INTEGRATED REPORT 2017

DISTELL

CREATING AND SHARING VALUE

REVIEW AND BUSINESS OUTLOOK

FINANCIAL PERFORMANCE

SUSTAINABILITY

GOVERNANCE

SUPPLEMENTARY INFORMATION

Our integrated reporting aims to provide a holistic, concise and balanced view of how we create, sustain and share value with shareholders and other stakeholders in the short, medium and long term.

SUSTAINABILITY

Water usage per litre of packaged product improved significantly in comparison to 2016, with a 13,5% reduction (8,0% reduction against the 2014 base year)

Electricity usage per litre of packaged product was 3,6% lower than 2016 (6,5% lower than the 2014 base year)

Our greenhouse gas emissions decreased by 3,0% in comparison to 2016 (7,9% lower than the 2014 base year)

B-BBEE level 4 status attained

R19,1 million spent on socio-economic development (direct and indirect CSI spend)

GROUP

Resilient revenue growth despite challenging local and global conditions

VOLUME +0,0% | **REVENUE** +3,7%

Revenue excluding forex movements +5,8%

SOUTH AFRICA

Solid performance with volume growth across all categories

VOLUME +1,5% | **REVENUE** +7,8%

AFRICA

Long-term vision unaffected by short-term challenges

VOLUME -5,2% | **REVENUE** -0,1%

INTERNATIONAL

Good volume growth in select markets off-set by stronger exchange rates

VOLUME +3,6% | **REVENUE** -12,1%

SALIENT FEATURES AND KEY FACTS

EBITDA
-7,8%

Normalised EBITDA excluding forex movements

+9,3%

EBITDA remains a key performance metric against which internal performance targets are set

HEADLINE EARNINGS
-3,6%

Headline earnings excluding forex movements

+7,4%

We continue on our journey for growth to build a leaner, focused and more agile organisation

SUPPLY CHAIN

Cost-saving initiatives negated excise and cost of goods sold growth

Gross margin declined from 35,9% to

33,1%

We continue to **reward our shareholders**

Total return to shareholders of 14,6% annualised over seven years

Annual dividend per share maintained

Annual dividend

379,0 cents

per share

NET CASH GENERATED FROM OPERATING ACTIVITIES +14,6%

OUR APPROACH TO **INTEGRATED REPORTING**

INTRODUCTION

Our integrated report is a reflection of the financial performance of the year ended 30 June 2017 and provides insight into the balance between:

- strategy and capabilities;
- material matters, risks and opportunities;
- financial and operational performance; and
- governance and remuneration practices.

The report is aimed primarily 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.

CONTENT GUIDANCE

We consider, use and apply a range of content guidance documents in the preparation of our reporting elements. The integrated report considers the requirements of the International Integrated Reporting Council's (IIRC) Integrated Reporting (<IR>) Framework. The annual financial statements presented in this report are prepared in accordance with International Financial Reporting Standards (IFRS) and the reporting guides provided by the South African Institute of Chartered Accountants (SAICA) and the Accounting Practices Committee (APC), where applicable, the South African Companies Act, No. 71 of 2008, as amended (the Companies Act), and the JSE Listings Requirements. We have applied the principles outlined in the King Code of Governance for South Africa 2009 (King III) in South Africa, while starting to prepare for the implementation of the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™) in 2018.

Our reporting is based on the concept of value creation through the six forms of capital: financial, manufactured, intellectual, human, social and relationship, and natural. These capitals are stores of value that are either increased, decreased or transformed through our business activities. Distell's definitions for the six forms of capital can be found on page 8.

SCOPE OF THE REPORT

The report covers the integrated performance of Distell Group Limited (Distell Group) for the year ended 30 June 2017. The Distell Group is a leading producer and marketer of wines, spirits, ciders and ready-to-drinks (RTDs). The majority of our products are produced in South Africa and are sold in more than 100 countries. Distell has an extensive worldwide distribution network which is supported by local production capability in Scotland, France, Angola and Kenya as well as joint venture and associate partnerships in countries that include Tanzania and Zimbabwe. Most of the Group's revenue (74,3%) is generated in South Africa.

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

More detailed non-financial information is available online (www.distell.co.za) in the full sustainability report. Additional information relating to presentations, events and results can be found in the investor centre section of our website.

A number of minor restatements of past statistical data have been made. These are clearly marked and explained in this report. Readers are advised of the following events which might impact comparability of data:

- Acquisition of a further 26,43% share in KWA Holdings E.A. Limited (KHEAL) on 4 April 2017 to bring Distell's total shareholding to 52,43%
- Acquisition of a 75% shareholding in the company that owns the rights to the Cruz Vodka brand and business worldwide in March 2017

Post the financial year-end, Distell acquired 26,0% of Best Global Brands Limited, which owns, manufactures and distributes the fast-growing mainstream 'Best' spirit brand in countries throughout Africa. The Best brand achieved volumes in excess of 30 million litres with Best whisky and Best cream comprising the largest proportion of those volumes. Best is the market leader in the mainstream spirits category in Angola and has a strong and growing presence in Nigeria, Kenya and Zambia.

DISTELL

Director's Award of Excellence –
2017 San Francisco World Spirits Competition
AWARD

INDEPENDENT ASSURANCE

The content of the report has been reviewed by the board of directors and management, but has not been externally assured. While the Group has not sought third-party assurance with respect to its non-financial data, broad-based black economic empowerment (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.

Assurance of the annual financial statements has been provided by the external auditors, PricewaterhouseCoopers Inc., and an unqualified opinion has been issued thereon.

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

FURTHER INFORMATION

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

E-mail: Investor.Relations@distell.co.za

Tel: +27 21 809 7000

All products mentioned in this integrated 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.

FORWARD-LOOKING STATEMENTS

Due to the future-orientated principle of integrated reporting, many of the statements in this report constitute forward-looking statements. These are not guarantees or predictions of future performance. As discussed in the report, the business faces risks, opportunities and other factors outside its control. These or other uncertainties may cause our actual future results to be materially different from those expressed in this report. Readers are therefore advised not to place undue reliance on forward-looking statements as we do not undertake to update these.

APPROVAL OF THE INTEGRATED REPORT

The board of directors has reviewed the report and collectively believes it fairly represents the material matters and integrated performance of the Group.

The audit committee, which has oversight responsibility for integrated reporting, recommended the report for approval by the board. The board approved the 2017 integrated report for release to shareholders on 30 August 2017.

JJ Durand
Chairman

RM Rushton
Group managing director

C Sevillano-Barredo
Chairperson of the audit committee

Stellenbosch
30 August 2017

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CREATING & SHARING VALUE

OUR BUSINESS **PHILOSOPHY**

WHO WE ARE

The Distell Group is a leading producer and marketer of wines, spirits, ciders and ready-to-drink (RTD) beverages, which are sold across the world. Our diverse portfolio of brands, with their rich heritage and authentic character, are priced across the price continuum to offer consumers a choice for every occasion.

Distell enjoys a growing global reach and continues to build the presence of its brands in select priority markets.

Distell was created in 2001 through the merger of Distillers Corporation (SA) Limited and Stellenbosch Farmers Winery Group Limited. We employ approximately 5 300 people and have an annual turnover of R22,3 billion.

Many of our brands are household names to consumers in Africa and select international markets. These include Amarula Cream, Nederburg, Savanna and Scottish Leader, among others. Amarula Cream is South Africa's most widely distributed international alcoholic beverage brand and is ranked as the world's second-largest cream liqueur. Our wines are sold on every continent. We created the cider category in South Africa and recently launched Savanna in China. Our cider brands, Hunter's and Savanna, are now readily available in many parts of Africa and Distell remains 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. In 2013, we purchased Burn Stewart Distillers (BSD), thereby 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 noble 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 **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 **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 emerging markets

Strong financial position

Impressive agricultural asset base with potential to unlock value

Organisational culture that thrives on innovation

A diverse pool of talented professionals

OUR **ASPIRATIONS**

To grow our value share of the alcoholic beverages market in South Africa

To drive step-change growth and diversify our business via local production in Africa and inorganic expansion in one or two other key emerging markets

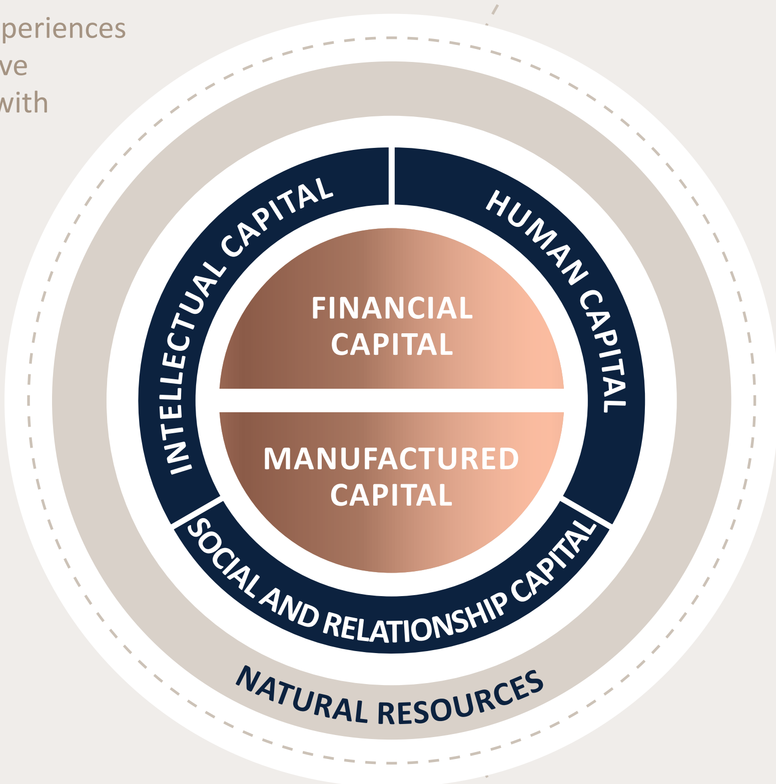
To become the largest cider player globally

To successfully develop South Africa's image as a leading premium wine exporter in key international markets

OUR CAPITALS OF **VALUE CREATION**

We create value by crafting inspiring experiences that provide stakeholders with distinctive brands that they can trust to be made with quality. Our stakeholders want to be able to select from a range of clearly differentiated brands in a world of increasing choice, while being assured that the company from which these brands originate demonstrates quality, trust and integrity in everything that they do.

We use the six capitals as input into our value-creating business activities. In our context, these capitals constitute the following:



Nederburg Heritage Heroes The Anchorman Chenin Blanc 2016

Platinum medal – **2017 Decanter World Wine Awards**

AWARD

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.

FINANCIAL CAPITAL

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

- Group finance director's report (page 48)
- Seven-year performance review (page 22)
- Group annual financial statements (page 54)
- Corporate strategic risks and opportunities (page 18)

MANUFACTURED CAPITAL

In our business, this represents the physical infrastructure used to produce, warehouse, sell and distribute our brands. It includes farming operations, wineries, cellars, distilling and maturation facilities, bottling plants, sales offices and information technology (IT) 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 discussed in:

- Group finance director's report (page 48)
- Corporate strategic risks and opportunities (page 18)
- Sustainability performance (page 140)

INTELLECTUAL CAPITAL

As it is developed and acquired by the Group and is integrated into the capitals identified above, this relates mainly to organisational knowledge, systems, protocols and intellectual property, which includes brands. Intellectual capital forms a key element of our future earnings potential by creating value through combining financial, manufactured 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 and opportunities (page 18)
- Regional performance reports (page 38)

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:

- Board of directors and executive management (page 154)
- Remuneration report (page 166)
- Social and ethics committee report (page 178)
- Corporate strategic risks and opportunities (page 18)
- Sustainability performance (page 140)

SOCIAL AND RELATIONSHIP CAPITAL

This covers our role as a socially responsible corporate citizen and embraces our stakeholder relationships – from employees to suppliers, from customers to regulators, and from investors to the communities in which we manufacture and trade. It includes our corporate reputation and values, and is touched on in:

- Social and ethics committee report (page 178)
- Corporate governance report (page 158)
- Corporate strategic risks and opportunities (page 18)
- Sustainability performance (page 140)

NATURAL CAPITAL

Environmental resources, including the land, water and raw materials, such as apples and grapes, upon which we depend for our production and manufacturing processes, make up our natural capital. Our efforts to provide for sustainable supply and resource efficiency are covered in:

- Corporate strategic risks and opportunities (page 18)
- Sustainability performance (page 140)

GROUP
STRATEGY

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

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 be the world's largest cider company.

2 CRAFT DISTINCTIVE AND COMPELLING BRANDS

We will market a differentiated and distinctive brand bundle of wines, spirits and ciders that appeal to relevant consumer needs at key consumption occasions. We craft a portfolio of distinctive, niche, premium spirits and wine brands that complements our mainstream, high-velocity wine, spirits and RTD brands.

3 OWN THE LAST MILE

We will aim to win by owning the route-to-market in selected geographies around the world. By investing in market intelligence and building a strong network of partnerships, we are increasing market penetration and enhancing service levels so we can offer the right products in the right channels at the right time, efficiently and profitably.

4 SCALE UP EXCELLENCE

We will drive operational efficiency in ways that enable consistent quality, competitive pricing and improved returns. We will unlock value from any underperforming or underutilised assets.

5 SHAPE THE FUTURE

We will invest in talent, diversity and innovation so we're equipped to effectively compete in times ahead, and also to help shape a better, safer and more sustainable future.

6 CARE AND CONTRIBUTE

We're proud of our role as a caring, socially and environmentally responsible corporate citizen who conducts business with fairness and integrity. That means we promote safe and responsible alcohol consumption, drive socio-economic transformation, look after our planet and champion ethical business conduct.

OUR
BRANDS

Sales volumes for the year were flat while sales value rose by 3,7%, thanks to ongoing investments in brand equity, creative development, innovation and disciplined revenue management.

Our comprehensive portfolio of wines, spirits, ciders and RTDs caters to a rich diversity of consumers and occasions. We encourage loyalty by creating brand experiences that are satisfying and memorable, which allows consumers to make connections that are meaningful, reassuring and inspiring.

We have focused our portfolio into two distinct clusters to align our marketing, sales and distribution efforts with Distell's new decentralised operating model. This also enables faster decision-making, heightened commercial responsibility and improved brand resonance with consumers. The two brand components are:

Global brands: brands that display consistent positioning and values, and the same core benefits, seamlessly across markets. These brand strategies are steered by the global marketing team and are implemented by regional teams.

Local and multi-country brands: brands that are adapted or have been developed for specific markets and consumers.

Brand ownership of these brands resides in the markets with the most significant commercial and strategic relevance.

Common to both clusters is a reputation for quality with assured product excellence and brand consistency and value, which is underpinned by effective and efficient service levels. The new designation determines resource allocation, investment priorities and human capital focus areas for each cluster.

We continue to clearly define brand positioning based on detailed customer and consumer insights, which are arrived at through sophisticated market intelligence and analysis. This allows us to tailor communications in anticipation of trade requirements and consumer need states and occasions.

Our luxury brand portfolio continues to make a significant contribution to the overall Distell business. Within premium wines, Nederburg, Durbanville Hills, Alto and Pongrácz all showed year-on-year volume and value growth with strong long-term marketing and communication strategies in place. Within premium spirits, Scottish Leader, Bisquit and Bain's all showed encouraging momentum during the second half of the year.

Brands are continually appraised for their ability to resonate with targeted consumers and, where necessary, positioning and packaging are refined, refreshed and updated. Read more about these initiatives in the regional performance reports from page 38.

TOP 15 DISTELL BRANDS

Our top 15 brands generate 72% of total revenue and are growing at 7% per annum.

- 4th Street
- Amarula Cream
- Autumn Harvest Crackling
- Bernini
- Drostdy-Hof
- Gordon's Gin
- Hunter's
- Klipdrift
- Nederburg
- Original Paarl Perlé
- Richelieu
- Savanna
- Scottish Leader
- Three Ships Whisky
- Viceroy

GLOBAL BRANDS

Our global brands generate 45% of total revenue and are growing at 1% per annum

Wines

The premium wine portfolio is led by the Nederburg range, which remains our most awarded wine brand. This was again evident, for example, by its selection as the 2017 Platter's Winery of the Year and its No. 36 ranking among the world's most admired wine brands by Drinks International. The 2016 Nederburg Heritage Heroes, The Anchorman Chenin Blanc, was furthermore awarded a platinum medal at the 2017 Decanter World Wine Awards for the best South African Chenin Blanc priced at over £15, thereby endorsing our strategy that positions Chenin Blanc as a lead cultivar for premium wines. Strong volume growth followed a new communications platform led by: 'There is always a story in Nederburg'. The TV commercial was voted as one of the five best global alcohol commercials by Adforum.

Durbanville Hills continued its positive momentum in South Africa, while international sales responded to innovations such as the launch of the Atlantic View range in North America and the United Kingdom (UK) and a new Sparkling Sauvignon Blanc variant as a brand home exclusive.

A new creative platform was developed for Fleur du Cap – 'Alive with flair' – with new updated packaging.

Spirits

Our global spirits brands delivered solid revenue growth fuelled by the nascent growth in brandy, the launch of new Amarula Cream packaging and continued excellent growth, from Scottish Leader whisky in Taiwan. Amarula Cream sales increased in the markets where the 'Name Them, Save Them' elephant campaign and new packaging were launched, and double-digit growth was achieved in the United States of America (US), which is the largest cream liqueur market in the world.

Scottish Leader achieved its highest-ever market share in Taiwan, which was driven by the launch of Scottish Leader Original as well as brand equity building through the global positioning and creative platform approach: 'New perspectives, richer possibilities'.

Bain's Cape Mountain Whisky, crafted from South African premium grain and Cape mountain water, continued winning awards, including finishing as the category winner at the World Drinks Awards and being awarded gold at the New York International Spirits Competition.

Ciders and RTDs

Ciders showed resilience amid challenging market conditions. Hunter's remains the world's second-largest cider brand – an achievement which was bolstered by the successful launch of Hunter's Edge. The innovative new brand that combines refreshing natural cider with real hops extract, and which introduces ongoing news to the market including new pack formats, was launched with a category-breaking communication campaign.

Savanna performed well, especially in the second half of the year, using ongoing communication and new news, including the rollout of the 500 mℓ format Savanna Loco providing broadened consumer appeal and drinking occasions for one of South Africa's most loved ciders.

Global brands:
- Amarula Cream
- Hunter's
- Savanna
- Bain's Cape Mountain Whisky
- Scottish Leader

Portfolio of global premium wines:
- Nederburg
- Durbanville Hills
- Alto
- Fleur du Cap
- Allesverloren

LOCAL AND MULTI-COUNTRY BRANDS

Our local and multi-country brands generate 55% of total revenue and are growing at 7,6% per annum.

Wines

4th Street, the biggest wine brand in South Africa, was named as the fastest-growing wine brand in the world by the International Wine and Spirit Research (IWSR) report. It continued to deliver double-digit growth in volume and value in South Africa, as well as Botswana, Lesotho, Namibia and Swaziland (BLNS). Among our value wines, Original Paarl Perlé and Autumn Harvest Crackling maintained growth momentum by offering consumers ongoing value for money.

The Two Oceans three-litre bag-in-box (BIB) format for a Sauvignon Blanc and a Cabernet Sauvignon/Merlot blend continued to grow in southern Africa, with the Sauvignon Blanc doubling in volume. The variant was also awarded a silver medal at the International Wine & Spirit Competition (IWSC).

Drostdy-Hof benefited from a packaging upgrade introduced in selected markets in February 2017. Drostdy-Hof Adelpracht delivered double-digit growth in South Africa.

The local and multi-country wine brands demonstrate our strength in the affordable, scale wine segment with broad appeal and relevance.

Spirits

The local and multi-country spirits brands performed well. Value growth in the local market has come through, for example, the launch of Klipdrift's Ngqo as a flavour innovation in the brandy market. Richelieu also showed value growth due to our focus on developing revenue management capability. Viceroy delivered double-digit revenue growth as a result of its price positioning and the introduction of Makoya.

Bunnahabhain, our Islay single malt whisky, showed strong performance in Europe and Taiwan. The Bunnahabhain 46-year-old, priced at £5 000 per bottle, was fully allocated and shipped to markets. The brand also benefited from the awards it collected, which included winning category awards and Double Gold medals at the San Francisco World Spirits Competition and World Drinks Awards.

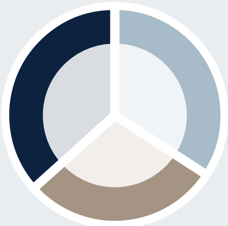
Three Ships Select whisky was selected as the World's Best Blended Whisky at the World Whiskies Awards, while the brand also garnered Double Gold for the bourbon cask finish at the New York International Spirits Competition.

Ciders and RTDs

Our other RTD brands retained their relevance, recruiting new support and expanding consumption occasions. Bernini, our sparkling grape-based RTD, was a strong performer this year as it more than doubled its volumes and revenue in South Africa on the back of growing popularity among consumers, whilst continuing to perform well in South Korea.

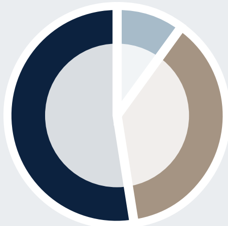
OVERVIEW BY PRODUCT CATEGORY

Revenue contribution per category



34,2% Spirits
29,3% Wine
36,5% Cider, RTD and other

Volume contribution per category



9,8% Spirits
36,9% Wine
53,3% Cider, RTD and other

Wines

Revenue from wine increased by 2,1% and was driven by value wines such as 4th Street, Original Paarl Perlé and Autumn Harvest Crackling. In the premium wine category, Durbanville Hills and Alto achieved double-digit revenue growth, whilst Nederburg continued to grow.

Spirits

Spirits delivered revenue growth of 5,2%, with brandy and gin as the most significant contributors. Focus brands in key countries, such as Scottish Leader in Taiwan, delivered growth that was ahead of the category, growing share and bolstering overall spirits performance.

Ciders and RTDs

This category remains buoyant and dynamic and is characterised by a range of new entrants and brand extensions, with innovation in flavour particularly prevalent. Innovation in packaging and communication remain core sales drivers. Distell achieved category revenue growth of 5,5%.

OUR STAKEHOLDERS

At Distell, we firmly believe that stakeholder relations is an interdependent function that relies heavily on environmental scanning (for identifying emerging issues, monitoring issues that have occurred, monitoring issues of interest, and social listening to shifting stakeholder expectations) and enhances the mechanisms for internal and external communication.

Our view is that effective stakeholder engagement is the basis for good corporate governance and we remain committed to this approach. As a responsible corporate citizen, we have also long recognised the strength of relationships with our key stakeholders and that social, economic and environmental interests are integral to the success of our business.

Stakeholder relations provides a platform for Distell to take into account stakeholder expectations, needs, concerns and opportunities. The aim of our stakeholder relations function is to help shift the company to an ambit of stakeholder responsiveness which is part of business as usual.

Guided by this philosophy, we initiated a reputation survey in 2016. The survey targeted all our key stakeholders in South Africa to gain a thorough understanding of the issues that are material to them and the level of their impact on them and us as a company. Those surveyed included government, non-governmental organisations (NGOs), media, investors, suppliers, customers, strategic partners, as well as 1 000 employees.

The feedback we received was most invaluable and included key actions to mitigate risk and identify opportunities for Distell. This has now been formalised into a targeted stakeholder engagement plan which will be deployed during the new financial year. We also have plans to extend future surveys to all our other stakeholders outside of South Africa.

Bunnahabhain 25-Year-Old

Double Gold –
2017 San Francisco World Spirits Competition

AWARD

Below is a high-level summary of our stakeholder engagement approach:

STAKEHOLDER GROUP	WHY ARE WE ENGAGING?	WHAT DO WE WANT TO ACHIEVE?
Trade customers	Our business is built around the ability of our trade customers to sell our products to consumers.	Our trade customers should have a thorough understanding of our business and brand portfolio. Our engagement facilitates this understanding and enhances Distell's position as a company that values quality, trust and integrity in everything we do.
Strategic business partners	Strategic partners play an important role in the growth and sustainability of our business.	Our engagement with strategic partners creates opportunities for mutually beneficial relationships that are long term in nature and respectful in character.
Suppliers	Suppliers provide services and products that are key to Distell's ability to produce and market our products.	Engagement guarantees continuous innovation that yields solutions that drive down our costs which enhances Distell's ability to produce.
NGOs and communities	NGOs and communities are an important stakeholder group since they are impacted by our operations. Engagement addresses issues of mutual concern, such as employment and economic development.	We want to foster transparency and openness, and facilitate positive dialogue which discusses and resolves issues of mutual interest.
Government	Distell engages with all levels and spheres of government. This includes both national and regional governments as well as government agencies such as regulators.	Strong relations between government and the private sector are good for the country and society as a whole. For Distell, this means creating value through enabling legislation, and partnering on community development and empowerment issues and maintaining our licence to operate.
Investors	Investors have a vested interest in Distell as providers of capital and we want to keep them informed about our financial performance and sustainability.	We want to build investor confidence by demonstrating that we adhere to the highest standards of corporate governance and that Distell is a company that creates value and return on investment for all its stakeholders.
Employees	Our employees are our biggest asset and we want to ensure that they remain committed and passionate about their work and the company.	We want our employees to be engaged as our ambassadors and to take pride in Distell as an employer of choice. This will enable us to attract and retain talent.
Consumers	Without our consumers our business would not exist because they are central to our existence. We therefore need to be consumer-focused, offering them value, quality and innovative products.	We want to build trust among our customers as well as provide unique moments of social enjoyment through the responsible marketing of our products. We also want to make it easier for our customers to engage with us, particularly on our product offerings.

CORPORATE STRATEGIC **RISKS AND OPPORTUNITIES**

Within the context of the Group's strategy, business plans and business philosophy, management has identified material matters and risks which it believes could impact the Group's ability to sustain future value and growth. These matters are also approached as opportunities, particularly to improve efficiencies and scale up excellence.

The directors and management believe the material matters and risks listed below are those that affect the performance and longer-term viability of the Group. The key strategic risks are reviewed regularly by the executive team and the risk and compliance committee. Read more about the risk management process in the risk report on page 174.

The successful management of the matters below will enable the sustainable execution of Distell's strategy and create value for all stakeholders.

RESIDUAL RISK HEAT MAP

IMPACT / LIKELIHOOD	Rare	Unlikely	Possible	Likely	Almost certain
Catastrophic					
Major				• Lack of momentum in priority growth markets • Macro risks	• UK-Brexit • Limited geographical diversification
Significant		• Climate change • Cybersecurity	• Increased RTD competition • Proposed alcohol legislation • Brand equity erosion • Macro risks		• Socio-economic risks
Moderate		• Capability building and talent pipeline			
Low	• Wine demand/lower grape supply • Licence to trade • Ethical supply chain • Change management				

	MATERIAL MATTER/RISK DESCRIPTION	MITIGATING ACTIONS/CONTROLS	RESIDUAL RISK DASHBOARD
MACRO RISKS			
UK: Brexit	Brexit could have a negative impact on South African wine exports to the UK as well as exports of Scotch whisky to South Africa from the UK, with possible currency impact due to a weaker pound if Brexit is disorderly. This will reduce the profitability of wine exports to the UK.	We are assessing the potential impact of a loss of duty-free market access and the related financial impact for Distell. We are formulating plans to mitigate the risk in our European operations including the establishment of our own route to market operation in the UK.	High
Other key international markets	European Union (EU) instability will dampen consumer spend in our key EU markets. Rising US trade protectionism could lead to loss of duty-free access for South African wines under the African Growth and Opportunity Act (AGOA).	We have to ensure the sustained profitability of the export portfolio by developing strong partnerships in key markets such as the US, UK and China.	High
South African market	Further downgrades of South Africa's local-currency-denominated debt will lead to increased interest rates, weakness of the rand and a decline in the value of consumers' disposable income.	We are protecting and growing our market share by expanding our market service effectiveness programme while diversifying Group earnings in Africa and international markets. Further measures include extracting more value from Burn Stewart Distillers, Bisquit and our international business, while pursuing an inorganic growth strategy. We are improving profitability via cost-efficiency initiatives and focusing our brand portfolio and optimising our production and distribution network to protect market share and profitability.	High
African market	Depressed commodity prices due to lower demand from China contribute to weaker currencies and rising foreign currency shortages. This results in the inability to extract foreign exchange from certain key markets, combined with lower growth in undiversified economies.	We are investing in local route-to-market and production to gear up for future market recovery while aligning our pace of investment with the possible risks. We will leverage our strength in mainstream wines and spirits, and seed and support our cider and premium global brands for medium-term growth.	Moderate
Climate change	Extreme weather events can have a negative impact on South African grape and apple production, which affects the security of supply. A water crisis can disrupt production operations.	We are optimising our supply chain to be energy and water efficient. We are also investing in research to support our need to assure the sustainability of supply of our key grape and apple juice requirements.	Moderate

	MATERIAL MATTER/RISK DESCRIPTION	MITIGATING ACTIONS/CONTROLS	RESIDUAL RISK DASHBOARD
INDUSTRY RISKS			
Increased RTD competition and pricing wars with large competitors	Increased competition through lower beer prices and a step-up in trade investment through promotions, discounts, etc. could impact our market share and cost to compete.	We are investing in creating a differentiated RTD portfolio with an expanded route-to-market footprint in South Africa. We are also extracting cost-efficiencies from the supply chain to be able to price our core portfolio more competitively.	High
Proposed alcohol legislation	Proposed alcohol legislation could include higher taxes, restrictions in alcohol marketing and packaging, a change in the legal drinking age and a limitation on licensed outlets.	We are participating in industry lobby efforts to influence legislation while showing our commitment to broad-based black economic empowerment (B-BBEE) and transformation in our value chain. We are building strong sales, trade marketing and distribution capability to improve in-outlet activation and increase our levels of customer service.	High
Wine demand growth in South Africa constrained by lower supply	A continued decline in grape supply stocks are projected in the local industry.	We are developing a long-term sourcing raw materials for value strategy while developing partnerships with producers to support vineyard expansion in South Africa and Africa.	Low
COMPANY RISKS			
Limited geographic diversification	Organic business growth, including exports, is unlikely to significantly reduce our exposure to South Africa. Industry consolidation is also increasing the barriers of entry in chosen growth markets.	Mergers and acquisitions will be the main driver of geographic diversification. We are pursuing opportunities that are value accretive within the next five years.	High
Lack of momentum in priority growth markets	Slow incorporation of new acquisitions in growth markets, combined with a lack of momentum to implement the in-country production model, will limit our ability to capitalise on assumed benefits in acquisition models.	We have developed top management key performance indicators to drive the integration of acquisitions. We have also significantly increased our talent pipeline to be able to effectively implement our growth strategies.	High
Brand equity erosion	The lack of a focused portfolio can compromise the health of core brands due to insufficient innovation and investment support.	We have focused portfolio strategies in place with effective investment support to build brand equity. We are also reducing the size of our brand portfolio and asset base to enable more focus.	Moderate
Capability building and talent pipeline	Our decentralised model requires excellence in key commercial capabilities, which, in turn, requires sufficient internal talent to support the inorganic growth pipeline.	We are strengthening our employment policies and practices as well as reward systems, which include short- and long-term incentive schemes, to ensure that the right talent is recruited, developed and retained. Talent gaps are identified and filled through talent management and resourcing processes, which include recruitment from relevant industry players.	Moderate

	MATERIAL MATTER/RISK DESCRIPTION	MITIGATING ACTIONS/CONTROLS	RESIDUAL RISK DASHBOARD
Information and cybersecurity	The disruption of IT systems and loss of valuable and sensitive information and assets are risks to the Group. Failing to comply with tightening legislation poses a threat of significant financial penalties or restrictions.	We have an established cybersecurity internal control framework that is aligned to industry best practice and frameworks that govern internal roles, responsibilities and procedures. To reduce the risk of cyberattacks, management has launched a vulnerability management programme, which includes cybersecurity awareness around phishing and ransomware. Distell's cybersecurity technologies are state of the art. Management is currently investing in data leakage prevention technology to avoid the sharing of highly confidential information with unauthorised parties.	Moderate
Licence to trade	A perceived lack of progress with our B-BBEE rating could impact our ability to operate.	We have developed a robust integrated transformation strategy and implemented a governance structure – the Sustainability Council – which meets quarterly to monitor implementation and progress. We have implemented interim scorecard measurements with monthly status updates. A monthly progress report is submitted to the Group managing director and the B-BBEE scorecard has been added as a key performance measurement for our short-term incentive scheme.	Low
Ethical supply chain	Significant product contamination and poor product recall can negatively impact on brand equity and result in reputational damage. This includes procurement from suppliers who may contravene our standards of ethical practices.	We have stepped up our quality management and procedures. Suppliers are bound by our supplier Code of Conduct to prevent damaging conduct such as unethical labour practices. Ongoing ethics training is taking place with our employees, distributors, partners and suppliers.	Low
Change management	Distell's change journey can have a detrimental impact on selected stakeholders. This includes risks related to corporate reputation and the loss of critical skills.	Effective change management initiatives support and enable Distell's change journey. Our talent management process is used to retain critical skills.	Low

