dr DP du Plessis was appointed on 25 November 2015.*
8. *Dr E de la H Hertzog resigned on 17 February 2016.*
9. *Ms EG Matenge-Sebesho was appointed on 25 November 2015.*
10. *Ms LM Mojela is a member of the remuneration and nomination committees.*
11. *Mr DM Nurek is chairman of the board and the nomination committee and a member of the audit and risk and remuneration committees and the investment sub-committee.*
12. *Mr CA Otto is a member of the investment sub-committee.*
13. *Mr AC Parker is chairman of the remuneration committee and member of the nomination committee and the investment sub-committee.*
14. *Ms CE Sevillano-Barredo is chairperson of the audit and risk committee and member of the investment sub-committee.*
15. *Directors receive an allowance to purchase products from the Group's brand portfolio.*

35. Interest of directors in share capital and contracts

On 30 June 2016 and on 30 June 2015, 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		2016	2015
Ordinary shares	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Total	Total
DM Nurek	–	–	**15 000**	–	**15 000**	15 000

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.

36. Share and share appreciation right schemes

Share Scheme

In the financial years ended 30 June 2016 and 30 June 2015 no additional shares were offered to directors.

Current status

Ordinary shares **Participant**	Shares accepted prior to 30 June 2015	Shares accepted in the year to 30 June 2016	Offer price (Rand)	Number of shares paid and delivered prior to 30 June 2015	Number of shares paid and delivered in the year to 30 June 2016	Share price on date of payment and delivery (Rand)	Increase in value* R'000	Balance of shares accepted as at 30 June 2016
Executive								
MJ Botha	8 667	–	**64,00**	5 778	**2 889**	**165,00**	**292**	–

* *Refers to the increase in value of the scheme shares of the indicated participant 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).*

36. Share and share appreciation right schemes (continued)

Distell Share Appreciation Right Scheme

In the current financial year 198 567 (2015: 74 241) share appreciation rights (SARs) were offered to directors.

Current status

Share appreciation rights **Participant**	SARs accepted prior to 30 June 2015	**SARs accepted in the year to 30 June 2016**	**Offer price (Rand)**	Number of SARs exercised prior to 30 June 2015	**Number of SARs exercised in the year to 30 June 2016**	**Share price on exercise date (Rand)**	**Increase in value* R'000**	**Balance of SARs accepted as at 30 June 2016**
Executive								
RM Rushton	342 834	**–**	**139,00**	–	**–**	**–**	**–**	**342 834**
RM Rushton	28 941	**–**	**129,00**	–	**–**	**–**	**–**	**28 941**
RM Rushton	–	**142 116**	**170,30**	–	**–**	**–**	**–**	**142 116**
LC Verwey	48 450	**–**	**152,00**	–	**–**	**–**	**–**	**48 450**
LC Verwey	–	**56 451**	**170,30**	–	**–**	**–**	**–**	**56 451**
MJ Botha	8 176	**–**	**72,00**	2 725	**5 451**	**163,00**	**496**	**–**
MJ Botha	8 921	**–**	**66,00**	–	**5 946**	**162,72**	**575**	**2 975**
MJ Botha	60 228	**–**	**93,35**	–	**20 076**	**164,58**	**1 430**	**40 152**
MJ Botha	38 826	**–**	**139,00**	–	**–**	**–**	**–**	**38 826**
MJ Botha	45 300	**–**	**129,00**	–	**–**	**–**	**–**	**45 300**
Total	581 676	**198 567**		2 725	**31 473**		**2 501**	**746 045**

* *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 (2015: Nil) shares were offered to the managing director (note 10.3).

Current status

Ordinary shares **Participant**	Shares accepted prior to 30 June 2015	**Shares accepted in the year to 30 June 2016**	**Offer price (Rand)**	Number of shares paid and delivered prior to 30 June 2015	**Number of shares paid and delivered in the year to 30 June 2016**	**Share price on date of payment and delivery (Rand)**	**Increase in value* R'000**	**Balance of shares accepted as at 30 June 2016**
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).*

37. Related-party transactions

Distell Group Limited is controlled by Remgro-Capevin Investments Proprietary Limited which owns 52,8% of the company's shares. Other Beverage Interests Proprietary Limited (SABMiller) owns 26,4% 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:

	2016 R'000	2015 R'000
Purchases of goods and services		
Holding company		
Remgro Management Services Limited (management services)	**13 102**	12 033
Remgro Management Services Limited (interest on loans)	**16 889**	14 321
Joint ventures		
LUSAN Holdings Proprietary Limited (goods and services)	**99 982**	104 929
Tonnellerie Radoux (SA) Proprietary Limited (goods and services)	**5 305**	6 114
Solamoyo Processing Company Proprietary Limited (goods and services)	**1 068**	1 068
Sale of goods and services		
Joint ventures		
Tonnellerie Radoux (SA) Proprietary Limited (administration fees)	**240**	226
Tonnellerie Radoux (SA) Proprietary Limited (rent received)	**–**	553
LUSAN Holdings Proprietary Limited (administration fees)	**245**	224
LUSAN Holdings Proprietary Limited (marketing support)	**7 817**	7 857
Year-end balances arising from purchases of goods and services		
Current account		
Holding company		
Remgro Management Services Limited (including VAT)	**1 245**	2 131
Joint ventures		
Tonnellerie Radoux (SA) Proprietary Limited (current account)	**(9 050)**	(6 053)
Solamoyo Processing Company Proprietary Limited (current account)	**4 345**	4 301
Loan account		
Other related parties	**7 271**	12 222
Joint ventures		
LUSAN Holdings Proprietary Limited (loan account)	**154 754**	161 754
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)	**176 988**	188 939

	2016 R'000	2015 R'000

37. 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.

	2016 R'000	2015 R'000
Key management compensation		
The executive committee of Distell Limited, the main operating company in the Group	**38 365**	36 600

Also refer to notes 34, 35, 39 and 40.

Company

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

38. Interest in subsidiaries

	2016 R'000	2015 R'000
The total profits/(losses) after taxation of consolidated subsidiaries for the year are as follows:		
Profits	**1 763 645**	1 469 143
Losses	**(247 585)**	(97 534)
Net consolidated profit after taxation	**1 516 060**	1 371 609
The company's direct interests in its subsidiaries are as follows:		
South African Distilleries and Wines (SA) Limited (85%) – Unlisted	**991 561**	993 756
Long-term loan – interest-free and repayable on demand	**869 303**	871 498
Share-based payment contribution	**122 257**	122 257
Shares	**1**	1
Distell International Holdings Limited (United Kingdom) (100%) – Unlisted	**2 144**	–
Shares	**2 144**	–
Distell Beverages (RF) Proprietary Limited	**1 741 175**	1 651 288
Variable rate cumulative redeemable preference shares	**869 411**	869 411
Cumulative arrear preference shares dividend	**871 764**	781 877
Investments in subsidiaries	**2 734 880**	2 645 044

38. 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
Distell International 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 Mauritius 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 2016 amounted to R872 million (2015: R782 million). The preference shares have a dividend rate of CPI (excluding owner's equivalent rent) plus 7%.*

	Nature of the business	2016 R'000	2015 R'000

39. Interest in unlisted associates

The Group's interest in associates is as follows:

	Nature of the business	2016 R'000	2015 R'000
Tanzania Distilleries Limited (Tanzania) (35%)	Manufacturer and distributor	91 046	91 866
Cost price		13 352	13 352
Equity-accounted retained earnings		77 694	78 514
Grays Inc. Limited (Mauritius) (26%)	Distributor	32 994	28 806
Cost price		6 949	6 949
Equity-accounted retained earnings		26 045	21 857
Papkuilsfontein Vineyards Proprietary Limited (49%)	Farming	361	340
Cost price		–	–
Equity-accounted retained earnings		361	340
KWA Holdings E.A. Limited (Kenya) (26%)	Manufacturer and distributor	112 848	112 673
Cost price		111 282	111 282
Equity-accounted retained earnings		1 566	1 391
Investments in associates		237 249	233 685
Share in net assets of associates		181 569	178 005
Goodwill		55 680	55 680
		237 249	233 685

	Tanzania Distilleries Limited R'000	KWA Holdings E.A. Limited R'000	Other R'000	2016 Total R'000	2015 Total R'000
The aggregate statements of financial position of associates are summarised as follows:					
Property, plant and equipment	172 319	149 391	44 728	366 438	299 205
Financial and intangible assets	–	13 973	23 945	37 918	31 627
Current assets	756 262	216 044	303 975	1 276 281	608 877
Total assets	928 581	379 408	372 648	1 680 637	939 709
Interest-free liabilities	739 820	82 691	79 316	901 827	21 358
Interest-bearing liabilities	170	–	143 436	143 606	361 803
Total liabilities	739 990	82 691	222 752	1 045 433	383 161
Equity	188 591	296 717	149 896	635 204	556 548
Non-controlling interest	(104 123)	(230 473)	(119 039)	(453 635)	(378 543)
Group's share in equity	84 468	66 244	30 857	181 569	178 005
Loans to associates	–	–	14 392	14 392	14 748
Group's share in net assets of associates	84 468	66 244	45 249	195 961	192 753
Tanzania Distilleries Limited (35%)				84 468	85 288
Grays Inc. Limited (26%)				30 496	26 308
Papkuilsfontein Vineyards Proprietary Limited (49%)				361	340
KWA Holdings E.A. Limited (26%)				66 244	66 069
				181 569	178 005
The Group's interest in the revenue and profit of the associates is as follows:					
Revenue	443 609	162 926	202 130	808 665	593 763
Profit for the year	40 057	151	10 382	50 590	65 280

Notes:

1. *All associates are incorporated in South Africa, unless otherwise stated.*
2. *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.*

40. Interest in joint ventures

The Group's interest in joint ventures is as follows:

	Nature of the business	2016 R'000	2015 R'000
Afdis Holdings (Private) Limited (Zimbabwe) (50%)	Manufacturer and distributor	**65 273**	61 308
Cost price		**23 938**	23 938
Equity-accounted retained earnings		**41 335**	37 370
Les Domaines de Mauricia Limitee (Mauritius) (50%)	Distributor	**168**	168
Cost price		**20**	20
Equity-accounted retained earnings		**148**	148
LUSAN Holdings Proprietary Limited (50%)	Manufacturer and distributor	**96 970**	89 337
Cost price		**1**	1
Equity-accounted retained earnings		**96 969**	89 336
Solamoyo Processing Company Proprietary Limited (40%)	Effluent management	**(157)**	(171)
Cost price		**–**	–
Equity-accounted retained earnings		**(157)**	(171)
TD Spirits LLC (USA) (50%)	Distributor	**41 774**	–
Cost price		**48 380**	–
Equity-accounted retained earnings		**(6 606)**	–
Tonnellerie Radoux (SA) Proprietary Limited (50%)	Manufacturer and distributor of maturation vats	**9 971**	9 781
Cost price		**220**	220
Equity-accounted retained earnings		**9 751**	9 561
Investments in joint ventures		**213 999**	160 423

40. Interest in joint ventures (continued)

The aggregate statements of financial position of joint ventures are summarised as follows:

	LUSAN Holdings Proprietary Limited R'000	Afdis Holdings (Private) Limited R'000	Other R'000	2016 Total R'000	2015 Total R'000
Non-current assets					
Property, plant and equipment	268 887	150 274	10 615	429 776	443 248
Biological assets	30 197	–	1	30 198	31 358
Intangible assets	2 026	–	–	2 026	3 067
Deferred income tax assets	24 716	–	226	24 942	12 257
Long-term loans and investments	43 718	7 150	–	50 868	8 443
Current assets					
Inventories	120 722	75 946	85 974	282 642	197 886
Trade and other receivables	8 460	52 772	26 817	88 049	81 408
Current income tax assets	386	–	460	846	362
Financial assets	–	–	10 211	10 211	6 053
Cash and cash equivalents	58 304	37 853	97 501	193 658	61 495
Total assets	557 416	323 995	231 805	1 113 216	845 577
Non-current liabilities					
Shareholders' loan	309 509	–	416	309 925	162 171
Borrowings	–	–	47 339	47 339	9 626
Deferred income tax liabilities	16 409	17 807	–	34 216	10 912
Current liabilities					
Bank overdrafts and borrowings	37 076	–	2 129	39 205	57 839
Trade payables and provisions	11 570	55 483	71 606	138 659	64 912
Current income tax liability	–	6 300	19	6 319	12 743
Total liabilities	374 564	79 590	121 509	575 663	318 203
Equity	182 852	244 405	110 296	537 553	527 374
Non-controlling interest	(85 882)	(179 132)	(58 540)	(323 554)	(366 951)
Group's share in equity	96 970	65 273	51 756	213 999	160 423
Loans to joint ventures	154 754	–	417	155 171	162 171
Group's share in net assets of joint ventures	251 724	65 273	52 173	369 170	322 594
The revenue and profit of the joint ventures are as follows:					
Revenue	98 736	314 220	52 839	465 795	425 444
Profit for the year	14 501	26 447	(2 732)	38 216	52 461