SEVEN-YEAR **FINANCIAL REVIEW** for the years ended 30 June

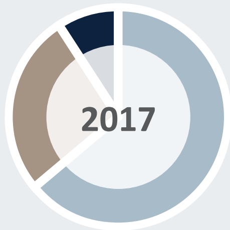
	Seven-year compound growth % p.a.	**2017 IFRS**	2016 IFRS Restated	2015 IFRS Restated	2014 IFRS Restated	2013 IFRS Restated	2012 IFRS Restated	2011 IFRS Restated
Statements of financial position (R'000)								
ASSETS								
Non-current assets								
Property, plant and equipment		**5 466 224**	5 116 376	4 457 879	3 986 636	3 490 237	2 769 942	2 481 526
Financial assets, investments in associates and joint ventures		**549 106**	712 151	685 021	517 677	466 497	199 296	166 505
Intangible assets		**1 921 925**	2 004 191	1 879 680	1 798 065	1 505 647	230 404	221 331
Retirement benefit assets		**380 963**	343 420	310 985	265 293	273 000	47 504	42 391
Deferred income tax assets		**173 897**	136 031	101 686	71 210	58 777	74 571	74 915
Total non-current assets		**8 492 115**	8 312 169	7 435 251	6 638 881	5 794 158	3 321 717	2 986 668
Current assets								
Inventories		**7 800 305**	7 900 649	7 509 937	6 872 615	6 259 836	4 489 281	3 961 917
Trade and other receivables		**2 982 470**	2 659 749	2 223 009	1 839 808	1 776 816	1 436 255	1 242 200
Current income tax assets		**28 197**	36 922	20 204	56 818	33 180	145 088	62 945
Cash and cash equivalents		**1 183 120**	1 032 402	619 367	451 611	355 575	462 429	229 850
Total current assets		**11 994 092**	11 629 722	10 372 517	9 220 852	8 425 407	6 533 053	5 496 912
Total assets	14,0	**20 486 207**	19 941 891	17 807 768	15 859 733	14 219 565	9 854 770	8 483 580
EQUITY AND LIABILITIES								
Total shareholders' equity		**10 843 250**	10 672 259	9 556 397	8 601 155	7 277 535	6 205 979	5 694 009
Non-current liabilities								
Interest-bearing borrowings		**3 567 180**	1 200 000	3 323 446	3 114 090	447 143	347 932	423 336
Retirement benefit obligations		**24 533**	27 509	24 243	25 176	22 604	80 954	73 790
Deferred income tax liabilities		**929 318**	723 429	627 983	584 221	479 226	231 067	234 732
Total non-current liabilities		**4 521 031**	1 950 938	3 975 672	3 723 487	948 973	659 953	731 858
Current liabilities								
Trade payables and provisions		**3 771 252**	3 556 753	3 348 783	2 770 339	3 202 359	2 803 208	2 042 347
Interest-bearing borrowings		**1 276 234**	3 726 589	870 378	761 761	2 786 771	180 501	865
Current income tax liabilities		**74 440**	35 352	56 538	2 991	3 927	5 129	14 501
Total current liabilities		**5 121 926**	7 318 694	4 275 699	3 535 091	5 993 057	2 988 838	2 057 713
Total equity and liabilities		**20 486 207**	19 941 891	17 807 768	15 859 733	14 219 565	9 854 770	8 483 580
Income statements (R'000)								
Revenue	9,5	**22 259 253**	21 470 120	19 588 970	17 739 609	15 725 608	14 176 047	12 327 786
Operating expenses		**(19 902 578)**	(19 040 418)	(17 454 599)	(15 744 401)	(13 972 438)	(12 762 506)	(10 889 439)
Trading income	7,8	**2 356 675**	2 429 702	2 134 371	1 995 208	1 753 170	1 413 541	1 438 347
Dividend income		**7 163**	7 501	6 698	6 150	6 279	7 645	5 180
Net financing costs		**(220 006)**	(260 788)	(236 470)	(217 627)	(239 727)	(31 905)	(42 584)
Share of equity-accounted earnings		**59 374**	58 042	89 401	86 266	65 169	37 160	37 950
Profit before exceptional items and taxation	7,1	**2 203 206**	2 234 457	1 994 000	1 869 997	1 584 891	1 426 441	1 438 893
Exceptional items		**(289 917)**	(78 081)	(5 315)	172 114	10 649	(1 216)	(1 756)
Profit before taxation		**1 913 289**	2 156 376	1 988 685	2 042 111	1 595 540	1 425 225	1 437 137
Taxation		**(616 486)**	(624 485)	(569 024)	(517 846)	(512 409)	(454 365)	(477 557)
Non-controlling interest		**175**	95	17 475	(961)	5 203	(1 790)	1 093
Net profit attributable to equity holders	4,7	**1 296 978**	1 531 986	1 437 136	1 523 304	1 088 334	969 070	960 673
Statements of cash flows (R'000)								
Cash generated from operations	8,0	**2 661 673**	2 480 439	2 111 938	1 559 892	1 022 676	1 728 426	1 771 957
Dividend income		**7 163**	7 501	6 698	6 150	6 279	7 645	5 180
Net financing costs		**(304 218)**	(243 966)	(197 078)	(232 395)	(185 501)	(31 644)	(42 868)
Taxation paid		**(500 341)**	(617 204)	(504 671)	(459 101)	(374 235)	(558 505)	(491 875)
Net cash generated from operating activities		**1 864 277**	1 626 770	1 416 887	874 546	469 219	1 145 922	1 242 394
Cash outflow from investment activities		**(949 638)**	(1 091 424)	(841 650)	(671 770)	(2 341 232)	(479 410)	(410 872)
Proceeds from ordinary shares issued		**3 104**	8 361	13 436	17 640	30 789	15 573	20 723
Non-controlling interest/Other		**2 272**	–	–	(12 201)	12 982	–	–
Proceeds from interest-bearing borrowings		**146 052**	69 259	356 361	546 719	1 881 516	104 232	848
Dividends paid		**(832 100)**	(773 507)	(745 680)	(708 049)	(616 281)	(556 023)	(516 304)
Cash outflow from financing activities		**(680 672)**	(695 887)	(375 883)	(155 891)	1 309 006	(436 218)	(494 733)
Increase in net cash, cash equivalents and bank overdrafts		**233 967**	(160 541)	199 354	46 885	(563 007)	230 294	336 789

	Seven-year compound growth % p.a.	**2017 IFRS**	2016 IFRS	2015 IFRS	2014 IFRS	2013 IFRS	2012 IFRS	2011 IFRS
Performance per share (cents)								
Earnings								
attributable earnings basis	3,4	**591,4**	699,4	657,4	725,8	536,8	479,3	476,2
headline basis	6,1	**708,3**	735,3	656,2	721,3	531,7	479,7	476,8
cash equivalent basis	7,7	**1 043,9**	1 110,9	879,7	836,0	849,1	848,9	619,8
EBITDA basis	5,6	**1 173,2**	1 273,2	1 159,4	1 198,9	1 007,4	821,3	832,8
Dividends	5,8	**379,0**	379,0	346,0	337,0	335,0	295,0	256,0
Cash flow	6,7	**854,8**	742,7	648,1	416,7	231,4	566,8	615,8
Net asset value	9,4	**4 875,9**	4 805,0	4 309,8	3 884,3	3 579,7	3 059,6	2 813,3
Liquidity and solvency								
Financial gearing ratio		**0,34**	0,36	0,37	0,40	0,40	0,01	0,03
Total liabilities on total equity	Avg 0,8	**0,89**	0,87	0,86	0,84	0,95	0,59	0,49
Interest-free liabilities on total assets		**0,19**	0,18	0,19	0,18	0,23	0,29	0,25
Dividend cover (times)		**1,9**	1,9	1,9	2,1	1,6	1,6	1,9
Current ratio		**2,34**	1,59	2,43	2,61	1,41	2,19	2,67
Acid test ratio		**0,82**	0,51	0,67	0,66	0,36	0,68	0,75
Returns (%)								
Trading income on turnover		**10,6**	11,3	10,9	11,2	11,1	10,0	11,7
Pre-tax return on equity	Avg 21,8	**17,6**	20,2	20,8	23,7	21,9	23,0	25,2
Effective tax rate		**32,2**	29,0	28,6	25,4	32,1	31,9	33,2
Return on equity	Avg 15,6	**14,3**	15,1	15,0	17,6	14,8	15,6	16,9
Attributable earnings on total assets		**6,3**	7,7	8,1	9,6	7,7	9,8	11,3
Attributable earnings on turnover		**5,8**	7,1	7,3	8,6	6,9	6,8	7,8
Dividend yield		**2,5**	2,3	2,4	2,5	3,1	4,1	3,6
Productivity								
Cash value added (R million)	10,8	**9 964,0**	9 491,7	8 187,3	6 759,4	6 025,5	5 940,9	5 329,3
Net asset turn (times)		**2,1**	2,0	2,0	2,1	2,2	2,3	2,2
Net assets per employee (R'000)	10,0	**2 226,1**	2 133,2	1 866,1	1 741,5	1 466,7	1 315,1	1 214,3
Revenue per employee (R'000)	8,5	**4 569,8**	4 291,4	3 825,2	3 591,7	3 169,2	3 004,0	2 629,1
Number of permanent employees		**4 871**	5 003	5 121	4 939	4 962	4 719	4 689
JSE								
Price per share (cents)								
highest during the year		**17 261**	18 300	18 521	16 600	13 226	9 001	8 100
lowest during the year		**13 200**	14 181	12 306	11 500	8 699	5 699	6 510
closing at year-end		**13 701**	16 180	16 697	14 000	12 194	9 001	7 150
weighted average		**15 150**	16 208	14 428	13 281	10 736	7 214	7 036
Price-earnings ratio		**19,3**	22,0	25,4	19,4	22,9	18,9	15,0
JSE Actuaries' price index at year-end (2010: 100 cents)								
Distell Group Limited		**209**	247	255	214	186	137	109
Closing price/net asset value per share		**2,8**	3,4	3,9	3,6	3,4	2,9	2,5
Weighted average number of shares in issue ('000)		**219 298**	219 038	218 621	209 881	202 752	202 185	201 742
Number of shares traded ('000)		**13 865**	18 529	19 672	25 768	6 988	5 771	5 454
Shares traded/shares in issue (%)		**6,2**	8,3	8,9	11,6	3,4	2,9	2,7
Value of shares traded (R'000)		**2 100 471**	3 003 294	2 838 368	3 422 312	721 825	416 339	383 721
Number of transactions		**51 761**	44 460	57 346	18 581	8 332	3 112	2 701
Number of shareholders		**6 192**	6 092	6 514	6 081	5 118	4 364	4 398
Market capitalisation (R million)		**30 469**	35 937	37 023	31 001	24 790	18 257	14 471
Net asset value/market capitalisation		**0,35**	0,30	0,26	0,28	0,29	0,34	0,39

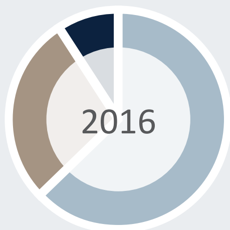
For definitions of financial abbreviations and a description of terms refer to page 186.

CREATING AND SHARING VALUE

Cash value added statement for the years ended 30 June	GROUP	
	2017 R'000	2016 R'000
Cash generated		
Cash derived from sales	**21 936 532**	21 033 380
Net financing costs paid	**(304 218)**	(243 966)
Income from investments	**7 163**	7 501
Cash value generated	**21 639 477**	20 796 915
Cash payments to suppliers of materials and services	**(11 675 493)**	(11 305 261)
Cash value added/wealth created	**9 963 984**	9 491 654
Cash utilised to:		
Pay excise duty to the State	**5 176 974**	4 785 528
Pay tax on income to the State	**500 341**	617 204
Remunerate employees for their services	**2 422 392**	2 462 152
Provide shareholders with a return on the use of their risk capital	**832 100**	773 507
Cash disbursed among stakeholders	**8 931 807**	8 638 391
Net cash retained from operating activities	**1 032 177**	853 263
Reconciliation with cash generated		
Cash value added (above)	**9 963 984**	9 491 654
Less: Remuneration to employees for their services	**(2 422 392)**	(2 462 152)
Net financing costs paid	**304 218**	243 966
Payment of excise duty to the State	**(5 176 974)**	(4 785 528)
Cash generated from operating activities	**2 668 836**	2 487 940
State taxes		
Excise duty	**5 176 974**	4 785 528
Tax on income	**500 341**	617 204
Value added tax and alcohol levy	**1 229 935**	1 007 026
Employees' tax deducted from remuneration	**449 478**	395 364
Regional Services Council levies and property taxes	**60 273**	50 812
Channelled through the Group	**7 417 001**	6 855 934



2017		2016
64%	State	63%
27%	Employees	28%
9%	Other	9%



Nederburg Private Bin Cabernet Sauvignon 2013

Trophy for Best Cabernet Sauvignon in the World – **2016 IWSC**

AWARD

2

REVIEW & BUSINESS OUTLOOK

CHAIRMAN'S REPORT

JJ Durand | CHAIRMAN

Distell continues to undergo an exciting transition as it seeks to build a profitable and sustainable 21st century business. Our vision is to double the size of the business by 2021 and to build a company that is agile and responsive to the ever-changing global landscape. At the heart of this journey is our diverse portfolio of brands that have been crafted by extraordinary people across the world.

Our portfolio delivered resilient growth in revenue and profit against the backdrop of a challenging local and global environment and changes in consumer behaviour. We succeeded in delivering 3,7% growth in Group revenue, which increased to R22,3 billion. Normalised EBITDA (earnings before interest, tax, depreciation and amortisation) excluding forex movements rose by 9,3% to R2,6 billion.

Distell is the second-largest alcoholic beverages company in South Africa and remains a significant player in the local market. South Africa is a relatively mature market and the capacity for total alcohol volume growth continues to be muted. Even under these circumstances there still remain attractive growth opportunities for us. On the spirits side the acquisition of Cruz Vodka reaffirms the attractive growth of the vodka category locally. In the Scotch whisky category there is still significant capacity for Distell to increase its share in the local market. There are also positive signs that the brandy category's decade-long decline has stabilised.

In the rest of Africa we are expanding and investing in priority markets where new emerging consumer segments are growing, and seeking recognised and trustworthy brands. In the rest of the world, particularly in the UK and China, we are making strategic investments that fit the profile of our products. We are confident of growth in these markets, given our repertoire of brands.

We remain committed to growing our share in cider over the long term. Outside of South Africa we have identified certain countries in Africa, as well as China, as key markets for investment in cider growth. Growth in this category is expected to be fuelled by demand from millennials. In these markets we take a long-term view and our investments are paced accordingly.

Distell's brands continue to win global competition awards. We are particularly proud of Nederburg, which was selected as the 2017 Platter's By Diners Club South African Wine Guide's 'Winery of the Year', with four of its wines across the multi-tiered range earning five-star ratings – more than any other producer. This is the second time that Nederburg has claimed the title after being named the South African Wine Producer of the Year at the 2016 IWSC. Our wines and spirits are consistently recognised by international specialist panels as they compete against entries from more than 90 countries worldwide.

Stakeholder engagement remains a key focus area. In the past year we conducted a reputation survey which targeted our key stakeholders in South Africa. In a world of increasing choice, we recognise that our stakeholders want us to demonstrate quality, trust and integrity in everything that we do. Stakeholder engagement will receive dedicated focus and support in the next year to ensure that we continue to create value.

OUR ECONOMIC AND REGULATORY ENVIRONMENT

A combination of currency devaluation in Africa, a slower commodity cycle and the strengthening rand had a significant impact on the performance of our African and international business divisions. We were able to maintain and improve volume sales in most markets on a like-for-like basis, despite an uncertain and often unstable global outlook. Developed markets were challenged by low growth, Brexit and terrorist attacks, whereas developing markets battled with limited liquidity, recessionary conditions and political unrest. In South Africa, notably, we experienced the impact of a sovereign downgrade, mounting evidence of corruption and increasing unemployment.

Against this backdrop, global liquor consumption decreased by 1,3% in 2016 according to the IWSR. Spirits proved to be the most resilient category.

Regulatory changes added a further layer of challenge to the industry; however, despite these external challenges, we remain confident of sustainable growth opportunities in all our markets. We believe that innovation will continue to attract new consumers and allow us to grow.

Distell supports the responsible use of alcohol and has realigned its corporate social investment strategy to make an impactful contribution towards reducing harm. We also recognise that we need to develop a model of engagement with regulators that allows for transparent analysis, and policymaking that involves collaboration between government and the industry.

Bain's Cape Mountain Whisky

Gold – **2017 New York International Spirits Competition**

AWARD

CORPORATE ACTION AND TRANSACTIONS

The past year was characterised by significant corporate action, which shaped a new and more competitive era for the alcoholic beverages industry.

Distell recently announced a proposal to simplify our multi-tiered ownership structure that will unlock further value in our company. This was largely in response to requests from our shareholders who asked us to address the current ownership structure.

For several decades SABMiller, Remgro and KWV held a combined 90% share of Distell, with only 10% of shares trading on the JSE. Following the establishment of Capevin in 1997, Remgro emerged as the single-largest shareholder, with an effective controlling stake of 52,8%.

Distell's shareholder structure changed with the recent acquisition of 26,4% of shares by the Public Investment Corporation (PIC). This led to a combined decision between Distell, Capevin and Remgro, with irrevocable support from the two main minority shareholders, the PIC and Coronation Asset Management, to collapse Distell's multi-tiered ownership structure. The structure will be replaced with a simpler and more transparent shareholding structure.

In summary, the key potential benefits of this proposal are:

- creating a single entry point to invest in Distell;
- increasing Distell's free float;
- enhancing our ability to raise capital to support our long-term growth strategy, should the need arise;
- simplifying our capital structure and improving Distell's investment appeal to both foreign and local investors; and
- retaining the stability and continuity of having Remgro as a shareholder of reference.

To facilitate a well-governed and ethical process for these transactions we established an independent board as the decision-making body. This board approved the intent and features of the proposed transaction, and circulated details of the schemes of arrangement to all shareholders. The board is unanimously in favour of this transaction and a Distell Scheme meeting and a Capevin Scheme meeting are scheduled to approve the proposed transaction on 27 October 2017. We encourage all shareholders to study the proposed transaction, to participate in the meeting and to engage with us on this development.

EVOLVING GOVERNANCE

The role of the board is especially important in steering the company during times of corporate change, setting the strategic direction for the realisation of Distell's long-term vision. The advent of King IV™ brought further emphasis on the value of good corporate governance. As a board, we are in the process of adopting new charters, policies and frameworks to facilitate compliance with King IV™. We are also working with management to lead by example in continuing to create an environment which actively promotes ethical practices within our business, and in all our interactions with suppliers, business partners and customers. We also comply fully with local and international anti-bribery, -corruption and -fraud legislation and conduct our business with the highest integrity.

Our ability to manage risk continues to mature as we balance the gains we can achieve against minimising adverse impacts. We regard enterprise risk management as a key tool in optimising enterprise value while protecting stakeholder interests.

During the year we established a new risk and compliance committee as a subcommittee of the audit committee. This will further improve the effectiveness of our risk management process.

We marked an important leadership change during the year as David Nurek, who had been the chairman of the board for the last 16 years, announced his retirement in November 2016. Upon his retirement, André Parker, who joined the board in 2008 as independent non-executive director, was appointed as lead independent director.

Throughout his tenure David Nurek rendered great professional service to the Group, for which we thank him, and we wish him success in the future.

Kevin Hedderwick resigned on 14 February 2017 after a brief period as director, due to health reasons at the time.

SHARED VALUE AND SUSTAINABILITY

We have renewed our focus on sustainability by taking a holistic, integrated and structured approach that culminated in the launch of a Sustainability Council. The Sustainability Council is one of five key business councils. The others are: Operations, People, Brand and Innovation, and Strategy.

The Sustainability Council will provide strategic thought leadership and oversight to ensure that our sustainability strategy achieves its key objectives. This includes monitoring the impact of our operations on the environment, local communities and governments in countries where Distell operates. The monitoring process will identify opportunities for, among others, local sourcing and entrepreneurship while facilitating the integration of corporate social investment, responsibility initiatives and improved alignment with the Distell Development Trust – to ensure sustainable, long-term impact.

Of particular long-term importance are our community initiatives and our efforts to develop enterprises and suppliers within our value chain. Distell's E+Scalator programme is a dedicated incubator capability within the business that works alongside black-owned small and medium-sized businesses to nurture their development within the Distell value and supply chain. The programme consists of preferential funding and business development support, and is a dedicated channel to engage cross-functionally with the Group.

Our progress is demonstrated by the level 4 B-BBEE status achieved. We remain committed to these transformative ventures, which build resilience and enable us to share value with all of our stakeholders.

OUTLOOK

Global economic growth levels are projected to accelerate from 2018 onwards, driven by a pickup in advanced economies as well as improved conditions in China. Emerging markets that have been under pressure in recent years – notably Brazil, Russia and Nigeria – are also expected to improve. The African region will remain broadly dynamic with short-term challenges in certain markets.

In South Africa the outlook remains muted given the risk of possible further credit-rating downgrades, uncertainty in the political landscape and the paucity of structural reforms.

For Distell, market and category diversification will remain a key imperative as we explore more opportunities to grow in this ever-changing global landscape. We are confident that our multi-year strategic journey, with short- and long-term gains, will yield the desired growth results.

APPRECIATION

Our team of Brandcrafters once again showed their courage, resilience, innovative thinking and resolute focus during a year of dynamic change. The board and I salute the executive and management teams, very ably led by Richard Rushton, in their efforts to ensure growth, asset efficiency and profitability while creating a leading Group that lives by its values. We also extend our thanks to our shareholders, partners, customers and suppliers for their ongoing support.

JJ Durand
Chairman

Stellenbosch
30 August 2017

DISTELL

Producer of the Year Award – **2016 Veritas Awards**

AWARD

GROUP MANAGING DIRECTOR'S REPORT

RM Rushton | GROUP MANAGING DIRECTOR

A DYNAMIC AND COMPETITIVE CONTEXT

Distell delivered a resilient set of results in a turbulent year. Overall, our performance shows that underlying business fundamentals remain strong. Our strategy is robust and its execution is on track and we are confident that our business is well positioned for sustainable growth. Finally, we are confident that the measures that we continue to institute within the company will position us for long-term success.

The global liquor industry is experiencing heightened consolidation, with all three major global brewers – AB InBev, Heineken and Carlsberg – participating in mergers and acquisitions, the largest of which was the SABMiller takeover by AB InBev. This creates opportunities for us given the strength of our diverse portfolio of brands despite the increased levels of competition.

Another driver of industry consolidation is globalisation. The world's leading producers have increasingly focused their efforts on selling their products to fast-growing developing countries via the acquisition of local producers (particularly of spirits). Consolidation has also been enabled by intensified marketing, cheaper distribution costs and lower trade barriers. Leading global companies are diversifying their portfolios across categories, which has driven consolidation even further.

The markets and categories in which we compete are fiercely contested. Against this backdrop, we are introducing a number of initiatives across the company, which are aimed at building an agile and more focused organisation.

In the last 15 years, Distell has evolved from a business dominated by brandy and wines to one that is led by ciders and RTDs. Although more than 50% of our 2017 volumes are derived from this category – and we continue to increase investments in this area – brandy and wines still remain key to our growth aspirations.

Our foray into new markets over the past decade continues to yield success. Even after European markets started tapering off following buoyant demand in the early 1990s, we continued to retain our sales momentum.

Our key achievements over the past few years include the following:

- South Africa: solid top-line growth supported by market share gains
- Africa: KWA Holdings E.A. Limited (KHEAL) acquisition and the recent announcement of our 26% stake in Best Global Brands, a growing mainstream spirits brands with a leading and growing presence across the continent
- International: integration of Burn Stewart Distillers into European operations, and strong growth in Taiwan

Our achievements are supported by a strong and diversified portfolio of brands that includes global favourites such as Amarula Cream, Hunter's, Savanna, Bain's and Scottish Leader – brands ideally suited to developing markets. The health of our portfolio is premised on successfully completed renovations of our key brands, the outstanding growth of 4th Street and other mainstream wines, as well as our growing list of awards.

South Africa offers an attractive mainstream growth opportunity. We are increasing trade marketing investment to support mainstream on-consumption outlets. We have also identified opportunities in the mainstream RTD market and we will maximise our fridge penetration and key market execution levers such as pack and price to increase volumes.

We do, however, realise that our exposure to the South African market is a potential risk. A credit-rating downgrade, currency volatility and ongoing political and regulatory policy uncertainty have had a negative effect on business and consumer confidence.

To mitigate this risk, we pursue a mix of organic and inorganic growth opportunities to expand our business. Our inorganic strategy focuses largely on acquiring leading local production and route-to-market platforms in attractive emerging markets, especially in Africa. We believe this diversification of our geographic footprint reduces our exposure on one single market.

SALES VOLUMES	REVENUE	EBITDA
+0,0%	+3,7%	-7,8%

2017 PERFORMANCE

Our three main operating regions, namely South Africa, the rest of Africa and International, delivered mixed results, with performance most significantly affected by currency fluctuation, low economic growth conditions and increased competition. A highlight for the local market was the turnaround in brandy growth, achieving 4,7% volume growth based on manufacturer data, according to the South African Liquor Brand owners Association (SALBA).

South Africa achieved commendable revenue growth of 7,8% to reach R16,5 billion, while volumes rose by 1,5%, despite intensifying competition. This market remains challenged by curtailed consumer spending and a discount culture due to competitor activities. The Group's wine portfolio again delivered good comparable revenue and volume growth, while the spirits portfolio benefited from an excellent Viceroy performance. The cider and RTD portfolio reflected an improved sales mix and volumes grew marginally for the full year after a challenging first half of the fiscal. Our brand portfolio showed a healthy volume recovery in the second half of the year, following strong customer and consumer campaigns. We maintained our leadership position with brands such as Hunter's and Savanna, and Bernini grew strongly due to the unique positioning and intrinsic appeal of the brand.

The performance of the African region, outside of South Africa, was primarily challenged by a 61,7% volume decline in Angola – historically the Group's largest market on the continent outside of South Africa. This was exacerbated by volume losses in Tanzania and slower growth in Namibia. Other markets showed mixed results, with encouraging growth witnessed in Kenya. Revenue for the region decreased marginally by 0,1%, on a volume decline of 5,2% and contributed 50,1% to foreign revenue.

Revenue derived from the sale of the Group's brands in international markets beyond Africa declined by 12,1% and was impacted by a stronger rand. However, the international business recorded pleasing volume growth of 3,6% in persistently challenging trading conditions and in a year in which we made a number of important route-to-market changes to position our business for long-term sustainability. The cider and RTD portfolio delivered encouraging volume growth of 4,9%, albeit from a relatively low base. Brands from the wine portfolio showed mixed results with overall volumes 1,4% higher than the comparative period.

Detailed performance commentary per region can be found in the performance reports from pages 38 to 45.

DELIVERING OUR STRATEGIC AGENDA

We continue to review our strategy regularly, taking into account both internal and external factors which include our ability to compete, the asset efficiency and attractiveness of key opportunities and the need to leverage our strengths. As an outcome of the most recent review, we identified three priorities that will drive the sustainability of our market positions and our performance. In short, we will: **focus on growth; improve our margins and productivity** and **simplify the way we work**.

Thus far, we have successfully simplified ways of working between our global and regional marketing teams so that execution can be nimble and fast. Concurrent with this move, we have also strengthened our innovation capability so that it is geared to meet the specific needs of our consumers.

We have also made considerable progress in simplifying our brand portfolio so that we can focus on a few core set of select brands and also build capability and excellence in execution. We have also reviewed our asset base and partnerships and we made a number of decisions that are designed to simplify our brand portfolio and enhance our focus. These decisions will impact on our asset base and on the accompanying organisation design and operating model. Our premise is that we must operate in a more decentralised manner to respond rapidly to ever-changing consumer and competitive conditions in our priority market segments and countries.

These changes are also consistent with our intention to strengthen key execution at the front-end of our business and foster collaboration.

NORMALISED EBITDA EXCLUDING FOREX MOVEMENTS	HEADLINE EARNINGS	HEADLINE EARNINGS EXCLUDING FOREX MOVEMENTS
+9,3%	-3,6%	+7,4%

Highlights of progress on our six strategic themes are set out below:

Lead selected markets

Our European business is now fully integrated. We have a fully-aligned functional organisation that is ready to respond to customer needs faster, and across a broader European footprint, than ever before. We have established a European-based supply hub and market services function from which we can service all our European distributors with our full portfolio of brands across the wine, spirits and cider categories. We have also established our own sales structure in the UK as we look to build a much stronger presence in the market. The final stage of integration is systems alignment and we are finalising this at the moment. The net outcome is a fully integrated European business unit with improved service levels across the region.

The acquisition of Burn Stewart in 2013 exposed us to the highly valuable and truly international Scotch whisky category. It also gave us access to a strong distribution platform in the Taiwanese markets. Taiwan remains one of the leading and trendsetting spirits markets in the world and we anticipate that this will continue. It will remain a critical part of our regional strategy supported by a strong investment behind our brands.

In China we are creating structures according to a demand-driven approach. China offers good long-term opportunities and we have a unique offering of brands that can succeed in this market. Our business in Taiwan gives us a good springboard from which we can build a presence in China.

Africa offers huge untapped potential and as a company we see significant growth prospects in the medium to long term. The continent has some of the markets with the fastest growth for alcoholic beverages offering attractive opportunities for the formalisation of the alcoholic beverages market. It is also our view that choices beyond mainstream beer remained constrained. We are therefore very optimistic that our broad portfolio of brands has strong potential for growth.

Consumers in these markets are also trading up from unbranded alcoholic beverages into branded products and this presents a major opportunity for Distell in the mainstream segment of the market.

Our confidence in Africa is reflected in the following:

- After South Africa, Nigeria, Angola and Kenya make up the biggest alcohol markets on the continent by volume. Nigeria is one of the most populous countries on the continent, with more than 182 million people, with whisky being a strong growth segment.
- Kenya, with a population of over 47 million people, is also important and is expected to be one of the fastest-growing economies in Africa, driven by rapid urbanisation and strong income per capita growth across major cities over the next decade. The spirits segment is the fastest-growing segment of Kenya's alcoholic beverage industry.
- Our majority stake in KHEAL will offer us key leverage in distribution, production and route-to-market platforms in East Africa.
- This is complemented by our recent acquisition of 26% of Best Global Brands, a leader in Angola with a strong local platform, and a growing local presence in Nigeria and other countries such as Kenya and Zambia.

Our portfolio of brands is uniquely structured to offer consumers choice, from affordable to premium brands, across the wine, spirits and RTD categories. Very few alcoholic beverage players have the capability to offer consumers such a wide portfolio straddling several categories and price points.

Craft distinctive and compelling brands

Our brand proposition is premised on our ability to craft a diverse range of global and regional or multi-country brands that connects and inspires people across many occasions. This is particularly relevant in an environment where consumers are under pressure and may choose to trade down while looking for authentic and direct interaction with trusted brands.

The differentiation of our brands relies on the specialist support of the intrinsic development team made up of well-known and deep subject matter experts with years of collective industry experience. These teams are working closely with our innovation centre of excellence to bring new and innovative ideas to the market, and play a key role in ensuring that we continue to produce award-winning wine, spirits, ciders and RTD offerings.

NORMALISED HEADLINE EARNINGS PER SHARE	GROWTH IN TOTAL ASSETS	NET CASH GENERATED FROM OPERATING ACTIVITIES
+7,2%	+2,7%	+14,6%

Some innovations that we have introduced to the market during the past year include Hunter's Edge, Savanna Loco (the limited edition RTD), Klipdrift Ngqo, J.C. Le Roux's Vibrazio range and the new Amarula Cream packaging which is supported by a global elephant conservation campaign.

We continue to expand our consumer base through recruitment and conversion of new consumers to the wine category through brands such as Bernini and 4th Street. Our competency in crafting brands is also reflected in some of our brands' successes. For example, 4th Street is now a billion rand wine brand and has been voted the fastest-growing wine brand in the world by the International Wine and Spirit Research (IWSR).

Our brands also continue to gain recognition internationally through awards, trophies and accolades that highlight the quality, value and appeal to a wider range of consumers. Amarula Cream, the second-largest cream liqueur in the world, won a gold award at the 2017 San Francisco World Spirits Competition. The brand also continues to perform well and recorded double-digit growth in the USA. The brand also had a major packaging renovation and an extensive marketing campaign to maximise its appeal to its consumer base.

Nederburg continues to demonstrate its wider appeal with consumers. The brand has shown strong recovery in the southern African and European markets and continues to win accolades. The Anchorman Chenin Blanc 2016 has been awarded a platinum medal at the Decanter World Wine Awards 2017 for the best South African Chenin Blanc.

Own the last mile

We have strengthened our competitive position by developing our own route-to-market in selected geographies, and by building a network of partnerships to increase market penetration and enhance service levels to our customers.

In South Africa we have a sales force that calls on more than 36 000 outlets, which is two-thirds of South Africa's licensed liquor outlets and spans the formal on-trade, off-trade and mainstream channels.

This year we reviewed our asset base to determine the optimal configuration of our manufacturing and distribution facilities in all markets. This review defined our asset choices and resulted in several changes to our distribution agreements, the location of facilities as well as future investment priorities. We are on track with the implementation of the outcomes.

In Africa we have aligned our route-to-market with local production capabilities. We are also transforming our African operations to ensure sustainable revenue growth, based on locally manufactured or co-packed, competitively priced mainstream brands. This is supported by a decentralised organisational structure.

We have introduced variable remuneration structures for the sales force to drive the appropriate behaviours and focus which is aligned to our growth aspirations. We also continue to build in-country sales capability and brand support through skills transfer and investments in our people.

We are developing our footprint in Africa and selected international markets either through acquisitions or through partnerships. For example:

- In Kenya we own a majority stake in KHEAL, which offers us key leverage in distribution, production and route-to-market platforms in East Africa.
- We have partnerships in Angola and plan to further develop in-country capabilities in production, distribution and route-to-market.
- Our partnership with Terlato in the US is progressing well and we are delighted with the quality of the management team we have put in place. Since we aligned our distribution arrangements in our key states, we are now building strong capabilities to grow our focus brands in the market. We are already seeing encouraging signs for our Amarula Cream and we are confident that we will step-change the performance of our overall whisky portfolio going forward.
- We have eight international sales offices that explore opportunities to increase distribution, set up sales and marketing structures, acquire brands and identify joint ventures. The latter includes, for example, the recent joint venture with Haisheng in China.

Scale up excellence

Strategic initiatives to enhance margins, improve efficiencies, increase reliability and enhance quality delivered cost savings of over R500 million this year. This included centralising procurement and transport, while embedding global best practices and improving customer service.

Our efforts to create a more reliable, leaner and agile supply chain have thus far been dynamic and are delivering measurable results. Our newly renovated Springs facility, which is our largest production site, is a model site for sustainable savings and efficiencies. The facility features a range of new green technology innovations which include:

- A 1 400 kWp solar PV facility generating 856 690 kWh during the reporting year, with a potential to produce up to 35% of the site's electricity consumption requirements during peak production.
- This reduces our dependency on traditional power sources and contributes towards reducing our carbon emissions by 25% by 2020.
- We are constructing a new waste water treatment facility to generate biogas/methane as a by-product of the treatment process which can be used to generate electricity. The biogas/methane will be used to generate electricity and it is estimated that 500 000 kWh of electricity will be generated per month once it becomes operational.
- We have also expanded the cider bottling facility to include fermentation and blending capabilities. The expansions include the installation of a CO_2 capturing facility. In the year under review, CO_2 captured increased by 59,6%.

We have also installed a new waste water treatment plant in Stellenbosch, which generates renewable biogas while pre-treating about 200 million litres of water per annum. This is part of several measures aimed at reducing our dependence on public water resources.

Please refer to our sustainability report for full details on this project.

Our efforts to achieve excellence were recognised when Distell was awarded top honours this year at the Massmart Supplier Environmental Awards. The award recognises Distell's commitment to and exceptional performance in the implementation of environmentally sustainable business practices.

As our company grows and business becomes more sophisticated, our success will be tied directly to how we continue to innovate.

Shape the future

We established sales and marketing academies in South Africa to ensure a pipeline of industry-relevant skills, and continue to make excellent headway with our sales force effectiveness programme, which is now being rolled out in other markets. This will improve customer service levels and in-market execution in an intensely competitive environment.

The revenue management capability that we developed in South Africa in the previous year is now being replicated in the other regions. This best-in-class capability 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 requires that we build and expand on this capability.

To compete effectively, we continue investing in our systems and people competencies. We have also been implementing changes to our operating model so that we position ourselves as a mainstream player in core markets and segments.

We have commenced the global financial and enterprise risk management integration through SAP and are in the process of developing an end-to-end global supply chain management information system.

One of the step changes in our core capabilities across the value chain has been the infusion of top talent from diverse backgrounds, and the reinvigoration of performance management processes, systems and rewards.

Care and contribute

We are committed to being a caring, and socially and environmentally responsible corporate citizen that conducts business with fairness and integrity. This includes promoting safe and responsible alcohol consumption, driving socio-economic transformation and championing ethical conduct.

Distell is a signatory to the United Nations (UN) Global Compact and continues to support the 10 Principles through our strategy, culture and operations.

Our strategic themes are supported by the following sustainability enablers, which are described in detail in the sustainability report:

- Contributing to responsible drinking
- Sustaining our communities
- Developing our people
- Achieving transformation
- Managing our supply chain sustainably
- Environmental sustainability

We achieved our goal to reach a level 4 B-BBEE status this year after the Department of Trade and Industry (dti) revised the Codes of Good Practice for B-BBEE. We are particularly proud of our enterprise and supplier development initiatives.

In the marketplace, the Amarula Trust's 'Name Them, Save Them' campaign has been one of our most visible commitments towards conservation. The campaign raises awareness of the plight of the African Elephant. 400 000 bespoke bottles of Amarula Cream were sold as a tribute to the 400 000 elephants left in Africa.

We continue to support the Industry Association for Responsible Alcohol Use (ARA) in South Africa, and engage with regulators and industry bodies in the other markets where we operate to ensure that we reduce the harm associated with alcohol abuse. This is further supported by our refocused corporate investment priorities.

FUTURE PROSPECTS

The outlook for global economic growth remains lacklustre amid mounting economic and political uncertainty. African GDP growth is still being impacted by the commodity price slump. In South Africa competition is intensifying and growth is nearing recession levels as consumer confidence remains low and exchange rates continue to be volatile.

The proposed liquor legislation, including restrictions to marketing and packaging, changes to the legal drinking age, expanded labelling requirements and other potential taxes, will impact consumer spending patterns and business sustainability.

Achieving our aspirations under these conditions will require that we make the right strategic choices and trade-offs to ensure that we apply our limited resources in a wise and effective manner. This will also allow us to create a better balance between our growth and profit objectives.

We are making decisions that will allow us to simplify our business and create more focus. We are also investing in initiatives that will allow us to enhance our efficiencies, raise the levels of capacity utilisation of our facilities and lower our cost base.

We will also continue to seek inorganic growth opportunities that will allow us to leverage the strength, appeal and diversity of our brands in our chosen fields of play. We recognise that Distell needs to expand its presence beyond South Africa and also that our enhanced capacity to trade across a spectrum of markets will be an essential determinant of our future success.

We are optimistic that there are still significant opportunities to build a modern, efficient and diversified alcoholic beverages business in wines, spirits and cider that can compete and deliver sustainable value and returns to all our stakeholders.

ACKNOWLEDGEMENTS

The resilience of our people translated into good performance despite internal changes and external challenges. We continued to execute key organisational change initiatives which are in line with our corporate strategy, while seeking higher standards of execution and greater levels of innovation.

Our Brandcrafters have once again proved willing and able to rise to the challenges, and exceeded 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 proud of what has been achieved and extend my 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.

Our customers and their expectations are our top-of-mind priority. Our ability to delight them will remain the reason for our future success.

RM Rushton
Group managing director

Stellenbosch
30 August 2017

Alto Cabernet Sauvignon 2016

South African Champion: Cabernet Sauvignon (wooded) – **2016 South African Young Wine Show**

AWARD

REGIONAL PERFORMANCE REPORT: SOUTH AFRICA

W Bührmann | MANAGING DIRECTOR: SOUTHERN AFRICA

Distell's performance can be attributed to a flexible approach and the benefit of a portfolio with diverse brands, market segments and price point offerings that are aimed at a range of occasions.

SOUTH AFRICA: OVERVIEW

This year was characterised by heightened corporate action in the alcoholic beverage sector in South Africa, which followed the AB InBev acquisition of SABMiller, the dissolving of brandhouse and several smaller transactions, which all effectively changed the dynamics and competitive positions of the major players.

The subsequent increase in competition was played out against the backdrop of a recession setting in, sovereign downgrades and policy uncertainty. According to the Bureau for Economic Research, consumers have been experiencing a sharp decline in real disposable income growth since 2015, with GDP growth in 2016 being the lowest since 2009. Despite the slowdown, non-durable consumption has held up reasonably well, given the very low levels of consumer confidence and the tightening of access to credit.

Consumers' response to these factors include trading down to affordable mainstream brands, buying smaller pack sizes or value packs, or switching to categories that are deemed to offer better value. As the repertoire of what people buy was shrinking, price competition dominated the market.

Distell maintained a flexible approach and continued to benefit from a portfolio with diverse brands, market segments and price point offerings that are aimed at a range of occasions. Our decentralised approach was of key importance to our tactical responses, with regional profit centres in the best position to adapt the wider portfolio to consumer demands, whether they were trading up or down.

We achieved muted volume growth of 1,5% for the local market, whereas revenue increased by 7,8%. Volume growth was predominantly driven by good performance in the spirits category, whereas wine market share increased slightly with a marginal slowdown in the growth of 4th Street wine sales. In comparison, total South African liquor consumption for the period increased by 0,4%.

The sales force effectiveness programme was a key enabler in a competitive market, with the programme now incorporating accelerated competency development. The upskilling of sales staff is ongoing, with strong incentives based on performance criteria and solid management. The focus was more on operational improvement than on further penetration, thereby stabilising our new operating model and improving execution. This is evident from the good momentum maintained in main market sales.

Considering that trade marketing and sales skills are critical for the division, we established two academies this year – one for sales and one for marketing. The academies provide formal learning structures, including e-learning, to ensure a sustainable and competent pipeline of skills.

Growth was further supported by distribution improvements, including the redesigning of routes and fleet composition, which optimised efficiency and resulted in sustained cost savings. We continued to find ways to improve our service offering to our customers.

Although we maintained our investment in cold space at both points-of-sale and at consumption points, progress is challenged by the dominant position of some market players.

The health of our brands is paramount and is supported by consistent brand-building initiatives and innovation.

During the year we also expanded our learnership programme, with the focus on black females. The black female learnership programme is an 18-month development programme that empowers and develops women in our workforce. More than 30 black female employees, predominantly customer service consultants, will eventually participate and attain a NQF 4 qualification in customer management. The programme provides a broad understanding of marketing and brand management principles. It builds practical competence in sales and negotiation skills, promotion techniques, optimising customer satisfaction, handling customer complaints, working in sales and marketing

SALES VOLUMES	REVENUE	CONTRIBUTION TO GROUP REVENUE
+1,5%	+7,8%	74,3%
NUMBER OF EMPLOYEES	BEST PERFORMING BRAND (VOLUME)	BEST PERFORMING BRAND (VALUE)
1 583	Bernini	Viceroy

teams, and taking into account compliance and legislative considerations. Fourteen learners have qualified to date, with a further 18 waiting on SETA exit moderation.

Our commitment to transformation and corporate social investment continues as we engage proactively with stakeholders to normalise drinking environments in our communities. Read more about these efforts in the sustainability report.

We have also seen good results in cost savings and efficiency from increased bottle returns, especially on the 660 mℓ Hunter's bottle crates. This is driving further rationalisation aimed at lowering the number of bottle shapes and plans to implement the model in Namibia. Read more about this in the sustainability report.

CIDERS AND RTDs

The cider category experienced aggressive competition from discounted substitutes, new entrants and product innovation during a year in which volume growth for the category started out flat. Our portfolio of ciders and RTDs experienced a decline in the first half of the year, but showed a healthy recovery in the second half through growing volumes by more than 7%, following strong customer and consumer campaigns. This led to a small volume growth for the full year, thereby maintaining Distell's leadership position with brands such as Hunter's and Savanna. Our ciders and RTDs enjoy robust brand health and relevance, and continue to garner support with highly focused and targeted communications.

The launch of Savanna's tequila-flavoured Loco in 2016 has been rolled out further to include a 500 mℓ format. The Loco extension provides consumers with South Africa's first spirit-flavoured mix in the cider category. This innovative variant has captured stronger-than-anticipated market support and extended consumer reach as well as 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.

Edge, endorsed by Hunter's, was launched in April 2017 as an innovative new drink that combines refreshing natural cider with real hops extract. Edge will be supported by a separate brand campaign, which rolls out in August 2017.

Our original Hunter's brand range launched the 'Start something' campaign, which provides a platform for aspiring musicians in South Africa looking to launch their careers. As Hunter's is the ideal 'starter' drink at social occasions, the campaign successfully linked the functional aspect of the brand with the emotional need that young South Africans experience to 'Start something' in their lives.

Bernini, which has been launched in a can, was a strong performer, with volumes more than tripling since 2014. Bernini's success is an example of consumer-led growth and momentum – a long-living brand that enjoys popularity in South Korea and which was recently discovered by a predominantly female segment of the South African market, to be adopted as their preferred drink. Bernini's taste, price and occasion profile as a premium, sparkling grape RTD offered a perfect fit and ignited the recent growth trajectory.

WINES

According to the IWSR, Distell remains the volume market leader in still, fortified and sparkling wines in South Africa. Whereas the fortified segment shrunk during 2016, the still and sparkling segments showed muted growth, with Distell gaining particularly encouraging market share in still wine. This was bolstered by continued double-digit growth from 4th Street sales, even though brand volumes started showing a decelerating growth trend. The IWSR rated 4th Street as the top-growth wine brand internationally and positioned it 29th worldwide.

The brand has shown phenomenal growth since its launch in 2009, especially considering that it is only distributed in South Africa and selected African countries. While it is aimed at consumers that are new to the category, 4th Street has recruited a new generation of wine consumers, some of whom are now ready to explore other styles and price tiers of wine. This move has benefited brands such as Drostdy-Hof.

The new Drostdy-Hof packaging was well accepted by the market. Further marketing initiatives in the wine category included the new BIB launch for Two Oceans.

We strengthened our leadership position in the sparkling wine category through the House of J.C. Le Roux by launching a new drier range, Vibrazio, which is aimed at main market females looking for a drier, healthier style.

Several other brands that have also contributed to sound revenue growth include Tassenberg, Original Paarl Perlé and Autumn Harvest Crackling, demonstrating Distell's dexterity in this segment of the market. According to the IWSR, the penetration of urban and rural townships by the major liquor store chains has been a key factor behind the expansion of wine in the past three years. This is confirmed by increased main market volumes for our brands, which are supported by initiatives to serve our customers more effectively.

Although the momentum achieved with our mainstream offerings has not been matched by our more premium, specialty offerings, we continued to make good headway with brands such as Durbanville Hills, Nederburg, Two Oceans and J.C. Le Roux.

SPIRITS

A highlight for the year was the performance of the brandy category, which turned to positive growth in the past year against global decline and 10 years of stagnation in South Africa. The total spirits category in South Africa has grown by 2% over the past five years, with Viceroy moving to one of the brandy category leaders this year.

We believe that the brandy category recovery can be ascribed to its trusted position: it has good intrinsics, which offers solid value at affordable price points, and its excellent quality track record, highlighted by local and international competitions.

Klipdrift's turnaround in value and equity resulted from focused efforts to reposition the brand for a young mainstream audience, to drive Klipdrift Export volume and value share in mainstream channels, and to recover lost volumes of Klipdrift Premium sales. This included a TV commercial, 'Headshake', that was voted in as one of the top ten most-liked adverts by consumers in the Millward Brown AdReaction Video study. In addition to a range of communications and activations, the limited edition RTD, Ngqo, was launched. Its name is derived from the Zulu word which means 'hit the nail on the head'.

The premiumisation of our spirits portfolio was bolstered this year with the acquisition of a 75% share in Cruz Vodka – a white spirits brand that complements our existing offering in one of the fastest-growing spirits categories in South Africa. The Cruz Vintage Black Vodka has won numerous gold medals at leading international competitions such as London Vodka Masters, Consumer Choice Awards USA, SIP Awards USA and Fifty Best in New York. The brand was launched as part of the Distell portfolio in early May 2017.

Gin recorded another year of strong double-digit growth led by Gordon's Gin, which is the second-biggest brand in the local white spirits category.

In line with the South African whisky category trend, our whisky volumes slowed down during the year which was mitigated, in part, by the launch of Scottish Leader 12-year-old in South Africa, and the investment in brand health and presence in the appropriate market segments.

Amarula Cream continues to lead the cream liqueur category with strong support from the 'Name Them, Save Them' campaign, which builds on the brand's symbolic association with elephants. This included a new bottle shape and a special edition of 400 000 individualised labels. A further Amarula Cream innovation was inspired by consumers' call for purpose behind the brands that they choose: to highlight the plight facing Africa's elephants we recently removed the iconic elephant from the label and launched a 'Don't Let Them Disappear' campaign.

OUTLOOK

We expect the trading environment in South Africa to remain difficult. However, our brand portfolio is geared to provide resilient top-line and market share growth.

We are particularly confident that we will be able to build brand penetration and momentum with the recently launched Hunter's Edge through accelerated distribution gains.
Our mainstream wine offering should continue solid growth as consumers trade into new categories and explore alternative brands. We also look forward to further growth in the brandy category.

We are strengthening existing customer relationships with improved joint business planning, aimed at providing them with a holistic service offering.

Nederburg SINCE 1791

1 of 5 top alcohol TV advertisements globally
– 2016 Adforum
AWARD

REGIONAL PERFORMANCE REPORT: AFRICA

D Hegland | MANAGING DIRECTOR: AFRICA

Our focus for Africa remains to accelerate sustainable growth through measured investment in end-to-end route-to-market platforms.

REST OF AFRICA: OVERVIEW

After another challenging year across the African continent it is crucial to ensure that we remain focused on our vision of accelerating sustainable growth. The business is committed to the opportunities that Africa provides, with projections supporting growth in consumer goods consumption and the resultant positive alcohol market implications. This sustained growth will be achieved via both organic and inorganic levers that in time will fundamentally shift our model from largely export based, to one of end-to-end local presence in key markets.

Significant opportunities remain to leverage Distell's portfolio expertise in mainstream wines, spirits and RTDs, including focus on the Group's global brands. The key markets remain Angola, Nigeria, Kenya, Tanzania, Mozambique, Zambia and Ghana.

The financial year was characterised by continued economic turmoil across the continent, with commodities still under pressure. Lower income from oil and copper was compounded by currency devaluations and shortages.

Politically, elections in many of our markets caused further disruption and uncertainty, coupled with regulatory changes resulting in further challenges to growth. Tax stamps, pack format bans and unfavourable excise increases all had an impact. Advertising restrictions remain a point of debate across many markets.

Total regional volume performance was 5,2% lower with revenue marginally down by 0,1%, supported by selective price increases and the acquisition of a further 26,43% in KHEAL. Despite significant cost savings EBIT ended 4,4% down on the prior year, largely due to a poor performance from associates, notably Tanzania Distilleries Limited (TDL).

The biggest impact of economic and regulatory challenges was felt in Angola, Tanzania and Mozambique. Regardless of these challenges, positive momentum is building in Nigeria, Ghana, Zimbabwe and the Democratic Republic of Congo (DRC).

Angola experienced another difficult year with falling volumes and revenue. The market was marred by hyperinflation, low foreign exchange liquidity and increased competition from local producers. The currency liquidity challenges make it extremely difficult to produce positive results off the export model. As a result we have successfully introduced the local production of cans for one of the key brands, Esprit, to be bolstered in due course by a bottling facility for wines and ciders.

Kenya is primarily served through our stake in KHEAL with a strong end-to-end capability and diversified portfolio. During the course of the year we acquired a further 26,43% stake in KHEAL and now have majority control (52,43%). As Kenya's foremost spirits, wine and RTD manufacturer and distributor, KHEAL will benefit from even closer co-operation and further acceleration of our efforts to grow. The year in review showed mixed results, with local brands Kibao, Kingfisher and Caprice coming under pressure. Plans are under way to reposition these brands with early positive signs. There have also been stellar performances from brands such as Hunter's Choice and Viceroy, where the team successfully launched the new Viceroy 10 in the later stages of the year. Overall, despite the volume challenges, we are encouraged by the overall margin improvements and the progress in developing new growth initiatives.

Tanzania, where we have a minority holding in TDL, a ban on the sale of sachets, a major contributing pack format, severely impacted the business. The shift to alternative pack formats is in progress and TDL management is encouraged by the rate of recovery and project medium-term restoration of profit levels. In addition, work continues in developing portfolio extensions to ensure a return to long-term sustainable growth.

Nigeria, despite economic and forex liquidity challenges, showed steady growth in volumes and revenue due to improved route-to-market capability, albeit still of an export platform. Key brands Amarula Cream, Drostdy-Hof, Nederburg, Savanna and 4th Street are all showing encouraging signs. Going forward, we expect these trends to continue with the potential to exponentially grow our footprint in the market whilst at the same time completing plans for local production.

SALES VOLUMES	REVENUE	CONTRIBUTION TO GROUP REVENUE
-5,2%	-0,1%	12,9%
NUMBER OF EMPLOYEES	BIGGEST RTD BRAND (VOLUME AND VALUE)	BIGGEST PREMIUM WINE BRAND (VOLUME AND VALUE)
481	Hunter's	Nederburg

Ghana showed positive profitability during the later stages of the year, enabled by a successful excise engagement on ciders, reverting to an export model and the implementation of route-to-market changes via supported key distributors. Good performance was evident in key brands 4th Street, Drostdy-Hof and Nederburg.

Mozambique introduced tax stamps in certain categories, creating operational complications and short-term demand challenges as the market adjusts. Despite these late challenges, Mozambique traded to achieve budgeted EBIT for the year and key brands Savanna and Fleur du Cap performed well.

Zambia was the star-performing market for the year with volume, revenue and EBIT all exceeding budgeted expectations. Pending tax stamp implementation poses similar risks to those in Mozambique and preparations are under way to mitigate the impacts, including local production, sales and distribution, owned and controlled in-country.

Botswana, **Lesotho**, **Namibia** and **Swaziland** collectively delivered good revenue growth, despite Namibia being under severe economic pressure. Botswana showed satisfactory performance considering the high tax on imported products and excise duty. Wine volume sales in the region performed particularly well, led by 4th Street and Tassenberg. Other brands that showed good growth include Savanna, Viceroy, Gordon's Gin, Klipdrift and Mellow-Wood.

Across the remainder of the continent, mixed results were achieved on a pure trading basis, with good late recovery in Central Africa and Zimbabwe.

OUTLOOK

Difficult trading conditions in most of our priority markets are expected to continue in the short term; however, Distell remains committed to the opportunities that Africa provides.

It is critical that we accelerate sustainable growth and create scale through the development of end-to-end route-to-market capability in key markets, allowing us to leverage the strong diversified portfolio across wines, spirits, ciders and RTDs.

Committed growth will be delivered via organic and inorganic initiatives, with considered investments in route-to-market platforms. Our recent acquisition of 26% of the ordinary shares of Best Global Brands Limited (BGB), which owns, manufactures and distributes the fast-growing mainstream 'Best' spirit brand in countries throughout Africa supports our objective of growing our mainstream spirits platform on the continent. Significant benefits include procurement synergies, strong and established route-to-market capabilities as well as high-quality local production facilities.

In terms of future projections, growth is phased based on planned investments in Kenya, Angola, Nigeria, Tanzania, Mozambique, Zambia and Ghana.

BIGGEST SPIRITS BRAND (VOLUME AND VALUE)	FASTEST GROWING MAINSTREAM WINE (VOLUME AND VALUE)
Amarula Cream	4th Street

REGIONAL PERFORMANCE REPORT: INTERNATIONAL

S Nathan | MANAGING DIRECTOR: INTERNATIONAL

In the international markets, our premiumisation strategy was a strong performance driver, delivering new on-premise listings and improving the mix of products sold.

INTERNATIONAL MARKETS OUTSIDE AFRICA

The international division delivered strong results and maintained – and in some cases grew – market share in most regions, despite lacklustre global growth conditions and continued economic and political uncertainty. Overall sales volumes increased by 3,6%, supported by volume growth in Europe, Asia Pacific, Latin America and travel retail. North America, on the other hand, experienced volume declines in both the US and Canada.

Our premiumisation strategy was a strong performance driver, delivering new on-premise listings and improving the mix of products sold. Much of our focus for this year had been on continued investment in future growth for Distell, with particular focus placed on route-to-market optimisation and joint venture partnerships. Amarula Cream remained a core strength of the international portfolio, growing by 11,4% despite volume declines in the global cream liqueur category. The 'Name Them, Save Them' campaign launched in 2016, which aims to create awareness around protecting African elephants, gained further traction with the launch of special edition bottles early in 2017. The new Jabulani bottle won a Gold Travel Retail Excellence Award at the 2016 Drinks International Travel Retail Awards, creating further awareness for the brand.

Our competitive strength in international markets remains the diversity of the Distell portfolio across three categories with our strong brands such as Amarula Cream, Nederburg and Bunnahabhain. We have a range of global and multi-country brands at different price points, and are aimed at an array of consumer segments and occasions.

Ciders and RTDs performed well as the category started experiencing the benefits of our focused investment in the UK and China. Volumes increased by 4,9% and revenue (affected by exchange fluctuations) declined by 7,0%.

Wine volumes for the division were flat and revenues down due to the exchange rate impact. Spirits' fundamental growth was strong with an overall volume increase of 6,4%; however, revenue was negatively impacted by the exchange rate and declined by 9,1%.

During the year SAP was rolled out to the UK and Taiwan offices – the two regions where we have sales and production facilities. This has been a challenging process, but will result in an integrated budgeting, forecasting, financial reporting and management process with improved accuracy and efficiency by 2018.

EUROPE

Europe delivered overall volume growth despite mixed results from the different markets. In the UK the impact of Brexit was experienced most significantly through the devaluation of the pound, which constitutes 37,3% of our currency exposure. Revenue declined by 13,9%, but was flat on a normalised basis.

The UK wine market has started showing growth again after nine years of continued decline. Distell is well positioned to capitalise on this increase in demand as we have now established our own in-market sales force to enable us to better serve our customers. Early successes include new listings for a more focused portfolio. Volume growth was further supported by an increased focus on on-consumption sales, in line with our premiumisation strategy.

The new sales team will also support the growth of a new distribution partnership with Angostura in the UK. From July 2017, Distell will be distributing their leading global brands in bitters and rum, thereby strengthening our portfolio. In the Nordic market the South African wine category continues to decline and our volumes are under pressure in this market; however, our portfolio gained share of the SA category due to focused efforts from our distribution partner.

In Germany our portfolio is showing an encouraging shift towards premium products, with volume growth most pronounced for brands such as Amarula Cream, Nederburg and Two Oceans.

Nederburg continued its premium wine partnership with Team Dimension Data and Qhubeka as part of the World Bicycle Relief programme in South Africa, in support of fundraising through professional cycling. One of the milestones since the beginning of the sponsorship in January 2016 was the establishment of a bicycle

SALES VOLUMES	REVENUE	CONTRIBUTION TO GROUP REVENUE
+3,6%	-12,1%	12,8%
NUMBER OF EMPLOYEES	BEST PERFORMING BRAND (VOLUME)	BEST PERFORMING BRAND (VALUE)
411	Amarula Cream	Durbanville Hills

assembly facility at Nederburg in the Western Cape, endorsed by the Western Cape Government. It has the capacity to assemble a minimum of 5 000 robust, purpose-built bicycles. The team participated in the Tour de France during July 2017, thereby further enhancing Nederburg's standing.

ASIA PACIFIC

The region's economies remain fairly robust and Distell's volumes increased by 2,8% with revenue down by 3,7%.

The performance of whisky remained exceptional, with Scottish Leader now commanding 13,1% of the category in Taiwan, the seventh-largest Scotch whisky market globally. As an indisputable brand leader in this market, it has been able to increase its market share in a contracting blended whisky category. Sales in Taiwan further benefited from an expanded portfolio of wines and RTDs on offer through a significantly improved route-to-market. We expect to increase our momentum in this market following the rollout of a sales force effectiveness programme early in the next financial year.

In Australia we expanded our distribution for Savanna, and are focusing on growing our whisky and wine volumes in India. Thailand, Vietnam and Korea remain further focus markets.

In China we continue to monitor progress of our partnership with China Haisheng Juice Holdings Company.

NORTH AMERICA

United States

Alcoholic beverage sales in the US remained flat, and beer, cider and mixed drinks declined whereas the spirits market grew by 2,5%.

The Distell joint venture with the Terlato Wine Group, TD Spirits, which was established early in 2016, is building the presence of our spirits portfolio in a receptive market, while we are also driving wine sales through Terlato Wine Group's distribution network. We have a well-thought-through strategy to grow our brands on a state-by-state basis, with careful consolidation and portfolio optimisation. We are building capability in sales, distribution and marketing management, and are seeing the early benefits of leveraging off the reputation and scale of our partner. We are strongly optimistic about our prospects in the USA.

Canada

Two Oceans, which is the leading Distell brand in this market and the top-selling standard-price wine in Ontario, retained volumes while Nederburg and Amarula Cream continued on their growth curve. Distribution gains for our single malts are encouraging.

Some changes to provincial liquor trading regulations have been announced, and are expected to reduce red tape, increase flexibility and provide new trade opportunities.

Latin America

The political and economic environment in Latin America turned marginally more favourable for consumers than a year ago, and early signs of growth are encouraging. Durbanville Hills and Nederburg showed strong growth throughout the region with wine volumes up 37,9% and revenue up 29,5%. We expect to see a continued increase in these sales in 2018, particularly in Brazil, which is Distell's biggest export destination in the region.

TRAVEL RETAIL

Distell's excellent performance in this channel was mainly driven by Amarula Cream and Nederburg. Our focused portfolio and streamlined management of this channel delivered results that support our intention of profiling, showcasing and building brands.

OUTLOOK

The international division will continue focusing on opportunities in the premium whisky market, and for Amarula Cream and premium wine brands, while ensuring that our RTD investments in the UK, China, Latin America and Southeast Asia remain on track and on target. New effort and investment will be targeted at brand-building activities for our core brands. We continue exploring inorganic growth opportunities through joint ventures, acquisitions or mergers in all regions while continuing to grow and refine our export business with the right portfolio, best people and partners in the markets we target. Although we expect trading conditions to remain challenging, we expect positive momentum from our premiumisation strategy and new distribution partnerships.

I am extremely proud of the strong underlying performance of the international business despite negative foreign exchange issues experienced during the past year.

3

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. Our strategic priorities aim to transform Distell by improving our ability to compete against leading multinationals. 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, along with their enabling strategic initiatives, is 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:

				STRATEGIC PRIORITIES					
	FINANCIAL VALUE DRIVERS IMPACTED			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 establish local route-to-market in key African markets	X		X	X					
Grow our wine and spirits exports in the US, Brazil, Canada, UK, Germany, Taiwan and China	X		X	X		X			
Restructure our operations in Asia, including the joint venture with Haisheng for the production and distribution of cider in China	X					X			
Grow and defend our core portfolio in South Africa and tailor product offerings	X	X			X		X		
Deepen our sales, distribution and marketing capability in our focus markets			X			X			
Optimise our supply chain and management information systems to drive both operational and cost efficiencies			X				X	X	
Decentralise our operating model and shape our culture to be more agile, accountable and empowered			X					X	
Drive breakthrough innovations			X					X	
Build our corporate reputation, influence regulatory policy and implement world-class sustainability practices			X						X

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 the following:

- 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.

Three Ships 10-year-old Single Malt 2005 Vintage

World's Best SA Blended Whisky – **2017 World Whiskies Awards**

AWARD

FINANCIAL HIGHLIGHTS

	R'm	% change	MARGINS 2017 %	2016 %
Revenue	22 259	3,7		
Gross profit	7 358	(4,5)	**33,1**	35,9
EBITDA	2 888	0,7	**13,0**	13,4
EBITDA excluding FX movements	2 954	9,3	**13,3**	12,6
Operating profit	2 382	(2,0)	**10,7**	11,3
Net profit after tax	1 611	(0,0)	**7,2**	7,5
Headline earnings	1 553	(3,6)		
Headline earnings excluding FX movements	1 600	7,4		
Free cash flow	1 616	61,8		

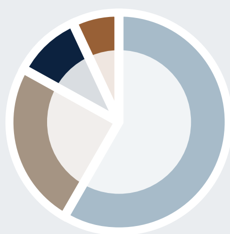
Note: Normalised.

We use a range of key performance indicators (KPIs) – both 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. They are divided into corporate, business unit and functional support team 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 14,6% per annum.

Over the past 10 years, the Group distributed R59,8 billion cash to stakeholders



ANALYSIS OF CURRENT PERFORMANCE

Revenue

The 3,7% growth in revenue was impacted by a combination of:

- overall volumes for the year remaining flat;
- improved volume and revenue performance in the second six months;
- low price increases given the competitive and economic environment while containing cost to protect margins;
- a change in product and sales mix; and
- foreign currency movements.

Our operations in **South Africa** delivered muted volume and revenue growth with the country technically in a recession and with intensified competitor activities and corporate action. The latter half of the financial year showed early signs of a recovery as total volumes grew by more than 5% compared to the corresponding period in the previous year. We benefited from our expanded sales forces' effectiveness and trade marketing programmes and were able to maintain our market share, despite consumers trading down and switching categories in search of better value.

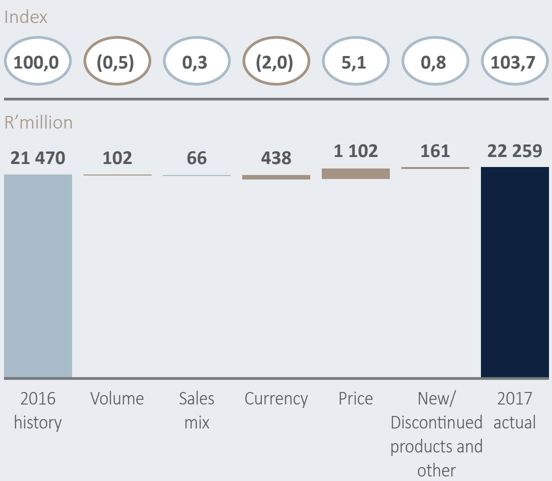
The **rest of Africa** delivered mixed results amid continued economic uncertainty and lower income from commodities. Revenue was maintained on sales volumes which were down 5,2%. Focus markets in Africa such as Namibia, Kenya, Nigeria and Zambia all recorded strong growth, but our overall performance was again negatively impacted by the tough macroeconomic conditions in Angola. The Group expanded its route-to-market footprint in Kenya and Zambia as it seeks further investment opportunities in this strategically important region.

Our performance in **overseas markets** showed resilience amid more challenging trading conditions and consolidation of multinational competitors entrenching their dominant positions. Revenue and earnings from our international operations were negatively impacted by a stronger rand which appreciated by 11,0% 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 30,8% of Group revenue.

Drivers of revenue growth

Price increase impact largely reduced by strengthening currency



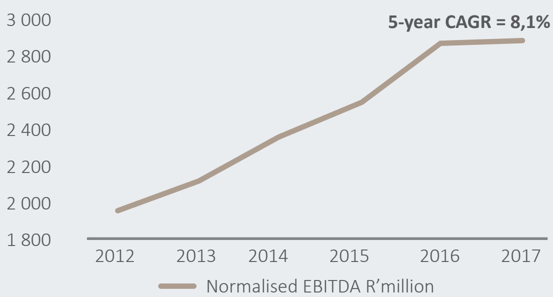
Operating profit

Distell's performance reflects the low consumer confidence levels and decline in disposable income as GDP growth lags in many of the markets in which we trade. Revenue grew 3,7% to R22,3 billion, while operating costs increased 4,5% to R19,9 billion. As a result, trading profit, which excludes 'other gains and losses', declined 3,0% to R2,4 billion. Although we were able to contain operational cost increases in the business, the 14,4% increase in excise duties, a combination of above-inflation rate increases and a change in product mix eroded margins as we did not pass all excise increases on to customers who were already experiencing the impact of low economic growth.

Operating profit, as reported, declined by 12,1% to R2,1 billion. The Group wrote down R315,3 million, representing only about 1,5% of total Group assets, relating to its investments in the Bisquit cognac entity, a British wine broking company and the industrial property rights held by its Angolan subsidiary. This amount is reflected in 'other gains and losses' in the income statement. Normalised operating profit, which excludes the impact of the investment impairments in the current and previous year, declined by 2,0%.

EBITDA remains a key performance metric against which internal performance targets are set. Normalised EBITDA, which excludes foreign currency movements, grew 9,3% to R3,0 billion, while the normalised EBITDA margin improved to 13,3%.

Delivered constant EBITDA growth



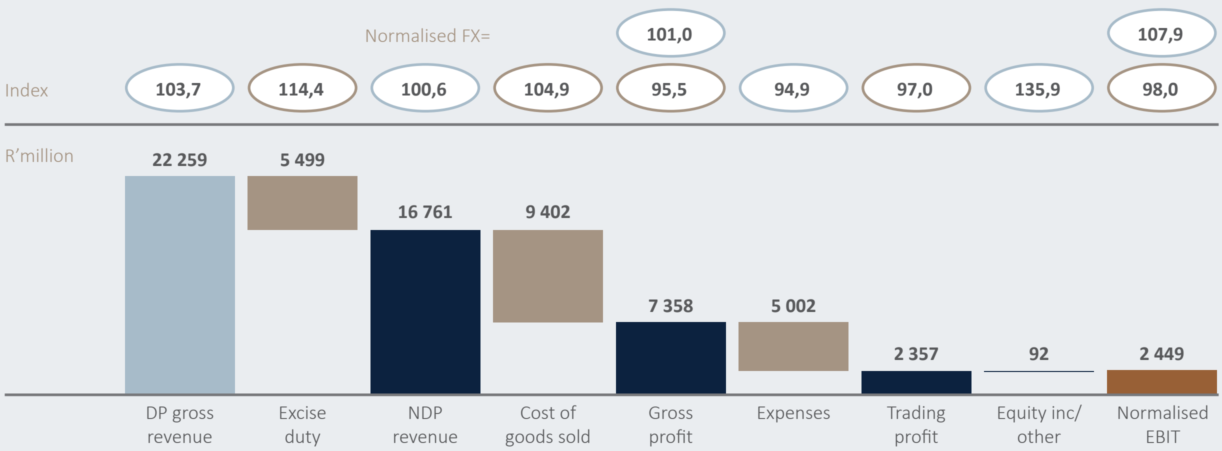
Operating costs

Amid the tough trading conditions we experienced the past year, we put specific measures in place to contain our operating costs to protect margins, while continuing to invest in route-to-market initiatives and system development. Operating costs increased by 4,5% to R19,9 billion. Excluding excise duty increases referred to earlier, other operating costs rose 1,2%, well below inflation. Improving our operational effectiveness and efficiency across the business remains a key priority as it supports the growth of our market-facing activities. These activities include building our core brands, focused marketing initiatives and improved market penetration in key markets.

Gross margin declined from 35,9% to 33,1%. Through our business process improvement initiatives we were able to achieve savings of R533,8 million (2016: R445,6 million). Supply chain improvement initiatives were largely off-set by steep increases in excise duties and the negative impact of a stronger rand on international revenue and earnings. Foreign currency translation losses amounted to R65,6 million (2016: R125,3 million gain), adding 1,0% to overall operating cost growth. Our targeted efforts to improve the effectiveness of our marketing spend, including the implementation of new systems to measure performance and the impact of marketing campaigns and improved procurement practices, resulted in total sales and marketing cost being down by 10,3%.

Drivers of margin

Cost-saving initiatives negated excise and COGS growth



History trends

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 % 16/17			100,0	56,1	43,9*	29,8	14,1	(0,5)	14,6
NDP % 15/16			100,0	53,8	46,2	31,6	14,6	(0,4)	15,0
DP % 16/17	100,0	24,7	75,3	42,2	33,1	22,5	10,6	(0,4)	11,0
DP % 15/16	100,0	22,4	77,6	41,7	35,9	24,6	11,3	(0,3)	11,6

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

* *Excluding R190,9 million foreign exchange swing included in statutory cost of goods sold, the non-duty paid gross profit margin decreased by 1,2% year on year.*

The various improvements made to our business since we revised our strategy in 2014 have also enabled us to become more resilient and better equipped to respond to an ever-changing global landscape. As part of this strategic journey we have begun introducing a number of initiatives across the Group aimed at building an agile and sustainable organisation.

Our near-term investment focus will be guided by the following three key priorities:

- Focus on growth: This will require access to route-to-market platforms to build our core brands and diversify the business, while at the same time simplifying our portfolio and investing our resources in fewer brands.
- Improve productivity: We want to build fewer brands in fewer markets and contain costs by driving operational efficiencies.
- Revise our operating model: We will simplify our operating model, reduce duplication and decentralise the decision-making process.

Implementing these measures and strategic priorities will result in an efficient and more focused business and will allow us to respond effectively to the changing macro environment.

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), as well as a 26% interest in the Mauritian company Grays Inc. Limited. Up to March 2017, it also included a 26% interest in KWA Holdings E.A. Limited (KHEAL), subsequent to which Distell acquired a controlling interest of an additional 26,43%. Distell's share of after-tax profits from associated companies declined by 34,3% to R18,2 million, mainly as a result of unfavourable excise increases, as well as trading and advertising restrictions imposed in Tanzania which impacted the TDL performance.

Joint ventures

Our share of profits from joint ventures increased to R41,2 million (2016: R5,0 million). This is mainly due to the profits realised on the sale of farming properties by LUSAN Holdings Proprietary Limited, a Stellenbosch-based wine-producing operation, and an improvement in the performance of African Distillers Holdings (Private) Limited, a Zimbabwean manufacturer and distributor.

Finance costs and cash flow

Total interest-bearing borrowings, net of cash and cash equivalents, decreased from R3,9 billion to R3,7 billion.