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.*

41. Analysis of shareholders

at 30 June 2016

	Number of holders	% of holders	Number of ordinary shares	% of issued shares
Distribution of shareholders				
Public shareholders	**6 082**	**99,83**	**43 141 856**	**19,42**
Non-public shareholders	**10**	**0,17**	**178 967 500**	**80,58**
Major beneficial shareholders	**2**	**0,03**	**176 022 000**	**79,25**
Directors, including those of subsidiaries, and their associates	**5**	**0,08**	**45 252**	**0,02**
The Distell Group Share Trust	**1**	**0,02**	**48 480**	**0,02**
Distell Share Appreciation Right Scheme (SAR Scheme)	**1**	**0,02**	**199 822**	**0,09**
Distell Beverages (RF) Proprietary Limited	**1**	**0,02**	**2 651 946**	**1,20**
	6 092	**100,00**	**222 109 356**	**100,00**

	2016	2015
Number of shares in issue		
Total number of shares in issue	**222 109 356**	221 737 356
Shares accounted for as treasury shares		
The Distell Group Share Trust and SAR Scheme	**(248 302)**	(275 173)
Distell Beverages (RF) Proprietary Limited	**(2 651 946)**	(2 651 946)
	219 209 108	218 810 237
Weighted number of shares	**219 037 582**	218 621 282

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 Proprietary Limited	**117 348 000**	**52,8**
Other Beverage Interests Proprietary Limited (SABMiller)	**58 674 000**	**26,4**

SUSTAINABILITY

SUSTAINABILITY REPORT

BY UNDERSTANDING OUR LEGAL ENVIRONMENT, MANAGING OUR RISKS AND ENGAGING WITH OUR VARIOUS STAKEHOLDERS, WE HAVE IDENTIFIED SEVEN KEY ISSUES THAT SHAPE THE CORPORATE RESPONSIBILITY PILLAR OF OUR VALUE-BASED MANAGEMENT APPROACH.

For more information on our corporate strategic risks, please see page 16.

The full details of our seven corporate responsibility issues are available in our online sustainability report.

The following discusses the seven key sustainability issues that we have identified as vital to our future prosperity, and discusses our responsible management processes that are crucial in driving health and safety, social, environmental, transformation and economic imperatives:

- Promoting responsible drinking
- High excise duty and illicit trade
- Sustaining our communities
- Our people
- Transformation
- Supply chain management
- Preserving our environment

All non-financial information relates to the Group's operations in South Africa, and excludes non-financial data from LUSAN Holdings Proprietary Limited, unless otherwise stated.

Promoting responsible drinking

As a key player in the country's alcoholic beverages industry, Distell stimulates the South African economy through job creation and tax contributions. However, the associated risk of alcohol abuse and its impact on the health and well-being of individuals, families and communities necessitates that we do our utmost to encourage a culture of responsible drinking.

Leading practice starts at Distell, where our employees are exposed to alcohol within the workplace during the production of wine, spirits and RTD beverages. To minimise this impact, we have a strict, company-wide alcohol policy in place, enforced by management, and we supplement employee education and training programmes with practical interventions to ensure responsible employee behaviour.

We further endeavour to address issues of alcohol abuse and underage drinking in South Africa's communities through ongoing engagement with government to achieve national alignment on key priority measures and regulations such as the draft National Liquor Policy. This policy document proposes a number of changes to the regulation of alcohol in South Africa, and through South African Liquor Brand owners Association (SALBA), Distell has made submissions on each of these policy proposals. The Department of Trade and Industry (dti) is currently revising the policy document, and further industry engagement to inform any possible changes to the current Liquor Act No. 59 of 2003 (the Liquor Act) is expected over the next year.

In addition to addressing health and safety issues associated with alcohol abuse, the draft National Liquor Policy offers sound guidance on managing economic opportunities in – and the transformation of – the liquor industry. The key aspects of this policy which must be addressed by Distell are:

- Transformation of South Africa's alcoholic beverages industry: We have developed a comprehensive, integrated transformation strategy to help us achieve our own transformation aspirations, as well as those of government.
- Alcohol abuse and alcohol-related harm: We participate in programmes, projects and initiatives which generate awareness of and provide treatment and counselling to those affected by alcohol abuse. This is supported by our involvement with recognised non-profit organisations (NPOs) and the Association for Responsible Alcohol Use (ARA).
- Promoting responsible drinking: We have identified four key issues under the sustainable management of responsible drinking as discussed below.
- Trading regulations: We engage with government on proposed legislation which gives strong consideration to issues of accessibility, availability, marketing and price. Through this ongoing collaboration, we believe that it is possible to find appropriate solutions to address alcohol abuse and its related challenges, without prejudicing the alcoholic beverages industry.

Reducing underage drinking

We recognise that underage drinking is a serious challenge and believe that it can be addressed through collaboration between retailers, government, law enforcement agencies, parents, educators and community leaders.

We work closely with ARA to address alcohol abuse among the youth. For example, ARA has produced educational books on youth and alcohol, and has contracted Life Talk, a non-governmental organisation (NGO), to educate parents, schools and community groups about the harmful effects of underage drinking. We also encourage stronger enforcement of the ARA's Code of Commercial Communication and Conduct. As an ARA member, we comply fully with and promote this code along our distribution channels, and Distell advertising and marketing material is tested and approved in line with the provisions of the ARA code.

In addition, we support a variety of life skills and youth development programmes through the Distell Foundation and will continue to work with government, ARA and NGOs to develop, promote and disseminate educational materials and programmes designed to prevent underage alcohol purchases and reduce underage consumption.

Preventing fetal alcohol spectrum disorder

Fetal alcohol spectrum disorder (FASD) is the most common preventable form of mental disability in the world and causes intellectual, emotional and physiological disabilities in children whose mothers use – without necessarily abusing – alcohol during pregnancy. The most severe manifestation of FASD is fetal alcohol syndrome (FAS), which is estimated to affect at least three million people in South Africa, one of the highest prevalence rates in the world. Given that children born with FAS are afflicted with permanent and life-long mental and physical challenges, the high prevalence of this condition in South Africa undoubtedly contributes to many of the social ills faced by communities, including unemployment, crime and violence.

As a member of ARA, we acknowledge our responsibility towards reducing these numbers. In response, Distell invests in a number of programmes dedicated to raising awareness among and supporting pregnant women throughout the duration of their pregnancies. We also urge our sales and distribution network not to sell alcohol to visibly pregnant women.

Controlling the sale and marketing of alcoholic beverages

Our current marketing strategy is aligned with ARA's Code of Commercial Communication and Conduct, and we only support licensed outlets operating within the confines of national and provincial legislation. In addition to this, our marketing channels and materials are tailored towards specific target markets, which exclude the youth and communities at high risk. During the year under review, no complaints related to Distell or our brands where registered with ARA.

Reducing drinking and driving

At Distell, we firmly maintain that individuals should not drive while under the influence of alcohol. We support effective enforcement of existing laws to improve road safety, and encourage mandatory participation in drinking and driving awareness programmes in order to obtain a national driving licence. As a member of ARA, Distell continues to implement drinking and driving awareness campaigns. We also communicate the dangers associated with both alcohol abuse and drinking and driving through the health warnings incorporated into our product labels, and in our advertising and marketing material. Staff members in our distribution chain are also trained to discourage patrons from excessive consumption and driving while intoxicated.

Future focus

We will continue to actively engage with government on proposed legislation which gives strong consideration to issues of accessibility, availability, marketing and price. To further promote responsible drinking and reduce alcohol-related harm, we will continue to support projects and initiatives that address alcohol abuse and promote safety, health and wellness.

High excise duty and illicit trade

Distell actively works to provide constructive input on the issue of excise duty. We lead SALBA's excise committee, which collates volume and aggregated retail price data and makes formal submissions to the National Treasury to inform annual excise tax adjustments. The committee is currently working on a proposal to adjust the base measurement for excise duty from a percentage of the retail selling price (RSP) to a percentage of the wholesale selling price per litre. The intention is to bring greater transparency in the determination of the average RSP to inform annual excise tax increases per alcohol category. The committee further makes recommendations and submissions to government (as agreed to on an industry level) on broad alcohol tax policy matters.

The South African brandy industry has been severely impacted by annual increases in excise duties on spirits, with sales volumes continuing to decline. This has a significant impact on the local wine industry, as it takes an average of five litres of wine to produce a single litre of brandy. To address the economic impact of this decline, and due to brandy's higher input and production costs relative to other spirits, Distell works through the South African Brandy Foundation to lobby for a favourable tax regime. In February 2016 specific tax concessions on brandy and sparkling wine were announced during the National Budget Speech, yielding a limited tax benefit for the industry.

Globally, illicit trade in alcoholic beverages, including trade in counterfeit products, remains a key business challenge. Illicit trade in alcoholic beverages results in foregone revenue (for Distell and for government), as well as reduced market share for legal products. In addition, illict trade poses serious health risks as producers seldom adhere to manufacturing regulations intended to ensure products are safe for human consumption. To manage and mitigate the strategic risks associated with illicit trade, we collaborate with local government authorities and industry bodies to quantify illicit trade for monitoring purposes and to assist in the effective enforcement of local legislation. We also continue to drive the application of tamper-proof packaging to restrict counterfeiting.

Future focus

We will continue to advocate for government and law enforcement agencies to prioritise illicit trade as a criminal activity that poses a risk to human health and the economy. We are pleased that government has flagged this as an area of concern, and we will monitor and support further research that seeks to quantify the size of the illicit market in South Africa with the aim of advocating for appropriate policy intervention.

Sustaining our communities

Strong and healthy communities offer a measure of protection from and prevention of abusive practices, including alcohol abuse. We therefore strive to support community welfare through our Corporate Social Investment (CSI) initiatives. To help us achieve this goal, we redirected our investment strategy in 2015 to better align with the 2014 National Liquor Policy, and have outlined certain strategic objectives that would enable us to better support the ambitions of government. This involved scaling down our key social initiatives from 66 in 2015, to approximately 21 as from July 2016. Our remaining initiatives now have a stronger focus on alcohol-abuse-related harm reduction and youth and entrepreneurship development, integrated with arts and culture, to ensure they align with our broad-based black economic empowerment (B-BBEE) requirements for socio-economic development and transformation. In 2016 our total CSI spend was R17,28 million (2015: R16,67 million).

Our progress made towards achieving our CSI strategic objectives is outlined on page 22 of our full sustainability report, available online.

Alcohol-abuse-related harm reduction

In response to the significant challenge of FASD (and FAS, in particular), and to help raise awareness around the consequences of drinking while pregnant, Distell partnered with FASfacts in 2008, and with the Foundation for Alcohol Related Research (FARR) in 2012.

FASfacts is a NPO that focuses particularly on high-risk, rural communities, and provides support and counselling to mothers through initiatives such as the Pregnant Women Mentoring Programme (PWMP). PWMP is managed by a social worker, who worked with 39 mentors to reach 131 pregnant women in the year under review. Of the 131 women who participated, 87 used alcohol as a primary substance. Of these 87 women, 57 (65,2%) stopped drinking as a result of the observation and mentorship provided through the PWMP programme.

FARR is one of the leading organisations driving research on FASD, and its 'Healthy Mother Healthy Baby' intervention programme (HMHB) is one of the key wellness initiatives driven by this organisation. In 2016, The Distell Foundation co-funded a three-year HMHB programme with the aim of reaching 100 pregnant women in Upington, where a FASD-prevalence study revealed that 6,9% of children were suffering from FASD. In an agreement between FARR and the Department of Social Development, the intervention was focused on Pabellelo (9 HMBH clients admitted), Rosedale (12 HMHB clients admitted) and Louisvale Road (16 HMHB clients admitted) in Upington. With the support of The Distell Foundation, FARR will further be able to train 21 professionals at the FARR Training Academy during the first year of this project in Upington.