Net cash generated from operations, after working capital movements, increased 7,3% to R2,7 billion. Investment in working capital resulted in a cash outflow of R315,5 million (2016: R729,1 million), reflecting our focus to extract more value from the management of our inventory, receivables and payables.

Finance costs and taxation paid decreased to R804,6 million (2016: R861,2 million). Net finance costs includes the reversal of a R41,9 million provision for interest payable after Distell reached a settlement with the South African Revenue Service following an extended excise duty dispute. Excluding this reversal, finance costs paid increased from R244,0 million last year to R304,2 million.

Cash outflow from investment activities was R949,6 million. This included fixed capital investment spent to maintain and expand operations amounting to R805,6 million (2016: R1,04 billion), and for the purchase consideration of R178,1 million for a controlling interest in KHEAL and Imported Premium Vodka Company Limited, owner of the Cruz Vodka brand.

Cash inflow before financing activities was R914,6 million (2016: R535,3 million). Dividends paid to shareholders amounted to R832,1 million (2016: R773,5 million).

The R82,5 million surplus was used to reduce interest-bearing borrowings.

Taxation

The effective tax rate increased from 29,0% last year to 32,2%. This increase is largely as a result of the write-down of the investments referred to earlier that are not tax deductible.

Headline earnings

Reported headline earnings achieved CAGR of 7,4% over a seven-year period despite declining marginally by 3,6% to R1,6 billion this year.

Investment and funding

Total assets grew by R544,3 million to R20,5 billion, a 2,7% increase on the previous year. At the same time net operating assets (i.e. fixed assets, intangible assets, inventory and receivables less payables) increased 2,0% to R14,4 billion.

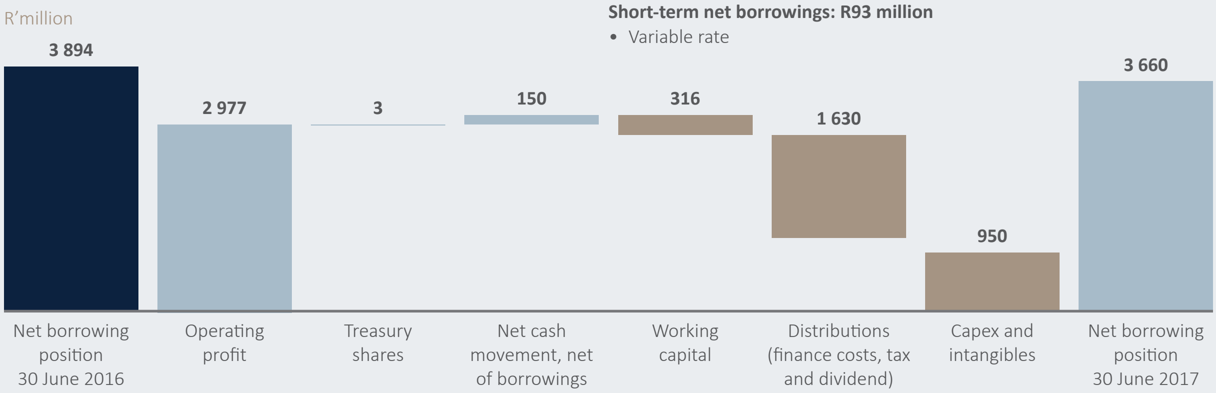
Capital expenditure amounted to R805,6 million (2016: R1,04 billion). Of this R327,8 million was spent on the replacement of assets, while a further R477,8 million was directed to capacity expansion.

Cash flow and funding

Gearing marginally down

Medium-term borrowings: R3 567 million
- Euro, GBP and ZAR denominated
- Debt/equity ratio 33,8% (15/16: 36,5%)

Short-term net borrowings: R93 million
- Variable rate



Our funding structure is as follows:	2017 R'm	2016 R'm
Bank overdrafts and call accounts	**(880)**	(930)
Cash and cash equivalents	**1 183**	1 032
Medium-term bank loans	**(3 559)**	(1 200)
Short-term bank loans	**(404)**	(2 796)
	(3 660)	(3 894)
Debt maturity profile		
Within one year	**404**	2 796
Between one and two years	**1 200**	–
Between two and five years	**2 359**	1 200

Net working capital remained constant at R7,0 billion, benefiting from the strengthening of the rand on translation of foreign currency balances. Inventory, the main component, was down 1,3% to R7,8 billion. Bulk spirits in maturation, planned in accordance with the Group's longer-term view of consumer demand for its brands in this category, increased 7,4% to R3,6 billion. Investment in bottled stock and packaging material increased by 9,4% , while foreign exchange translation movements contributed to the overall decline in inventory. Trade and other receivables increased by 12,1% as revenue growth over the last quarter of the financial year increased ahead of the corresponding period in the previous year.

We finance our operations through cash generated by the business and a combination of short- and medium-term bank credit facilities and bank loans, and we seek to mitigate the potentially adverse impact of currency exposures by borrowing in rand when deemed cost-effective. The Group successfully refinanced maturing debt of R2,8 billion during the course of the year. The majority of our interest-bearing debt is fully secured by high-quality assets.

The Group has access to R2,3 billion of general banking facilities, of which R1,5 billion remains unutilised. We have sufficient capacity 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 R3,7 billion, and a debt-to-debt-plus-equity ratio of 25,2%.

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 are 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. Currently, the standard capital charge applied to the average total invested capital is 10,7%. Calculations for return on average total invested capital and economic profit are as follows:

Economic profit	2017 R'm	2016 R'm	Trend (%)
Operating profit	**2 067,0**	2 352,0	(12,1)
Share of equity-accounted earnings	**59,0**	58,0	1,7
Exceptional items	**314,4**	80,2	292,0
Taxation	**(707,7)**	(722,2)	(2,0)
Actual returns achieved	**1 732,7**	1 768,0	(2,0)
Capital charge at 10,7%	**1 478,0**	1 463,1	1,0
Economic profit	**254,7**	304,9	(16,5)
Average total invested capital	**13 813,2**	13 673,8	1,0
Return on average total invested capital	**12,5%**	12,9%	

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.

Dividend

Headline earnings remained constant at R1,6 billion and headline earnings per share declined marginally to 708,3 cents.

The directors have resolved to declare a final gross cash dividend number 58 of 214,0 cents per share, bringing the total dividend for the year ended 30 June 2017 to 379,0 cents per share (2016: 379,0 cents per share). The total dividend per share represents a dividend cover of 1,9 times (2016: 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
30 August 2017

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' **RESPONSIBILITIES**

for financial reporting

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

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

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

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

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

The directors have reviewed the Group's budget and cash flow projections for the period to 30 June 2018. 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 56 to 137 were supervised by the Group finance director, Lucas Verwey CA(SA), approved by the board of directors and are signed on its behalf:

JJ Durand
Chairman

RM Rushton
Group managing director

Stellenbosch
30 August 2017

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
30 August 2017

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:

	2017	2016
US dollar	**13,1**	14,9
UK pound	**17,0**	19,9
Euro	**14,9**	16,5
Canadian dollar	**10,1**	11,5
Botswana pula	**1,3**	1,4
Australian dollar	**10,1**	11,1
Kenyan shilling	**0,1**	0,1
Chinese yuan	**1,9**	2,2

AUDIT COMMITTEE REPORT

to the shareholders of Distell Group Limited

The audit committee has pleasure in submitting this report, as required in terms of the Companies Act (No. 71 of 2008).

Composition – the committee comprises three independent non-executive directors, nominated by the nomination committee and the board and appointed by the shareholders.

Attendance – the committee meets at least four times per year (Refer to page 161 for the schedule of attendance) and the managing director, finance director, external auditors, chief audit executive and selected senior management are invited to attend the meetings.

Discharging its responsibilities on integrated reporting – governed by its board-approved charter, the committee discharged its responsibilities by performing the following activities:

- reviewed and approved Distell's integrated report, annual financial statements, interim reports and other financial media releases and recommend final approval to the board;
- reviewed the adequacy and effectiveness of the financial reporting process and the systems of internal control;
- reviewed the external auditor's report and representation letter signed by management;
- ensured compliance of published information with relevant legislation, reporting standards and good governance;
- considered any significant legal and tax matters that could have a material impact on the financial statements of the Group; and
- met separately with management, external audit and internal audit to discuss matters that the respective parties believed should be discussed privately for the committee's consideration in satisfying itself that no material control weaknesses existed.

Discharging its responsibilities on external auditors – governed by its board-approved charter, the committee discharged its responsibilities by performing the following activities:

- satisfied itself with the independence of the external auditor, approved the audit fee as well as the fees for non-audit services (fees paid to auditors are detailed in note 19.3) and nominated to the shareholders for appointment PricewaterhouseCoopers Inc. as the external auditor, and Mr Hein Döman as the designated auditor.

Discharging its responsibilities on internal audit – governed by its board-approved charter, the committee discharged its responsibilities by performing the following activities:

- oversaw the internal audit function and approved the annual internal audit plan;
- approved the internal audit and audit committee charters as well as the event matrix;
- evaluated the independence, resources, 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; and
- received assurance on the adequacy of internal financial controls.

Discharging its responsibilities on Group finance – governed by its board-approved charter, the committee discharged its responsibilities by performing the following activities:

- as required by the JSE Listings Requirements, the committee considered the experience and expertise of Distell's finance director, Mr Lucas Verwey (his biographical details are detailed on page 155), and is satisfied that it is appropriate; and
- the committee also reviewed and satisfied itself that the composition, experience and skills of the finance function are appropriate and meet the Group's requirements.

CE Sevillano-Barredo
Audit committee chairperson

Stellenbosch
30 August 2017

REPORT OF THE **BOARD OF DIRECTORS**

for the year ended 30 June 2017

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:	**2017 R'000**	2016 R'000
Revenue	**22 259 253**	21 470 120
Operating profit	**2 066 758**	2 351 621
Attributable earnings	**1 296 978**	1 531 986
– Per share (cents)	**591,4**	699,4
Headline earnings	**1 553 302**	1 610 648
– Per share (cents)	**708,3**	735,3
Total assets	**20 486 207**	19 941 891
Total liabilities	**(9 642 957)**	(9 269 632)

The annual financial statements on pages 56 to 137 set out fully the financial position, results of operations and cash flows of the Group for the financial year ended 30 June 2017.

Pro forma information: Effect of foreign currencies

The results of the Group are significantly impacted by the change in foreign exchange rates as a result of:

a) the translation of foreign operations to the reporting currency; and

b) the translation of South African monetary assets and liabilities denominated in foreign currency to the reporting currency at year-end.

In the prior year the income of foreign subsidiaries was converted at an average ZAR/UK pound (GBP) exchange rate of R21,47 compared to R17,28 in the current year. Similarly, the average ZAR/euro (EUR) strengthened from R16,09 to R14,85.

The Group therefore also discloses adjusted measures in order to indicate the Group's businesses' performance excluding the effect of foreign currency fluctuations. These adjusted measures constitute pro forma financial information.

The following methodology was applied in calculating the pro forma financial information:

- The income of foreign operations for the prior year was restated using the current year average exchange rates as mentioned above.
- Foreign exchange differences reported in the income statement (net of tax) was added back. The differences relate to realised foreign exchange gains and losses as well as the unrealised amounts on translation of monetary assets and liabilities denominated in foreign currencies to the reporting currency at year-end.

The pro forma financial information is the responsibility of the board of directors of the company and is presented for illustrative purposes only. Because of its nature the pro forma financial information may not fairly present the Group's financial position, changes in equity, result of operations or cash flows.

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

	2017 R'000	2016 R'000
Headline earnings as reported	**1 553 302**	1 610 648
Adjusted for (net of taxation):		
prior year restatement to current year average exchange rates	**–**	(42 636)
less: taxation	**–**	12 151
exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency	**65 573**	(125 292)
less: taxation	**(18 688)**	35 708
Headline earnings adjusted for currency movements	**1 600 187**	1 490 579
Basic earnings per share (cents)	**591,4**	699,4
Headline earnings per share (cents)	**708,3**	735,3
Headline earnings adjusted for currency movements per share (cents)	**729,7**	680,5
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		
Profit before taxation	**1 913 289**	2 156 376
Adjusted for:		
finance costs	**220 006**	260 788
depreciation	**393 555**	343 581
amortisation	**45 867**	28 116
EBITDA	**2 572 717**	2 788 861
Adjusted for:		
impairment of property, plant and equipment, intangible assets, investments and loss on sale of investments	**315 299**	80 155
Normalised EBITDA	**2 888 016**	2 869 016

The adjustments below represents a restatement of the 2016 foreign income using the current year average exchange rates as explained above.

	2017 R'000	2016 R'000
Normalised EBITDA	**2 888 016**	2 869 016
Adjusted for:		
prior year restatement to current year average exchange rates	**–**	(42 636)
exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency	**65 573**	(125 292)
Normalised EBITDA adjusted for currency movements	**2 953 589**	2 701 088
EBITDA per share (cents)	**1 173,2**	1 273,2
Normalised EBITDA per share (cents)	**1 316,9**	1 309,8
Normalised EBITDA adjusted for currency movements per share (cents)	**1 346,8**	1 233,2

Dividends

Total dividends for the year (R'000)*	**832 776**	831 398
– Per share (cents)	**379,0**	379,0

* *The final dividend of 214,0 cents (2016: 214,0 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

The Group acquired interests in the following companies during the current financial year:

Business combinations

- KWA Holdings E.A. Limited (Kenya) (additional 26,4%)
- Imported Premium Vodka Company Limited (75%)

Full details of these strategic investments are disclosed in note 33.

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

DIRECTORS

The names of the directors, their attendance at meetings and their membership of board committees appear on pages 159 to 162, 167, 174 and 178.

DM Nurek retired as independent non-executive director and chairman of the board with effect from 24 November 2016. JJ Durand succeeded DM Nurek as chairman and AC Parker was appointed as lead independent director, both with effect from 24 November 2016. KA Hedderwick resigned as an independent non-executive director with effect from 14 February 2017. LM Mojela and BJ van der Ross will retire as non-executive directors at the company's Annual General Meeting to be held on 27 October 2017. The board thanks LM Mojela and BJ van der Ross for their contribution to the company and wishes them well in their future endeavours.

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, other than the two matters referred to below, arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

1. Acquisition of 26% interest in Best Global Brands Limited (BGB)

In July 2017 the Group acquired 26% of the ordinary shares of BGB for USD54,6 million. The Group has also entered into an agreement to acquire the remaining 74% of the ordinary shares of BGB, which will become effective no earlier than the end of 2019 once certain operating hurdles are achieved and conditions precedent to closing are fulfilled or waived. More details are provided in note 38 to the annual financial statements.

2. Restructuring of the shareholding structure of Distell Group Limited

Distell currently has a multi-tiered ownership structure, in which Remgro Limited (Remgro) and Capevin Holdings Limited (Capevin) own a material interest via Remgro-Capevin Investments Proprietary Limited (RCI). Remgro and Capevin each hold 50% in RCI, and RCI has a 52,8% direct interest in Distell.

The board of directors has resolved, subject to a number of conditions, to simplify the multi-tiered shareholding structure of Distell through schemes of arrangement which are summarised below.

A new entity, Distell Group Holdings Limited (DGHL), will effectively acquire RCI's and all other shareholders' direct and indirect interest in Distell in exchange for shares directly in DGHL, which will be listed on the JSE Limited (JSE) and Distell will be delisted.

If implemented, the restructuring will:

- dismantle the multi-tiered ownership structure above Distell;
- leave Distell shareholders with exactly the same economic interest in DGHL;
- increase the free float in DGHL on the stock exchange operated by the JSE; and
- result in the control of DGHL vesting in Remgro (via one or more of its subsidiaries) through the prior issuance of unlisted voting B shares in DGHL to Remgro.

More details are provided in note 38 to the annual financial statements.

HOLDING COMPANY

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

The Group structure appears on page 182.

SECRETARY

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

APPROVAL

The annual financial statements set out on pages 56 to 137 have been approved by the board.

Signed on behalf of the board of directors:

JJ Durand
Chairman

RM Rushton
Group managing director

Stellenbosch
30 August 2017

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Distell Group Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our 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 (the company) and its subsidiaries (together the Group) as at 30 June 2017, 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.

What we have audited

Distell Group Limited's consolidated and separate financial statements set out on pages 64 to 137 comprise:

- the consolidated and separate statements of financial position as at 30 June 2017;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview

Overall Group materiality

- R95,6 million, which represents 5% of consolidated net profit before taxation.

Group audit scope

- Full scope audits were performed at all financially significant components and further audit and analytical review procedures were performed over the remaining balances and the consolidation process in order to gain sufficient evidence over the consolidated numbers.

Key audit matters

- Purchase price allocation of additional interest in KWA Holdings E.A. Limited; and
- Impairment of goodwill and intangible assets.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	R95,6 million
How we determined it	5% of consolidated net profit before taxation
Rationale for the materiality benchmark applied	We chose consolidated net profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-orientated companies.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping assessment included consideration of financially significant components, based on the indicators such as the contribution to consolidated assets, consolidated revenue and consolidated profit before tax, as well as sufficiency of work performed over material line items in the financial statements. Based on our assessment 15 components were scoped for full scope audits. In addition, the Group engagement team performed further audit and analytical review procedures over the remaining balances and the consolidation process in order to gain sufficient evidence over the consolidated numbers.

In establishing the overall approach to the Group audit, we determined the extent of the work that needed to be performed by us, as the Group engagement team, or by component auditors from other PwC network firms or other auditors operating under our instruction, in order to issue our audit opinion on the consolidated and separate financial statements of the Group. Detailed Group audit instructions were communicated to all component audit teams in scope. Throughout the audit, various calls and discussions were held with the component engagement teams of the significant components. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consolidated financial statements

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Purchase price allocation of additional interest in KWA Holdings E.A. Limited During the year, Distell Group Limited (Distell) acquired an additional interest of 26% in KWA Holdings E.A. Limited – an existing business in Kenya – increasing the Group's interest from 26% to 52% in the investee, as disclosed in note 33. Based on management's assessment Distell now exercises control over the company, which gave rise to a business combination. In terms of International Financial Reporting Standards (IFRS), a purchase price allocation needs to be performed and the total purchase consideration allocated to the tangible assets acquired, intangibles identified on acquisition and goodwill. We considered this purchase price allocation of the transaction a matter of most significance to the current year audit because of the management judgement involved in allocating the purchase price to tangible and intangible assets identified in a business acquisition, and because the valuation of the intangibles involves management making assumptions and estimates.	We obtained the purchase price allocation prepared by management with the assistance of an external valuation expert. Based on discussions with management, reading the purchase agreements and our understanding of the business and industry, we critically assessed the process followed for the identification of the assets and liabilities acquired. We also assessed the competence, capabilities and objectivity of the external valuation expert used by management. With the assistance of our own valuation experts, we evaluated the valuation methodology adopted by management and we considered the methodology used by management to be acceptable. We also tested the mathematical accuracy of the valuation models for each of the significant intangible assets acquired. The underlying assumptions, including the discount rate, terminal growth rates and royalty relief rates used in management's models were tested for reasonableness by benchmarking the assumptions to industry average rates and by recalculating the cost of capital of the company. We agreed management's cash flow forecast to approved budgets, compared the actual performance of the business against the prior year's budgets, and held discussions with management on the reasonability of the forecasts utilised and accepted management's assessment.
Impairment of goodwill and intangible assets The Group's net assets included intangible assets of R1,9 billion. As disclosed in note 6, the most significant elements of this balance are: • goodwill and indefinite life trademarks of R1,4 billion relating to the acquisition of Distell International Limited (previously Burn Stewart Distillers) during 2013; and • the Bisquit trademark of R196 million that was acquired in 2009. Management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill and intangible assets with indefinite useful lives. Management recognised an impairment charge of R196 million with respect to the Bisquit trademark. The impairment assessment and impairment charge were considered a matter of most significance to the current year audit due to the magnitude of the goodwill and intangible asset balances in the statement of financial position, difficult economic trading conditions experienced in certain markets during the year, and the fact that impairment charges in this regard were raised in the past. Management's assessment of the value in use for each cash-generating unit (CGU) involves judgement about future results of the business and the discount rate applied to future cash flow forecasts.	Using our valuation experts, we evaluated the valuation methodologies used by management in determining the recoverable amount of the CGUs and evaluated the reasonableness of management's discount rate by performing a recalculation thereof and benchmarking the cost of capital of the company against industry-specific market information available for similar companies as well as considering territory-specific factors. We also assessed the reasonableness of the long-term growth rates applied by comparing them to the industry average long-term growth rates. We assessed the projected future cash flows, operating margins and working capital requirements used in the models by understanding the process followed by management to determine these forecasts and agreeing the forecasted information to approved budgets and business plans. In order to test the robustness of management's projections and estimates, we compared the actual results for FY2017 to the FY2017 forecasts in the prior year budget and ensured that the forecasts are adjusted for any variances. Volume growth rates were assessed by taking into account comparable market research information and the growth strategy for Bisquit and Distell International Limited. In addition, we performed our own independent sensitivity calculations on the impairment assessments, to determine the degree by which the key assumptions (the discount rates, growth rates and volume growth) needed to change in order to trigger an impairment charge. We discussed these with management and considered the likelihood of such changes occurring, and accepted management's conclusions that the key assumptions applied in the models were reasonable. Based on the audit evidence inspected we agreed with management's conclusion that impairment of Bisquit's trademark is warranted.

Separate financial statements

We have determined that there are no key audit matters in respect of the separate financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Integrated Report 2017 that includes the statement by the company secretary, the audit committee report, and the report of the board of directors as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 29 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 72 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: NH Döman
Registered Auditor

Stellenbosch
30 August 2017

STATEMENTS OF **FINANCIAL POSITION**

as at 30 June 2017

		GROUP		COMPANY	
	Notes	**2017 R'000**	2016 R'000 Restated	**2017 R'000**	2016 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	2	**5 466 224**	5 116 376	**–**	–
Loans and receivables	4	**133 595**	181 195	**–**	–
Available-for-sale financial assets	4	**29 671**	79 708	**–**	–
Investments in subsidiaries	5	**–**	–	**2 828 517**	2 734 880
Investments in associates	5	**133 558**	237 249	**–**	–
Investments in joint ventures	5	**252 282**	213 999	**–**	–
Intangible assets	6	**1 921 925**	2 004 191	**–**	–
Retirement benefit assets	14	**380 963**	343 420	**–**	–
Deferred income tax assets	15	**173 897**	136 031	**2 507**	–
Total non-current assets		**8 492 115**	8 312 169	**2 831 024**	2 734 880
Current assets					
Inventories	7	**7 800 305**	7 900 649	**–**	–
Trade and other receivables	8	**2 982 470**	2 659 749	**–**	–
Current income tax assets		**28 197**	36 922	**–**	–
Cash and cash equivalents	28.7	**1 183 120**	1 032 402	**2 561**	53
Total current assets		**11 994 092**	11 629 722	**2 561**	53
Total assets		**20 486 207**	19 941 891	**2 833 585**	2 734 933
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	10	**752 610**	749 506	**752 614**	752 611
Other reserves	11	**1 329 406**	1 912 259	**137 515**	137 515
Retained earnings	12	**8 460 110**	7 995 232	**1 934 341**	1 844 807
Attributable to equity holders of the company		**10 542 126**	10 656 997	**2 824 470**	2 734 933
Non-controlling interest		**301 124**	15 262	**–**	–
Total equity		**10 843 250**	10 672 259	**2 824 470**	2 734 933
Non-current liabilities					
Interest-bearing borrowings	13	**3 567 180**	1 200 000	**–**	–
Retirement benefit obligations	14	**24 533**	27 509	**–**	–
Deferred income tax liabilities	15	**929 318**	723 429	**–**	–
Total non-current liabilities		**4 521 031**	1 950 938	**–**	–
Current liabilities					
Trade and other payables	16	**3 682 025**	3 234 972	**9 115**	–
Interest-bearing borrowings	13	**1 276 234**	3 726 589	**–**	–
Provisions	17	**89 227**	321 781	**–**	–
Current income tax liabilities		**74 440**	35 352	**–**	–
Total current liabilities		**5 121 926**	7 318 694	**9 115**	–
Total equity and liabilities		**20 486 207**	19 941 891	**2 833 585**	2 734 933

INCOME STATEMENTS

for the year ended 30 June 2017

		GROUP		COMPANY	
	Notes	**2017 R'000**	2016 R'000	**2017 R'000**	2016 R'000
Revenue	18	**22 259 253**	21 470 120	**938 231**	873 234
Operating costs	19	**(19 902 578)**	(19 040 418)	**(8 959)**	(2)
Costs of goods sold		**(14 901 125)**	(13 767 664)	**–**	–
Sales and marketing costs		**(2 881 709)**	(3 211 513)	**–**	–
Distribution costs		**(1 168 220)**	(1 087 991)	**–**	–
Administration and other costs		**(951 524)**	(973 250)	**(8 959)**	(2)
Other gains and losses	20	**(289 917)**	(78 081)	**–**	–
Operating profit		**2 066 758**	2 351 621	**929 272**	873 232
Dividend income	21	**7 163**	7 501	**–**	–
Finance income	22	**69 290**	21 002	**–**	–
Finance costs	23	**(289 296)**	(281 790)	**–**	–
Share of equity-accounted earnings	24	**59 374**	58 042	**–**	–
Profit before taxation		**1 913 289**	2 156 376	**929 272**	873 232
Taxation	25	**(616 486)**	(624 485)	**2 507**	–
Profit for the year		**1 296 803**	1 531 891	**931 779**	873 232
Attributable to:					
Equity holders of the company		**1 296 978**	1 531 986	**931 779**	873 232
Non-controlling interest		**(175)**	(95)	**–**	–
		1 296 803	1 531 891	**931 779**	873 232
Earnings per ordinary share (cents)	26				
Basic		**591,4**	699,4		
Diluted		**590,6**	697,1		

STATEMENTS OF **COMPREHENSIVE INCOME**

for the year ended 30 June 2017

		GROUP		COMPANY	
	Notes	**2017 R'000**	2016 R'000	**2017 R'000**	2016 R'000
Profit for the year		**1 296 803**	1 531 891	**931 779**	873 232
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	**(2 668)**	(17 319)	**–**	–
Currency translation differences	11	**(565 307)**	242 494	**–**	–
Fair value adjustments of cash flow hedges	11	**(9 115)**	–	**–**	–
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefits	11	**43 703**	82 464	**–**	–
Share of other comprehensive income of associates	5	**(2 342)**	(1 003)	**–**	–
Other comprehensive losses		**(535 729)**	306 636	**–**	–
Total comprehensive income for the year		**761 074**	1 838 527	**931 779**	873 232
Attributable to:					
Equity holders of the company		**760 109**	1 838 755	**931 779**	873 232
Non-controlling interest		**965**	(228)	**–**	–
		761 074	1 838 527	**931 779**	873 232

STATEMENTS OF **CHANGES IN EQUITY**

for the year ended 30 June 2017

		GROUP						
		Attributable to equity holders					Non-controlling interest	Total equity
	Notes	Share capital and premium R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Total R'000	R'000	R'000
2017								
Balance at 1 July 2016		752 611	(3 105)	1 912 259	7 995 232	10 656 997	15 262	10 672 259
Comprehensive income								
Profit for the year		–	–	–	1 296 978	1 296 978	(175)	1 296 803
Other comprehensive income (net of taxation)								
Fair value adjustments:								
– available-for-sale financial assets	11	–	–	(2 668)	–	(2 668)	–	(2 668)
Cash flow hedge of foreign exchange transactions	11	–	–	(9 115)	–	(9 115)	–	(9 115)
Currency translation differences	11	–	–	(566 447)	–	(566 447)	1 140	(565 307)
Remeasurements on post-employment benefits	11	–	–	43 703	–	43 703	–	43 703
Share of other comprehensive income of associates	5	–	–	(2 342)	–	(2 342)	–	(2 342)
Total other comprehensive losses		–	–	(536 869)	–	(536 869)	1 140	(535 729)
Total comprehensive income for the year		–	–	(536 869)	1 296 978	760 109	965	761 074
Transactions with owners								
Employee share scheme:								
– proceeds from ordinary shares issued	10	3	(3)	–	–	–	–	–
– shares paid and delivered	10	–	3 104	–	–	3 104	–	3 104
– value of employee services		–	–	53 595	–	53 595	–	53 595
– settlement in cash		–	–	(38 031)	–	(38 031)	–	(38 031)
Sale of interest to non-controlling interest	33	–	–	(1 350)	–	(1 350)	(6 564)	(7 914)
Dividends paid	28.4	–	–	–	(832 100)	(832 100)	(2 024)	(834 124)
Total contributions by and distributions to owners		3	3 101	14 214	(832 100)	(814 782)	(8 588)	(823 370)
Redemption reserve for forward transactions	11	–	–	(37 340)	–	(37 340)	–	(37 340)
Non-controlling interest arising on business combination	33	–	–	–	–	–	230 324	230 324
Contribution by non-controlling interest		–	–	–	–	–	40 303	40 303
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Transactions with non-controlling interests		–	–	(22 858)	–	(22 858)	22 858	–
Total transactions with owners		3	3 101	(45 984)	(832 100)	(874 980)	284 897	(590 083)
Balance at 30 June 2017		752 614	(4)	1 329 406	8 460 110	10 542 126	301 124	10 843 250

STATEMENTS OF **CHANGES IN EQUITY**

for the year ended 30 June 2017

		GROUP						
		Attributable to equity holders					Non-controlling interest	Total equity
	Notes	Share capital and premium R'000	Treasury shares R'000	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 on 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 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

		COMPANY			
		Attributable to equity holders			
	Notes	Share capital and premium R'000	Other reserves R'000	Retained earnings R'000	Total R'000
2017					
Balance at 1 July 2016		**752 611**	**137 515**	**1 844 807**	**2 734 933**
Comprehensive income					
Profit for the year		**–**	**–**	**931 779**	**931 779**
Total comprehensive income for the year		**–**	**–**	**931 779**	**931 779**
Transactions with owners					
Proceeds of ordinary shares issued	10	**3**	**–**	**–**	**3**
Dividends paid	28.4	**–**	**–**	**(842 245)**	**(842 245)**
Total transactions with owners		**3**	**–**	**(842 245)**	**(842 242)**
Balance at 30 June 2017		**752 614**	**137 515**	**1 934 341**	**2 824 470**
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

STATEMENTS OF **CASH FLOWS**

for the year ended 30 June 2017

		GROUP		COMPANY	
	Notes	**2017 R'000**	2016 R'000	**2017 R'000**	2016 R'000
Cash flows from operating activities					
Operating profit		**2 066 758**	2 351 621	**929 272**	873 232
Non-cash flow items	28.1	**910 419**	857 954	**(95 986)**	(89 887)
Working capital changes	28.2	**(315 504)**	(729 136)	**9 115**	–
Cash generated from operations		**2 661 673**	2 480 439	**842 401**	783 345
Dividend income	21	**7 163**	7 501	**–**	–
Finance income		**27 371**	21 002	**–**	–
Finance costs		**(331 589)**	(264 968)	**–**	–
Taxation paid	28.3	**(500 341)**	(617 204)	**–**	–
Net cash generated from operating activities		**1 864 277**	1 626 770	**842 401**	783 345
Cash flows from investment activities					
Purchases of property, plant and equipment (PPE) to maintain operations	28.5	**(327 784)**	(425 686)	**–**	–
Purchases of PPE to expand operations	28.6	**(477 775)**	(612 867)	**–**	–
Proceeds from disposal of PPE		**56 698**	19 787	**–**	–
Purchases of financial assets		**(5 651)**	(4 577)	**–**	–
Proceeds from financial assets		**57 919**	63 346	**297 501**	2 195
Purchases of associates and joint ventures		**(6 377)**	(48 380)	**–**	–
Purchases of intangible assets		**(89 113)**	(83 047)	**–**	–
Proceeds from disposal of subsidiaries	33	**20 541**	–	**–**	–
Acquisition of subsidiaries, net of cash acquired	33	**(178 096)**	–	**(295 152)**	(2 144)
Cash outflow from investment activities		**(949 638)**	(1 091 424)	**2 349**	51
Cash flows from financing activities					
Proceeds from ordinary shares issued		**3 104**	8 361	**3**	4
Employee share options settled in cash	11	**(38 031)**	–	**–**	–
Proceeds from interest-bearing borrowings		**146 052**	69 259	**–**	–
Shares issued for cash to minority in subsidiary		**40 303**	–	**–**	–
Dividends paid to company's shareholders	28.4	**(832 100)**	(773 507)	**(842 245)**	(783 347)
Cash outflow from financing activities		**(680 672)**	(695 887)	**(842 242)**	(783 343)
Increase in net cash, cash equivalents and bank overdrafts		**233 967**	(160 541)	**2 508**	53
Cash, cash equivalents and bank overdrafts at the beginning of the year		**102 402**	230 868	**53**	–
Exchange losses on cash, cash equivalents and bank overdrafts		**(33 493)**	32 075	**–**	–
Cash, cash equivalents and bank overdrafts at the end of the year	28.7	**302 876**	102 402	**2 561**	53

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS**

for the year ended 30 June 2017

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.

Standards and amendments applicable to the Group effective for the first time:

- 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)

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 2017, 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 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)
- Amendments to IFRS 2: Share-based Payments – classification of share-based payment transactions (effective 1 January 2018)
- Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures – on sale or contribution of assets (effective date postponed)
- Annual Improvements 2014 – 2016 cycle (effective 1 January 2018)
- Amendments to IFRS 16: Leases (effective 1 January 2019)

  The new standard for leases, IFRS 16, requires a lessee to recognise a right-of-use asset and corresponding lease liability on the balance sheet for almost all lease contracts. Currently operating lease expenses are charged to the income statement on a straight-line basis over the term of the lease. The Group leases various farming land, warehouses, machinery, equipment and vehicles under operating lease agreements. Note 19.5 sets out details of operating lease expenses paid during the year. Management still has to perform a detailed analysis of all lease contracts on an individual basis, but it is expected that as a minimum the Group will have to capitalise right-of-use assets of about R300 million, being the net present value of future minimum lease payments under non-cancellable leases as set out in note 30 to the financial statements. The remainder of the lease expenses relates to short-term leases and low-value assets. Apart from the right-of-use asset and lease liability being recognised on the statement of financial position, the effect of the change in the standard would be a reduction in the operating lease expenses in the income statement, and an increase in depreciation charges (on the right-of-use asset) and finance cost (interest expense of the lease liability). The impact of these cannot be quantified at this stage.

- Amendments to IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018)
  Under IFRS 15 revenue needs to be recognised at a point in time or over time depending on the performance obligations linked to separate elements of the contract with the customer. The Group's revenue consists mostly of sales of liquor products delivered to customers at the point-of-sale and does not have multiple element arrangements included in it. It is therefore expected that the timing and measurement of the Group's revenue will not change as a result of the implementation of IFRS 15. Management however still has to perform a detailed analysis of all revenue contracts to assess each individually.

- Amendments to IFRS 9: Financial Instruments – on financial liabilities, derecognition of financial instruments, financial assets and general hedge accounting (effective 1 January 2018)
  Although IFRS 9 changes the classification of certain financial instruments, the measurement of the Group's financial assets and liabilities is expected to be unchanged under the new principles. Trade receivables, loans and other receivables are all held to collect principle and interest only and will continue to be measured at amortised cost in future. Similarly, borrowings and trade and other payables will continue to be measured at amortised cost. The Group has only a small amount of available-for-sale equity instruments – currently measured at fair value through other comprehensive income – and the intention is to also choose the fair value through other comprehensive income option under IFRS 9. Derivatives will remain at fair value through profit or loss.

The Group does not expect that the new expected credit loss impairment model would significantly change the provision for impairment of trade receivables since the amounts are not material to the Group.

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) 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.

e) 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.

f) 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.

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

The Group is one of the two largest shareholders in Mirma Products Proprietary Limited with a 45% equity interest. The Group buys more than 98% of the total product produced by Mirma Products. There is no history of other shareholders forming a group to exercise their votes collectively. Based on the absolute size of the Group's shareholding, as well as the business model of Mirma Products Proprietary Limited, management has concluded that the Group has sufficiently dominant interest to have the power to direct the relevant activities of the entity. Refer to note 39.

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 investments of Distell Group Limited in the ordinary shares of its subsidiaries, South African Distilleries and Wines (SA) Limited, Distell Beverages (RF) Proprietary Limited and Distell International Holdings Limited, are 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 is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are all entities over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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

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

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

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

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

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

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

1.4 Foreign currency translation

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

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each income statement presented are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- All resulting exchange differences are recognised in other comprehensive income as part of a foreign currency translation reserve (FCTR).
- On consolidation, exchange rate differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, if applicable, are also taken to the FCTR. When a foreign operation is sold all related exchange rate differences that were recorded in the FCTR are recognised in the income statement as part of the profit or loss on sale. When a partial disposal takes place the FCTR is proportionately reattributed to the non-controlling shareholders in terms of IAS 21. The Group's net investment in a subsidiary or joint venture is equal to the equity investment plus all monetary items that are receivable from or payable to the subsidiary or joint venture, for which settlement is neither planned nor likely to occur in the foreseeable future.
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

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 gains and losses'.

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 amounts 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, equipment and grapevines

Property, plant, equipment and grapevines 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, equipment and grapevines 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, equipment and grapevines and the costs of dismantling and preparing the site for grapevines 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. Grapevines are measured at accumulated costs until maturity, similar to the accounting for a self-constructed item of property, plant and equipment. 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. Assets under construction is defined as assets still in the construction phase and not yet available for use. These assets are carried at initial cost and are not depreciated. Depreciation on these assets commences when they become available for use and depreciation periods are based on management's assessment of their useful lives.

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
Grapevines	20 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 gains and losses'.

1.7 Biological assets

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

The adoption of the revised IAS 16: Property, Plant and Equipment and IAS 41: Agriculture has resulted in grapevines being reclassified from biological assets to property, plant and equipment in the statement of financial position.

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

1.9 Impairment of non-financial assets

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

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

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

1.10 Financial assets

Classification
The Group classifies its financial assets in the following categories:

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

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 gains and losses' 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 gains and losses'. Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement within 'finance income'. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment of financial assets

Assets carried at amortised cost

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

Assets classified as available-for-sale

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

Impairment testing of trade receivables is described in note 1.16.

1.11 Derivative financial instruments and hedging activities

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

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

Interest rate swaps are taken out to hedge variable rate bank borrowings and are accounted for as cash flow hedges. The gain or loss relating to the effective portion of these interest rate swaps' hedging of 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 2017 is 28% (2016: 28%). Deferred tax assets and liabilities for South African entities at 30 June 2017 have been calculated using the 28% (2016: 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 80% (2016: 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 20% (2016: 15%) of the dividend received. The DWT is categorised as a withholding tax as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not the beneficial owner of the dividend.

1.14 Leases

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

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

1.15 Inventories

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

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

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 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 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 collectibility 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 Earnings per share

Earnings and headline earnings per share are calculated by dividing the net profit attributable to shareholders 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.

1.25 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.

1.26 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.

1.27 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	Biological assets R'000	Assets under construction R'000	Total R'000
2017						
Opening balance	**1 697 868**	**2 775 683**	**264 676**	**100 866**	**277 283**	**5 116 376**
Additions	**108 284**	**446 008**	**69 699**	**12 266**	**169 302**	**805 559**
Disposal of subsidiary (note 33)	**(29 460)**	**(155)**	**(233)**	**(14 164)**	**–**	**(44 012)**
Disposals	**(6 063)**	**(13 350)**	**(2 436)**	**(9 467)**	**–**	**(31 316)**
Acquisition of subsidiaries (note 33)	**115 881**	**77 967**	**5 216**	**–**	**–**	**199 064**
Transfers	**21 535**	**219 104**	**1 164**	**–**	**(241 803)**	**–**
Exchange differences	**(45 475)**	**(75 657)**	**365**	**–**	**965**	**(119 802)**
Impairment	**(35 884)**	**(28 421)**	**(1 785)**	**–**	**–**	**(66 090)**
Depreciation	**(14 786)**	**(325 237)**	**(44 180)**	**(9 352)**	**–**	**(393 555)**
	1 811 900	**3 075 942**	**292 486**	**80 149**	**205 747**	**5 466 224**
At cost	**1 998 441**	**5 594 595**	**556 073**	**88 607**	**205 747**	**8 443 463**
Accumulated depreciation and impairment	**(186 541)**	**(2 518 653)**	**(263 587)**	**(8 458)**	**–**	**(2 977 239)**
Net carrying value	**1 811 900**	**3 075 942**	**292 486**	**80 149**	**205 747**	**5 466 224**
2016						
Opening balance	1 647 300	2 228 743	200 436	–	275 486	4 351 965
As previously reported	–	–	–	100 866	–	100 866
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	100 866	277 283	5 116 376
At cost	1 825 838	4 971 204	490 510	100 866	277 283	7 665 701
Accumulated depreciation and impairment	(127 970)	(2 195 521)	(225 834)	–	–	(2 549 325)
Net carrying value	1 697 868	2 775 683	264 676	100 866	277 283	5 116 376

Included in equipment and vehicles are capitalised finance lease vehicles with a net carrying value of Rnil (2016: R0,1 million) (note 13).

Depreciation of R294,8 million (2016: R248,6 million) is included in 'cost of goods sold', R32,2 million (2016: R26,6 million) in 'sales and marketing costs', R16,9 million (2016: R35,5 million) in 'distribution costs' and R49,7 million (2016: R32,9 million) in 'administration and other costs'.

During the year industrial property rights to the value of Rnil (2016: R46,7 million) 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 Rnil million (2016: R36,9 million) (note 13).

The total area under grapevines on 30 June 2017 that is not classified as mature vines is approximately 95,8 ha (2016: 113,0 ha).

The total carrying value of grapevines that is not classified as mature vines is R9,6 million (2016: R1,8 million).

3. CHANGE IN ACCOUNTING POLICY: BIOLOGICAL ASSETS

The Group adopted the amendments to IAS 16: Property, Plant and Equipment and IAS 41: Agriculture on bearer plants.

In terms of the amendments bearer biological assets are now classified as property, plant and equipment. Mature bearer plants, consisting of grapevines, are depreciated over the expected useful lifetime of the plants. The adoption of the revised IAS 16: Property, Plant and Equipment and IAS 41: Agriculture has resulted in grapevines being reclassified from biological assets to property, plant and equipment in the statement of financial position. The change in accounting policy was prospectively adopted for the year ended 30 June 2017 as the impact had no material effect on profit and loss for the previous year.

The comparative figures for 2016 have been restated as follows to give effect to the change in accounting policy.

	2016 R'000
Biological assets	
Closing balance as previously reported	100 866
Change in accounting policy to PPE	(100 866)
Balance at the end of the year now reported	–
Property, plant and equipment	
Closing balance as previously reported	5 015 510
Change in accounting policy to PPE	100 866
Balance at the end of the year now reported	5 116 376
Retained earnings	
Closing balance as previously reported	7 995 232
Change in accounting policy to PPE	–
Balance at the end of the year now reported	7 995 232

	2017 R'000	2016 R'000

4. FINANCIAL ASSETS

	2017 R'000	2016 R'000
Loans and receivables at amortised cost		
Loans to producers and other unrelated parties, denominated in rand, at market-related interest rates	**9 786**	4 207
Loans to related parties, denominated in rand, bearing no interest	**123 809**	176 988
	133 595	181 195
Available-for-sale financial assets		
Equities, denominated in the following currencies:		
Rand	**17 187**	18 795
Canadian dollar	**12 484**	14 817
UK pound	**–**	46 096
	29 671	79 708
Movement in available-for-sale financial assets		
Opening balance	**79 708**	99 754
Additions	**–**	86
Disposals	**(1 801)**	–
Exchange differences	**(6)**	2
Fair value adjustments (note 11)	**(9 420)**	(20 134)
Impairments	**(38 810)**	–
Balance at the end of the year	**29 671**	79 708

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. 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.

	2017 R'000	2016 R'000

5. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

COMPANY

	2017 R'000	2016 R'000
Investments in subsidiaries (note 39)	**2 828 517**	2 734 880

Distell Group Limited subordinated its claims against South African Distilleries and Wines (SA) Limited and Distell Beverages (RF) Proprietary Limited.

GROUP

Investments in associates (note 40)

	2017 R'000	2016 R'000
Opening balance	**237 249**	233 685
Share of profit	**18 175**	52 966
Share of actuarial loss	**(2 342)**	(1 003)
Dividends received	**(4 907)**	(48 802)
Exchange differences and withholding taxes	**758**	403
Reclassification as a result of a business combination (note 33)	**(115 375)**	–
Balance at the end of the year	**133 558**	237 249
Made up as follows:		
Cost and share of profits	**124 482**	181 569
Goodwill	**9 076**	55 680
	133 558	237 249

Summary of goodwill

	2017 R'000	2016 R'000
Opening balance	**55 680**	55 680
Reclassification as a result of a business combination (note 33)	**(46 604)**	–
Balance at the end of the year	**9 076**	55 680

GROUP

Investments in joint ventures (note 41)

	2017 R'000	2016 R'000
Opening balance	**213 999**	160 423
Additions	**6 377**	48 380
Share of profit	**41 199**	5 076
Share of other reserves	**(9 528)**	120
Exchange differences and withholding taxes	**255**	–
Disposal of interest in joint venture	**(20)**	–
Balance at the end of the year	**252 282**	213 999

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:

	2017		2016	
	Long-term growth rate %	**Discount rate %**	Long-term growth rate %	Discount rate %
Tanzania Distilleries Limited	**2,0**	**19,9**	2,0	22,9
Grays Inc. Limited	**2,0**	**11,0**	2,0	11,5
KWA Holdings E.A. Limited	**–**	**–**	2,0	17,6

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
2017					
Opening balance	**38 864**	**95 979**	**1 058 931**	**810 417**	**2 004 191**
Additions	**9 274**	**78 730**	**–**	**–**	**88 004**
Acquisition of subsidiaries (note 33)	**–**	**–**	**73 219**	**281 390**	**354 609**
Exchange differences	**1 393**	**10**	**(153 628)**	**(119 205)**	**(271 430)**
Disposal of subsidiary (note 33)	**–**	**–**	**(5 511)**	**–**	**(5 511)**
Impairments	**(6 187)**	**–**	**–**	**(195 884)**	**(202 071)**
Amortisation	**(695)**	**(43 850)**	**–**	**(1 322)**	**(45 867)**
Balance at the end of the year	**42 649**	**130 869**	**973 011**	**775 396**	**1 921 925**
Cost	**51 093**	**315 592**	**973 011**	**1 058 903**	**2 398 599**
Accumulated amortisation and impairment	**(8 444)**	**(184 723)**	**–**	**(283 507)**	**(476 674)**
Net carrying value	**42 649**	**130 869**	**973 011**	**775 396**	**1 921 925**
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

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. The current year additions relate to the acquisitions of KWA Holdings E.A. Limited and Imported Premium Vodka Company Limited.

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, Ledaig, Cruz Vodka, Kibao, Kingfisher, Caprice Wines, Hunter's Choice, Altar Wines and Yatta Juice.

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.

	2017 R'000	2016 R'000

6. INTANGIBLE ASSETS continued

	2017 R'000	2016 R'000
Goodwill		
Distell Winemasters Limited	**1 919**	1 919
Distell (Hong Kong) Limited	**7 510**	7 510
Distell International Limited	**891 989**	1 043 991
KWA Holdings E.A. Limited	**48 881**	–
Imported Premium Vodka Company Limited	**22 712**	–
Lomond Wine Estate Proprietary Limited	**–**	5 511
	973 011	1 058 931

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 CGUs and are tested for impairment on an annual basis. The recoverable amounts of the CGUs 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:

	2017		2016	
	Long-term growth rate %	**Discount rate %**	Long-term growth rate %	Discount rate %
Distell Winemasters Limited	**2,0**	**20,1**	2,0	17,6
Distell (Hong Kong) Limited	**1,8**	**7,5**	1,8	7,1
Distell International Limited	**3,0**	**6,1**	3,0	6,7
Lomond Wine Estate Proprietary Limited	**–**	**–**	2,0	11,9

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

6. INTANGIBLE ASSETS continued

	2017 R'000	2016 R'000
Trademarks		
Bisquit	**–**	223 324
Black Bottle	**53 220**	62 459
Scottish Leader	**250 510**	292 604
Bunnahabhain	**67 866**	79 431
Deanston	**14 248**	16 676
Tobermory	**10 396**	12 168
Ledaig	**10 107**	11 829
Kibao	**42 518**	–
Kingfisher	**20 147**	–
Caprice Wines	**14 719**	–
Hunter's Choice	**9 355**	–
Altar Wines	**2 110**	–
Yatta Juice	**847**	–
Cruz Vodka	**108 153**	–
Customer and supplier relationships	**114 627**	79 671
Trade names	**56 573**	32 255
	775 396	810 417

Impairment tests for trademarks

The trademarks are allocated to their respective CGUs and are tested for impairment on an annual basis. The recoverable amounts of the CGUs 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:

	2017		2016	
	Long-term growth rate %	**Discount rate %**	Long-term growth rate %	Discount rate %
Distell International Limited	**3,0**	**6,1**	3,0	6,7
Bisquit Dubouché et Cie	**1,5**	**6,5**	1,5	6,3

An impairment charge of R195,9 million (2016: 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 cash flow assumptions have been reduced principally due to the challenging economic environments in which this CGU operates. In determining this fair value a discounted 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 6,5% (2016: 6,3%).

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.

	2017 R'000	2016 R'000

7. INVENTORIES

	2017 R'000	2016 R'000
Bulk wines, flavoured alcoholic beverages and spirits	**5 202 220**	5 570 098
Bottled wines, flavoured alcoholic beverages and spirits	**2 206 911**	1 889 058
Packaging material and other	**391 174**	441 493
	7 800 305	7 900 649

The cost of inventories recognised as an expense and included in 'costs of goods sold' amounted to R12 996,8 million (2016: R12 179,1 million).

No previous write-down was reversed during the year (2016: Nil).

Excise duty of R470,6 million (2016: R512,0 million) is included in bulk inventories and R502,5 million (2016: R543,5 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 R885,7 million (2016: R843,9 million) (note 13).

8. TRADE AND OTHER RECEIVABLES

	2017 R'000	2016 R'000
Trade receivables	**2 731 087**	2 351 364
Provision for impairment of receivables	**(73 824)**	(20 708)
Trade receivables – net	**2 657 263**	2 330 656
Insurance claims	**–**	803
Prepayments	**112 478**	74 734
Other receivables	**173 428**	227 229
Value added tax	**39 301**	26 327
	2 982 470	2 659 749

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 R145,8 million (2016: R136,8 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	**2017 R'000**	2016 R'000
30 to 60 days overdue	**49 614**	37 953
Past 60 days overdue	**96 183**	98 810
Total	**145 797**	136 763

At 30 June 2017 trade receivables of R73,8 million (2016: R20,7 million) were impaired and provided for.

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

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

	2017 R'000	2016 R'000

8. TRADE AND OTHER RECEIVABLES continued

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

	2017 R'000	2016 R'000
Ageing of impaired trade and other receivables		
60 to 120 days overdue	**23 918**	1 997
Past 120 days overdue	**49 906**	18 711
Total	**73 824**	20 708
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:		
South African rand	**1 819 725**	1 434 889
US dollar	**202 247**	395 175
Euro	**226 510**	223 284
UK pound	**334 324**	201 178
Canadian dollar	**40 230**	68 918
Namibian dollar	**131 601**	123 163
Botswana pula	**58 027**	43 989
Other currencies	**169 806**	169 153
	2 982 470	2 659 749
Industry spread of trade receivables:		
South African grocers	**766 796**	666 893
South African liquor groups	**634 178**	356 980
International	**656 343**	644 015
Africa	**274 670**	214 075
South African – other	**650 483**	777 786
	2 982 470	2 659 749
Industry spread of past due but not impaired trade and other receivables:		
South African grocers	**3 556**	9 445
South African liquor groups	**423**	–
International	**59 797**	53 980
Africa	**8 012**	26 261
South African – other	**74 009**	47 077
	145 797	136 763
Industry spread of impaired trade and other receivables:		
International	**22 636**	5 387
Africa	**42 927**	14 580
South African – other	**8 261**	741
	73 824	20 708
The movement of the Group's provision for impairment of trade receivables are as follows:		
Opening balance	**20 708**	10 259
Provision for receivable impairment	**61 012**	15 425
Receivables written off during the year as uncollectible	**(6 342)**	(323)
Exchange difference	**262**	432
Unused amounts reversed	**(1 816)**	(5 085)
Balance at the end of the year	**73 824**	20 708

8. TRADE AND OTHER RECEIVABLES continued

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.

	2017 R'000	2016 R'000
9. DERIVATIVE FINANCIAL INSTRUMENTS		
GROUP		
The following amounts are included in 'other receivables' (note 8) and 'accrued expenses' (note 16):		
Current assets		
Interest rate swaps – cash flow hedges	**–**	4 453
Commodity hedges – held for trading	**–**	5 292
Forward foreign exchange contracts – held for trading	**9 613**	1 138
	9 613	10 883
Current liabilities		
Interest rate swaps – cash flow hedges	**–**	(252)
Commodity hedges – held for trading	**(5 317)**	–
Forward foreign exchange contracts – held for trading and cash flow hedges	**(10 391)**	(17 416)
	(15 708)	(17 668)
Total	**(6 095)**	(6 785)

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 2017 and 30 June 2016 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
2017			
Forward foreign exchange sales			
Canadian dollar	**1 210**	**12 005**	**(348)**
Euro	**12 950**	**204 847**	**9 291**
New Zealand dollar	**330**	**3 095**	**(101)**
US dollar	**2 213**	**29 234**	**322**
		249 181	**9 164**
Forward foreign exchange purchases			
US dollar	**49 450**	**649 981**	**(9 942)**
		649 981	**(9 942)**
		899 162	**(778)**
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)

The net uncovered trade proceeds at 30 June 2017 amounted to R473,6 million (2016: R477,5 million) and net uncovered trade purchases at 30 June 2017 amounted to R36,9 million (2016: R139,8 million).

Commodity hedges	Fair value gain/(loss) R'000
2017	
Gasoil – held for trading	**(5 129)**
Aluminium – held for trading	**(188)**
2016	
Gasoil – held for trading	4 447
Aluminium – held for trading	845

	2017 R'000	2016 R'000
COMPANY		
Current liabilities		
Forward foreign exchange contracts – held for trading	**9 115**	–

The company entered into forward foreign exchange purchases of US$45,5 million (R596,6 million) which will be used to fund the acquisition of a 26,0% interest in Best Global Brands (see note 38). The same treatment applies to the Group.

	2017 Number '000	2016 Number '000
10. SHARE CAPITAL		
Shares authorised		
Ordinary shares of 1 cent each	**250 000**	250 000
Shares issued		
Opening balance	**222 109**	221 737
Issue of shares – share and share appreciation right (SAR) schemes	**273**	372
Ordinary shares of 1 cent each issued and fully paid	**222 382**	222 109
Treasury shares		
Opening balance	**2 900**	2 927
Issue of shares – share and SAR schemes	**273**	372
Shares paid and delivered – share and SAR schemes	**(175)**	(399)
	2 998	2 900

	COMPANY			GROUP
	Ordinary shares R'000	Share premium R'000	Treasury shares R'000	Total R'000
2017				
Opening balance	**2 221**	**750 390**	**(3 105)**	**749 506**
Issue of shares – share and SAR schemes	**3**	**–**	**(3)**	**–**
Shares paid and delivered – share and SAR schemes	**–**	**–**	**3 104**	**3 104**
Balance at the end of the year	**2 224**	**750 390**	**(4)**	**752 610**
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

Eleven percent of the authorised but 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 and performance 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 2017**	**Number of shares paid and delivered as at 30 June 2017**
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**	**1 202 127**
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**	**405 962**
			8 227 718	**8 227 718**	**8 227 718**

	2017		2016	
	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	**64,00**	**48 480**	57,63	198 873
Shares paid for and delivered	**64,00**	**(46 811)**	55,58	(150 393)
Resignations and other	**–**	**(1 669)**	–	–
Outstanding at the end of the year	**–**	**–**	64,00	48 480

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 2017**	Number of shares 2016
Shares offered, not issued, not paid for and not delivered (Share Trust):				
22 October 2009	Other participants	–	**–**	48 480

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 2017**	**Number of SARs exercised as at 30 June 2017**
21 October 2010	Executive directors	72,00	**70 188**	**70 188**	**70 188**
21 October 2010	Other participants	72,00	**437 110**	**437 110**	**356 577**
25 November 2011	Executive directors	66,00	**96 551**	**96 551**	**93 576**
25 November 2011	Other participants	66,00	**404 902**	**404 902**	**238 003**
2 October 2012	Executive directors	93,35	**190 794**	**190 794**	**107 120**
2 October 2012	Other participants	93,35	**484 999**	**484 999**	**200 269**
21 February 2014	Executive directors	139,00	**381 660**	**381 660**	**–**
21 February 2014	Other participants	139,00	**332 616**	**332 616**	**11 355**
27 October 2014	Executive directors	129,00	**74 241**	**74 241**	**–**
27 October 2014	Other participants	129,00	**969 340**	**969 340**	**–**
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	**1 187 640**	**1 187 640**	**–**
18 February 2016	Other participants	167,60	**233 451**	**233 451**	**–**
23 February 2016	Other participants	165,00	**16 185**	**16 185**	**–**
5 October 2016	Executive directors	165,02	**101 181**	**101 181**	**–**
5 October 2016	Other participants	165,02	**689 790**	**689 790**	**–**
1 March 2017	Other participants	143,10	**100 203**	**100 203**	**–**
			6 220 329	**6 220 329**	**1 077 088**

10. SHARE CAPITAL continued

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

	2017		2016	
	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	**137,59**	**4 546 354**	111,47	3 353 669
Offered in current financial year	**162,67**	**934 611**	169,69	1 804 758
Exercised during the year	**83,36**	**(280 819)**	78,07	(456 077)
Resignations and other	**152,17**	**(56 905)**	121,49	(155 996)
Outstanding at the end of the year	**144,95**	**5 143 241**	137,59	4 546 354

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

	Exercise price per SAR (Rand)	**Number of SARs 2017**	Number of SARs 2016
SARs offered, accepted and issued, but not exercised:			
October 2013, 2014 and 2015	72,00	**80 534**	131 065
November 2014, 2015 and 2016	66,00	**169 874**	251 964
November 2015 and 2016	93,35	**148 968**	276 367
February 2017	139,00	**226 737**	238 465
October 2017	129,00	**347 860**	348 152
November 2017	93,35	**219 436**	239 134
December 2017	130,50	**17 171**	17 173
February 2018	139,00	**238 092**	238 465
March 2018	152,00	**21 947**	21 950
July 2018	166,97	**44 508**	44 514
October 2018	129,00	**347 860**	348 152
October 2018	170,30	**461 569**	464 457
December 2018	130,50	**17 171**	17 173
February 2019	139,00	**238 092**	238 465
February 2019	165,00	**5 394**	–
February 2019	167,60	**77 798**	81 230
March 2019	152,00	**21 947**	21 950
July 2019	166,97	**44 508**	44 514
October 2019	129,00	**347 860**	348 153
October 2019	165,02	**263 549**	–
October 2019	170,30	**461 569**	464 457
December 2019	130,50	**17 177**	17 173
February 2020	165,00	**5 394**	–
February 2020	167,60	**77 798**	81 230
March 2020	143,10	**33 401**	–
March 2020	152,00	**21 956**	21 950
July 2020	166,97	**44 526**	44 514
October 2020	165,02	**263 549**	–
October 2020	170,30	**463 069**	464 457
February 2021	165,00	**5 397**	–
February 2021	167,60	**77 855**	81 230
March 2021	143,10	**33 401**	–
October 2021	165,02	**263 873**	–
March 2022	143,10	**33 401**	–
		5 143 241	4 546 354

10. SHARE CAPITAL continued

10.3 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' (note 19.4) relating to the above equity-settled share-based payments was R52,8 million (2016: R45,6 million).

11. OTHER RESERVES

	2017 R'000	2016 R'000
GROUP		
Reserves at formation of a previous holding company	**15 199**	15 199
Capital reduction	**236**	236
Transfer of share capital on cancellation of shares	**13 226**	13 226
Transfer of share premium	**15 873**	15 873
Capital redemption reserve fund	**400**	400
Reclassification of pallets to deposit value	**5 773**	5 773
Foreign currency translations	**542 673**	1 109 120
Opening balance	**1 109 120**	866 493
Currency translation differences for the year	**(566 447)**	242 627
Hedging reserve	**(9 115)**	–
Opening balance	**–**	–
Fair value adjustments of cash flow hedges	**(9 115)**	–
Redemption reserve	**(37 340)**	–
Opening balance	**–**	–
Redemption reserve for acquisition of subsidiary (note 33.2)	**(37 340)**	–
Fair value adjustments	**27 709**	30 377
Opening balance	**30 377**	47 696
Fair value adjustments of available-for-sale financial assets	**(9 420)**	(20 134)
Deferred income tax on fair value adjustments	**6 752**	2 815
BEE share-based payment option reserve	**122 080**	122 080
Opening balance	**122 080**	122 080
Employee share scheme reserve	**183 527**	167 963
Opening balance	**167 963**	121 689
Employee share options settled in cash	**(38 031)**	–
Employee share-based payment for the year	**53 595**	46 274
Actuarial gains and losses reserve	**491 257**	449 896
Opening balance	**449 896**	368 435
Remeasurements of post-employment benefits for the year	**61 226**	115 842
Associates' remeasurements of post-employment benefits for the year	**(2 342)**	(1 003)
Deferred income tax on remeasurements of post-employment benefits	**(17 523)**	(33 378)
Gains and losses on transactions with non-controlling interests	**(42 092)**	(17 884)
Opening balance	**(17 884)**	(17 884)
Gains and losses for the year	**(24 208)**	–
	1 329 406	1 912 259
COMPANY		
BEE share-based payment option reserve	**122 080**	122 080
Reserves at formation of a previous holding company	**15 199**	15 199
Capital reduction	**236**	236
	137 515	137 515

	2017 R'000	2016 R'000

12. RETAINED EARNINGS

	2017 R'000	2016 R'000
GROUP		
Company	**1 934 341**	1 844 807
Consolidated subsidiaries	**6 239 147**	5 903 320
Joint ventures	**173 365**	141 439
Associated companies	**113 257**	105 666
	8 460 110	7 995 232
Opening balance	**7 995 232**	7 236 753
Profit for the year	**1 296 978**	1 531 986
Dividends paid	**(832 100)**	(773 507)
Balance at the end of the year	**8 460 110**	7 995 232
COMPANY		
Opening balance	**1 844 807**	1 754 922
Profit for the year	**931 779**	873 232
Dividends paid	**(842 245)**	(783 347)
Balance at the end of the year	**1 934 341**	1 844 807

13. INTEREST-BEARING BORROWINGS

	2017 R'000	2016 R'000
Non-current		
Secured inventory UK pound facility, bearing interest at Bank of England base rate plus 1,35%, for a minimum period of five years from February 2017	**809 033**	843 919
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
Secured term facility rand loan, bearing interest at a variable rate of 8,373% (2016: 8,617%) per annum. Interest is payable quarterly and the loan is repayable on 15 July 2019	**1 200 000**	1 200 000
Secured term facility rand loan, bearing interest at a variable rate of 8,723% per annum. Interest is payable quarterly and the loan is repayable on 15 July 2022	**850 000**	–
Secured revolving term facility rand loan, bearing interest at a variable rate of 8,523% per annum. Interest is payable quarterly and the loan is repayable on 15 July 2020	**550 000**	–
Secured term facility rand loan, bearing interest at a variable rate of 8,523% per annum. Interest is payable quarterly and the loan is repayable on 15 July 2020	**150 000**	–
Secured term facility rand loan, bearing interest at a variable rate of 8,457% per annum. Interest is payable quarterly and the loan is repayable on 30 June 2017	**–**	900 000
Secured revolving term facility rand loan, bearing interest at a variable rate of 8,457% per annum. Interest is payable quarterly and the loan is repayable on 30 June 2017	**–**	400 000
Other secured loans	**8 147**	–
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 Rnil (2016: R6 993) for 48 months	**–**	60
	3 567 180	3 368 824
Less: Portion of loans repayable within one year, included in current liabilities	**–**	(2 168 824)
	3 567 180	1 200 000

	2017 R'000	2016 R'000

13. INTEREST-BEARING BORROWINGS continued

	2017 R'000	2016 R'000
Current		
Unsecured euro loan, bearing interest at a fixed rate of 1,002% per annum, repayable on 31 August 2017	**395 990**	425 460
Unsecured euro loan, bearing interest at a fixed rate of 1,717% per annum, repayable on 29 July 2016	**–**	202 305
Unsecured rand call accounts and bank overdrafts	**880 244**	930 000
Short-term portion of non-current borrowings	**–**	2 168 824
	1 276 234	3 726 589
Total interest-bearing borrowings	**4 843 414**	4 926 589

The interest rate repricing profile at 30 June 2017 and 30 June 2016 is summarised as follows:

	2017		2016	
Interest-bearing borrowings	**% of total**	**R'000**	% of total	R'000
Floating rate (secured loans)	**73,6**	**3 567 180**	68,4	3 368 824
Fixed rate (unsecured loans)	**8,2**	**395 990**	12,7	627 765
Floating call rate (2017: 8,2%, 2016: 7,3%)	**18,2**	**880 244**	18,9	930 000
Total interest-bearing borrowings	**100,0**	**4 843 414**	100,0	4 926 589

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	**2017** R'000	2016 R'000	**2017** R'000	2016 R'000
Bank borrowings	**3 559 926**	1 187 442	**3 567 180**	1 200 000
	3 559 926	1 187 442	**3 567 180**	1 200 000

The fair value of non-current borrowings is calculated using cash flows discounted at a rate based on the borrowings rate of 1,6% to 9,0% (2016: 2,9% to 8,6%).

Total borrowings include secured liabilities of R3 567,2 million (2016: R3 368,8 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.

13. INTEREST-BEARING BORROWINGS continued

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

	2017 R'000	2016 R'000
Unutilised banking facilities		
Total floating rate banking facilities expiring within one year	**2 333 000**	2 100 000
Less: Current interest-bearing borrowings	**(880 244)**	(930 000)
Unutilised banking facilities	**1 452 756**	1 170 000

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

14. RETIREMENT BENEFITS

	2017 R'000	2016 R'000
Statement of financial position		
Assets		
Pension benefits	**(43 884)**	(40 165)
Post-retirement medical benefits	**(337 079)**	(303 255)
	(380 963)	(343 420)
Liabilities		
Post-retirement medical obligation	**24 533**	27 509
	24 533	27 509
Net retirement benefit asset	**(356 430)**	(315 911)
Income statement charge for:		
Pension benefits	**(2 555)**	(6 144)
Post-retirement medical benefits	**26 168**	30 460
	23 613	24 316
Actuarial gains and losses		
Actuarial gains recognised in other comprehensive income (before taxation)	**61 100**	115 842
Cumulative actuarial gains recognised in other comprehensive income (before taxation)	**669 890**	608 790

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 assets.

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.

	2017 R'000	2016 R'000
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	**217 052**	228 307
Fair value of plan assets	**(316 277)**	(316 424)
Funded position	**(99 225)**	(88 117)
Asset not recognised in terms of IAS 19, paragraph 58 limit*	**55 341**	47 952
Net asset in statement of financial position	**(43 884)**	(40 165)

* *The 'IAS 19, paragraph 58 limit' ensures that the asset to be recognised in the Group's statement of financial position is subject to a maximum of the sum of any unrecognised actuarial losses, past service costs and the present value of any economic benefits available to the Group in the form of refunds or reductions in future contributions. The movement in this limit pertains to a reduction in effect of asset limit of R4,8 million and interest cost of R2,6 million.*

	2017 R'000	2016 R'000
The movement in the defined-benefit obligation over the year is as follows:		
Opening balance	**228 307**	231 407
Current service cost	**1 398**	2 607
Interest cost	**22 473**	18 989
Contributions	**181**	347
Expenses	**(608)**	(701)
Risk premiums	**(66)**	(124)
Benefits paid	**(13 409)**	(25 457)
Remeasurements		
Actuarial gain	**(21 224)**	1 239
Balance at the end of the year	**217 052**	228 307
The movement in the fair value of plan assets over the year is as follows:		
Opening balance	**316 424**	383 039
Acquisition of subsidiaries (note 33)	**8 276**	–
Exchange differences	**(267)**	–
Interest income	**31 269**	31 845
Employer contributions	**407**	781
Risk premiums	**(66)**	(124)
Expenses	**(608)**	(701)
Employer surplus utilised	**(5 748)**	(67 880)
Benefits paid	**(13 409)**	(25 457)
Remeasurements		
Return on plan assets	**(20 001)**	(5 079)
Balance at the end of the year	**316 277**	316 424

	2017 R'000	2016 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:

	2017 R'000	2016 R'000
Current service cost	**1 398**	2 607
Interest cost	**27 316**	23 094
Interest income	**(31 269)**	(31 845)
Total income	**(2 555)**	(6 144)
Actual return on plan assets	**(11 268)**	(26 766)

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 2017 which is available in the form of reductions in future contributions amounts to R35,9 million.

Principal actuarial assumptions on statement of financial position date

	2017	2016
Discount rate	**9,4%**	10,1%
Expected rate of return on plan assets	**9,4%**	10,1%
Future salary increases	**7,4%**	8,8%
Future pension increases	**6,4%**	7,8%
Inflation rate	**6,4%**	7,8%

14.2 Post-retirement medical benefits

Statement of financial position

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

	2017 R'000	2016 R'000
Present value of funded obligation	**964 173**	984 549
Fair value of plan assets	**(1 276 719)**	(1 260 295)
Net asset in statement of financial position	**(312 546)**	(275 746)

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

	2017 R'000	2016 R'000
Opening balance	**984 549**	934 266
Current service cost	**58 468**	54 498
Interest cost	**111 414**	87 712
Settlement gain	**–**	(10 992)
Benefits paid	**(21 767)**	(20 648)
Remeasurements		
Actuarial gain	**(168 491)**	(60 287)
Balance at the end of the year	**964 173**	984 549

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

	2017 R'000	2016 R'000
Opening balance	**1 260 295**	1 117 114
Interest income	**143 714**	105 312
Benefits paid	**(21 222)**	(20 113)
Remeasurements		
Return on plan assets	**(106 068)**	57 982
Balance at the end of the year	**1 276 719**	1 260 295

14. RETIREMENT BENEFITS continued

14.2 Post-retirement medical benefits continued

Income statement

	2017 R'000	2016 R'000
Amounts recognised in 'administration and other costs' and 'employee benefit expense' (note 19.4) in the income statement are as follows:		
Current service cost	**58 468**	54 498
Interest cost	**111 414**	87 712
Interest income	**(143 714)**	(105 312)
Gain on settlement	**–**	(6 438)
Total expense	**26 168**	30 460
Actual return on plan assets	**(37 646)**	(162 087)

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

	2017	2016
Discount rate	**11,8%**	11,5%
Expected rate of return on assets	**11,8%**	11,5%
Future salary increases	**7,4%**	8,8%
Annual increases in health cost	**10,9%**	11,2%
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	**31 349**	**42 362**
Effect on the defined-benefit obligation	**160 602**	**211 113**

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	**2017 R'000**	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Present value of funded obligation	**964 173**	984 549	934 266	919 250	719 798
Fair value of plan assets	**(1 276 719)**	(1 260 295)	(1 117 114)	(1 088 529)	(910 964)
Surplus in the plan	**(312 546)**	(275 746)	(182 848)	(169 279)	(191 166)
Experience adjustments on plan liabilities	**43 023**	108 082	66 144	17 632	148 515
Experience adjustments on plan assets	**(106 068)**	57 015	(58 704)	106 330	124 750

14. RETIREMENT BENEFITS continued

14.3 Retirement benefits (pension and medical)

	2017		2016	
	R'000	**%**	R'000	%
Plan assets are comprised as follows:				
Cash	**239 795**	**15,1**	312 519	19,8
Bonds	**385 164**	**24,2**	339 554	21,5
Equity instruments	**937 585**	**58,8**	890 855	56,6
Property	**20 668**	**1,3**	20 576	1,3
International equities and cash	**9 784**	**0,6**	13 215	0,8
	1 592 996	**100,0**	1 576 719	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 2018 are R1,0 million.