Youth and entrepreneurship development

The Distell Foundation invests in youth and entrepreneurship development, and supports life skills training for high-risk youth through its partnership with The Chrysalis Academy and The Goedgedacht Trust.

The Chrysalis Academy is based in Tokai in the Western Cape. The Academy teaches life skills to marginalised young men and women who have been exposed to substance abuse and family, gang or community violence, with the aim of placing graduates of the Academy in jobs. Students live on campus and are enrolled in a three-month developmental programme. Distell contributes to this programme, and our funding is specifically directed towards life skills training.

The Goedgedacht Trust's 'Path out of Poverty' programme (POP) equips rural children and youth to break the long-entrenched cycle of generational poverty by supporting early intervention through life skills training and improved decision-making. Projects are run during the school term, on weekends and during the school holidays, and as far as possible, POP centres are staffed by young people from their local communities. This approach develops young men and women with integrity who are passionate about making a contribution in their own environment.

The Distell Foundation is also one of the two principal funders of the University of Stellenbosch Business School's (USB) Small Business Academy (SBA). Established in 2012, the SBA contributes to the strength of local economies by building local business skills and supporting a culture of entrepreneurship. This is achieved through the SBA's Development Programme – a nine-month course available to eligible business owners[1] from Khayelitsha, Mitchells Plain, Strandfontein, Langa, Phillipi, Gugulethu and Du Noon. Participants receive one-on-one mentorship from graduates of the USB, and are trained in business essentials including computer literacy, administration, financial management, marketing and networking. To date, 51 graduates have completed the programme. Looking forward, we aim to replicate the SBA Development Programme throughout South Africa and ultimately across Africa.

Arts and culture

Our arts and culture initiatives are integrated into and aim to create awareness around our main focus areas – FASD and youth and entrepreneurship development.

Our creative arts therapy programmes target communities in which youth face circumstances of alcohol abuse, violence and poverty. Therapy interventions provide a safe environment where professional art therapists guide participants to express issues constructively. During the year under review, the Distell Foundation facilitated drama therapy and applied theatre sessions with vulnerable groups at, among others, Lynedoch Primary School and the Goedgedacht Trust's POP.

The Magnet Theatre supports youth development, job creation and entrepreneurship through a full-time, theatre training and job creation programme that is geared specifically toward township youth and forms a bridge between townships, tertiary education institutions and the professional theatre industry. The Distell Foundation has been a partner of the Theatre since 2006. To date Magnet Theatre has facilitated first-time university access for 23 of its attendees. Of the graduates and participants in the programme (from 2008 until the end of 2015), 71% are regularly employed in the creative and theatre industry. Magnet Theatre's Community Arts Development projects also provide opportunity for capacity building and skills transfer. Currently, the Culture Gangs project works with almost 200 young people from Philippi, Langa, Khayelitsha, Manenberg, Vrygrond and Retreat. The Community Arts Development Cederberg Municipality works with over 1 000 youth from rural communities in the area.

The Distell Foundation also provides financial assistance to Zabalaza, a Baxter Theatre Centre Development Programme that develops theatre practitioners in townships and impoverished communities in and around the Western Cape and across the country.

Future focus

Looking forward we intend to scale up existing projects in our main focus areas, directed at alcohol-related-harm reduction and, more specifically, the prevention or reduction of FASD.

[1] *The programme is open to small and micro business owners who have been in operation for at least two years, employ a maximum of 15 people, have a minimum of Grade 12 certification, and who are 25 years or older.*

Our people

Talent is a critical driver of business performance, and our ability to attract, develop, deploy and retain talent will be a major competitive advantage far into the future. This means fostering a positive and safe working environment with opportunities for career development, as well as building a diverse and sustainable talent pipeline that is reflective of global, regional and local business realities. This year, our staff complement decreased to 5 476* (2015: 5 520), of which approximately 83% are located in South Africa. Staff turnover increased to 12,73% (2015: 11,14%), and new appointments decreased to 10,16% (2015: 12,50%).

Employee engagement

Employee engagement is the extent to which employees feel passionate about their jobs, are committed to Distell, and put discretionary effort into their work. Fostering a culture of employee engagement therefore remains a key strategic imperative and in November 2015, we conducted our first comprehensive employee engagement survey across our regional and global offices. This enabled us to identify key engagement themes and to create an engagement framework with clear objectives that will strengthen Distell's position as a high-performance organisation. In June 2016 we successfully launched a follow-up employee engagement 'pulse-check' to gauge the progress made since launching the survey in November 2015. This ongoing monitoring of employee feedback will enable us to stay abreast of any new challenges and opportunities and ensure that they are proactively managed.

Learning and development

We are committed to growing Distell's future leaders and we invest in training programmes, including internships, learnerships, skills programmes, apprenticeships and adult basic education. This year we spent R26,4 million (2015: R24,5 million) on learning and development.

Learnerships give learners the opportunity to obtain National Qualifications Framework certification (NQF). This year, a total of 249 (2015: 84) people participated in learnerships, of which 60% (2015: 64%) were unemployed learners and 97% were previously disadvantaged individuals (PDIs). We also recruit recent graduates or students in their final year of study to participate in 12-month workplace experience programmes in marketing, logistics, human resources, cellars, IT, finance, distribution, production and quality control. In line with our integrated transformation strategy, 100% of our interns are PDIs.

In May 2016 we launched our flagship Accelerated Development Programme. This two-year programme supports our ambition to fast-track the development of high-potential employees. Candidates are identified across all functional areas of our business and receive tailored, individual plans to support their leadership development, boosted by continuous tracking and monitoring after they graduate. Since its implementation in May 2016, nine candidates have been selected for participation in our Accelerated Development Programme.

In addition to the above, we spent R12,2 million (2015: R13,6 million) on a wide range of other training initiatives at regional and operational levels. This includes a formal mentorship programme that was implemented in June 2014 to support Distell's commitment to career development. Fifteen protégés, mentors and line managers were successfully trained during phase one of this programme, with 67% of protégés being PDIs. Of the 15 participants, two were promoted and three moved laterally to better-suited positions in the business. Phase two will be implemented from August 2016 and the participants will be drawn from high-potential PDIs, in line with our integrated transformation strategy. The participants will include delegates from our Accelerated Development Programme, as well as several high-potential employees who have been identified and nominated through our talent management processes.

Talent management and succession planning

Annual talent management review forums are held to assess our talent management strategy and to ensure that it aligns with our business strategy. In September 2015, we embarked on the company-wide implementation of SuccessFactors, a fully integrated talent suite. SuccessFactors is a cloud-based, human capital management (HCM) solution that will support Distell employees in their learning, and provide visible, trackable, aligned succession and talent processes. Distell is therefore embracing web-based, innovative solutions to manage its workforce in the most effective and efficient way possible.

Employee relations and fair employment practices

We aim to manage employee relations internally and to achieve resolutions at the earliest stage possible, with minimal conflict. Line management is responsible for engaging directly with employees across the business to ensure satisfactory working conditions and mutually beneficial employer-employee relationships. This year, 50 cases were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA). Thirty-eight cases

* *Figures include LUSAN.*

Deanston
Gold – 2016 Scotch Whisky Masters
AWARD

were resolved in favour of Distell, nine cases remained unresolved, two cases are awaiting jurisdictional ruling, and one case was resolved in favour of the employee.

We also fully support our employees' right to freedom of association, and recognise the right of individuals to belong to the union of their choice or to refrain from union membership. To support open communication, managers meet regularly with union representatives at plant level. In South Africa, 34,26% (2015: 33,08%) of Distell's permanent employee base is unionised, with several unions represented. We have formalised relationships with the Food and Allied Workers Union (FAWU), the National Union of Food, Beverages, Wine, Spirits and Allied Workers (NUFBWSAW), and the Agricultural Broadbase and Allied National Trade Union (ABANTU).

Employee safety, health and wellness

Established health and safety committees and first-aid workers are located throughout the business in accordance with Occupational Health and Safety Act (OHASA) provisions. We have also developed a comprehensive occupational health and safety (OHS) strategy that documents and monitors health and safety risks through ongoing, biannual safety assessments. Action plans based on the results of these assessments are then developed, and preventative measures aimed at improving safety awareness across our production sites are put in place thereafter. These preventative measures include employee OHS training, various OHS education initiatives and health interventions to reduce the incidence of illness.

In the year under review, injuries resulting in lost-time decreased to 133 (2015: 149) as a result of ongoing OHS training and on-site management. The number of lost days decreased to 1 492 (2015: 1 701) due to fewer severe accidents and shorter rehabilitation and recovery periods. The number of on-site accidents decreased to 481 (2015: 524) due to enhanced risk management, and the number of work-related fatalities remained at zero.

Additionaly, we have established on-site clinics at our bottling cellars and manufacturing sites, as well as at our larger distribution sites, to provide OHS to our operational staff. In 2016 nursing staff carried out 28 447 consultations (2015: 30 124) with OHS as the main focus, however a variety of health-related issues were addressed. As in previous years, we conducted our annual educational sessions that cover different wellness topics, with trauma selected as the wellness topic for 2016. Fifty-eight sessions were held over the course of the year, and 1 176 employees voluntarily attended this year's session. Our Employee Assistance Programme (EAP) further offers employees the opportunity to address personal issues negatively impacting their work performance.

Ethics

In upholding our values, we encourage all employees to report fraud, theft and corruption via the Distell Ethics Line. The Distell Ethics Line is a confidential service managed independently by Tip-Offs Anonymous, a division of Deloitte. This service allows for reporting 24-hours per day, seven days a week and reports can be made telephonically or via email. Our Whistle-blowing Policy reassures staff that they will be protected from reprisals or victimisation for raising a concern relating to an irregularity in good faith. All reported incidents are investigated and where allegations are confirmed, appropriate action is taken. In 2016, investigations into reported matters resulted in the dismissal of 20 full-time employees and five contracted employees, as well as other disciplinary action being taken against 35 employees.

Future focus
We will contintute to strongly encourage the career development of our employees in order to broaden their repertoire of skills, and support this process by providing bursaries for further tertiary education. In addition we will continue to provide access to mentorship and coaching programmes that can be leveraged as career enhancing strategies.

Transformation

Following the revised B-BBEE Codes of Good Practice and proposed amendments to the Liquor Act, Distell began developing an integrated transformation strategy. This new strategy ensures alignment with, and support of, the government's national transformation goals and aims to:

- Guide us toward achieving a level 4 B-BBEE status by 2016 by aligning our transformation imperatives with our business strategy, and by developing and entrenching business processes that support transformation. This ensures that transformation is embedded in all that we do.
- Support this alignment through transformational leadership and enterprise and supplier development initiatives that will help us to optimise skills development and improve our preferential procurement scores. We also aim to contribute toward the development and expansion of black-owned businesses, and will work to attract and retain black talent as part of the Distell drive to embrace diversity.
- Distell's transformation journey is steered by the Transformation Council, which is led by the Group managing director and five other directors. The Council aims to increase the level of ownership and accountability of the whole business in terms of our B-BBEE performance through the robust monitoring of the execution of the strategy against our qualitative and quantitative goals. In this way, the Council is influential in shaping a new corporate culture and in strengthening Distell's corporate brand.

The implementation of our integrated transformation strategy is supported by a number of flagship initiatives that are aligned with our business strategy and support the communities living and working near our operations. These include:

- Empowerment of communities through the Distell Development Trust and the Distell Foundation.
- Enterprise and supplier development initiatives such as, for example, the Apple Juice Concentrate (AJC) and Solar Power Project. The AJC project in particular creates a significant opportunity for economic growth and job creation as it seeks to develop new, black-owned apple farmers and AJC producers to support our need for AJC, which forms the base of our growing cider brands. Currently, less than half of our AJC is procured from local sources, with the balance being imported.
- Preferential procurement through engagement with suppliers on black ownership and B-BBEE status, as well as through the sourcing of suitable new black suppliers.
- Empowerment of women in the workplace and of learners with disabilities through learnerships that enable opportunities for skills development. Over the past year we had three learnership groups comprising 85 learners with disabilities. These groups started their NQF learnerships in June 2015 and completed them in July 2016. We have also boosted female participation in learnerships by introducing an NQF level 4 Customer Services learnership. This learnership commenced in October 2015 and will be completed in October 2016 with final results available in January 2017. A total of 41 African females from three regions within South Africa were enrolled in this intervention.