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

15. DEFERRED INCOME TAX

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

	2017 R'000	2016 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	**(173 897)**	(136 031)
Companies in the Group with net deferred income tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**792 824**	580 044
Deferred tax liability to be recovered within 12 months	**136 494**	143 385
	929 318	723 429
Net deferred income tax liability	**755 421**	587 398
The gross amount of deferred income tax assets and liabilities is as follows:		
Deferred income tax liabilities	**1 068 076**	872 708
Deferred income tax assets	**(312 655)**	(285 310)
	755 421	587 398
The net movement on the deferred income tax account is as follows:		
Opening balance	**587 398**	526 297
Income statement charge (note 25)		
Provision for the year	**70 731**	43 305
Exchange differences	**(22 281)**	(12 767)
Acquisition of subsidiaries (note 33)	**109 866**	–
Disposal of subsidiary (note 33)	**(1 064)**	–
Charged to other comprehensive income (note 11)	**10 771**	30 563
Balance at the end of the year	**755 421**	587 398

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
2017					
Opening balance	**130 556**	**619 206**	**20 273**	**102 673**	**872 708**
Exchange differences	**(20 632)**	**(10 185)**	**–**	**–**	**(30 817)**
Charged to the income statement	**(1 395)**	**101 632**	**(7 129)**	**(6 731)**	**86 377**
Charged to other comprehensive income	**–**	**–**	**–**	**17 523**	**17 523**
Disposal of subsidiary (note 33)	**–**	**(101)**	**(1 068)**	**–**	**(1 169)**
Acquisition of subsidiaries (note 33)	**81 922**	**39 076**	**–**	**2 456**	**123 454**
Balance at the end of the year	**190 451**	**749 628**	**12 076**	**115 921**	**1 068 076**
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

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
2017					
Opening balance	**(4 461)**	**(145 898)**	**(80 432)**	**(54 519)**	**(285 310)**
Exchange differences	**–**	**9 083**	**–**	**(547)**	**8 536**
Charged to the income statement	**(15 495)**	**(32 889)**	**28 920**	**3 818**	**(15 646)**
Charged to other comprehensive income	**–**	**–**	**–**	**(6 752)**	**(6 752)**
Disposal of subsidiary (note 33)	**–**	**54**	**18**	**33**	**105**
Acquisition of subsidiaries (note 33)	**(5 543)**	**–**	**(606)**	**(7 439)**	**(13 588)**
Balance at the end of the year	**(25 499)**	**(169 650)**	**(52 100)**	**(65 406)**	**(312 655)**
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)

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.

	2017 R'000	2016 R'000
16. TRADE AND OTHER PAYABLES		
GROUP		
Trade payables	**2 279 720**	2 107 754
Accrued expenses	**130 172**	169 172
Accrued leave pay	**101 492**	88 397
Excise duty	**1 087 242**	797 382
Value added tax	**83 399**	72 267
	3 682 025	3 234 972
COMPANY		
Accrued expenses	**9 115**	–

17. PROVISIONS

	2017 R'000	2016 R'000
Bonuses		
Opening balance	**239 718**	129 984
Charged to the income statement		
Additional provisions	**97 240**	234 540
Unused amounts – reversed	**(9 000)**	(750)
Interest cost	**372**	402
Utilised during the year	**(239 103)**	(124 458)
Balance at the end of the year	**89 227**	239 718
Excise duty		
Opening balance	**82 063**	201 671
Payments made	**(40 114)**	(131 477)
Charged to the income statement		
Reversal of provision (interest)	**(41 949)**	–
Additional provisions	**–**	11 869
Balance at the end of the year	**–**	82 063
Summary		
Performance and other bonuses	**84 440**	234 880
Long-service bonuses	**4 787**	4 838
	89 227	239 718
Excise duty	**–**	82 063
	89 227	321 781

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

Long-service bonuses
The Group pays long-service bonuses to employees after 10, 25 and 35 years of service respectively. An actuarial calculation is done to determine the Group's liability under this practice using the projected unit credit method. The calculation is based on a discount rate of 9,0% (2016: 9,6%) and an attrition rate of 10,0% (2016: 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 in dispute at the end of the previous financial year related to interest on such additional duty. During the current year the matter was settled and R41,9 million of the provision was written back.

	2017 R'000	2016 R'000
18. REVENUE		
GROUP		
Sales	**16 760 697**	16 664 825
Excise duty	**5 498 556**	4 805 295
	22 259 253	21 470 120
Sales volumes (litres '000)	**671 931**	671 844
COMPANY		
Dividends received		
Ordinary shares: South African Distilleries and Wines (SA) Limited	**705 865**	656 507
Preference shares: Distell Beverages (RF) Proprietary Limited	**232 366**	216 727
	938 231	873 234

19. OPERATING COSTS

	2017 R'000	2016 R'000
19.1 Costs classified by function		
Costs of goods sold	**14 901 125**	13 767 664
Sales and marketing costs	**2 881 709**	3 211 513
Distribution costs	**1 168 220**	1 087 991
Administration and other costs	**951 524**	973 250
	19 902 578	19 040 418
19.2 Costs classified by nature		
GROUP		
Administrative and managerial fees	**19 303**	18 772
Advertising costs and promotions	**1 596 228**	1 866 180
Amortisation of intangible assets (note 6)	**45 867**	28 116
Auditors' remuneration (note 19.3)	**11 516**	13 538
Depreciation of PPE (note 2)	**393 555**	343 581
Employee benefit expense (note 19.4)	**2 422 392**	2 462 152
Impairment of trade and other receivables	**46 727**	11 314
Maintenance and repairs	**229 594**	219 911
Net foreign exchange losses	**65 573**	(125 293)
Operating lease expenses (notes 19.5 and 30)	**294 849**	294 882
Raw materials and consumables used	**12 996 816**	12 179 071
Research and development expenditure: trademarks and brands	**40 335**	49 250
Transportation costs	**405 139**	409 968
Other expenses	**1 334 684**	1 268 976
	19 902 578	19 040 418
19.3 Auditors' remuneration		
Audit fees	**10 109**	9 702
Audit fees in respect of previous year	**103**	336
Fees for other services		
Taxation	**306**	367
Other	**864**	3 003
Expenses	**134**	130
	11 516	13 538

	2017 R'000	2016 R'000

19. OPERATING COSTS continued

19.4 Employee benefit expense

	2017 R'000	2016 R'000
Salaries and wages	**2 134 523**	2 195 188
Share and share appreciation right scheme shares granted to directors and employees	**52 765**	45 573
Pension costs – defined-contribution plans	**123 492**	115 113
Medical aid contributions	**94 795**	88 746
Costs capitalised	**(6 796)**	(6 784)
Pension benefits (note 14.1)	**(2 555)**	(6 144)
Post-retirement medical benefits (note 14.2)	**26 168**	30 460
	2 422 392	2 462 152

19.5 Operating lease expenses

	2017 R'000	2016 R'000
Properties	**171 640**	183 733
Vehicles	**53 116**	54 589
Equipment	**44 146**	32 468
Machinery	**25 947**	24 092
	294 849	294 882

20. OTHER GAINS AND LOSSES

	2017 R'000	2016 R'000
Loss on disposal of previously held interest (note 33)	**(4 299)**	–
Loss on disposal of investments and subsidiaries	**(4 029)**	–
Impairment of trademark, assets and investments	**(306 971)**	(80 155)
Profit on disposal of PPE	**25 382**	2 074
	(289 917)	(78 081)
Taxation	**(7 107)**	(581)
	(297 024)	(78 662)

21. DIVIDEND INCOME

	2017 R'000	2016 R'000
Dividend income derived from unlisted investments	**7 163**	7 501
	7 163	7 501

22. FINANCE INCOME

	2017 R'000	2016 R'000
Interest received		
Bank	**22 092**	15 158
Reversal of provision for interest on excise duty (note 17)	**41 949**	–
Other	**5 249**	1 643
Gains on financial instruments		
Interest rate swaps: cash flow hedges	**–**	4 201
	69 290	21 002

23. FINANCE COSTS

	2017 R'000	2016 R'000
Interest paid		
Bank borrowings	**(286 849)**	(269 657)
Other	**(377)**	(12 133)
Losses on financial instruments		
Interest rate swaps: cash flow hedges	**(2 070)**	–
	(289 296)	(281 790)

24. SHARE OF EQUITY-ACCOUNTED EARNINGS

	2017 R'000	2016 R'000
Share of profit of associates		
Share of profit before taxation	**25 341**	73 305
Share of taxation	**(7 166)**	(20 339)
Share of profit for the year	**18 175**	52 966
Share of profit of joint ventures		
Share of profit before taxation	**57 436**	6 486
Share of taxation	**(16 237)**	(1 410)
Share of profit for the year	**41 199**	5 076
	59 374	58 042

	2017 R'000	2016 R'000

25. TAXATION

25.1 Normal company taxation

	2017 R'000	2016 R'000
GROUP		
Current taxation		
current year	**536 538**	589 427
previous year	**9 217**	(8 247)
Deferred taxation	**70 731**	43 305
	616 486	624 485
Composition		
Normal South African taxation	**537 610**	537 865
Foreign taxation	**78 876**	86 620
	616 486	624 485

The income tax charged to other comprehensive income during the year is as follows:

	2017 R'000	2016 R'000
Deferred taxation		
fair value adjustments of available-for-sale financial assets	**(6 752)**	(2 815)
remeasurements of post-employment benefits	**17 523**	33 378
	10 771	30 563

25.2 Reconciliation of rate of taxation (%)

	2017	2016
Standard rate for companies	**28,0**	28,0
Differences arising from normal activities:		
non-taxable income	**(0,8)**	(0,1)
non-deductible expenses	**6,0**	2,4
adjustments in respect of prior years	**(0,2)**	(0,4)
foreign tax rate differential, withholding taxes and income from associates	**(0,8)**	(0,9)
Effective rate	**32,2**	29,0

The standard rate of tax for companies in South Africa is 28,0% (2016: 28,0%).

25.3 Taxation losses

	2017 R'000	2016 R'000
Calculated taxation losses and capital improvements available for offset against future taxable income	**522 526**	389 684
Applied to reduce deferred income tax	**(521 492)**	(388 607)
	1 034	1 077

The taxation losses have no expiry dates.

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.

	2017 R'000	2016 R'000
Weighted average number of ordinary shares in issue ('000)	**219 298**	219 038
Earnings reconciliation		
Profit attributable to equity holders	**1 296 978**	1 531 986
Adjusted for:		
impairment of intangible assets	**202 071**	80 155
impairment of PPE	**66 090**	–
impairment of investment in available-for-sale financial asset	**38 810**	–
loss on previously held equity interest and on sale of investments	**8 328**	–
less: taxation	**(903)**	–
profit on disposal of PPE (note 20)	**(25 382)**	(2 074)
plus: taxation	**7 107**	581
profit on disposal of PPE included in share of equity-accounted earnings	**(39 797)**	–
Headline earnings	**1 553 302**	1 610 648
Basic earnings per share (cents)	**591,4**	699,4
Headline earnings per share (cents)	**708,3**	735,3
Cash equivalent earnings		
Profit attributable to equity holders	**1 296 978**	1 531 986
Adjusted for:		
deferred income tax (note 25.1)	**70 731**	43 305
non-cash flow items (note 28.1)	**910 419**	857 954
Total cash equivalent earnings	**2 278 128**	2 433 245
Cash equivalent earnings per share (cents)	**1 038,8**	1 110,9

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

26.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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

	2017 R'000	2016 R'000

26. EARNINGS PER ORDINARY SHARE continued

26.2 Diluted earnings per share continued

	2017 R'000	2016 R'000
Weighted average number of ordinary shares in issue ('000)	**219 298**	219 038
Adjusted for:		
Share and SAR scheme and bonus shares	**307**	725
Weighted average number of ordinary shares for diluted earnings ('000)	**219 605**	219 763
Diluted earnings per share (cents)	**590,6**	697,1
Diluted headline earnings per share (cents)	**707,3**	732,9
Diluted cash equivalent earnings per share (cents)	**1 037,4**	1 107,2

27. DIVIDENDS

	2017 R'000	2016 R'000
Paid: 165,0 cents (2016: 165,0 cents)	**362 553**	361 954
Declared: 214,0 cents (2016: 214,0 cents)	**470 223**	469 444
Total: 379,0 cents (2016: 379,0 cents)	**832 776**	831 398

A final dividend of 214,0 cents per share was declared for the financial year ended 30 June 2017. The dividend will be paid on Tuesday, 26 September 2017. The last date to trade cum dividend will be Tuesday, 19 September 2017.

The shares of Distell will commence trading ex dividend from the commencement of business on Wednesday, 20 September 2017, and the record date will be Friday, 22 September 2017.

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

	2017 R'000	2016 R'000
Depreciation	**393 555**	343 581
Intangible assets amortisation	**45 867**	28 116
Profit on disposal of property, plant and equipment	**(25 382)**	(2 074)
Loss on disposal of previously held interest in subsidiary	**4 299**	–
Provision for impairment of receivables	**53 116**	10 449
Provision for retirement benefits	**26 641**	85 670
Provision for leave and bonuses	**88 612**	244 590
Provision for excise duty	**–**	11 869
Share Appreciation Rights and Scheme Shares granted to directors and employees	**52 765**	45 573
Impairment of intangible assets	**202 071**	80 155
Impairment of assets	**66 090**	–
Impairment of investments	**38 810**	–
Other	**(36 025)**	10 025
	910 419	857 954

28.2 Working capital changes

	2017 R'000	2016 R'000
GROUP		
Increase in inventories	**(136 752)**	(204 555)
Increase in trade and other receivables	**(368 435)**	(491 093)
Increase in trade and other payables	**189 683**	(33 488)
	(315 504)	(729 136)
COMPANY		
Increase in trade and other payables	**9 115**	–

	2017 R'000	2016 R'000

28. CASH FLOW INFORMATION continued

28.3 Taxation paid

	2017 R'000	2016 R'000
Prepaid at the beginning of the year	**1 570**	(36 334)
Acquisition of subsidiary (note 33)	**(610)**	–
Current provision for taxation	**(545 755)**	(581 180)
Exchange differences	**(1 789)**	1 880
Unpaid at the end of the year	**46 243**	(1 570)
	(500 341)	(617 204)

28.4 Dividends paid

	2017 R'000	2016 R'000
GROUP		
Dividends declared	**(842 245)**	(783 347)
Dividends paid to The Distell Group Share Trust	**94**	479
Dividends paid to Distell Beverages (RF) Proprietary Limited	**10 051**	9 361
Unpaid at the end of the year	**–**	–
	(832 100)	(773 507)
COMPANY		
Dividends declared	**(842 245)**	(783 347)
Unpaid at the end of the year	**–**	–
	(842 245)	(783 347)

28.5 Purchases of property, plant and equipment (PPE) to maintain operations

	2017 R'000	2016 R'000
Properties	**(54 192)**	(69 350)
Machinery, tanks and barrels	**(205 745)**	(309 285)
Equipment and vehicles	**(24 506)**	(30 806)
Assets under construction	**(43 341)**	(16 245)
	(327 784)	(425 686)

28.6 Purchases of PPE to expand operations

	2017 R'000	2016 R'000
Properties	**(54 092)**	(40 588)
Biological assets	**(12 266)**	(1 786)
Machinery, tanks and barrels	**(240 263)**	(433 811)
Equipment and vehicles	**(45 193)**	(75 137)
Assets under construction	**(125 961)**	(61 545)
	(477 775)	(612 867)

28.7 Increase in net cash, cash equivalents and bank overdrafts

	2017 R'000	2016 R'000
Balance at the beginning of the year	**(102 402)**	(230 868)
Exchange losses on cash, cash equivalents and bank overdrafts	**33 493**	(32 075)
Balance at the end of the year	**302 876**	102 402
Cash at bank and on hand	**1 183 120**	1 032 402
Call accounts and bank overdrafts	**(880 244)**	(930 000)
	233 967	(160 541)

29. SEGMENT REPORTING

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

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

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

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

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 of Asia Pacific, Taiwan, North America, Latin America and Travel Retail.

29. SEGMENT REPORTING 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 International R'000	Corporate R'000	Total R'000
2017							
Revenue	**16 493 452**	**1 830 798**	**1 028 748**	**1 335 493**	**1 515 808**	**54 954**	**22 259 253**
Costs of goods sold	**(11 120 549)**	**(1 205 374)**	**(672 319)**	**(903 969)**	**(702 108)**	**(296 806)**	**(14 901 125)**
Material costs and overheads	**(11 120 549)**	**(1 205 374)**	**(672 319)**	**(903 969)**	**(702 108)**	**(231 233)**	**(14 835 552)**
Currency conversion gains and losses	**–**	**–**	**–**	**–**	**–**	**(65 573)**	**(65 573)**
Gross profit	**5 372 903**	**625 424**	**356 429**	**431 524**	**813 700**	**(241 852)**	**7 358 128**
Operating costs	**(2 340 865)**	**(225 262)**	**(201 783)**	**(313 961)**	**(581 806)**	**(1 337 776)**	**(5 001 453)**
Operating profit before allocations	**3 032 038**	**400 162**	**154 646**	**117 563**	**231 894**	**(1 579 628)**	**2 356 675**
Equity-accounted earnings and dividend income	**–**	**–**	**26 498**	**–**	**(5 345)**	**45 384**	**66 537**
EBIT before allocations	**3 032 038**	**400 162**	**181 144**	**117 563**	**226 549**	**(1 534 244)**	**2 423 212**
Allocations	**(167 519)**	**(58 595)**	**(19 828)**	**(14 485)**	**(10 846)**	**271 273**	**–**
EBIT after allocations	**2 864 519**	**341 567**	**161 316**	**103 078**	**215 703**	**(1 262 971)**	**2 423 212**
Other gains and losses	**–**	**–**	**–**	**–**	**–**	**(289 917)**	**(289 917)**
Equity-accounted earnings and dividend income	**–**	**–**	**(26 498)**	**–**	**5 345**	**(45 384)**	**(66 537)**
Operating profit	**2 864 519**	**341 567**	**134 818**	**103 078**	**221 048**	**(1 598 272)**	**2 066 758**
EBIT before allocations attributable to:							
Equity holders of the company	**3 033 502**	**398 698**	**186 361**	**117 563**	**234 085**	**(1 546 822)**	**2 423 387**
Non-controlling interest	**(1 464)**	**1 464**	**(5 217)**	**–**	**(7 536)**	**12 578**	**(175)**
	3 032 038	**400 162**	**181 144**	**117 563**	**226 549**	**(1 534 244)**	**2 423 212**
Non-current assets	**5 340 001**	**95 941**	**564 908**	**2 458 945**	**32 320**	**–**	**8 492 115**
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)
Material costs and overheads	(10 158 302)	(1 139 763)	(696 045)	(1 012 262)	(716 552)	(170 033)	(13 892 957)
Currency conversion gains and losses	–	–	–	–	–	125 293	125 293
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)	(1 286 233)	(5 272 754)
Operating profit before allocations	2 813 409	398 216	147 820	151 970	248 299	(1 330 012)	2 429 702
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	(1 314 653)	2 495 245
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	(1 013 474)	2 495 245
Other gains and losses	–	–	–	–	–	(78 081)	(78 081)
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	(1 325 269)	2 495 340
Non-controlling interest	–	–	(10 711)	–	–	10 616	(95)
	2 813 409	398 216	204 682	151 970	241 621	(1 314 653)	2 495 245
Non-current assets	5 111 533	70 100	345 912	2 782 583	2 041	–	8 312 169

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

Segment information, including the comparative figures, have been restated to align with the current year segmentation as reported by management.

	2017 R'000	2016 R'000

30. COMMITMENTS

Capital commitments

	2017 R'000	2016 R'000
Capital expenditure contracted, not yet incurred	**657 552**	893 322
Capital expenditure authorised by the directors, not yet contracted	**2 416 566**	1 163 271
	3 074 118	2 056 593

Composition of capital commitments

	2017 R'000	2016 R'000
Subsidiaries	**3 074 118**	2 056 593
	3 074 118	2 056 593

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:

	2017 R'000	2016 R'000
Not later than one year	**100 577**	67 821
Later than one year and not later than five years	**159 434**	90 347
Later than five years	**31 153**	30 995
	291 164	189 163

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:

	Assets at amortised cost 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
2017						
Available-for-sale financial assets (note 4)	**–**	**–**	**29 671**	**–**	**–**	**29 671**
Loans and receivables (note 4)	**133 595**	**–**	**–**	**–**	**–**	**133 595**
Cash and cash equivalents	**1 183 120**	**–**	**–**	**–**	**–**	**1 183 120**
Trade and other receivables	**2 821 078**	**–**	**–**	**–**	**–**	**2 821 078**
Derivative financial instruments (note 9)	**–**	**9 613**	**–**	**(6 593)**	**–**	**3 020**
Interest-bearing borrowings (note 13)	**–**	**–**	**–**	**–**	**(4 843 414)**	**(4 843 414)**
Trade and other payables	**–**	**–**	**–**	**–**	**(2 403 299)**	**(2 403 299)**
	4 137 793	**9 613**	**29 671**	**(6 593)**	**(7 246 713)**	**(3 076 229)**
2016						
Available-for-sale financial assets (note 4)	–	–	79 708	–	–	79 708
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)

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 committees review the internal control environment and risk management systems within the Group and it reports its activities to the board. The board members receive reports on treasury activities, including confirmation of compliance with treasury risk management policies.

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

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

32.1(a) Market risk

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

(i) Foreign currency risk management

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

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

The Group is primarily exposed to the currency of the US dollar and euro. If the rand had weakened / strengthened by 10% against the USD on 30 June 2017, with all other variables remaining constant, the post-tax profit for the year would have been R17,8 million (2016: R24,7 million) lower/higher, mainly as a result of translating outstanding foreign currency denominated monetary items.

Similiarly, had the rand at 30 June 2017 weakened / strengthened by 10% against the euro, with all other variables remaining constant, the post-tax profit for the year would have been R29,4 million (2016: R29,5 million) lower/higher.

32. FINANCIAL RISK MANAGEMENT continued

32.1 Financial risk factors continued

32.1(a) Market risk continued

(ii) Price risk management

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

(iii) Interest rate risk management

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

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

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

As at 30 June 2017, 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 R26,9 million (2016: R30,9 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 a robust application process 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 with financial institutions with the following Moody's short-term credit rating:

	2017 R'000	2016 R'000
P-1	**1 181 639**	1 030 728
P-2	**246**	280
Cash	**1 235**	1 394
	1 183 120	1 032 402

32. FINANCIAL RISK MANAGEMENT continued

32.1 Financial risk factors continued

32.1(b) Credit risk management continued

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

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

The Group is also exposed to credit-related losses in the event of non-performance by counterparties to financial guarantee contracts relating to vineyard development loans to certain farmers of R29,4 million (2016: R30,4 million) and staff housing loans of R2,5 million (2016: 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 2017 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**	**2017 Total R'000**	2016 Total R'000
Financial liabilities						
Forward exchange contracts held for trading						
– Outflow	**899 940**	–	–	–	**899 940**	397 044
– Inflow	**899 162**	–	–	–	**899 162**	380 766
Trade and other payables	**2 399 501**	–	–	–	**2 399 501**	2 259 510
Financial guarantees	**31 909**	–	–	–	**31 909**	30 343
Interest-bearing borrowings	**1 531 791**	**255 557**	**3 897 437**	–	**5 684 785**	5 359 622

32. FINANCIAL RISK MANAGEMENT continued

32.2 Fair value estimation

The table below analyses assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

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

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

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

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

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

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2017				
Available-for-sale financial assets	**15 558**	**14 073**	**40**	**29 671**
Derivative financial assets	**–**	**9 613**	**–**	**9 613**
Derivative financial liabilities	**–**	**(15 708)**	**–**	**(15 708)**
	15 558	**7 978**	**40**	**23 576**
2016				
Available-for-sale financial assets	15 532	18 036	46 140	79 708
Derivative financial assets	–	10 883	–	10 883
Derivative financial liabilities	–	(17 668)	–	(17 668)
	15 532	11 251	46 140	72 923

There were no transfers between level 1 and level 2 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:

	2017 R'000	2016 R'000 Restated
Opening balance	**46 140**	67 466
Impairments	**(46 100)**	(28 080)
Gains and losses recognised in the statements of comprehensive income	**–**	6 754
Balance at the end of the year	**40**	46 140

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 2017 the Group's strategy, which was unchanged from 2016, 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 2017 was as follows:

	2017 R'000	2016 R'000
Total borrowings (note 13)	**4 843 414**	4 926 589
Less: Cash and cash equivalents	**(1 183 120)**	(1 032 402)
Net debt	**3 660 294**	3 894 187
Total equity	**10 843 250**	10 672 259
Total capital	**14 503 544**	14 566 446
Gearing ratio	**25,2%**	26,7%

33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

33.1 Acquisition of KWA Holdings E.A. Limited (KHEAL)

Acquisition of additional interest in subsidiary: KWA Holdings E.A. Limited

On 3 April 2017 the Group acquired an additional 26,43% of the issued share capital of KWA Holdings E.A. Limited (KHEAL) for a purchase consideration of 1,09 billion Kenyan Shillings. The carrying amount of the 26% non-controlling interest in KHEAL on the date of acquisition was R115,4 million. The Group recorded a loss on the previously held equity interest of R4,3 million. The loss is included in 'other gains and losses' in the consolidated income statement for the year ended 30 June 2017.

The acquisition provides the Group access to the highly attractive and growing East African market. It will allow the Group to offer its customers an even broader range of products. KHEAL's presence in Kenya provides Distell with enhanced sales capability and route-to-market opportunities. As a result of the acquisition the Group is also expected to consolidate its existing presence in this market as well as reduce cost through economies of scale. The goodwill of R50,5 million arising from the acquisition is attributable to the acquired customer base and economies of scale expected from combining the operations of the Group and KHEAL. None of the goodwill recognised is expected to be deductible for income tax purposes. In the current period an expense of R0,6 million relating to the finalisation of this transaction has been charged to 'administration and other costs' in the consolidated income statement of the year ended 30 June 2017.

The effect of changes in the ownership interest of KHEAL on the equity attributable to owners of the company during the year is summarised as follows:

	2017 R'000	2016 R'000
Consideration		
Cash	**136 568**	–
Total consideration transferred	**136 568**	–
Fair value of equity interest in KHEAL held before the business combination	**111 076**	–
Carrying value of equity interest	**115 375**	–
Loss on previously held equity interest	**(4 299)**	–
Total consideration	**247 644**	–
Recognised amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment	**199 064**	–
Trademarks, trade names and customer relationships (included in intangibles)	**172 129**	–
Retirement benefit assets	**8 276**	–
Inventories	**103 436**	–
Trade and other receivables	**38 940**	–
Cash and cash equivalents	**40 329**	–
Interest-bearing borrowings	**(8 418)**	–
Deferred income tax liabilities	**(79 583)**	–
Trade and other payables	**(68 916)**	–
Current income tax liabilities	**(610)**	–
Total identifiable net assets	**404 647**	–
Non-controlling interest	**(207 509)**	–
Goodwill	**50 506**	–
Total	**247 644**	–

The revenue of KHEAL included in the consolidated income statement since 3 April 2017 was R121,8 million and the company contributed profit of R1,0 million over the same period.

33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES continued

33.2 Acquisition of Imported Premium Vodka Company Limited (IPVC)

Acquisition of interest in subsidiary: Imported Premium Vodka Company Limited

In March 2017 the Group acquired a 75% interest in the issued share capital of Imported Premuim Vodka Company (IPVC), the owner of the premium Cruz Vodka brand, for a purchase consideration of R91,2 million.

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

	2017 R'000	2016 R'000
Consideration		
Cash	**81 857**	–
Contingent consideration	**9 300**	–
Total consideration transferred	**91 157**	–
Recognised amounts of identifiable assets acquired and liabilities assumed		
Trademarks, trade names and customer relationships (included in intangibles)	**108 153**	–
Trade and other receivables	**13 390**	–
Deferred income tax liabilities	**(30 283)**	–
Total identifiable net assets	**91 260**	–
Non-controlling interest	**(22 815)**	–
Goodwill	**22 712**	–
Total	**91 157**	–

Acquisition-related cost of R0,5 million have been charged to 'administration and other costs' in the consolidated income statement for the year ended 30 June 2017.

The contingent consideration is payable in cash to the founders of IPVC, within a 3 year period of the closing of the transaction, subject to the Cruz Vodka brand achieving specified sales volume targets during the following three financial years to 30 June 2020. The contingent consideration provided at 30 June 2017 is R9,3 million. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between Rnil and R16,1 million.

The Group has also entered into forward contracts to acquire the remaining 25% issued shares of the company at fair value in terms of a set formula and certain performance conditions being met any time after 30 June 2018. The Group recognised a redemption liability of R37,3 million relating to the forward contracts and this amount is included in Trade payables in the statement of financial position on 30 June 2017, with a corresponding debit recognised in reserves (note 11), as the forward contracts do not results in a transfer of risks and rewards of ownership of the 25% during the option period.

Distell has the exclusive right to distribute the Cruz Vodka brand in South Africa and BLNS countries.

33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES continued

33.3 Disposal of Lomond Wine Estates Proprietary Limited

Disposal of interest in subsidiary

In September 2016 the Group sold its 84% interest in the issued share capital of Lomond Wine Estates Proprietary Limited to the minority shareholders for a purchase consideration of R31,4 million.

The consideration received for Lomond, the total net assets and goodwill, is summarised as follows:

	2017 R'000	2016 R'000
Consideration		
Cash	**20 587**	–
Deferred payment	**10 812**	–
Total consideration received	**31 399**	–
The book value of identifiable assets and liabilities disposed were as follows:		
Goodwill	**5 511**	–
Property, plant and equipment	**44 012**	–
Current assets	**6 706**	–
Cash	**46**	–
Current liabilities	**(12 603)**	–
Deferred income tax liabilities	**(1 064)**	–
Total book value of net assets	**42 608**	–
Non-controlling interest and other reserves	**(7 914)**	–
Loss on sale of interest in subsidiary	**(3 295)**	–
Total	**31 399**	–

34. DIRECTORS' EMOLUMENTS

	2017			2016		
	Executive R'000	**Non-executive R'000**	**Total R'000**	Executive R'000	Non-executive R'000	Total R'000
Salaries and fees	**9 612**	**7 398**	**17 010**	8 639	5 294	13 933
Payments on retirement	**–**	**–**	**–**	706	–	706
Incentive bonuses	**4 594**	**–**	**4 594**	1 780	–	1 780
Retirement fund contributions	**988**	**–**	**988**	1 793	–	1 793
Medical aid contributions	**79**	**–**	**79**	83	–	83
Vehicle and other benefits[17]	**731**	**300**	**1 031**	811	254	1 065
Paid by subsidiaries	**16 004**	**7 698**	**23 702**	13 812	5 548	19 360

34. DIRECTORS' EMOLUMENTS continued

	Salaries R'000	Incentive bonuses R'000	Retirement fund contri-butions R'000	Medical aid contri-butions R'000	Vehicle benefits R'000	2017 Total R'000	2016 Total R'000
Executive							
RM Rushton	**6 354**	**3 392**	**579**	**39**	**418**	**10 782**	7 805
MJ Botha[1]	–	–	–	–	–	–	2 917
LC Verwey[2]	**3 258**	**1 202**	**409**	**40**	**313**	**5 222**	3 090
Subtotal	**9 612**	**4 594**	**988**	**79**	**731**	**16 004**	13 812

	Fees R'000	Incentive bonuses R'000	Retirement fund contri-butions R'000	Medical aid contri-butions R'000	Other benefits R'000	2017 Total R'000	2016 Total R'000
Non-executive							
PE Beyers[3]	**376**	–	–	–	**20**	**396**	337
JG Carinus[4]	–	–	–	–	–	–	81
GP Dingaan[5]	**806**	–	–	–	**5**	**811**	580
JJ Durand[6]	**526**	–	–	–	**23**	**549**	430
DP Du Plessis[7]	**780**	–	–	–	**28**	**808**	164
KA Hedderwick[8]	**137**	–	–	–	–	**137**	–
E de la H Hertzog[9]	–	–	–	–	–	–	182
PR Louw[10]	**377**	–	–	–	**24**	**401**	–
MJ Madungandaba	**273**	–	–	–	**25**	**298**	256
EG Matenge-Sebesho[11]	**480**	–	–	–	**28**	**508**	128
LM Mojela[12]	**376**	–	–	–	**13**	**389**	340
DM Nurek[13]	**888**	–	–	–	**22**	**910**	1 327
CA Otto[14]	**428**	–	–	–	**30**	**458**	352
AC Parker[15]	**887**	–	–	–	**28**	**915**	507
CE Sevillano-Barredo[16]	**791**	–	–	–	**32**	**823**	591
BJ van der Ross	**273**	–	–	–	**22**	**295**	273
Subtotal	**7 398**	–	–	–	**300**	**7 698**	5 548
Total	**17 010**	**4 594**	**988**	**79**	**1 031**	**23 702**	19 360

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 subcommittee.*
4. *Mr JG Carinus resigned on 28 October 2015.*
5. *Ms GP Dingaan is chairperson of the social and ethics committee and a member of the audit, risk and compliance and investment committees*
6. *Mr JJ Durand is chairperson of the board and of the investment subcommittee and a member of the remuneration and the nomination committees.*
7. *Dr DP Du Plessis is chairperson of the risk and compliance committee and a member of the audit and social and ethics committees.*
8. *Mr KA Hedderwick resigned on 14 February 2017.*
9. *Dr E de la H Hertzog resigned on 17 February 2016.*
10. *Mr PR Louw is a member of the audit, risk and compliance, remuneration and investment committees.*
11. *Ms EG Matenge-Sebesho is a member of the risk and compliance committee.*
12. *Ms LM Mojela is a member of the remuneration and nomination committees.*
13. *Mr DM Nurek resigned on 24 November 2016.*
14. *Mr CA Otto is a member of the investment subcommittee.*
15. *Mr AC Parker is the lead independent director and chairperson of the remuneration and nomination committees and member of the investment subcommittee.*
16. *Ms CE Sevillano-Barredo is chairperson of the audit committee and member of the investment and risk and compliance committees.*
17. *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 2017 and on 30 June 2016, 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

Ordinary shares	Direct Beneficial	Direct Non-beneficial	Indirect Beneficial	Indirect Non-beneficial	2017 Total	2016 Total
DM Nurek	–	–	–	–	–	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 2017 and 30 June 2016 no additional shares were offered to directors and no shares are available for delivery in the share scheme.

Distell Share Appreciation Right Scheme

In the current financial year 101 181 (2016: 198 567) share appreciation rights (SARs) were offered to directors.

Current status

Share appreciation rights **Participant**	SARs accepted prior to 30 June 2016	SARs accepted in the year to 30 June 2017	Offer price (Rand)	Number of SARs exercised prior to 30 June 2016	Number of SARs exercised in the year to 30 June 2017	Share price on exercise date (Rand)	Increase in value* R'000	Balance of SARs accepted as at 30 June 2017
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**
RM Rushton	–	**45 867**	**165,02**	–	–	–	–	**45 867**
LC Verwey	**48 450**	–	**152,00**	–	–	–	–	**48 450**
LC Verwey	**56 451**	–	**170,30**	–	–	–	–	**56 451**
LC Verwey	–	**55 314**	**165,02**	–	–	–	–	**55 314**
Total	**618 792**	**101 181**		–	–		–	**719 973**

* *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 (2016: Nil) shares were offered to the managing director.