Our B-BBEE performance

Our current B-BBEE rating, based on our 2014/2015 financial year performance and the Revised Codes of Good Practice, is a level 7 B-BBEE contributor (discounted to a level 8). This rating is in line with expected performance and was envisaged at the time of developing our integrated transformation strategy in October 2014. With the strategy now in place, we are on track to achieve our goal of obtaining level 4 B-BBEE status by 2016.

Future focus

In the upcoming year we plan to build on the successes of our transformation journey by embedding the business processes that were developed over the course of the year to ensure that our 'new way of working' becomes standard best practice. Our B-BBEE performance remains a priority, and the Transformation Council will continue to implement good governance to support and strengthen our integrated transformation strategy moving forward.

Supply chain management

Distell must develop an integrated, efficient and agile supply chain that is reliable, responsive, well priced and that meets our customers' requirements in full. This will enable us to become a trusted and valued business partner with superior competitive advantage, thereby supporting our aspiration for African market leadership.

Our supply chain strategy

The strategic intent of our supply chain strategy is therefore to enable Distell to successfully plan, procure, make and deliver products and brands to our customers through the work of talented people, appropriate technology and leading operational disciplines, processes and practices. To help Distell deliver on this strategic intent we officially launched our Supply Chain Excellence journey in May 2015. This journey embodies our approach to developing a highly reliable and efficient end-to-end supply chain that meets our customers' expectations. Supply Chain Excellence therefore spans the full sequence of steps, processes and activities from the time a product is conceived to the time it is delivered to the customer.

To help Distell achieve the ambitions outlined above we have developed a framework known as E^2 Empowering Excellence which incorporates the objectives, core principles, practices and tools necessary to become a world-class organisation. To guide the implementation of E^2 Empowering Excellence across our production sites, we conducted baseline assessments to understand the varying levels of supply chain practice across the business. With this knowledge in hand, we are now positioned to commence full implementation, and in the year under review, E^2 Empowering Excellence was implemented at our Springs and Adam Tas production sites. This will be followed by two additional production sites every six months over the course of the next four years until all production sites are integrated into our Supply Chain Excellence journey. In this way, we aim to provide assurance to our stakeholders that we source, produce and deliver quality products sustainably, consistently, reliably, competitively and in accordance with standardised and leading supply chain best practice.

Manufacturing

Following the introduction of Supply Chain Excellence, our primary and secondary production activities have been integrated into a single manufacturing department to ensure the optimisation of our supply chain from end to end. Manufacturing therefore incorporates the sourcing, procurement, production and blending of alcoholic beverages until these are ready for bottling and final distribution.

We spent R3,0 billion (2015: R2,3 billion) on raw materials in 2016. The total volume of grapes, wine and wine-related products amounted to 330,8 million litres, of which 97,65% was sourced locally and 2,35% imported. Sourcing the bulk of our products locally provides us with control over our production and ensures that we can source the volumes we require at the right quality and price to meet our product demand forecasts. Securing local supply also limits our exposure to foreign exchange fluctuations.

Annually, we spend more than R3,2 billion on packaging materials, consisting of glass, cans, cartons, closures, labels and various other packaging items such as foils and shrink-wrap plastic. The rest of our budget is spent on suppliers of other goods and services, including bulk transport, packed-product transport, business support services, and marketing. For our key commodities such as glass, labels, and cartons we have specific sourcing strategies in place that take into account not only cost and continuity of supply, but also other aspects such as local supplier development, preferential procurement and lead time considerations. These strategies are updated regularly to ensure alignment with leading best practice.

We actively monitor the quality of all supplies to ensure that the material we receive meets our quality requirements for each product type. We conduct on-site audits and, where necessary, assist suppliers to improve their production processes to ensure consistent quality. Finally, we are proactive in reducing the environmental impact associated with our products and the packaging materials.

Preferential procurement

Procurement is an essential strategic function within our business that creates value in the form of savings, while guarding our reputation through responsible and ethical purchasing. We had significant success in supporting B-BBEE and preferential procurement in 2016 and are on track to reach the 40% sub-minimum requirement for preferential procurement. In addition, we increased black-owned spend from 6,0% to 11,8% during the last financial year. This was achieved through obtaining certificates from all key suppliers, as well as shifting a significant amount of spend from generic suppliers to black-owned suppliers. Distell is also focused on the development of local suppliers, especially those from disadvantaged backgrounds. This is in line with our national transformation objectives, and requires equipping suppliers with the legal, personal, financial and customer-focused knowledge necessary to run a business sustainably. To facilitate this Distell launched the E+Scalator programme in 2016. This programme is aimed at developing new and existing black-owned suppliers to Distell and facilitates the intersection of skills development, funding and procurement activities.

Responsible agricultural practices

All Distell farms are registered with the Integrated Production of Wine Scheme (IPW), a voluntary scheme that complies with international wine industry environmental sustainability criteria[2]. Compliance with the IPW guidelines is assessed on an annual basis through the completion of a self-evaluation questionnaire, and is independently audited on a spot check basis. Compliance provides our consumers with assurance that our wine has been produced in an environmentally responsible manner and is safe for human consumption. To certify our wines are IPW-compliant, we ensure that our independent suppliers are IPW-accredited and that they adhere to environmentally sound farming practices. Since 2001, all our purchasing contracts stipulate that suppliers must comply with and supply proof of IPW-compliance. In addition, all our current suppliers are monitored and assisted where necessary to maintain IPW-compliance.

The German-based LACON GmbH, an international body that certifies organically grown agricultural foodstuffs, has again confirmed accreditation of 170,48 hectares (ha) of Papkuilsfontein vineyard, which we jointly own with a consortium of black entrepreneurs and a local community trust, and our Nederburg cellars, which are accredited for the production of organic wines. An additional area of 59,67 ha is expected to be LACON-accredited within the next two years.

[2] *IPW complies with international wine industry environmental sustainability criteria, including the 'Global Wine Sector Environmental Sustainability Principles', as published by the International Federation of Wine and Spirits (FIVS), as well as the 'OIV. Guidelines for sustainable Viti-viniculture: Production, processing and packaging of products' as published by the International Organisation of Vine and Wine (OIV).*

Distell has also been a member of the Wine and Agricultural Ethical Trade Association (WIETA) since its inception, and all farms we own comply with WIETA's Code of Conduct[3]. In 2011 we introduced the WIETA principles and Code of Conduct 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. Currently, 86% of our suppliers are WIETA-accredited, 10% are in the process of accreditation and 4% have yet to start the process.

Future focus
We will continue to integrate all our manufacturing sites into our Supply Chain Excellence journey to ensure that we source, produce and deliver quality products sustainably, consistently, reliably, competitively and in accordance with standardised and leading supply chain best practice. This includes strengthening our efforts to reach our transformation and supplier development objectives through the E+Scalator programme and supporting initiatives.

To strengthen our grape and wine supplier network we will focus on revising and optimising current viticultural practices among suppliers and on our own farms. We will also look to evaluate value-add opportunities for suppliers in terms of the wine or wine-related products they supply. Looking forward, we will further evaluate opportunities to boost new entrants to grape farming regions outside of the Northern Cape, in particular in the region of the Lower Orange River, and in the Western Cape.

Preserving our environment

The rising cost of energy, climate change and the variations in the quality and supply of water have all had a major impact on our operations. We recognise that these changes are partly the result of industrial activity from the burning of fossil fuels, to the negative effects of emissions, effluent and waste. We therefore continue to focus on improving the cost as well as energy efficiency of our production processes, and substitute fossil fuels with renewable energy alternatives wherever possible.

Governance and management

We manage our production activities according to the ISO 14001 EMS. In addition, Distell's Social and ethics committee oversees all of our environmental practices, and we continue to drive environmental awareness among our employees through the development and distribution of training materials that highlight our environmental management programmes, policies and standards.

In 2015 Distell introduced revised resource efficiency targets[4] for 2020 related to the usage of water, electricity and fossil fuel-based energy in our production processes. This revision came as the result of reaching our initial targets which had been set for 2018 at the end of 2014. The revised 2020 targets have since been broken down into annual sub-targets. This will enable us to actively drive annual improvements in performance so as to ensure that we reach our long-term goals. However, the impact of relocating a large portion of the cider fermentation and blending capacity from our Paarl to our Springs facility resulted in our inability to meet our resource efficiency targets for 2016. This impact was exacerbated by a production line being shut down for upgrades towards the end of the financial year, related specifically to the implementation of the 660 ml crate project. The efficiency benefit of these changes will be advantageous, but will only be fully realised in future financial years.

Compliance with changing legislation

We regularly review all new and proposed environmental legislation, regulations and policies to assess their potential impact on our business and operations, and to provide feedback to government where appropriate. This gives us the opportunity to engage with relevant regulatory bodies and proactively take the necessary steps to ensure compliance.

This reporting year saw the promulgation of a number of new regulations. We have assessed the impact of these legislative changes on our

[3] *The Wine and Agricultural Ethical Trade Association: http://www.wieta.org.za*
[4] *These targets are intensity targets related to litre equivalents of packaged product produced at Distell's production sites, including the LUSAN wineries. The revised targets rely on 2014 as a base year, with 2020 as the target year.*

business activities and highlighted the most significant impacts below:

Carbon tax and offset

The Minister of Finance has indicated that carbon tax will be implemented from 2017[5], with the draft regulation on carbon offset published in June 2016. At Distell, our policy to date has focused on reducing our direct tax liable emissions first and foremost, before considering emission offset schemes as provided for under the proposed carbon offset regulation. As such, the impact of this draft regulation is not initially significant to Distell, however we will continue to monitor progress in this regard.

Waste water handling

The reporting period saw administrative amendments to the City of Cape Town's Treated Effluent By-law originally published in 2010. The amendments clarified requirements relating to the use of treated effluent to bring this in line with the requirements of the National Water Act No. 36 of 1998. It is not anticipated that this will have a direct impact on Distell or our operations.

Managing our environmental responsibility

Since its implementation in July 2010 our greenhouse gas emissions (GHG) reporting database has played a critical role in monitoring our environmental management practices at an operational level. After tracking the GHG emissions for all our South African-based facilities, data on direct fuel and electricity purchases from our financial SAP system is tracked and converted directly into carbon dioxide equivalent emissions (CO_2e). Non-financial activities, such as the application of fertiliser and business-related travel, are tracked separately and fed into the GHG database.

Our site services dashboard (SSD) monitors performance against our resource usage reduction targets related to water, electricity and fossil fuel-based energy. Going forward, SSD will be expanded to include measurements related to waste water quantity and quality and will be integrated into broader supply chain reporting systems.

We are progressively implementing ISO 14001 certification at all our South African-based primary and secondary production facilities by formally certifying at least one site per annum. In total, 94% of our sites (2015: 94%) are actively implementing ISO 14001, and 59% (2015: 53%) have already been externally certified, with Goudini distillery becoming the latest site to be externally certified during the reporting year. During the new financial year, our focus will be on reviewing our corporate management system and site-level documents and procedures to ensure compliance with the newly published 2015 version of the ISO 14001 standard. Once this has been completed we will continue with external certification under the new ISO 14001: 2015 standard.

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 and through the purchase of coal-based electricity from Eskom. Respectively, these count 43,6% and 52,0% toward our direct emissions (Scopes 1 and 2). In the period under review, our direct emissions increased by 0,5% to 160 573 tonnes CO_2e (2015: 159 791 tCO_2e). Our emission intensity per litre of product increased by 2,4% to 243,7 tCO_2e per million litres of packaged product (2015: 237,7 tCO_2e per million litres of packaged product). These increases resulted from a 1,9% rise in coal used in our production boilers and a 20% increase in fuel used in the mobile combustion of our forklifts, despite a 1,8% reduction in our production volumes. Our total GHG emissions, including Scope 3 and 'out of scope' emissions, amounted to 488 447 tCO_2e (2015: 510 669 tCO_2e). This is a 4,4% reduction from last year.

We were unable to reach our 2016 10% reduction target for our GHG emissions per litre of packaged product (kg CO_2e/l) from the 2014 base year after achieving only a 5,18% reduction in comparison to 2015. During the next financial year, a recently installed biogas boiler at our Wellington distillery will become operational and will result in a reduction in fossil fuel-based energy used, particularly coal. In addition, a newly approved solar photovoltaic (PV) facility at our Springs plant will become operational in 2017. This will reduce our dependency on coal-based electricity from Eskom.

Our overall fossil fuel-based energy usage increased in comparison to 2015 and we were unable to reach our 8% reduction target from our 2014 base year, achieving 6,88%. The increase was due to a 8,3% increase in energy required at our bottling facilities and was heavily influenced by expansions at our Springs production site, which included the construction of a new fermentation and blending facility.

The installation of a de-aerator at our Worcester distillery will see a reduction of 84 tonnes of coal per annum. The new-purpose biogas boiler at our Wellington distillery is also expected to become operational from August 2016 and will result in a significant reduction in coal usage.

As was the case with our fossil fuel-based energy usage, our electricity usage increased in comparison to 2015 and we were unable to reach our 2016 reduction target. This was primarily due to a 12% increase in electricity usage at our bottling facilities, with Springs experiencing a 40% increase in electricity usage. Springs accounted for approximately 22% of Distell's total electricity usage for 2016.

However, an estimated electricity saving of 456 000 kWh was achieved during the reporting year due to the implementation of the following energy-saving projects across our operations: energy-efficient lighting upgrades

[5] The proposed tax rate is R120/t CO2e 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.

at Green Park, Nederburg and Adam Tas; and optimisation of the compressed air system at J.C. Le Roux and Adam Tas.

We reduce our non-energy-related GHG emissions by capturing, purifying and utilising the carbon dioxide (CO_2) released during the fermentation of apple juice for cider production to carbonate our products. This in turn reduces our CO_2 purchases. This year we expanded our cider bottling facility in Springs to include fermentation and blending capabilities. The expansions included the installation of a CO_2 capturing facility similar to that of our facility in Paarl. In the year under review the overall capture of CO_2 was impacted by a reduction in fermentation activities at our Paarl facility while the Springs facility was not yet fully operational. This resulted in a 16,7% reduction in the total volume of CO_2 captured.

Water usage and sustainable water supplies

In 2016, water usage increased significantly and was above our original 2014 base year. Again, this was due to expansions at our Springs facility and was compounded by the breakdown of our pasteuriser water recycling project, which was equipped to recycle 100m^3/day. The implementation of a bottle upgrade project resulted in further unanticipated bottle breakages in the pasteuriser, which had to be drained and cleaned requiring the discharge of pasteuriser water. These factors together resulted in a 52% increase in water usage at Springs and contributed significantly to a 31% increase in water usage per litre of production at our bottling facilities. The pasteuriser water recycling project will be reinstated and expanded following the completion of expansions at Springs, thereby equipping the facility to recycle an increased amount of water moving forward.

A number of additional water-saving opportunities have been identified at Springs and are in the process of being implemented. This includes the recycling of water used to rinse bottles, as well as the recycling of the reverse osmosis retentate water stream. We have appointed an external service provider, Proxa[6], to undertake specific water audits at our Green Park, Wadeville and Springs sites with the aim of identifying additional water-saving opportunities. As part of our War on Waste programme, Distell personnel also contribute ideas and are actively involved in seeking new and innovative water-saving opportunities across our operations. The implementation of three identified projects is expected to result in an estimated annual savings of 1 175m^3 of water per year.

Waste management

We generate various types of waste during the production, packaging and distribution of our products. The majority of our waste consists of organic primary waste, as well as inorganic waste such as glass bottles and other packaging waste.

Organic primary waste consists of grape skins, stalks and seeds that remain after we have extracted the juice used in our products. This waste is organic and can be composted or used elsewhere. The reporting year saw a 9,9% reduction in the volume of organic waste recycled and recovered.

This year we used a total of 288 746 tonnes (2015: 310 900 tonnes) of glass bottles, of which 71,6% (2015: 72,7%) comprised new glass and the remaining 81 872 tonnes (2015: 84 891 tonnes) comprised reused bottles. We are actively working towards reducing the environmental impact of glass in our packaging activities by adopting the 'three Rs' of waste management – reduce, reuse and recycle.

Reduce

We bought 206 874 tonnes of new glass in 2016, an 8,5% decrease compared to 2015 (226 009 tonnes). This decrease can be attributed to a decrease in production volumes of 1,8%. An additional lightweighting project was implemented[7], resulting in an estimated glass weight reduction of 1 443 tonnes. Since introducing lightweight bottles in 2009, our total annual glass requirements have reduced by 27 617 tonnes. This represents an approximate 9,6% reduction in our annual glass requirements. The reuse of glass bottles collected through our ongoing 'Give back, Get back' (GBGB) initiative further contributed to this reduction. Through this initiative, we reused a total of 81 872 tonnes (2015: 84 891 tonnes) of glass. This amounts to 149,8 million bottles (2015: 154,2 million) and represents 28,4% (2015: 27,0%) of our total glass requirements.

Re-use

Our Ecowash, Green Park and Port Elizabeth plants are equipped to wash used bottles. The number of bottles washed at these facilities during 2016 enabled us to reuse a total of 149,8 million bottles (2015: 154,2 million). This amounted to an 81 872 tonnes (2015: 84 891 tonnes) reduction in the amount of glass we were required to purchase and equated to a saving of 143 451 tonnes (2015: 148 353 tonnes) of CO_2e that would have been emitted if new bottles had been purchased.

Through our GBGB programme we encourage consumers to return used glass containers to participating retailers in return for a deposit. Over the last two years the GBGB programme has been analysed for opportunities to increase the return ratio of bottles. This assessment resulted in the development of a dedicated, returnable crate for the 660ml Hunter's ciders range. This initiative was launched on 1 July 2016, at the start of the new financial year, and it is envisaged that it will have a significant impact on the number of bottles returned through the GBGB programme.

Recycle

Glass waste from production activities is collected, sorted and stored onsite until it is

6 Proxa water treatment specialists – www.proxawater.com
7 Lightweighting refers to a manufacturing technique that enables glass packaging to be made lighter, without compromising on quality or safety. This reduces the amount of glass needed in packaging and production, benefitting our carbon footprint and reducing our cost of bottles and transport.

collected for reuse or recycling as cullet by dedicated contractors. All broken or unsuitable bottles are sold to glass recycling companies that melt and make these into new glass bottles. Any funds secured in this way are used to expand our recycling system. During 2016 the volume of glass recycled increase to 9 562 tonnes. This is a 7,46% increase from 2015 (8 898 tonnes).

Effluent and waste water

Waste water and effluent are by-products of our production process. However, it is the washing and cleaning in place (CIP) practices that generate the bulk of our waste water. CIP is critical to ensure our products comply with product quality and health and safety standards and cannot be eliminated.

Generally, Distell's production sites use two methods to dispose of waste water:

- discharge to municipal sewer; or
- use for crop irrigation.

In the year under review the absolute volume of waste water and effluent from our sites increased by 11,6% to 1 915 862m^3 (2015: 1 716 069m^3), while our waste water intensity increased to 2,90 litres of effluent per litre of packaged product (2015: 2,55/l). This was, however, expected due to the increase in water usage at our sites.

The Adam Tas anaerobic water treatment facility in Stellenbosch is currently in the final stages of construction and is expected to come on line in August 2016. The plant will pre-treat waste water before discharging it to the Stellenbosch municipality sewage work for final treatment. Biogas produced as a by-product of the waste water treatment facility will be used to generate steam for heating the treatment plant.

A tender has been issued for the design and build of a new waste water treatment facility at our Springs production plant. This tender stipulates that the anaerobic treatment facility to be constructed should use the biogas produced being used to heat and power the plant. A portion of the waste water should also be treated to produce drinking water for non-product contact reuse at the site. The tender closes in August 2016 and construction is expected to commence in the new financial year.

Future focus

In 2017 we will focus on the completion of our integrated sustainability strategy and, as part of this process, the development of a water stewardship strategy. We are finalising the appointment of the World Wildlife Fund of Nature (WWF) to assist us with a risk assessment of the use and availability of water at our production facilities. We are further developing best practice water management guidelines to oversee the management of water on our farms.

The newly established Supply Chain Excellence division, which now incorporates the environmental sustainability department, is developing an integrated health, safety and environmental (HSE) management system. This division will focus on strengthening the HSE operational teams at production sites, which will further include restructuring the ISO 14001 EMS to be in line with the 2015 standard while also ensuring that those sites certified under the 2004 standard maintain certification until the new system is completed.

GOVERNANCE

BOARD OF **DIRECTORS**

Piet Beyers (66)
BCom LLB, MBA

Formerly a director of, inter alia, Remgro, Richemont Société Anonyme and British American Tobacco. Appointed to the Distell board in 2000 and as a member of the investment sub-committee in 2015.

Gugu Dingaan* (40)
BCom (Accounting), H Dip Acc, CA(SA)

Investment executive at Women Investment Portfolio Holdings (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. Appointed to the Distell board in 2005, as a member of the audit and risk committee in 2006, as chairperson of the social and ethics committee in 2012, and as a member of the investment sub-committee in 2015.

Dr Prieur du Plessis* (61)
BSc (QS), MBA (Cum Laude), DBA (Doctor of Business Administration – Finance), Chartered Director (SA)

Chairperson of Plexus Holdings, an investment management business he founded in 1995. He also serves as deputy chairperson of the Institute of Directors in Southern Africa (as a member of the audit and risk, investment and nomination committees), chairperson of Grindrod Asset Management Holdings, and is a trustee of the Professional Provident Society (PPS) Holdings Trust. He is also a member of the advisory board of the University of Stellenbosch Business School (USB), chairperson of its audit and risk committee and a member of the investment committee of Stellenbosch University. Additionally, he is professor extraordinaire at the USB, Honorary Consul General of Slovenia for South Africa and Deputy Dean of the Consular Corps of Cape Town. Appointed to the board of Distell in November 2015.

Jannie Durand (49)
BAcc Hons, MPhil (Oxon), CA(SA)

Chief executive officer of Remgro and a director of, inter alia, RCL Foods, RMI Holdings, Capevin Holdings, Grindrod and Mediclinic International PLC. Appointed to the Distell board, remuneration and nomination committees in 2012 and as a member of the investment sub-committee in 2015.

Kevin A Hedderwick* (63)

Retired as group chief executive of Famous Brands Limited in February 2016, and currently serves as its group strategic advisor. He is a director of the Coricraft Group and Holdsport Limited and serves on Holdsport's remuneration committee. Appointed to the Distell board in June 2016.

Pieter Louw (Alternate) (47)
CA(SA)

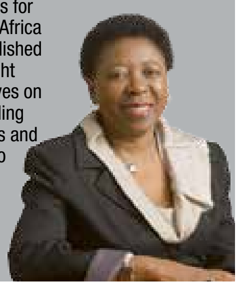
Alternate director for Jannie Durand. He qualified as a chartered accountant with PricewaterhouseCoopers Inc. in Stellenbosch before joining the Remgro Group in 2001. Currently he is Remgro's head of corporate finance and also serves on the boards of RCL Foods and Capevin Holdings.

Joe Madungandaba* (58)
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.

Ethel Matenge-Sebesho (61)
MBA (Brunel University of London) and CAIB(SA)

An experienced banker, involved in other financial services activities, she is head of new markets for Home Finance Guarantors Africa Reinsurance, having established a business presence in eight African countries. She serves on a number of boards, including Firstrand, Capevin Holdings and FinMark Trust. Appointed to the Distell board in 2015.



Louisa Mojela* (60)
BCom

A founder and group chief executive officer of WIPHOLD, she serves on the boards of Sun International and Life Health, inter alia. Appointed to the Distell board in 2005 and as a member of the remuneration committee in 2006. Also a member of the nomination committee.

David Nurek* (66)
Diploma in Law, Graduate Diploma in Advanced Company Law

Chairperson of the board, nomination and investment sub-committee (2015). Regional chairperson of, inter alia, Investec Western Cape, chairperson of Clicks Group and Lewis Group. He is also a director of Trencor. Appointed to the Distell board, audit and risk and remuneration committees in 2000.

Chris Otto* (66)
BCom LLB

Founder director of PSG Group, Capitec Bank Holdings and Zeder Investments. He is also non-executive director of Kaap Agri Investments and Capevin Holdings and serves on selected audit and remuneration committees. Appointed to the Distell board in 2011 and as a member of the investment sub-committee in 2015.