Current status

Ordinary shares **Participant**	Shares accepted prior to 30 June 2016	Shares accepted in the year to 30 June 2017	Offer price (Rand)	Number of shares paid and delivered prior to 30 June 2016	Number of shares forfeited in exchange for cash payment in the year to 30 June 2017	Share price on date of payment and delivery (Rand)	Bonus value* R'000	Balance of shares accepted as at 30 June 2017
Executive								
RM Rushton	**230 000**	–	–	–	**230 000**	–	**38 031**	–

* *Refers to the total cash bonus paid to the indicated participant during the current financial year. The remuneration committee exercised its right to award a cash payment in stead of shares to the participant. The shares/bonus offered was a once-off award in lieu of benefits forfeited upon termination of his employment at his previous employer.*

37. RELATED-PARTY TRANSACTIONS

Distell Group Limited is controlled by Remgro-Capevin Investments Proprietary Limited which owns 52,8% of the company's shares. The Public Investment Corporation (SOC) Limited (PIC) owns 27,7% 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:

	2017 R'000	2016 R'000
Purchases of goods and services		
Holding company		
Remgro Management Services Limited (management services)	**14 003**	13 102
Remgro Management Services Limited (interest on loans)	**16 200**	16 889
Joint ventures		
LUSAN Holdings Proprietary Limited (goods and services)	**107 512**	99 982
Tonnellerie Radoux (SA) Proprietary Limited (goods and services)	**3 036**	5 305
Solamoyo Processing Company Proprietary Limited (goods and services)	**1 355**	1 068
Sale of goods and services		
Joint ventures		
Tonnellerie Radoux (SA) Proprietary Limited (administration fees)	**257**	240
LUSAN Holdings Proprietary Limited (administration fees)	**245**	245
LUSAN Holdings Proprietary Limited (marketing support)	**5 646**	7 817
Year-end balances arising from purchases of goods and services		
Current account		
Holding company		
Remgro Management Services Limited (including VAT)	**1 330**	1 245
Joint ventures		
Tonnellerie Radoux (SA) Proprietary Limited (current account)	**(733)**	(9 050)
Solamoyo Processing Company Proprietary Limited (current account)	**3 864**	4 345
Loan account		
Other related parties	**4 509**	7 271
Joint ventures		
LUSAN Holdings Proprietary Limited (loan account)	**104 754**	154 754
Les Domaines de Mauricia Limitee (loan account)	**–**	417
Associates		
Papkuilsfontein Vineyards Proprietary Limited (loan account)	**14 546**	14 546
Loans to related parties (note 4)	**123 809**	176 988

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.

	2017 R'000	2016 R'000
Key management compensation		
The Executive Committee of Distell Limited, the main operating company in the Group	**55 031**	38 365

Also refer to notes 34, 35, 40 and 41.

COMPANY

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

38. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

The directors are not aware of any matter or circumstance, other than the two matters referred to below, arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

38.1 Acquisition of 26% interest in Best Global Brands Limited (BGB)

Introduction

In July 2017 the Group acquired 26% of the ordinary shares of BGB for USD54,6 million. The payment of the upfront purchase consideration is subject to a clawback or top-up once closing accounts have been finalised and the net debt and working capital of BGB at closing have been confirmed. A further deferred purchase consideration payment of USD15,2 million is due should BGB's Angolan operations obtain an import duty waiver on the importation of raw materials into Angola within a period of 12 months from closing.

The Group has also entered into an agreement to acquire the remaining 74% of the ordinary shares of BGB, which will become effective no earlier than the end of 2019 once certain operating hurdles are achieved and conditions precedent to closing are fulfilled or waived. The purchase consideration will be determined based on a 9,3x multiple of BGB's last 12 month after tax operating performance. The operating hurdles will be measured every six months from 30 June 2019 to 30 June 2022 against agreed upon criteria in relation to inter alia i) volumes delivered by the Angola operations ii) externalisation of cash remittances from the Angola operations to other group companies and iii) minimum group profitability margins being achieved. The hurdles have been put in place for the benefit of both Distell and the sellers to ensure that the business is operating on a normalised and sustainable basis when the additional 74% is acquired.

Overview of BGB

BGB is the holding company of a group of companies which own, manufacture and distribute the fast growing mainstream 'Best' spirit brand in countries throughout Africa. The Best brand achieved volumes in excess of 30 million litres for the twelve months ending 30 June 2017 with Best whisky and Best cream comprising the largest proportion of those volumes. Best is the market leader in the mainstream spirits category in Angola and has a strong and growing presence in Nigeria, Kenya and Zambia.

BGB is a newly established group following a restructuring of the business. BGB's pro forma profit after tax for the period ended 31 March 2016 is estimated at USD33,0 million. This estimation was derived by applying the relevant income tax rates across the territories BGB operates in to the pro forma operating profit of BGB for the period ended 31 March 2016, which was verified in accordance with IFRS during due diligence. BGB's net asset value at closing is expected to be USD7 million, it being noted that tangible and intangible assets were not fair valued when BGB was constituted.

Strategic rationale

The acquisition of the strategic interest in BGB will enable Distell to advance its strategy of becoming the leading spirits, wine and RTD company across Africa.

- Best is a well-established pan-African brand founded in 1998 and is the leading mainstream spirits brand in both whisky and cream in Angola and is the leading mainstream cream spirits brand in Nigeria. The brand is experiencing strong growth in various other African countries most notably Kenya and Zambia.
- Best's market leading positions in Angola and Nigeria are underpinned by strong and established route-to-market capabilities in these countries.
- BGB operates modern state of the art production facilities in Angola and Nigeria which provide a competitive advantage in both cost of production and speed to market.
- BGB is a profitable and cash generative group and the acquisition will step-change Distell's African division by providing scale and efficiency in the spirits category.

BGB and Distell expect the transaction to generate significant synergies in the short to medium term especially in procurement, route-to-market and production, which will unlock further value for both parties.

Distell will fund the initial acquisition consideration from internal cash resources. The acquisition is expected to be accretive to Distell's headline earnings per share from the first year.

38. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE continued

38.2 Restructuring of the shareholding structure of Distell Group Limited (Distell)

Distell currently has a multi-tiered ownership structure, in which Remgro Limited and Capevin Holdings Limited (Capevin) own a material interest via Remgro-Capevin Investments Proprietary Limited (RCI). Remgro and Capevin each hold 50% in RCI, and RCI has a 52,8% direct interest in Distell.

Remgro currently has an effective economic interest of 31,4% in Distell, via its 50% shareholding in RCI and its 19,0% shareholding in Capevin. Capevin's 50% interest in RCI is Capevin's only asset.

The board of directors has resolved, subject to a number of conditions, to simplify the multi-tiered shareholding structure of Distell through schemes of arrangement which are summarised below.

A new entity, Distell Group Holdings Limited (DGHL), will effectively acquire RCI's and all other shareholders' direct and indirect interest in Distell in exchange for shares directly in DGHL, which will be listed on the JSE Limited (JSE) and Distell will be delisted.

DGHL will issue shares to all the shareholders of Capevin (the Capevin Scheme) and all the shareholders of Distell other than RCI (Distell Minorities) (the Distell Scheme) in exchange for their shares in Capevin and Distell, respectively, with the result that DGHL will own all the ordinary shares in Distell via Capevin and RCI, respectively. The issue of DGHL ordinary shares to all Capevin shareholders and Distell Minorities will ensure that they retain their current effective economic interest in Distell. Immediately prior to implementation of the Distell Scheme and Capevin Scheme, Remgro will exchange all of its RCI shares for further shares in Capevin (the RCI-Related Capevin Shares), resulting in Remgro holding 59,5% of Capevin (the RCI Exchange) and, therefore, controlling Capevin and, indirectly through RCI, also Distell. Capevin shareholders other than Remgro (Capevin Minorities) will be required to approve the issue of the RCI-Related Capevin Shares to Remgro in terms of the RCI Exchange and will also have to approve the Capevin Scheme.

Post its creation and listing, and prior to implementation of the schemes of arrangement referred to above, DGHL will also issue unlisted voting shares (the B Shares) to Remgro. The B Shares will have no economic rights, but will provide Remgro with the same level of voting rights in Distell as it held pursuant to the RCI Exchange, namely 52,8%. The requisite number of B Shares will be issued to Remgro (the B Share Issuance) and will be 'stapled' to those DGHL ordinary shares that Remgro will receive in exchange for its RCI-Related Capevin Shares in terms of the Capevin Scheme (the Stapled Ordinary Shares). The B Shares and accompanying Stapled Ordinary Shares provide Remgro with a 52,8% voting interest in DGHL. In terms of the Capevin Scheme, Remgro will also receive DGHL ordinary shares in exchange for its current 19,0% interest in Capevin, however those DGHL ordinary shares will not be stapled to B Shares.

DGHL will be listed on the JSE Limited (JSE) and Distell will be delisted.

If implemented, the restructuring will:

- dismantle the multi-tiered ownership structure above Distell;
- leave Distell shareholders with exactly the same economic interest in DGHL;
- increase the free float in DGHL on the stock exchange operated by the JSE; and
- result in the control of DGHL vesting in Remgro (via one or more of its subsidiaries) through the prior issuance of unlisted voting B shares in DGHL to Remgro.

All steps referred to above are inter-conditional and may be subject to regulatory approvals in various jurisdictions. Shareholders are advised to refer to further detailed circulars, pre-listing statements and SENS-announcements relating to the proposed restructuring.

39. INTEREST IN SUBSIDIARIES

	2017 R'000	2016 R'000
The total profits/(losses) after taxation of consolidated subsidiaries for the year are as follows:		
Profits	**1 585 895**	1 763 645
Losses	**(325 229)**	(247 585)
Net consolidated profit after taxation	**1 260 666**	1 516 060
The company's direct interests in its subsidiaries are as follows:		
South African Distilleries and Wines (SA) Limited (85%) – Unlisted	**694 059**	991 561
Long-term loan - interest-free and repayable on demand	**571 801**	869 303
Share-based payment contribution	**122 257**	122 257
Shares	**1**	1
Distell International Holdings Limited (United Kingdom) (100%) – Unlisted	**297 296**	2 144
Shares	**297 296**	2 144
Distell Beverages (RF) Proprietary Limited	**1 837 162**	1 741 175
Variable rate cumulative redeemable preference shares	**869 411**	869 411
Cumulative arrear preference shares dividend	**967 751**	871 764
Investments in subsidiaries	**2 828 517**	2 734 880

39. INTEREST IN SUBSIDIARIES continued

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

		Issued share capital	
Manufacturers and distributors	Nature of business	Interest %	R
Anhui Dangshan Distell Haisheng Co Ltd (China)	Manufacturer and distributor	51	40 621 500
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	100	20 178 649
Distell (Hong Kong) Limited (Hong Kong)	Distributor	100	19 520 165
Distell Mauritius Limited	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
Imported Premium Vodka Company Limited	Brand owner	75	109 143 005
KWA Holdings E.A. Limited (Kenya)	Manufacturer and distributor	52	62 640 000
Lomond Development Company Limited	Dormant	100	100
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 2017 amounted to R968 million (2016: R872 million). The preference shares have a dividend rate of CPI (excluding owner's equivalent rent) plus 7%.*

	Nature of the business	2017 R'000	2016 R'000

40. INTEREST IN UNLISTED ASSOCIATES

The Group's interest in associates is as follows:

	Nature of the business	2017 R'000	2016 R'000
Tanzania Distilleries Limited (Tanzania) (35%)	Manufacturer and distributor	**104 037**	91 046
Cost price		**13 352**	13 352
Equity-accounted retained earnings		**90 685**	77 694
Grays Inc. Limited (Mauritius) (26%)	Distributor	**29 283**	32 994
Cost price		**6 949**	6 949
Equity-accounted retained earnings		**22 334**	26 045
Papkuilsfontein Vineyards Proprietary Limited (49%)	Farming	**238**	361
Cost price		**–**	–
Equity-accounted retained earnings		**238**	361
KWA Holdings E.A. Limited (Kenya) (26%)	Manufacturer and distributor	**–**	112 848
Cost price		**–**	111 282
Equity-accounted retained earnings		**–**	1 566
Investments in associates		**133 558**	237 249
Share in net assets of associates		**124 482**	181 569
Goodwill		**9 076**	55 680
		133 558	237 249

The aggregate statements of financial position of associates are summarised as follows:

	Tanzania Distilleries Limited	Grays Inc. Limited	Other	2017 Total	2016 Total
Property, plant and equipment	**167 029**	**31 124**	**14 699**	**212 852**	366 438
Financial and intangible assets	**24 715**	**31 289**	**104**	**56 108**	37 918
Current assets	**401 353**	**304 020**	**496**	**705 869**	1 276 281
Total assets	**593 097**	**366 433**	**15 299**	**974 829**	1 680 637
Interest-free liabilities	**398 616**	**101 888**	**51**	**500 555**	901 827
Interest-bearing liabilities	**–**	**146 656**	**14 636**	**161 292**	143 606
Total liabilities	**398 616**	**248 544**	**14 687**	**661 847**	1 045 433
Equity	**194 482**	**117 889**	**611**	**312 982**	635 204
Non-controlling interest	**(97 023)**	**(91 104)**	**(373)**	**(188 500)**	(453 635)
Group's share in equity	**97 459**	**26 785**	**238**	**124 482**	181 569
Loans to associates	**–**	**–**	**14 637**	**14 637**	14 392
Group's share in net assets of associates	**97 459**	**26 785**	**14 875**	**139 119**	195 961
Tanzania Distilleries Limited (35%)				**97 459**	84 468
Grays Inc. Limited (26%)				**26 785**	30 496
Papkuilsfontein Vineyards Proprietary Limited (49%)				**238**	361
KWA Holdings E.A. Limited (26%)				**–**	66 244
				124 482	181 569
The Group's interest in the revenue and profit of the associates is as follows:					
Revenue	**375 001**	**197 436**	**669**	**573 106**	808 665
Profit for the year	**10 857**	**44 859**	**(131)**	**55 585**	50 590

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.*
3. *During the current financial year the Group acquired a further 26,4% of the issued share capital of KHEAL (note 33) and it is now disclosed under subsidiaries.*

41. INTEREST IN JOINT VENTURES

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

	Nature of the business	2017 R'000	2016 R'000
Afdis Holdings (Private) Limited (Zimbabwe) (50%)	Manufacturer and distributor	**69 295**	65 273
Cost price		**23 938**	23 938
Equity-accounted retained earnings		**45 357**	41 335
Les Domaines de Mauricia Limitee (Mauritius) (50%)	Distributor	**–**	168
Cost price		**–**	20
Equity-accounted retained earnings		**–**	148
LUSAN Holdings Proprietary Limited (50%)	Manufacturer and distributor	**135 494**	96 970
Cost price		**1**	1
Equity-accounted retained earnings		**135 493**	96 969
Solamoyo Processing Company Proprietary Limited (40%)	Effluent management	**(135)**	(157)
Cost price		**–**	–
Equity-accounted retained earnings		**(135)**	(157)
TD Spirits LLC (USA) (50%)	Distributor	**37 858**	41 774
Cost price		**54 757**	48 380
Equity-accounted retained earnings and exchange differences		**(16 899)**	(6 606)
Tonnellerie Radoux (SA) Proprietary Limited (50%)	Manufacturer and distributor of maturation vats	**9 770**	9 971
Cost price		**220**	220
Equity-accounted retained earnings		**9 550**	9 751
Investments in joint ventures		**252 282**	213 999

41. 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	2017 Total R'000	2016 Total R'000
Non-current assets					
Property, plant and equipment	**231 937**	**125 582**	**9 258**	**366 777**	429 776
Biological assets	**1 329**	**–**	**–**	**1 329**	30 198
Intangible assets	**1 087**	**–**	**–**	**1 087**	2 026
Deferred income tax assets	**25 888**	**–**	**283**	**26 171**	24 942
Long-term loans and investments	**–**	**4 289**	**–**	**4 289**	50 868
Current assets					
Inventories	**91 193**	**58 792**	**87 634**	**237 619**	282 642
Trade and other receivables	**19 873**	**56 728**	**19 452**	**96 053**	88 049
Current income tax assets	**–**	**–**	**185**	**185**	846
Financial assets	**–**	**–**	**1 698**	**1 698**	10 211
Cash and cash equivalents	**135 291**	**98 524**	**18 338**	**252 153**	193 658
Total assets	**506 598**	**343 915**	**136 848**	**987 361**	1 113 216
Non-current liabilities					
Shareholders' loan	**209 509**	**–**	**–**	**209 509**	309 925
Borrowings	**–**	**–**	**30 296**	**30 296**	47 339
Deferred income taxation liabilities	**16 550**	**21 656**	**–**	**38 206**	34 216
Current liabilities					
Bank overdrafts and borrowings	**7**	**–**	**–**	**7**	39 205
Trade payables and provisions	**20 314**	**85 357**	**32 188**	**137 859**	138 659
Current income tax liability	**97**	**533**	**–**	**630**	6 319
Total liabilities	**246 477**	**107 546**	**62 484**	**416 507**	575 663
Equity	**260 121**	**236 369**	**74 364**	**570 854**	537 553
Non-controlling interest	**(124 627)**	**(167 074)**	**(26 871)**	**(318 572)**	(323 554)
Group's share in equity	**135 494**	**69 295**	**47 493**	**252 282**	213 999
Loans to joint ventures	**104 754**	**–**	**–**	**104 754**	155 171
Group's share in net assets of joint ventures	**240 248**	**69 295**	**47 493**	**357 036**	369 170
The revenue and profit of the joint ventures are as follows:					
Revenue	**104 393**	**338 849**	**237 955**	**681 197**	465 795
Profit for the year	**80 694**	**34 379**	**(17 295)**	**97 778**	38 216

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.

4

SUSTAINABILITY

OUR SUSTAINABILITY PERFORMANCE

Sustainability considerations continue to be a key factor in defining how we conduct our business. Even as Distell undergoes a transformation aimed at doubling its size by 2021, the company continues to acknowledge its role in society as a corporate citizen whose actions have the potential to impact the economy, the environment and all our stakeholders.

By understanding our operating environment, managing our risks, and engaging with our various stakeholders, we have identified a number of integrated sustainability matters that are vital to our future prosperity. These matters are discussed as part of our commitment to:

- Contributing to responsible drinking
- Sustaining our communities
- Developing our people
- Achieving transformation
- Managing our supply chain sustainably
- Environmental sustainability

The following provides a summary of our performance per sustainability matter. Our full sustainability report is available online at www.distell.co.za.

CONTRIBUTING TO RESPONSIBLE DRINKING

As a major producer of alcoholic beverages, Distell stimulates the South African economy through job creation and tax contributions. While we respect the right of adults to responsibly consume alcoholic beverages, we recognise that alcohol abuse can impact the health and well-being of individuals, families and communities. In addition, the social impact of alcohol-abuse-related harm creates a cost burden on government. This indirectly affects consumers' disposable income, which has a direct impact on our business.

Highlights for 2017

- We continue to engage with government on issues of transformation and legislation and support projects and initiatives that aim to address alcohol abuse and promote safety, health and wellness.
- We are collaborating with FASfacts, the Eastern Cape Liquor Board and Rhodes University, to begin the rollout of the Pregnant Women Mentoring Programme (PWMP) into vulnerable communities in the Mdantsane area in East London, Eastern Cape.

Distell's response to industry regulation to curb alcohol consumption

To curb the impact of alcohol abuse and reduce the burden on public health resources, government proposed the National Liquor Policy in 2014. This policy was approved by Cabinet in September 2016 and published for public information. It outlines various measures to limit the availability of and access to alcohol, including raising the legal drinking age and combating trade in illegal or illicit alcohol. Government has further expressed concern about the slow pace of transformation within the industry.

At Distell, we agree that alcohol-related harm must be reduced and prevented. We ensure ongoing engagement with government to uphold national alignment on key priority measures and regulations aimed at reducing the impact of alcohol abuse:

- We participate in initiatives to raise awareness about responsible alcohol consumption. This includes a strong focus on fetal alcohol spectrum disorder (FASD) and fetal alcohol syndrome (FAS).
- We developed a comprehensive and integrated B-BBEE strategy in 2016 to achieve our own transformation aspirations, as well as those of government.
- We actively engage government on proposed legislation and matters pertaining to the regulation of the alcohol industry.
- We developed an internal framework to address trade in illegal or illicit alcohol. Through SALBA, Distell plays a key role in managing and co-ordinating industry initiatives to combat illicit trade.
- We utilise local suppliers and procurement partners to stimulate meaningful economic activity in South Africa.
- We produce alternative products with lower alcohol content to cater to health-conscious consumers and promote responsible consumption.

We believe that the regulation must find a balance between minimising harm and maximising social and economic good. Distell is committed to ongoing and meaningful engagement to find appropriate solutions to address alcohol abuse and its related challenges in South Africa, without prejudicing the alcohol industry.

Distell's approach to contributing to responsible drinking

Controlling the sale and marketing of alcoholic beverages

To manage employee consumption while on duty, we have a strict company-wide alcohol policy, enforced by management. We supplement employee education and training programmes with practical interventions to ensure responsible behaviour.

> In addition to our alcohol policy, we promote responsible drinking through our marketing and advertising activities.

Distell's Marketing Ethics and Brand Communication policy will be rolled out in the upcoming financial year. This policy will guide our employees, distribution agents and strategic partners on how to develop and distribute ethical and responsible content when marketing and promoting our alcoholic beverages to consumers. This policy is underpinned by our purpose: to provide unique moments of social enjoyment through responsibly marketing well-crafted ciders, wines and spirits.

Strategic partnerships with industry associations

Distell is an executive member of SALBA. SALBA's objective is to represent its members on issues of common interest, such as excise duties; illicit trade; responsible and ethical trade; and engagement with government on policy, legislation and regulations that impact the alcohol industry. Through our involvement with SALBA, we also work closely with ARA on many of our social investment projects.

Reducing alcohol-abuse-related harm

Among the social burdens of alcohol consumption is FASD, which is an umbrella term for a range of disorders that affect children whose mothers consume alcohol during pregnancy. The most severe manifestation of FASD is FAS. Distell has taken an active role in raising awareness around the consequences of drinking while pregnant through strategic partnerships with FASfacts and the Foundation for Alcohol Related Research (FARR).

FASfacts

Distell partnered with FASfacts in 2008. FASfacts provides support and counselling to mothers through initiatives such as the PWMP within high-risk, rural communities in Worcester, Western Cape. In the year under review the PWMP reached 169 pregnant women. Of the 169 women who participated, 142 (84%) consumed alcohol when they joined the programme. Of these 142 women, 82 (58%) stopped drinking as a result of the observation and mentorship provided through the PWMP.

Owing to the success of the FASfacts project, and to support our goal of broadening the scope of projects related to FASD, we are collaborating with FASfacts, the Eastern Cape Liquor Board and Rhodes University to begin the rollout of the PWMP in the Mdantsane area in East London, Eastern Cape.

The Foundation for Alcohol Related Research

FARR's 'Healthy Mother, Healthy Baby' (HMHB) intervention programme targets all pregnant women (regardless of whether or not they use alcohol), and teaches them how to take care of their own health while protecting their unborn child. In 2016, Distell undertook to fund the HMHB programme for a total of three years.

In 2017, the number of HMHB clients increased substantially, from 37 new clients admitted in 2016 to 95 new clients being admitted. In the remaining half of calendar 2017, FARR will organise a nine-month baby clinic as part of the HMHB programme in Upington.

Through the FARR Training Academy, FARR trained 72 (2016: 21) Upington-based individuals on the dangers of substance abuse, with a specific focus on alcohol abuse.

Future focus

- We will focus our efforts on implementing a holistic approach to contributing to responsible drinking within the communities in which we operate.
- This includes broadening the reach of our consumer-targeted interventions to include outlets and establishments in which alcohol is consumed, with the aim of creating safe and aspirational environments for consumption.
- We recognise that this approach requires partnership with government and industry, and targeted engagements with relevant stakeholders will receive a stronger focus going forward.

SUSTAINING OUR COMMUNITIES

We strive to further socio-economic development and make meaningful contributions to the communities in which we operate by supporting community welfare through our CSI initiatives.

Highlights for 2017

- Distell received an award for its support of The Magnet Theatre Educational Trust at the 19th Annual BASA Awards.
- In 2016, five of Distell's flagship projects participated in a social return on investment (SROI) capacity-building course, based on Sinzer software. This software enables project administrators to effectively gather and input data for the purposes of monitoring, evaluating and, ultimately, conducting impact assessments on projects. Participants were also taught the SROI process in order to ensure that, in future, external consultants will only be needed for the purposes of verification and quality assurance.

Our CSI strategy

In the past financial year, we continued to refine our CSI strategy to:

- address government's concerns about the South African alcoholic beverages industry. This includes the B-BBEE codes;
- enhance programme impact;
- focus on sustainable community empowerment and development through a collaborative stakeholder approach; and
- support initiatives that reduce alcohol-abuse-related harm.

To better align with the priorities identified above, we refocused our approach on three areas. These three areas are harm reduction, economic empowerment through enterprising communities and youth development.

> These three areas support both our corporate social responsibility and investment approach through a focus on enterprising communities and harm reduction respectively.

To enhance programme impact we reviewed our involvement in all projects in November 2016 to ensure greater co-ordination and an increased focus on our selected strategic focus areas, with a primary focus on empowering communities.

To ensure that projects are sustainable we will work collaboratively toward an agreed-upon exit strategy. This will ensure that, when Distell exits a project, it continues to be impactful and deliver measurable value for communities.

Distell will continue to drive employee volunteerism across the business and a revised strategy to guide employee volunteerism will be developed in the upcoming financial year.

2017 project highlights

> This year, direct and indirect CSI expenditure amounted to R19,1 million (2016: R17,3 million).

Empowering communities through entrepreneurship and skills development

As part of our strategic commitment to care and contribute, we recognise the role we should play in addressing high levels of unemployment and poverty in South Africa. Distell has therefore taken an active role in developing the skills of poor, unemployed, unskilled and semi-skilled individuals from communities in the Western Cape through a strategic partnership with Bergzicht Training.

In 2017, Distell sponsored seven students who participated in Bergzicht Training's City & Guilds' Professional Cooking and Food and Beverage Service Programme. All seven students successfully completed this programme. Of these seven students, five have been placed in well-known restaurants, guest houses, hotels and wine estates across the Western Cape.

Supporting communities through arts and culture initiatives

The Distell Foundation has been a partner to Magnet Theatre since 2006. Magnet Theatre provides a full-time, two-year theatre training and job creation programme geared specifically toward township youth. Results for 2016 indicate that 69% of graduates found regular employment after completing the programme, while 27% are currently enrolled in a tertiary institute. 96% of Magnet Theatre's graduates are either employed or furthering their studies.

Future focus

- We will focus on building strong partnerships with our beneficiary organisations. We will assist them to build internal capacity to ensure their ongoing sustainability beyond Distell's funding.
- We will measure the impact of our funding and investment into beneficiary organisations to ensure that we optimise the benefit for targeted communities.
- We will also look to invest in a flagship project that will be scalable and replicable in any of the countries in which we operate.
- We will facilitate the integration of corporate social investment and responsibility initiatives – including the Distell Foundation and improved alignment with the Distell Development Trust – to ensure sustainable, long-term impact.

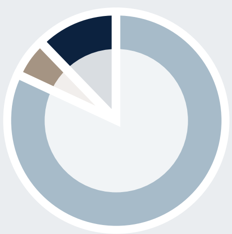
DEVELOPING OUR PEOPLE

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, and building a diverse and sustainable talent pipeline which is reflective of global, regional and local business realities.

Highlights

- We developed a change roadmap to guide our culture change process.
- We spent R34,2 million on training initiatives – this includes R17,0 million spent on other training initiatives at regional and operational levels, including skills and mentorship programmes.
- In March 2017, we introduced a disabling injury frequency rate (DIFR) system. Our initial rating was 8,6 – this decreased to 5,3 in June 2017. Our DIFR target for 2018 is 4,2 and we aim to reach 'zero harm' by 2022.

Our employee composition



Employee engagement

In November 2015, we conducted our first comprehensive employee engagement survey. This survey enabled us to identify how to motivate our people, with the aim of transforming Distell into a high-performance organisation.

Importantly, this requires creating an effective workplace culture that positively impacts employee behaviour. Therefore, as a further outcome of this survey, we developed a 10-point change roadmap with 10 main focus areas to drive culture change within Distell. The following success indicators are crucial to our success:

- Management will proactively lead and drive the culture change process, which includes demonstrating support through behaviour and actions.
- We will implement integrated business processes.
- All employees will be actively involved in the culture change process – this includes ongoing communication and engagement on progress, successes, failures and challenges.
- We will track progress on change interventions against agreed metrics.

> Through our engagement initiatives we also identified what matters most to our employees. In response, we created an Employee Value Proposition (EVP) that responds to our employees' needs and creates the right environment for them to learn and grow.

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. Programme highlights for 2017 include:

- **Executive Development Journey:** Initiated in February 2016, the objective of this programme is to define Distell's leadership brand and associated behaviours with the executive team. The executive team attended three workshops during the year.
- **Accelerated Development Programme:** The focus of this programme is to build longer-term succession plans for general management roles. Since its launch nine delegates have completed the first component of the programme.
- **Supervisory (Team Leader) Development Programme:** This is a new mandatory, generic leadership development programme aimed at Distell's first line supervisors and team leaders. It equips team leaders with the knowledge and skills to lead effectively. This programme will be rolled out to all supervisors and team leaders on an incremental basis, with supply chain leaders being our first priority.
- **Middle-Management Development Programme:** This is a new mandatory, generic leadership development programme that provides middle managers with the skills and knowledge to effectively manage their teams and drive performance. This programme will be rolled out to all middle managers on an incremental basis, with supply chain leaders being our first priority.
- **Mentorship Programme:** A formal Mentorship Programme was implemented in June 2014 with the purpose of developing the careers of high-potential candidates. Phase two of this programme was implemented in September 2016, with 88% of protégées PDIs.
- **Coaching Programme:** Our Coaching Programme relates primarily to short-term performance improvement in a specific skills area. In addition, a Coaching for Performance Programme has been introduced for all line managers to equip them with the necessary skills to embed a high-performance culture across Distell.

In addition to our learnership programmes, we offer seven NQF-accredited technical skills programmes to our employees. These programmes form the foundation for a full learnership qualification and, on completion, employees obtain a formal qualification with Distell benefiting from improved skills efficiency and knowledge of equipment care.

Talent management and succession planning

> We identify, assess and develop talent for critical roles through our established talent management processes to ensure continuity and effective organisational performance.

In the past year, we successfully:

- confirmed our critical roles, underpinned by robust short- and long-term succession plans;
- improved our recruitment strategy by introducing a strategic resourcing approach that helps us to identify high-quality talent; and
- implemented our Executive Development Journey to foster leadership competency.

To achieve higher levels of success with our talent management strategy going forward, we are focused on:

- aligning our talent management strategy with our corporate strategy; and
- prioritising transformation to ensure that Distell has a diverse workforce.

In May 2017, our talent and organisational effectiveness office conducted a satisfaction survey to test the user experience and adoption of SuccessFactors across South Africa. The survey recorded a positive response, with more than 70% of users indicating a positive experience.

The following SuccessFactors' modules have been implemented and are in use:

- Performance and Goals, which runs Distell's performance management process. This is the third successful year of running this functionality.
- Recruitment, which includes an applicant tracking system and a careers page for internal and external candidates. This has been live for two years.

Employee relations and fair employment practices

Distell is committed to sound employee relations and fair employment practices in line with relevant labour legislation, our code of conduct, conditions of employment, collective bargaining agreements and our corrective action code.

- Our corrective action code provides the framework for our workforce to operate in a fair, principled and ethical environment.
- We 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. In South Africa, 32,77% of Distell's permanent employee base is unionised, with several unions represented.

Employee safety, health and wellness

> The physical and psychological health of our employees has a direct impact on their productivity. It is Distell's responsibility to provide a working environment that is safe and without risk to our employees' health.

During the year, we established health and safety committees and first-aid workers are located throughout the business in accordance with Occupational Health and Safety Act (OHASA) provisions. To improve the occupational health and safety (OHS) of our employees at our production sites, we developed a comprehensive OHS strategy.

We initiated a new management system for health and safety. This system is based on the new ISO 14001:2015 and ISO 45001:2017 standards, and integrates operational health, safety and environmental (HSE) matters. It further aligns Distell's management of health and safety with its Supply Chain Excellence journey.

We anticipate the following benefits:

- Cost savings through better management and monitoring of our HSE performance
- Improved HSE compliance and performance at site level
- Standardised and simplified management of risks related to HSE using best practice management principles as set out in the relevant ISO standards

Wellness

We established on-site clinics at our bottling plants, manufacturing sites and our larger distribution sites to provide occupational health (OH) services to our operational employees. In 2017, nursing staff carried out a total of 26 790 (2016: 28 447) clinic visits.

As in previous years, we conducted our annual educational sessions. In total, 24 wellness sessions were hosted during the year and 219 employees voluntarily attended these sessions. Our employee assistance programme (EAP) offered employees a social programme, as well as a disease and disability management programme, Medical WAKE.

Future focus

- To support employee wellness in the coming year we will continue to implement change management training.
- A new Health and Safety Compliance Assurance model is being created to assist with effective audits at site level.
- A new incident management system is being designed to ensure effective avenues for reporting health- and safety-related incidents among employees.

ACHIEVING TRANSFORMATION

Our transformation journey is a key strategic imperative that is integrated into all aspects of our business. Due to the robust nature of our integrated B-BBEE strategy and the implementation of integrated business processes, we successfully improved our B-BBEE status from a level 8 to a level 4 by the end of the 2016 financial year.

Our B-BBEE scorecard and performance per element

Distell's key elements of transformation are measured against the targets set for B-BBEE as determined by the code:

	MAXIMUM WEIGHTING	2017*
Ownership	25	24,17
Management control	15	6,34
Skills development	20	21,05
Enterprise and supplier development	40	30,38
Socio-economic development	5	4,02
Total score	105	85,96

* *Our B-BBEE scorecard was issued on 22 September 2016 for the 2016 financial year. This scorecard is valid until 21 September 2017.*

We remain committed to these transformative ventures, which build resilience and enable us to share value with all our stakeholders.

Ownership
The Distell Development Trust (the Trust) operates as a broad-based ownership scheme (B-BOS) and was established as part of the B-BBEE deal concluded by Distell in 2005. The main purpose of the Trust is to identify opportunities to advance black economic empowerment and ownership in the interest and benefit of beneficiaries.

An Independent Competent Person's Report (ICPR) concluded in June 2017 found that the 'fiduciaries of Distell Development Trust comply with the rules for a B-BOS with regard to the racial and gender demographics of the board of directors as well as the rules for independence'.

During the period under review, the Trust disbursed a total of R4,7 million to six programmes. In the upcoming financial year the Trust's main focus will be on three areas:

- Empowerment of women in rural communities
- Education and work readiness
- Youth employment and entrepreneurship in townships

Management control
To achieve our transformation goals, we focus on the commitments made in our National Employment Equity Plan 2012 – 2017. This plan considers concerns raised by the Commission for Employment Equity (CEE), as well as those flagged by government in the B-BBEE codes and the National Liquor Policy.

At the end of our 2017 financial year, we made the following progress against our employment equity (EE) targets for appointments and promotions:

- for top and senior management, 64% of appointments made and 50% of promotions went to PDIs;
- for middle management, 78% of appointments made and 45% of promotions went to PDIs; and
- for junior management, 90% of appointments made and 88% of promotions went to PDIs.

We also scheduled meetings with various stakeholders across the business to discuss our new National Employment Equity Plan 2017 – 2022.