André Parker* (65)
MCom

Chairperson of Tiger Brands. Retired as managing director of SABMiller Africa & Asia, he served on several boards of SABMiller subsidiaries in these territories and was also an executive committee member of SABMiller plc. He is also a director of Standard Bank. Appointed to the Distell board in 2008 and as chairman of the remuneration committee in 2013.
He is also a member of the nomination committee and investment sub-committee (2015).

Richard Rushton# (53)
BCom

Group managing director of Distell.

Catharina Sevillano-Barredo* (53)
BCom (Hons), CA(SA)

Founder, director and chief financial officer of the Universal Healthcare group of companies and formerly a director of WIPHOLD and Concor Limited. She was also a member of WIPHOLD's audit committee and chaired the Concor audit committee. Appointed to the Distell board in 2008, as chairperson of the audit and risk committee in 2009 and as member of the investment sub-committee in 2015.

Ben van der Ross* (69)
Dip Law

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

Lucas Verwey# (42)
BCompt (Hons), CA(SA), CFA

Group finance director

* Independent   # Executive

EXECUTIVE **MANAGEMENT**

Richard Rushton (53)
Group managing director
BCom

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

Wim Bührmann (50)
Managing director: Southern Africa
BAcc (Hons), CA(SA)

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

Pieter Carolin (61)
Distribution director: Southern Africa

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

Dave Carruthers (60)
Director: global marketing
BA DipMM, DipMRS

Dave joined Distell as global marketing director in October 2014 and is responsible for establishing and implementing the global marketing and portfolio strategies. He has previously worked in international marketing roles in South Africa, Asia and the UK.

Dr Marius Lambrechts (50)
Director: innovations
MSc Agric, PhD Agric

Marius joined Distell in 2001 as research manager and was appointed as QM&R director in August 2009. In July 2014 he was appointed in his present position.

Steven Nathan (54)
Managing director: International
BCom, BAcc (Wits), Electrical Engineering Wits Technikon T3

Steven joined Distell in September 2014 and was appointed in his present position in July 2015. He is responsible for running the Distell International operations in USA, Taiwan, Singapore, UK, Travel Retail, USA and Latam, including Burn Stewart Distillers and Bisquit.

Kate Rycroft (43)
Director: corporate development
BSoc.Sci Hons, MBA

Kate joined Distell in 2003 and took up her present position in August 2014. She is responsible for corporate strategy, mergers and acquisitions, and RTM development outside of southern Africa. Her role is to step-change Distell's growth through inorganic expansion and to deliver a clear and integrated corporate strategy.

Dr Caroline Snyman (41)
Director: marketing Southern Africa
BEng (Chemical), MSc, PhD, CWM

Caroline joined Distell in January 2000 as technical manager: Spirits and was appointed in her current position in May 2015. Her role is to lead the development and execution of effective consumer engagement strategies across the portfolios in South Africa and BLNS countries.

Vernon de Vries (58)
Director: corporate and regulatory affairs
BA (Hons); MBA

Vernon joined Distell in 2007 and was appointed as a director in 2011. The corporate and regulatory affairs division is responsible for: corporate communication; government relations and reputational issues; corporate citizenship; socio-economic transformation and broad-based black economic empowerment; and corporate hospitality.

Carina Gous (52)
Director: luxury brands
MSc (Chemistry), MBA

Carina joined the Group in 1998. She took up her present position in July 2015 and is responsible for the global marketing of Distell's premium wine and spirits business.

Donovan Hegland (42)
Managing director: Africa
BCom (Hons) Business Economics

Donovan joined Distell as marketing director for Southern Africa in 2010, before taking up his current role in April 2015. His role is to lead the acceleration of sustainable growth and profitability in Africa for Distell to become a leading alcoholic beverage player on the continent. His key focus is the establishment of strong RTM capability across the value chain and build supply, sales, marketing and distribution in our identified geographies.

Schalk Klopper (55)
Director: supply chain
BAcc (Hons), CA(SA)

Schalk joined the Group in 1993. He was appointed as director: operations in October 2009 and took up his current position in July 2014. He is responsible for the full product life cycle from planning, sourcing, procurement, production, delivery to recycle or reuse of products and packaging.

Debra Ullrich (42)
Director: accessible power brands
MBA

Debra joined Distell in 2004 and was appointed to her current position in July 2014. The purpose of this division is to provide strategic guidance and to develop brand strategies to support value creation through the successful deployment and commercial optimisation of Distell's current and future accessible power brands portfolio.

Johan Venter (57)
Head: centre of excellence intrinsic
MSc

Johan joined the Group in 1990. He is responsible for maintaining the world-leading intrinsic quality of our products as well as excellence in farming management and viticulture. He will also play a crucial role in building and expanding our luxury goods business.

Lucas Verwey (42)
Group finance director
BCompt (Hons), CA (SA), CFA

Lucas joined Distell in 2014. He was appointed to his current position in September 2015. He is responsible for financial planning and control, information technology and statutory reporting.

JP van der Walt (53)
Director: human resources
MCom (Industrial Psychology)

JP joined Distell in 2014 after a long career at British American Tobacco. He is responsible for the full spectrum of the human resources activities across Distell Group.

Lizelle Malan (36)
Group company secretary
BCom (Hons), CA(SA)

Lizelle joined Distell in 2012. She performs all statutory company secretarial functions and is also responsible for the company's internal audit, risk management and legal divisions.

CORPORATE GOVERNANCE REPORT

DISTELL CONTINUOUSLY MAINTAINS AND APPLIES STRICT CORPORATE GOVERNANCE PRINCIPLES TO ENSURE THE BUSINESS IS MANAGED TO THE HIGHEST STANDARDS OF PROFESSIONALISM, INTEGRITY, ETHICS, FAIRNESS AND SOCIAL RESPONSIBILITY.

The company's governing objective is to ensure the 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 mindful 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, encourages management and all employees to adhere to the highest standards of ethical behaviour and transparency. Ethical behaviour is enforced by internal codes and policies.

Policies and procedures are assessed annually and strengthened when necessary to ensure adherence to the highest business standards. During the past financial year we firmed up our Anti-bribery and Corruption, Gifts and Entertainment and Whistle-blowing policies to more effectively tackle practices inimical to ethical conduct.

We recognise the importance of securing the sound and sustainable management of the financial affairs of the divisions under our jurisdiction.

The board 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 2015 to 30 June 2016, the requirements of the Companies Act and the JSE Listings Requirements were 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 this approach. A schedule of how Distell has applied King III is available on www.distell.co.za.

Anti-bribery and corruption

Distell is committed to protecting its revenue, expenditure, assets and reputation from any attempt by any person or group to gain financial or other benefit in an unlawful, dishonest or unethical manner. Fraud, corruption, theft, maladministration or any other dishonest activities of a similar nature are not tolerated. Incidents and suspicions are investigated and treated with the application of the full extent of the law.

Distell is furthermore committed to the strict adherence to both the letter and the spirit of the Companies Act, the Prevention and Combating of Corrupt Activities Act, 2004 (the PCCA) and other relevant laws.

Gifts and entertainment

We further believe in fostering healthy, mutually beneficial relationships with our suppliers, business partners and customers. While giving and receiving gifts can play a role in building such relationships, doing so should never create improper influences or obligations. Our policy therefore limits the type, nature, extent and value of gifts and entertainment that may be given or accepted.

Whistle-blowing

All employees and business partners must remain vigilant in preventing, detecting and reporting any suspected illegal, non-compliant or unethical behaviour. In line with our commitment to integrity, Distell has implemented an independent whistle-blowing system that is confidential and operates 24-hours a day, seven days a week and 365 days a year.

Three Ships
Best Worldwide Whisky Trophy – 2015 International Wine & Spirit Competition

AWARD

CORPORATE GOVERNANCE REPORT

Board of directors

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

The board currently comprises 15 directors, of whom 13 are non-executive members.

Appointments

Board member appointments are made transparently and involve the full board's consideration. The nomination committee identifies individuals suitably qualified to become members and makes recommendations to the board for approval.

A formal appointment procedure is defined in the board charter and stipulates the need to ensure its composition adequately reflects the demographics of South Africa. Members are also aware of the importance of continuously infusing fresh thinking and a relevant mix of skills and experience to ensure the board is adequately equipped to achieve Distell's strategic objectives.

During the year under review the board also adopted a policy on the Promotion of Gender Diversity at board level that sought to achieve a voluntary target of 25% female representation by the end of 2016. This target was already exceeded by year-end, with women accounting for 27% of board membership. The intention is to increase female representation on the board to 40% by the end of 2020. The voluntary target also accommodates alternate directors. While there is no maximum term for appointment, the retirement age for non-executive directors is 70 years. All non-executive directors 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 chairman.

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. An annual two-day strategic workshop is also attended by the board along with members of the executive committee. It also meets on an ad hoc basis, if required.

A majority of the directors in office counts as a quorum for any directors' meeting. Decisions taken at board meetings are decided by a majority of votes, with each director having one vote per matter. A majority vote is considered approval of a resolution. In the case of a tied vote, the chairman may not cast a deciding vote, and such resolution shall fail. A round robin resolution shall be as valid and effectual as if it had been passed at a board meeting duly called and constituted, provided that such resolution is adopted by way of written consent by all board members.

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 meetings. 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 board meetings appears 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)#	(2/4)
JG Carinus*	(1/4)	Dr E de la H Hertzog†	(3/4)	RM Rushton (MD)	(4/4)
GP Dingaan	(4/4)	JJ Durand	(4/4)	LC Verwey (FD)^	(2/4)
Dr DP du Plessis**	(2/4)				
KA Hedderwick***					
MJ Madungandaba	(4/4)				
EG Matenge-Sebesho**	(2/4)				
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.

** Resigned 28 October 2015.*
*** Appointed 25 November 2015.*
**** Appointed 22 June 2016.*
† Resigned 17 February 2016.
 # Retired 31 December 2015.
^ Appointed 25 January 2016.
MD Managing director.
FD Finance director.

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.

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.

A clear balance of power and authority exists at board level. A quorum must be present at a meeting to pass any resolution.

The main responsibilities of the board in terms of its charter, which is reviewed regularly, 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 responsibilities and duties. These include a remuneration committee, a nomination committee, a social and ethics committee, an investment sub-committee and an audit and risk committee (please refer to separate sections for the roles these committees fulfil on behalf of the board for more detail)
- Evaluate and approve the integrated annual report, annual financial statements, interim financial statements, and dividend 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, on an annual basis
- Appoint new directors, including the chair of the board, chairs of committees and the managing director, based on the recommendations made by the nomination 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.

Orientation and development

A formal induction programme exists for all new directors. Upon their appointment new directors receive an induction pack consisting of, inter alia, agendas and minutes of the previous board and sub-committee meetings, the latest integrated report, relevant insurance information, strategic documents, relevant policies and charters, and are informed of their fiduciary duties in terms of the Companies Act and JSE Listings Requirements. They also visit various production sites and distribution centres and have meetings with executive directors.

Board and director evaluation

Annually the board and its committees self-evaluate performance by responding to a detailed questionnaire. Each director is required to comment on the following:

- Board structure and responsibilities
- Board processes, practices and culture
- Overall performance of the board
- Committee structure and resources
- Committee performance in respect of statutory duties.

The results of the individual evaluations are discussed with the board as a whole and suggested changes and comments will be minuted and actioned by the board.

Share trading

The board has adopted a Price-sensitive Information policy intended to prevent the abuse of inside information by prohibiting directors and senior management and other employees of Distell from trading in the company's shares during price-sensitive or closed periods.

In terms of the 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. All employees of Distell are informed of the closed periods by the company secretary.

Additional restrictions on trading may apply where unpublished, price-sensitive information exists in relation to the company's shares in terms of the policy.

Directors and the company secretary are required to advise the chairman and obtain his clearance before dealing in Distell shares. Directors of major 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 shareholdings 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 adherence to proper corporate governance principles in terms of the board charter, compliance with relevant legislation and for preparing meeting agendas and recording minutes. The company secretary also assists with director induction and ongoing training as necessary.

All directors have unlimited access to and may at any time seek the advice and services of the company secretary and in appropriate circumstances may, at the company's expense, seek independent professional advice.

Based on the outcome of an assessment conducted by each board member of the company secretary's eligibility, skills, knowledge and execution of duties, the board is of the opinion that Ms L Malan, 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. The assessment also confirms that the directors believe that the company secretary is independent.

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 to respond to shareholder queries.

Five committees exist:

- Audit and risk committee
- Remuneration committee (report on page 150)
- Nomination committee
- Social and ethics committee (report on page 154)
- Investment sub-committee (after operating on an informal, ad hoc basis from 2013, this committee was formally established during the year under review).

The audit and risk committee

The committee comprises three independent, non-executive directors, nominated by the board and confirmed by the shareholders. Please refer to page 138 for biographical details of the members.

The committee meets at least four times per year and the managing director, finance director, external auditors, chief audit executive and selected senior management attend the meetings. Our newly appointed chief audit executive is Kumeren Pillay.

From 1 July 2016 the audit and risk committee has been divided into two separate committees, an audit committee and a risk and ICT governance committee.

The composition of and attendance at audit and risk committee meetings appears below:

Members of the committee	
CE Sevillano-Barredo (chair)	(4/4)
GP Dingaan	(4/4)
DM Nurek	(4/4)

During the year under review the committee discharged its responsibilities in terms of its charter by performing the following activities:

Financial statements

- Reviewed the adequacy and effectiveness of the financial reporting process and the system of internal control
- Reviewed and approved Distell's integrated report, annual financial statements, interim reports and other financial media releases, and recommended final approval to the board
- Reviewed and confirmed the Group's current financial position, budgets and cash flow projections and decided whether, to the best of its judgement, there were adequate resources to continue with operations in the foreseeable future. This was done during interim and year-end reporting
- Ensured compliance of published information with relevant legislation, reporting standards and good governance
- Considered any significant legal and tax matters that could have had a material impact on the financial statements
- Reviewed the external auditor's report and the representation letter signed by management.

Internal audit

- Oversaw the internal audit function and approval of the annual internal audit plan
- Approved the internal audit and audit and risk committee charters as well as the event matrix
- Evaluated the independence, performance and effectiveness of the internal audit function
- Reviewed and considered the significant findings raised by internal audit as well as the adequacy of management's corrective actions
- Received assurance on the adequacy of internal financial controls

- Based on the above, formed an opinion that there was no material breakdown in internal controls, including financial controls.

External audit

- Nominated to the shareholders for appointment, PricewaterhouseCoopers Inc. (PwC) as the external auditor, and Mr Hugo Zeelie as the designated auditor. The committee ensured this appointment complied with all legal and regulatory requirements.
- Approved the fees of the external auditors as well as non-audit services, which had been preapproved by the chairperson of the audit and risk committee (fees paid to the auditors are detailed in note 19.3 of the annual financial statements)
- Reviewed and approved the annual audit plan, the effectiveness of the external auditor and its independence
- The committee satisfied itself with the independence of the external auditor.

PwC is required to rotate its lead audit partner every five years unless there are unusual circumstances. The lead audit partner, Mr Hugo Zeelie, has now completed five years and Mr Hein Döman has been nominated as successor and will be appointed at the next annual general meeting.

Expertise of the financial director and the finance function

- As required by the JSE Listings Requirements, the committee considered the experience and expertise of Distell's financial director and is satisfied that it is appropriate. Mr LC Verwey was appointed as financial director, effective from 1 September 2015, to succeed Mr MJ Botha, who retired on 31 December 2015 (the biographical details of Mr LC Verwey are detailed on page 141).
- The committee also reviewed and satisfied itself that the composition, experience and skills of the finance function were able to meet the Group's requirements.

Risk management and ICT governance

- Considered the risk management policies and processes as well as the individual risk registers.

Discharge of responsibilities

- The committee has determined that it discharged both its legal and general responsibilities in terms of the board charter and the Companies Act during the review period. The board is in agreement with this and has approved the interim and year-end financial statements as well as the integrated report.

The nomination committee

The nomination committee comprises the following non-executive directors and their attendance of meetings appears below:

Members of the committee	
DM Nurek (chair)	(4/4)
AC Parker	(4/4)
LM Mojela	(4/4)
JJ Durand	(4/4)

The primary responsibility of the nomination committee is to:

- Review and recommend to the board the size and composition of the board and the criteria for board membership
- Assist the board in identifying the necessary and desirable competencies of board members and maintaining an appropriate mix of skills, experience, expertise and diversity on the board
- Assist the board in identifying appropriate individuals as potential candidates for board membership and re-election
- Craft succession plans for executive and non-executive directors
- 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 programme. The committee also oversaw the internal board review that was conducted and is in the process of implementing the recommendations flowing from this review.

Risk management

The board of directors is ultimately accountable for the management of risk, which includes a comprehensive risk management system which incorporates continuous risk assessment, evaluation and internal control embedment. Please refer to pages 16 to 21 for the corporate strategic risk table.

Statement of internal control

The board recognises the importance of systems of internal control that support Distell's policies and the achievement of its objectives, and is ultimately responsible for implementing and maintaining these.

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.

CORPORATE GOVERNANCE REPORT

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.

In the period under review audit reviews did not indicate any material breakdown in the functioning of internal controls.

Nederburg
Trophy for Best Unfortified Dessert Wine – 2016 Old Mutual Trophy Wine Show

AWARD

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 were 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 to address them, assessing the adequacy of the controls and confirming 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
- 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 the organisation's records, operations and procedures to evaluate the existence, efficiency and effectiveness of adequate internal controls and to ensure compliance.

The Group has implemented and maintained a comprehensive system of internal controls to mitigate the risks to ensure business objectives are achieved. Internal controls are based on the principle of acceptable risk being inherent to the design and implementation of a cost-effective system of internal control.

The internal audit department maintains its independence by reporting directly to the chairperson of the audit and risk committee and the department functions 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.

During the previous financial year Distell was accredited as a Training Office and now offers a three-year programme for prospective chartered accountants to train mainly in internal audit, but also rotate to other business functions to gain the necessary competencies as prescribed by the South African Institute of Chartered Accountants (SAICA).

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 the internal audit function to provide assurance that the key strategic, statutory, financial and operational risks are understood, identified, and effectively managed and mitigated.

When required, specialist information technology skills are contracted in.

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 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, including to provide details of progress made on all initiatives.

ICT risk management is included in the combined assurance process of the Group. 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 the internal audit department.

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.

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.

Communication with stakeholders includes conducting information sessions 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 are also used to disseminate information. There is also a dedicated investor centre on our website.

The chairman encourages shareholders to attend and actively participate in the annual general meeting by submitting questions either at the meeting or in advance. 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 electronic 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.

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

During the next financial year a forum is to be established to address illicit trade.

The regulations to the Companies Act require 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.

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 decides on the type and level of investigation to be pursued. 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 129 in the 'Our People' section for statistics and results for the year under review.

REMUNERATION REPORT

OUR REMUNERATION POLICY IS TRANSPARENT AND BASED ON REWARD PRINCIPLES OF MARKET COMPETITIVENESS, INTERNAL EQUITY AND PAY FOR PERFORMANCE.

Remuneration philosophy

Distell's remuneration philosophy is key to driving a high-performance culture, ensuring our employees are well motivated and committed to the company's success.

Our reward strategies are designed to attract, develop, motivate and retain talented employees with whom we can pursue and achieve our strategic objectives, and so enhance shareholder value.

Our remuneration policy is transparent and based on reward principles of market competitiveness, internal equity and pay for performance.

Evolving best practice

To ensure we remain competitive we continuously compare our own reward policies, principles, benefits design and governance structures with best practice in the marketplace. From time to time we engage the services of reputable companies in the reward environment to assist us. During the period under review we made several adjustments, summarised below:

1) We established a comparator group for salary and benefits benchmarking. The companies featured in our comparator group are selected on the basis of turnover, assets, market capitalisation, net profit, salary and wage bill, number of employees and key competitive activities.
2) All jobs from middle management and above were evaluated to determine the validity of the respective job grades, taking into consideration both internal and external equity.
3) We made adjustments to the earnings potential of our short term incentive (STI) scheme.
4) We introduced performance conditions to our long term incentive (LTI) scheme, in order for shares to vest, in a move to further align the performance of senior management with shareholder expectations.
5) We reviewed the scorecards of our functional and business units to enhance line-of-sight, and recognition for performance.
6) We are shifting the balance on senior management reward to a more equitable distribution between fixed and variable pay, with greater emphasis on the latter.
7) Given the growing need to establish and entrench the 'Distell Way of Work' in the different geographies where we operate, we increasingly send South Africans abroad, necessitating a comprehensive Global Mobility policy. It takes into consideration internal equity, external competitiveness, company expectations, assignee and family needs, governance and compliance.

We have identified the following areas for future focus:

1) We will continue to align our reward offering according to best practice in the different end markets (geographies) where we employ people.
2) Enhancing our aspirational Employee Value Proposition (EVP) to attract new talent.
3) Stepping up our employee engagement initiatives to further support our quest to be an Employer of Choice.
4) Large-scale implementation of a fully integrated talent suite. In an ever-changing business environment it is critical to have a robust Employee Performance Management System supported by effective, easy-to-use technology. Not only will it further embed our remuneration policy by aligning corporate, team and individual goals, but it will also provide valuable input for remuneration decisions.

Neethlingshof
Trophy for Best Museum Class Unfortified Dessert Wine – 2016 Old Mutual Trophy Wine Show

AWARD

Reward practices at entry levels

Although it is customary for remuneration reports to deal mostly with senior management, we believe it prudent to apply our reward principles to lower levels of personnel as well. We pride ourselves in the fact that all our employees at all levels, including farm workers, enjoy:

- A retirement fund with extensive death and disability benefits
- Subsidised medical aid
- A minimum leave benefit of 20 days
- Participation in the company's STI scheme.

Remuneration governance

The remuneration committee, operating within 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 top management.

The committee periodically reviews the Group's remuneration strategy to assess whether it remains aligned with Distell'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 Group managing director and executive team to achieve Distell's long-term strategy 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 between top and average performers, through the application of effective and formal performance management practices
6) Ensuring that directors and top executives are fairly and competitively rewarded for their contribution to the overall performance of the business.

The remuneration paid to directors is disclosed on pages 111 and 112.

The remuneration committee comprises the following non-executive directors and their attendance of meetings appears below.

Members of the committee	
AC Parker (Chair)	(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.

Executive director remuneration

Principles

The following principles underpin the Group's remuneration strategy:

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

Remuneration components

Guaranteed remuneration (annual base pay)

- This comprises monthly salary, car benefit, retirement- and medical aid contributions, as well as life and disability insurance.

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 (SARs) Scheme, aimed at encouraging performance that enhances sustainable shareholder value as well as retention of key executives.

Incentive scheme

Short-term incentive (STI) scheme

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 financial and non-financial value drivers. Performance is measured relative to strategic and operational targets. The short-term incentive metrics include the following:

	Weighting of participants	
	Corporate level	Business unit level
Targets	**%**	**%**
Financial KPIs		
Corporate level		
Revenue	10	10
EBITDA	30	10
Cash invested	10	10
Efficiencies	10	10
Business unit level		
Revenue		10
EBITDA		10
Strategic initiatives	40	40
	100	100

Note:
EBITDA = Earnings before interest, tax, depreciation and amortisation.
Cash invested = Increased investment in fixed assets, inventory, trade receivables and trade payables compared to the previous year.
Efficiencies = Quantified benefits of efficiency initiatives and cost-saving exercises.

These targets are approved by the board and embedded in strategic and operating plans, budgets and employee performance scorecards. 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.

Exceeding targeted performance levels may result in the payment of larger bonuses, subject to certain thresholds for each job grade. The scheme is, however, self-funded and performance bonuses are only paid if the Group achieves or exceeds the financial performance targets set and once the cost of the incentives is taken into account.

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

Long-term incentive (LTI) scheme

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 longer term. The scheme (under exceptional 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.

After a thorough evaluation and benchmarking of different performance criteria, it was decided to implement revenue and EBITDA growth targets as the most appropriate SARs performance criteria. The targets were set to drive profit growth at a faster rate than revenue growth, with EBITDA having a weighting of 60% and revenue 40%. The targets will be measured on an organic and normalised basis as approved by the remuneration committee.

The performance criteria 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. These targets will be evaluated by the remuneration committee on an annual basis.

The average level of achievement of the set performance criteria over a rolling three-year period will determine the number of SARs that will ultimately vest on the relevant exercise dates.

The scheme is regarded as 'equity settled' as recipients of SARs are 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, adjusted for the achievement of the performance conditions explained above, 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 SARs grant date.

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

The SARs units allocated to executive directors under the current scheme are detailed in the table below:

Share appreciation rights **Participant**	SARs accepted prior to 30 June 2015	**SARs accepted in the year to 30 June 2016**	**SARs offer price (Rand)**	Number of SARs exercised prior to 30 June 2015	**Number of SARs exercised in the year to 30 June 2016**	**Average share price on exercise date (Rand)**	**SARs increase in value R'000**	**Balance of SARs accepted as at 30 June 2016**
Executive								
RM Rushton	371 775	**142 116**	**170,30**	–	**–**	**–**	**–**	**513 891**
MJ Botha	161 451	**–**	**–**	2 725	**31 473**	**163,95**	**2 501**	**127 253**
LC Verwey	48 450	**56 451**	**170,30**	–	**–**	**–**	**–**	**104 901**
Total	581 676	**198 567**		2 725	**31 473**		**2 501**	**746 045**

Notes:

1. MJ Botha retired on 31 December 2015. In addition to the above SARs units, he also realised a profit of R292 000 on the disposal of shares under a previous share scheme.

Emoluments

The Group's senior executive team comprises 17 members, including the Group managing director and Group finance director, who are also members of the Distell Group Limited Board. Their compensation is disclosed in note 34 in the Group annual financial statements. The remuneration of the executive directors is as follows:

	Salaries R'000	Incentive bonuses R'000	Lump sum retirement payments R'000	Retirement fund contribution R'000	Medical aid contributions R'000	Vehicle benefits R'000	2016 Total R'000	2015 Total R'000
Executive								
RM Rushton	**5 234**	**1 043**	**–**	**1 086**	**36**	**406**	**7 805**	6 256
MJ Botha*	**1 373**	**386**	**706**	**285**	**16**	**151**	**2 917**	3 436
LC Verwey**	**2 032**	**351**	**–**	**422**	**31**	**254**	**3 090**	–
Subtotal	**8 639**	**1 780**	**706**	**1 793**	**83**	**811**	**13 812**	9 692

* *MJ Botha retired on 31 December 2015 (six months).*

** *LC Verwey was appointed as Group finance director from 1 September 2015 and as executive director of Distell Group Limited on 25 January 2016. His remuneration disclosed above covers the period from 1 September 2015.*

Non-executive directors' remuneration

The following is an extract from a recent study performed by PricewaterhouseCoopers (PWC):

'Boardroom agendas are changing, with many additional focus areas being added to the agenda such as sustainability, corporate governance, environmental issues, wider stakeholder pressures, cyber security and third-party software, to mention but a few. Never before in history have businesses been faced with so many risks. Boards are under pressure to transform and ensure that they have the right expertise, experience and diversity to deal with this daunting task.'

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 to the chairs of the board sub-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 2017 financial year were benchmarked against fees payable by other JSE-listed companies with a similar profile, and are detailed below. Because we lagged way behind our comparator group, the decision was taken in 2015 to close the gap over three years ending in 2017. This milestone has now been achieved.

Committee role	2015 R	Current 2016 R	Proposed 2017 R
Board chairperson	735 000	**954 975**	1 202 145
Board member	202 725	**242 435**	273 059
Audit chairperson	205 840	**246 161**	277 255
Audit member	84 287	**109 513**	137 857
Remuneration chairman	119 700	**155 525**	195 778
Remuneration member	63 000	**81 855**	103 041
Social and ethics chairperson	94 500	**122 783**	154 562
Social and ethics member	56 196	**73 015**	91 913
Investment chairperson	–	**155 525**	195 778
Investment member	–	**81 855**	103 041
Risk and ICT governance chairperson	–	**246 161**	277 255
Risk and ICT governance member	–	**109 513**	137 857

AC Parker
Chairman of the remuneration committee

Stellenbosch
31 August 2016

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

Zonnebloem

Best Shiraz Blend and winner of the Trophy for Best Non-Bordeaux Red Blend – 2016 Old Mutual Trophy Wine Show

AWARD

The composition of Distell's social and ethics committee (SEC) is listed below, together with details of attendance at its meetings:

Members of the committee	
GP Dingaan (Chair)	(2/2)
MJ Botha	(1/2)*
Dr DP du Plessis	(1/2)#
RM Rushton	(2/2)
Other members:	
W Bührmann (Managing director: Southern Africa)	
VC de Vries (Director: corporate and regulatory affairs)	
SW Klopper (Director: supply chain)	
Dr M Lambrechts (Director: innovations)	
L Malan (Group company secretary)	
JP van der Walt (Director: human resources)	

** Retired from Distell 31 December 2015.*
 # Appointed to the SEC February 2016.

In accordance with its mandate, the SEC met twice during the year under review – on 19 October 2015 and on 16 February 2016.

The SEC considered detailed reports on the matters listed below. In general, it was satisfied that Distell is fulfilling its social and ethical obligations as a good corporate citizen. (For further information please refer to the Sustainability Report on page 124.)

Product quality and consumer protection: With reference to the product recall that took place in May and June 2015, the committee was satisfied that appropriate action had been taken to identify and rectify the problems and ensure robust production processes to guard against the recurrence of similar events. The committee noted that the multiple aspects of the recall process had been documented thoroughly.

Environmental management: Reasonable progress has been made towards achieving Distell's environmental targets for reducing water usage, reducing and managing waste effectively, reducing electricity usage, and reducing Distell's carbon footprint. Although the 2015/16 targets were not reached, the SEC was satisfied with the reasons given thereof and believes that the company is well positioned to reach the 2020 targets.

Ethics/anti-corruption: The committee was satisfied that appropriate action had been taken in respect of all ethics and anti-corruption matters reported, and noted that the company is performing due-diligence tests in respect of its existing vendors as well as all new vendors in order to ensure that they comply with Distell's anti-bribery and -corruption policy. The continuous training of Distell's employees in anti-bribery and -corruption is a necessary and effective initiative.

Human rights: Distell is a member of the United Nations Global Compact and has committed itself to respect human rights. The committee was satisfied that there were no reported breaches of human rights in Distell's operations. All Distell-owned farms and 86% of our grape and wine suppliers are accredited by WIETA (the Wine and Agricultural Ethical Trading Association).

This ensures compliance with WIETA's Code of Conduct, which encompasses human rights principles.

Social investment and responsible drinking: The committee noted that Distell had a more focused and integrated social investment strategy, which includes the prevention or mitigation of alcohol abuse-related harm, youth development initiatives, and skills development linked to job creation.

Broad-based black economic empowerment (B-BBEE): The committee noted that Distell's implementation of its integrated transformation strategy was progressing well. The Group's empowerment rating went down in the current year from a level 4 contributor under the old dti Codes of Good Practice to a level 8 contributor in terms of the Revised Codes of Good Practice. The committee noted that Distell was aiming for level 4 contributor status by 2016 and had put initiatives in place in order to achieve this target.

The committee remained concerned about the low number of top-level appointments of people from designated groups (African, Coloured and Indian (ACI)).

Employment relationships: The committee was pleased to note that Distell had maintained cordial and constructive relationships with the trade unions and continued to maintain good relationships with its employees, who are a valuable asset. Distell conducted a comprehensive employee-engagement survey during the year under review. The results have enabled Distell to identify the key interventions needed to ensure a high-performing organisation and happy and motivated employees.

Employee assistance: The committee was pleased with Distell's progress in respect of educational assistance provided to employees. In particular, the SEC noted that most of the training spend had been directed at historically disadvantaged individuals so that they are better positioned for promotion. The SEC is encouraged by initiatives such as the accelerated-development, graduate-development and mentorship programmes, and trust that they will achieve the desired impact of filling the Distell talent pipeline with high-performing ACI candidates.

GP Dingaan
Chairperson: social and ethics committee

Stellenbosch
31 August 2016

SUPPLEMENTARY INFORMATION

GROUP
STRUCTURE

WHILE THE MAJORITY OF OUR OPERATIONS ARE LOCATED IN SOUTH AFRICA, WE ARE CONTINUOUSLY EXPANDING OUR GLOBAL FOOTPRINT.

52,8%	26,4%	19,6%	1,2%
Remgro-Capevin Investments Proprietary Limited	Other Beverage Interests Proprietary Limited (SABMiller)	Other Investors	Distell Beverages (RF) Proprietary Limited (Treasury Shares)

DISTELL

Distell Group Limited
Listed on the JSE

Distell Development Trust

100% ordinary shares

85% ordinary shares

100% preference shares

100% ordinary shares

Distell Beverages (RF) Proprietary Limited

15% ordinary shares

Distell International Holdings Limited
(United Kingdom)

South African Distilleries and Wines (SA) Limited

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 Mozambique, with additional staff in Zimbabwe and Zambia.

Outside of Africa, we have offices in the United Kingdom, France, 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 37 trading depots in South Africa with a further five in BLNS. Furthermore, there is one independent distribution agent in South Africa and 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%)
- Distell International Limited (Previously 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 2016

International Standards Organisation (ISO) 9001:2008 certified

All Distell's distilleries, wineries, secondary production sites and distribution centres in the Republic of South Africa are ISO 9001:2008 certified. Distell's Namibian facilities in Windhoek, Walvis Bay, Oshakati and Keetmanshoop are also ISO 9001:2008 certified. Our ISO 9001:2008 certification also includes corporate functions, namely: quality management, innovation, procurement, logistics, technical services, export logistics, distribution 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, Wellington and Goudini are all ISO 14001:2004 certified.

The ISO 14001:2004 system has been implemented at J.C. Le Roux, Port Elizabeth, Wadeville, Van Ryn, Springs and Ecowash facilities.

In the new financial year we plan to continue with the implementation of the standard at the above sites while focusing on reviewing our management system in line with the new updated ISO 14001:2015 standard.

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.

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

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, Alto and Le Bonheur are also certified.

Certified organic wine producer

Nederburg cellar 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, Papkuilsfontein and Plaisir de Merle are all BWI members.

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).

EBITDA
Earnings before interest, tax and depeciation and amoritsation.

EBIT
Earnings before interest and tax

Effective tax rate
The tax charge for the year divided by the profit before taxation.

Financial gearing ratio
The ratio of interest-bearing borrowings, net of cash and cash equivalents, to total equity.

Interest-free borrowings to total assets
Interest-free borrowings, excluding post-retirement medical liability, divided by total assets (both excluding deferred income tax).

Net asset turn
Revenue divided by net assets at year-end.

Net asset value per ordinary share
Total equity divided by the number of ordinary shares in issue.

Pre-tax return on equity
Profit before taxation as a percentage of closing equity.

Price earnings ratio
The closing share price at year-end on the JSE, divided by headline earnings per ordinary share for that year.

Return on equity
Headline earnings divided by closing equity.

Total return to shareholders
This represents the internal rate of return over a seven-year period. It is computed by recognising the market price of a Distell ordinary share seven years ago as a cash outflow, recognising the annual cash dividend streams per share and the closing share price at the end of the current year as inflows and then determining the discount rate inherent to these cash flow streams.

DATES OF IMPORTANCE TO SHAREHOLDERS

Annual general meeting	October 2016
Financial report	
Interim report	February 2017
Preliminary announcement of annual results	August 2017
Annual financial statements	September 2017
Ordinary dividends	
Interim dividends	
– declaration	February 2017
– payable	March 2017
Final dividends	
– declaration	August 2017
– payable	September 2017

ADMINISTRATION

Distell Group Limited
Incorporated in the Republic of South Africa
(Registration number: 1988/005808/06)
JSE share code: DST
ISIN: ZAE000028668

Company secretary
L Malan

Registered office
Aan-de-Wagenweg, Stellenbosch 7600
PO Box 184, Stellenbosch 7599
Telephone: 021 809 7000
Facsimile: 021 886 4611
E-mail: info@distell.co.za

Transfer secretaries
Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107
Telephone: 011 370 7700
Facsimile: 011 688 5238

Auditors
PricewaterhouseCoopers Inc.
Stellenbosch

Listing
JSE Limited
Sector: Consumer Goods – Food and Beverage – Beverages

Sponsor
Rand Merchant Bank (a division of FirstRand Bank Limited)

Website
www.distell.co.za

Aan-de-Wagenweg, Stellenbosch 7600
PO Box 184, Stellenbosch 7599
Telephone: 021 809 7000

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