Skills development

- Our flagship Accelerated Development Programme identifies and fast-tracks internal, high-potential candidates for general management roles. Nine delegates have completed the first component of this programme – six of who are PDI candidates.
- In line with our integrated B-BBEE strategy, we also aim to offer a high percentage of our internships to PDIs.
- We are committed to appointing and promoting persons from designated groups, fast-tracking diversity, providing talented individuals with targeted coaching and mentoring, and making reasonable accommodation for women and people with disabilities.

Enterprise and supplier development
Distell is focused on the development of local suppliers, particularly those from disadvantaged backgrounds. This is in line with our national transformation objectives, in terms of which we are committed to empowering PDIs to develop their enterprises to the point that they are able to become key partners in our supply chain:

- Preferential procurement is managed by Distell's procurement function. Our preferential procurement strategy focuses on certificate compliance, reporting and accountability, shift spend and supplier development. We are on track to reach the 40% sub-minimum requirement for preferential procurement. In addition, we have increased black-owned spend in South Africa from 10,3% to 10,8%.
- To facilitate enterprise and supplier development Distell launched the E+Scalator programme in 2016.

Read more about enterprise and supplier development from page 148.

Socio-economic development
We strive to further socio-economic development and make meaningful contributions to the communities in which we operate by supporting community welfare through our CSI initiatives.

Future focus

- Looking ahead, our B-BBEE performance remains a priority and we must ensure that we retain our B-BBEE status.
- We will focus on evaluating and monitoring the impact of our current transformative interventions, and proactively identify additional interventions that are scalable and replicable.

Van Ryn's 12-Year-Old

Trophy for Best Worldwide Brandy – **2016 IWSC**

AWARD

MANAGING OUR SUPPLY CHAIN SUSTAINABLY

We are committed to building a supply chain model that is efficient, agile, meets our customers' requirements in full and aligns with the key aspects of our corporate strategy. As our long-term sustainability is intrinsically linked to the availability of the natural resources used in the production of our wines and alcoholic beverages, we must ensure that our supply chain is sustainable and protects the environment on which we depend.

Highlights for 2017

- We reduced the number of quality incidents by more than 50%, from 38 in 2016 to 14 in 2017.
- The 1 400 kWp solar photovoltaic (PV) facility at Springs was completed in December 2016, generating 856 690 kWh during the reporting year.
- The severe droughts in the Western Cape prompted a dedicated focus on securing sustainable water supply at our production facilities. A water risk assessment was initiated and numerous engineering studies were completed during the year to identify supplementary water supply options.

Supply chain excellence and E^2 Empowering Excellence

Supply chain excellence (SCE) embodies our approach to developing, adopting and consistently implementing supply chain best practice across our business. The E^2 Empowering Excellence framework incorporates the objectives, core principles, practices and tools necessary to become a world-class organisation.

We began implementing sales and operations planning, demand planning and supply planning practices in 2017. Through a focus on planning practices, we have seen an improvement in the implementation of projects within manufacturing. This has delivered promising cost savings. Since introducing demand planning, we have seen an improvement in decision-making and proactive management of under- and oversupply risks.

Over the past two years, the execution of E^2 Empowering Excellence has been challenging, particularly at our manufacturing scale sites. To address this, we will fast-track the implementation of the five foundation practices at each site in 2018. We anticipate that this will enable us to more quickly extract benefit from our SCE journey.

Quality as a driver of excellence

To remain a trusted and valued business partner, Distell must deliver superior products and packaging. Quality is therefore a critical component of everything that we do at Distell.

At Distell, quality is divided into quality control and quality assurance. We further focus on five strategic focus areas to meet our quality requirements across the business. These include, among others, trade quality assurance and supplier and hygiene development. Quality managers are appointed at each production site and are responsible for co-ordinating the practices and processes required to exceed our quality standards. Trade quality visits are now included as part of the quality manager function.

In 2017, we assessed our quality performance of the past three years to identify gaps and incidents of poor performance within our quality management system. Based on this assessment, we developed a list of quality 'change drivers' and improvement opportunities. This culminated in the launch of our Journey to Crafting Quality Excellence in January 2017.

Sustainable procurement

Distell prioritises preferential procurement and the development of local enterprises and suppliers in line with South Africa's Broad-based Black Economic Empowerment Codes of Good Practice. These codes aim to create an environment that enables growth and economic empowerment for all.

Currently, 93% of Distell's procurement spend is on B-BBEE-compliant suppliers and service providers. Over 50 enterprises and suppliers engage with Distell through our E+Scalator programme, with a pipeline of opportunities being incubated.

Highlights of our enterprise and supplier development activities in 2017 include:

- **The Handwork Hub**, a new, black-women-owned enterprise that has created 28 permanent jobs, with formerly casually employed women benefiting from formalised employment and a consistent income.
- **33 Degree Energy Systems**, a majority black-owned enterprise that was to deliver power solutions to Distell. In 2016, we commissioned 33 Degree Energy Systems to complete its first installation for a 1 400 kWp solar PV plant at the Springs facility.
- **The Apple Juice Concentrate Project**, located in the Eastern Cape, which aims to develop new black-owned apple farmers and apple juice concentrate producers, as well as new black-owned processing facilities. This enables us to achieve transformation in our value chain.
- **Buy-back centres for returnable bottles**, which are being investigated for opportunities to establish black-owned enterprises, in particular, low volume, bottle collection business that are run by black entrepreneurs. This will create opportunities for sustainable, black-owned enterprises while increasing Distell's ratio of returnable bottles.
- **Distell's owner-driver scheme**, which provides drivers who were originally employed by Distell the opportunity to establish their own businesses and undertake deliveries on behalf of retailers and on-consumption outlets. Currently, 40% of our customer deliveries are done by owner-drivers. Their earnings for the past financial year equated to R132 million.

ENVIRONMENTAL SUSTAINABILITY

The rising cost of energy, changes to the climate and the variations in the quality and supply of water, have all impacted our operations. The drought in Gauteng and the ongoing severe drought in the Western Cape further highlighted the critical importance of ongoing, focused water management across our business.

Measuring and monitoring systems

- Our greenhouse gas (GHG) reporting database tracks the GHG emissions for all our South African-based facilities and collects data on direct fuel and electricity purchases from our financial SAP system and converts it directly into CO_2e.
- Our site services dashboard (SSD) monitors our performance against resource usage reduction targets related to water, electricity and fossil fuel-based energy.

Environmental certification

We manage our production activities according to the ISO 14001 EMS and our compliance is audited internally and externally, and in most cases externally certified. During 2017, we initiated the process of transitioning our ISO 14001 EMS from the previous 2004 standard to the new 2015 standard. As part of this process we will integrate the ISO 9001 Quality Management System and the proposed ISO 45001 Health and Safety Management System into our management approach. This new management system will put Distell at the forefront of managing our production practices in an integrated manner.

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 year saw the promulgation of a number of new regulations, including new regulations for national GHG reporting; measuring, recording and reporting water taken for irrigation purposes; and determining the existing lawful use through 'validation and verification' processes. We have assessed the impact of these legislative changes on our business activities.

Preserving our environment – Distell's 2017 performance

In 2015, Distell introduced revised resource efficiency targets[1] for 2020 related to the usage of water, electricity and fossil fuel-based energy in our production processes. This revision came as a 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 to actively drive annual improvements in performance.

Climate change and our carbon footprint

In 2017, our direct emissions increased by 1,8% to 163 474 tCO_2e (2016: 160 573 tCO_2e). Our emission intensity per litre of product decreased by 3,0%. This is in line with the 4,4% increase in production volumes in 2017. Our total GHG emissions, including Scope 3 and 'out of scope' emissions, amounted to 506 285 tCO_2e (2016: 488 104 tCO_2e). This is a 3,7% increase from last year.

We were unable to reach our 2017 14,0% reduction target for our GHG emissions per litre of packaged product (kg CO_2e/ℓ), achieving only a 7,7% reduction in comparison to 2016.

The biogas boiler at our Wellington distillery and solar PV facility at our Springs plant became operational toward the end of the 2016 calendar year. As these two projects were only operational for part of the year, they resulted in a marginal reduction in coal and electricity usage of 1,9% and 4,0% at the relevant production sites, respectively. It is anticipated that we will see improved reductions in our coal and electricity usage in 2018.

Reducing our emissions through energy efficiency

To reduce both our emissions, we are focused on reducing our dependence on fossil fuels and coal-based electricity, which account for the vast majority of our emissions:

- The biogas boiler at our Wellington distillery resulted in an approximately 36-tonne reduction in our coal use.
- The new 1 400 kWp solar PV electricity generation plant became operational at our Springs facility and a total of 856 690 kWh of solar power was generated during the year.
- The construction of a new waste water treatment facility at Springs will commence in the new financial year. The facility will generate biogas/methane as a by-product of the treatment process which can be used to generate electricity.

We reduce our non-energy-related GHG emissions by capturing, purifying and using the CO_2 released during the fermentation of apple juice for cider production to carbonate our products. 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 CO_2 captured increased by 59,6%.

Water usage and sustainable water supplies

We achieved our 2017 target for water usage. This was a significant improvement on last year's performance. In addition:

- Water audits were completed at our Greenpark, Wadeville, Springs, Worcester, Adam Tas, Goudini and Wellington plants. A number of opportunities to further reduce water usage have been identified.
- We appointed the World Wildlife Fund (WWF) for Nature to undertake a water risk assessment of our production facilities using the water risk filter tool.
- The construction of a new waste water treatment facility at Springs will commence in the new financial 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, and inorganic waste such as glass bottles and other packaging waste.

[1] *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.*

- The volumes of organic waste recycled and recovered reduced by 5,9%. This directly relates to a decrease in the volume of grapes pressed, which is dependent on the grape harvest and on our wine production requirements.
- We used a total of 311 529 tonnes (2016: 288 746 tonnes) of glass bottles, of which 65,6% (2016: 71,6%) comprised new glass, and the remaining 107 233 tonnes (2016: 81 872 tonnes) comprised reused bottles.
- We bought 204 296 tonnes of new glass – a 1,2% decrease compared to 2016 (206 874 tonnes). This decrease is due to the reuse of glass bottles collected through our ongoing 'Give back, Get back' (GBGB) initiative.
- The number of bottles washed at our Springs, Ecowash, Green Park and Port Elizabeth facilities enabled us to reuse 30% more bottles than the previous year.
- The volume of glass recycled decreased by 23,1% due to a 49% reduction in the glass recycled for cullet at our Ecowash washing plant. This reduction was primarily due to the successful implementation of the 660 mℓ returnable bottle project and specifically the returnable crate.

We have introduced a range of initiatives to reduce, reuse and recycle packaging material, without compromising the quality or image of our products or brands. Where appropriate, we have switched to materials that are more environmentally friendly, or reduce volume and weight to landfills.

Effluent and waste water

Generally, Distell's production sites discharge waste water to municipal sewers or use it in crop irrigation. Our approach is to look for ways to reduce the load on the local authorities, with the relevant disposal method dependent on the site-specific conditions and the type of effluent.

In the year under review the absolute volume of waste water and effluent from our sites decreased by 14,4% to 1 640 266 ℓ (2016: 1 915 861 ℓ), while our waste water intensity decreased to 2,38 ℓ of effluent per litre of packaged product (2016: 2,90 ℓ). This reduction is in line with the reduction in water use at the sites.

The construction of the Adam Tas anaerobic water treatment facility in Stellenbosch has been completed, but is still in the final commissioning phase, with the biological treatment process acclimatising to the treatment of the specific waste water.

The new waste water treatment facility at our Springs production plant will produce biogas/methane, which will be used to generate electricity at the plant.

An effluent characterisation study will be undertaken at our Wadeville production plant with the intention of designing a waste water treatment plant. The intention is to issue a tender for the construction of the treatment facility during the new financial year.

Responsible agricultural practices

At Distell we adhere to various environmental, social and governance standards across our farms. This includes holding our independent suppliers and service providers to the highest standards. We also have service-level agreements in place with both our independent suppliers and service providers to ensure all our products are harvested and manufactured to the same environmental, ethical and human rights standards we have established on our own farms.

Key initiatives that support our environmentally responsible agricultural practices include engagement with:

- WWF and the Biodiversity and Wine Initiative
- Integrated Production of Wine Scheme (IPW)
- Swiss-based Société Générale de Surveillance (SGS), a major international body that certifies organically grown agricultural foods
- The Wine and Agricultural Ethical Trade Association (WIETA)

In international markets the focus on social compliance within the wine industry has increased significantly. Customers and consumers are demanding increased assurance that acceptable social standards are being met by suppliers. Distell has been fully co-operative with these requests and spot audits have not shown significant deviations from acceptable social compliance norms.

Looking forward, we also aim to work alongside our suppliers to define better responsible agricultural practices. We aim to engage more regularly with government to determine how we can better align our performance with their own standards as well as those of international standards authorities.

Upholding human rights

We adhere to and exceed requirements set out in South Africa's Basic Conditions of Employment Act. In addition, we offer benefits beyond what the Basic Conditions of Employment Act prescribes. These include annual leave (five days more per annum), an annual bonus and maternity leave (33% to 50% more than prescribed).

Future focus

- In the upcoming year, we will actively entrench the principle of 'quality at source' at all manufacturing sites to ensure end-to-end quality success. We will also implement new supplier measurements and performance management tools to support adherence to the principle of 'first time right'.
- A new waste water treatment facility is being considered for the Wadeville production site in 2018.
- Construction of a new waste water treatment facility will commence at our Springs facility in 2018.
- We will ensure that all waste water treatment facilities first include an energy generation component. This should either be electricity or steam generated from the biogas/methane produced during the treatment process.

5

GOVERNANCE

BOARD OF **DIRECTORS**

PIET BEYERS (67)

BCom LLB, MBA

Independent non-executive

Gender: Male

Tenure and committees: Appointed to the board in 2000 and as a member of the investment subcommittee in 2015

Expertise: International business, marketing and fast-moving consumer goods

Other: Formerly a director of, inter alia, Remgro, Richemont Société Anonyme and British American Tabacco

GUGU DINGAAN (41)

BCom (Accounting), H Dip Acc, CA(SA)

Independent non-executive (alternate for LM Mojela)

Gender: Female

Tenure and committees: Appointed to the board in 2005, as a member of the audit committee in 2006, as chairperson of the social and ethics committee in 2012, as a member of the risk and compliance committee in 2016 and as a member of the investment subcommittee in 2015

Expertise: Financial markets and investments, general business, mergers and acquisitions, transformation, risk management and governance

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

DR PRIEUR DU PLESSIS (62)

BSc (QS), MBA (Cum Laude), DBA (Doctor of Business Administration – Finance), Chartered Director (SA)

Independent non-executive

Gender: Male

Tenure and committees: Appointed to the board in November 2015, as member of the audit committee in 2016, as chairman of the risk and compliance committee in 2016 and as a member of the social and ethics committee in 2016

Expertise: Financial markets and investments, international business, general business, governance, mergers and acquisitions, and risk management

Other: Chairperson of Plexus Holdings, an investment management business he founded in 1995. He also serves as chairperson of the Institute of Directors in Southern Africa and Bridge Fund Managers, and as director of PPS Insurance Company. He is a member of the advisory board of the University of Stellenbosch Business School (USB), chairperson of the 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

JANNIE DURAND (50)

BAcc Hons, MPhil (Oxon), CA(SA)

Non-executive chairman

Gender: Male

Tenure and committees: Appointed to the board, remuneration committee and the nomination committee in 2012 and as a member of the investment subcommittee in 2015. Appointed as chairperson in 2016 and as chairperson of the investment subcommittee in 2015

Expertise: Financial markets and investments, international business, general business, mergers and acquisitions, marketing, fast-moving consumer goods, manufacturing, legal and governance

Other: Chief executive officer of Remgro and a director of, inter alia, RCL Foods, RMI Holdings Limited, Capevin Holdings Limited and Mediclinic International PLC

PIETER LOUW (48)

CA(SA)

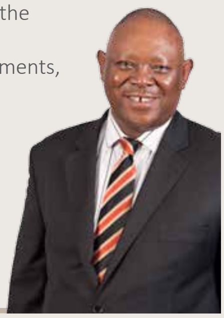
Non-executive (alternate for JJ Durand)

Gender: Male

Tenure and committees: Appointed to the board, as alternate director for JJ Durand, in 2014, to the investment subcommittee in 2015 and to the risk and compliance committee in 2016. He attends the audit, remuneration and nomination committee meetings as an invitee

Expertise: Financial markets and investments, general business, mergers and acquisitions, risk management and governance

Other: Board member of Capevin Holdings Limited and RCL Foods Limited. He is currently Head of Corporate Finance at Remgro



JOE MADUNGANDABA (59)

CPA(SA)

Independent non-executive

Gender: Male

Tenure and committees: Appointed to the Distell board in 2000

Expertise: Financial markets and investments, international and general business

Other: 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

ETHEL MATENGE-SEBESHO (62)

MBA (Brunel University of London) and CAIB(SA)

Non-executive

Gender: Female

Tenure and committees: Appointed to the board in 2015 and as member of the risk and compliance committee in 2016

Expertise: Financial markets and investments, international business, general business, marketing, risk management and governance

Other: Director on the boards of FirstRand, Capevin Holdings and FinMark Trust

CATHARINA SEVILLANO-BARREDO (54)

BCom (Hons), CA(SA)

Independent non-executive

Gender: Female

Tenure and committees: Appointed to the board in 2008, as chairperson of the audit committee in 2009, as member of the risk and compliance committee in 2016 and investment subcommittee in 2015

Expertise: Financial markets and investments, international business, general business, mergers and acquisitions, transformation, risk management and governance

Other: Founder, director and chief financial officer of the Universal Healthcare group of companies and formerly a director of WIPHOLD. She was also a member of WIPHOLD's audit committee and chaired the Concor audit committee

LOUISA MOJELA (61)

BCom, National University of Lesotho

Independent non-executive

Gender: Female

Tenure and committees: Appointed to the board in 2005, as a member of the remuneration committee in 2006 and the nomination committee in 2006

Expertise: General business, transformation and governance

Other: Founder and group chief executive officer of WIPHOLD, director on the boards of Sun International and Life Health

CHRIS OTTO (67)

BCom LLB

Non-executive

Gender: Male

Tenure and committees: Appointed to the board in 2011 and as a member of the investment subcommittee in 2015

Expertise: Financial markets and investments, international business, general business, mergers and acquisitions, retail operations, marketing, manufacturing, risk management, legal, human resources, sustainability and governance

Other: Founder director of PSG Group, Capitec Bank Holdings and Zeder Investments. He is also non-executive director of Kaap Agri Investments and Capevin Holdings Limited and serves on selected audit and remuneration committees

RICHARD RUSHTON (54)

BCom

Executive director

Gender: Male

Tenure: Appointed to the board in 2013

Expertise: International business, mergers and acquisitions, marketing and fast-moving consumer goods

BEN VAN DER ROSS (70)

Dip Law

Independent non-executive

Gender: Male

Tenure and committees: Appointed to the Distell board in 2008

Other: Director of FirstRand, Naspers, Lewis Group and MMI Holdings, as well as several other non-listed companies

ANDRÉ PARKER (66)

MCom

Independent non-executive

Gender: Male

Tenure and committees: Appointed to the board in 2008 and as lead independent director in 2016. He was appointed as chairperson of the remuneration committee in 2013 and as chairperson of the nomination committee in 2017. He has been a member of the investment subcommittee since 2015

Expertise: International business, general business, mergers and acquisitions, marketing and fast-moving consumer goods

Other: Retired managing director of SABMiller Africa and Asia, where he served on several boards of SABMiller subsidiaries, and was also an executive committee member of SABMiller plc. He is also a director of Standard Bank

LUCAS VERWEY (43)

BCompt (Hons), CA(SA), CFA

Executive director

Gender: Male

Tenure: 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

Expertise: Financial markets and investments, general business, mergers and acquisitions, risk management and governance

RICHARD RUSHTON (54)

BCom

Group managing director

Gender: Male

Tenure: Appointed to the board in 2013

Expertise: International business, mergers and acquisitions, marketing and fast-moving consumer goods

BRIDGITTE BACKMAN (54)

BSc (Chemistry), HDE, MBA

Director: corporate and regulatory affairs

Gender: Female

Tenure: Bridgitte joined Distell in 2016 and is responsible for the overall reputation management, stakeholder and corporate citizenship strategy of the company. She has multi-industry experience in different functional, business and executive roles

Expertise: General business, fast-moving consumer goods, manufacturing, transformation, risk management and sustainability

WIM BÜHRMANN (51)

BAcc (Hons), CA(SA)

Managing director: Southern Africa

Gender: Male

Tenure: 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

Expertise: General business, mergers and acquisitions, and manufacturing

EXECUTIVE **MANAGEMENT**

DAVE CARRUTHERS (61)

BA DipMM, DipMRS

Director: global marketing

Gender: Male

Tenure: 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

Expertise: International and general business, mergers and acquisitions, retail operations, marketing and fast-moving consumer goods

DR MARIUS LAMBRECHTS (51)

MSc Agric, PhD Agric

Director: innovations

Gender: Male

Tenure: Marius joined Distell in 2001 as research manager and was appointed as quality management and research (QM&R) director in August 2009. In July 2014 he was appointed as director: innovations

Expertise: Fast-moving consumer goods, manufacturing and sustainability

SCHALK KLOPPER (55)

BAcc (Hons), CA(SA)

Director: supply chain

Gender: Male

Tenure: 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 sourcing, production and delivery to recycling or reuse of packaging

Expertise: International and general business, fast-moving consumer goods, manufacturing, risk management and sustainability

DONOVAN HEGLAND (42)

BCom (Hons) Business Economics

Managing director: Africa

Gender: Male

Tenure: 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 route-to-market capability across the value chain and build supply, sales, marketing and distribution in our identified geographies

Expertise: Financial markets and investments, international and general business, mergers and acquisitions, retail operations, marketing, fast-moving consumer goods, transformation, risk management, human resources and sustainability

LIZELLE MALAN (37)

BCom (Hons), CA(SA)

Group company secretary

Gender: Female

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

Expertise: Retail operations, fast-moving consumer goods, manufacturing, risk management, legal and governance

KATE RYCROFT (44)

BSocSci Hons, MBA

Director: corporate development

Gender: Female

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

Expertise: General business, mergers and acquisitions, and fast-moving consumer goods

JP VAN DER WALT (54)

MCom (Industrial Psychology)

Director: human resources

Gender: Male

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

Expertise: Human resources

STEVEN NATHAN (55)

BCom, BAcc (Wits), Electrical Engineering Wits Technikon T3

Managing director: international

Gender: Male

Tenure: Steven joined Distell in September 2014 and was appointed managing director: international in July 2015. He is responsible for running the Distell international operations in Taiwan, Singapore, Travel Retail, Latin America and the UK and US, and including our Scottish distilleries and Bisquit

Expertise: Financial markets and investments

LUCAS VERWEY (43)

BCompt (Hons), CA(SA), CFA

Group finance director

Gender: Male

Tenure: 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

Expertise: Financial markets and investments, general business, mergers and acquisitions, risk management and governance

CORPORATE GOVERNANCE REPORT

We remain mindful of the impact of our business activities on society and the environment to ensure sustained value creation for our stakeholders.

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 governance requirements continually evolve and present new challenges, especially with our growing global footprint. The board is committed to adjusting policies and procedures as necessary to keep pace with the changes in legislation and other regulations, one such text being the recently published South African King IV Code™. We are in the process of adopting new charters, policies and frameworks in order to comply with King IV™ from the 2018 financial year.

All employees and directors are encouraged to adhere to the highest standards of ethical behaviour and transparency. Ethical behaviour is enforced by internal codes and policies, specifically governed by our Anti-bribery and Corruption, Gifts and Entertainment and Whistle-blowing policies to more effectively tackle practices inimical to ethical conduct.

The board is of the opinion that, for the period 1 July 2016 to 30 June 2017, the requirements of the Companies Act and the JSE Listings Requirements were met, unless stated otherwise. In line with the overarching 'apply or explain' principle of King III, the board has, to the best of its knowledge, voluntarily applied this approach in all material respects. A schedule of how Distell has applied King III is available at www.distell.co.za.

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 administration of the business.

Composition

The board currently comprises 14 directors, 12 of whom are non-executive members and eight who are independent. Board member appointments are made transparently and involve the full board's consideration. The nomination committee considers any skills gaps to ensure delivery on strategic initiatives when identifying 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 that its composition adequately reflects the demographics of South Africa.

During the year under review our chairman, David Nurek, retired after serving on the board for 16 years. David Nurek served Distell with distinction in a number of capacities, including being a member of the remuneration, audit, risk and investment subcommittees. The board wished David Nurek well in his future endeavours. He was replaced as chairman by Jannie Durand, who is not an independent non-executive director but, given his knowledge of the business and his extensive commercial experience, the board deemed this arrangement not only appropriate but also essential for achieving the business objectives of Distell. Distell is undergoing significant transformation and has ambitious expansion plans. Therefore, his leadership of the Distell board is deemed vital in this phase of the evolution of the company. In compliance with King III and the JSE Listings Requirements, the board has appointed André Parker as lead independent director (LID). The main function of the LID is, inter alia, to provide leadership and advice to the board, without detracting from the authority of the chairman, when the chairman has a conflict of interest.

Our policy on the Promotion of Gender Diversity at board level sought to achieve a voluntary target of 40% female representation by the end of 2020. At the end of the current financial year female representation accounted for 29% of board membership, an increase of 2% on the previous year. 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.

Refer to pages 154 and 155 for the directors in office as at 30 June 2017 as well as their biographical details.

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 appear below:

Independent non-executive directors	
PE Beyers	**(4/4)**
GP Dingaan	**(4/4)**
Dr DP du Plessis	**(4/4)**
KA Hedderwick*	**(2/4)**
MJ Madungandaba	**(4/4)**
LM Mojela	**(4/4)**
DM Nurek**	**(2/4)**
AC Parker	**(4/4)**
CE Sevillano-Barredo	**(4/4)**
BJ van der Ross	**(3/4)**

Non-executive directors	
JJ Durand (chair)	**(4/4)**
EG Matenge-Sebesho	**(4/4)**
CA Otto	**(4/4)**
PR Louw	**(3/4)**

Executive directors	
RM Rushton (MD)	**(4/4)**
LC Verwey (FD)	**(4/4)**

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

The chairman has no executive responsibilities.

* *Resigned 14 February 2017.*
** *Retired 24 November 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 annually, 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 (please refer to the separate sections for more detail on the roles these committees fulfil on behalf of the board)

- Evaluate and approve the integrated report, annual financial statements, interim financial statements and dividend to shareholders, based on the recommendations of the audit committee
- Implement internal controls to manage both financial and operational risks, ensure adequate risk management practices are followed and oversee IT 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
- 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 board 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 board performance
- 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 are minuted and actioned by the board.

SHARE TRADING

Management 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 at the close of 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 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 Lizelle Malan, who is a chartered accountant, 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 that 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. Only committee members attend meetings; however, certain executives and senior management do attend by invitation.

Six committees exist:

- Audit committee
- Risk and compliance committee (report on page 174)
- Remuneration committee (report on page 166)
- Nomination committee
- Social and ethics committee (report on page 178)
- Investment subcommittee

The audit committee

The committee comprises three independent non-executive directors, nominated by the nomination committee and the board, and confirmed by the shareholders. Please refer to pages 154 and 155 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 are invited to attend the meetings.

The purpose and role of the audit committee, as set out in its charter, is to assist the board with discharging its responsibility to:

- Safeguard the Group's assets
- Operate adequate and effective systems of internal control, risk management and governance
- Prepare materially accurate financial reporting information and statements in compliance with all applicable legal and regulatory requirements and accounting standards
- Monitor compliance with laws and regulations and the business code of conduct
- Provide oversight of the external and internal audit functions and appointments

In addition, the committee has an independent role with accountability to both the board and shareholders. It operates as an overseer and a maker of recommendations to the board for its consideration and final approval.

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

Members of the committee

CE Sevillano-Barredo (chair)	**(4/4)**
GP Dingaan	**(3/4)**
Dr DP du Plessis (appointed 20 October 2016)	**(2/4)**
DM Nurek (retired 24 November 2016)	**(2/4)**

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

Integrated reporting

- 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, during interim and year-end reporting, 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
- 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
- Met separately with management, external audit and internal audit to discuss matters that the respective parties believed should be discussed privately for the committee's consideration in satisfying itself that no material control weakness existed

Internal audit

- Oversaw the internal audit function and approval of the annual internal audit plan
- Approved the internal audit and audit committee charters as well as the event matrix
- Evaluated the independence, resources, performance and effectiveness of the internal audit function
- Reviewed the co-operation and co-ordination between the internal and external audit functions to avoid unnecessary duplication of work
- Reviewed and considered the significant findings raised by internal audit as well as the adequacy of management's corrective actions
- Met separately with the chief audit executive to discuss matters that the committee or internal audit believed should be discussed privately
- 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. as the external auditor, and Mr Hein Doman as the designated auditor. The committee ensured this appointment complied with all legal and regulatory requirements

- Approved the audit fees of the external auditors as well as non-audit services, which had been preapproved by the chairperson of the audit 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.

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, Mr Lucas Verwey (his biographical details are detailed on page 155), and is satisfied that it is appropriate.

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.

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	
AC Parker (chair)	**(4/4)**
JJ Durand	**(4/4)**
LM Mojela	**(3/4)**
DM Nurek (retired 24 November 2016)	**(1/4)**

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 stemming from this review.

RISK MANAGEMENT

The board of directors is ultimately accountable for the management of risk, which includes a comprehensive risk management system that incorporates continuous risk assessment, evaluation and internal control embedment. Please refer to pages 174 to 176 for the report on risk management.

INTERNAL CONTROLS

The board of directors places significant emphasis on the systems of internal controls that sets the tone throughout the Group on the importance of such systems. Although the board assumes ultimate accountability for the Group's system of controls, the responsibility for its implementation has been delegated to management. Management shares the board's philosophy on internal controls and proactively designs and implements controls to mitigate risks in pursuit of the company's objectives and targets. The board oversees that adequate systems of internal controls are in place across the broad spectrum of financial reporting, operational and compliance controls.

The board and management, in particular, place great emphasis on financial controls and policies. Specifically, Distell's capital expenditure, investment and exposure to interest rate, liquidity and currency risks are closely monitored. 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 functions do not undertake speculative financial transactions.

The systems of internal controls are generally not expected to eliminate risk entirely or guarantee absolute assurance against misstatement or loss; however, it is designed to manage risks within appetite and tolerance levels to reasonably assure that the Group's:

- Assets are safeguarded
- Objectives will be achieved
- Operations are efficient and effective
- Financial information is reliable
- Compliance with applicable laws and regulations is adequate

The implementation of effective systems of controls involves the following:

- Establishing an appropriate control environment that demonstrates commitment to high integrity and ethical values; provides the appropriate level of oversight and operating structures; and ensures placement of suitably qualified employees, segregation of duties and clearly defined lines of authority and accountability

- Business objectives are clearly outlined and formal processes are in place to identify and analyse risks related to the achievement of the objectives
- Control activities are developed to address the identified risks and, where applicable, formalised policies and procedures are implemented
- Relevant and accurate information is identified and used in decision-making and adequate controls communication processes and activities are in place for internal and external communication
- Controls are evaluated on an ongoing basis and deficiencies are addressed promptly and effectively

The board has adopted a combined assurance model to obtain assurance from the following various assurance providers that internal controls are efficient and effective:

- Line functions that own and manage risks: This includes a comprehensive monthly management control self-assessment checklist covering operational and financial controls at all operations, plants, sites, depots, distribution centres and a number of head office corporate functions. The control self-assessment processes are being implemented at sites in the newly integrated Africa and International regions
- Specialist functions that oversee and facilitate risk management and compliance, e.g. risk management, corporate and regulatory affairs, and legal and compliance, etc.
- Internal auditors, internal forensic fraud examiners and auditors, safety and process assessors, and statutory actuaries
- Independent external assurance service providers such as external auditors (PwC), other external assurance providers such as sustainability and environmental auditors, external actuaries, and external forensic fraud examiners and auditors
- Regulatory inspectors such as Department of Labour inspectors.

For the period under review, except for the stock control gaps identified in three of our sites of which the identified control gaps have subsequently been mitigated by management, audit reviews and other assurance obtained did not indicate any material breakdowns in the functioning of internal controls. Where compliance issues were identified, they were reported and timeously rectified. The audit committee and the board are satisfied that control systems and procedures were suitably implemented, maintained and monitored by qualified personnel, with appropriate segregation of authority, duties and reporting lines.

INTERNAL AUDIT

Internal audit is an integral contributor to the Group's defence systems that assist to safeguard assets; ensure the reliability and integrity of significant financial, managerial and operational information; identify and protect against factors and behaviour that diminishes value; and is the primary assurance provider to the board on the efficiency and effectiveness of governance, risk management and control systems, structures and processes.

The division is a centralised global function with regionally based teams to optimise localised focus on risks and controls, and provide a greater level of support to management. It operates under terms set out in a formal mandate approved by the board, in full conformance to the Institute of Internal Auditors and the International Professional Practices Framework for Internal Audit. This framework includes a Code of Ethics that the team subscribes to, as well as global Attribute and Performance standards for the practices of internal auditing. The vision of the Distell Internal Audit Division (DIA) is to be a trusted world-class team that helps protect, preserve and enhance the Group's prospects of sustained success.

In addition to the commitment to continuous professional development of internal audit staff, Distell is a South African Institute of Chartered Accountants (SAICA)-accredited Training Office. As part of this initiative it offers a three-year programme to prospective chartered accountants with internal audit as an elected focus area of training. During the programme trainees also rotate to other business functions to gain the necessary competencies as prescribed by 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 business areas, entities and controls to be 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 IT skills are contracted in.

Independence and authority

The appropriate organisational positioning of Distell Internal Audit Division, by reporting functionally to the audit committee and administratively to the Group finance director, enables it to maintain its independence. The chief audit executive and the audit committee formally consider the independence of internal audit annually. Furthermore, internal audit has free and unrestricted access to all areas within the Group.

Scope of work

Internal audit assurance can only be reasonable and not absolute and does not supersede the board's and management's responsibility for the ownership, design, implementation, monitoring and reporting of governance, risk management and internal controls.

For the financial year ending 30 June 2017, Distell Internal Audit Division confirms that sufficient and appropriate audit procedures have been conducted through the completion of the approved risk-based audit plan and evidence gathered to support the audit opinions and conclusions. Furthermore, there were no undue scope limitations or impairments to independence.

INVESTOR RELATIONS

Our investors are at the heart of our business and we place significant emphasis on relationship development and investor communication. The primary principle applied across these two areas is to be transparent, by providing detailed and frequent information through formal and informal communication channels. This includes scheduled quarterly briefing sessions with a wide range of investors as well as regular ad hoc engagements. Some of these engagement sessions are attended by the Group's senior management, thereby giving investors wider access to management teams. Over and above these engagements, investors also have access to our dedicated investor website, which provides comprehensive information about the Group.

We do appreciate that our investors come from a wide variety of backgrounds; however, one common theme is their track record of building successful companies, and we are thrilled to have them on our journey towards building a long-term foundation for our company.

Investors are also encouraged to attend and actively participate in the annual general meeting (AGM), which is held in October. This they can do by submitting questions either during or prior to the AGM. The chairs of the Group's audit, risk, social and ethics, remuneration and nomination committees are always present to respond to questions from shareholders. Voting at the AGM is conducted by way of a show of hands or via a poll and the Distell 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).

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, No. 12 of 2004 (the PCCA), and other relevant laws.

GIFTS AND ENTERTAINMENT

Furthermore, we 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 impose improper influences or obligations. Our policy therefore limits the type, nature, extent and value of gifts and entertainment that may be given or accepted.

Amarula Cream

South Africa Cream Liqueur of the Year **– 2016 New York International Spirits Challenge**

AWARD

WHISTLE-BLOWING THROUGH THE ETHICS LINE

Distell is committed to doing business on an ethical and sound basis and to fully comply with local and global anti-bribery and corruption laws.

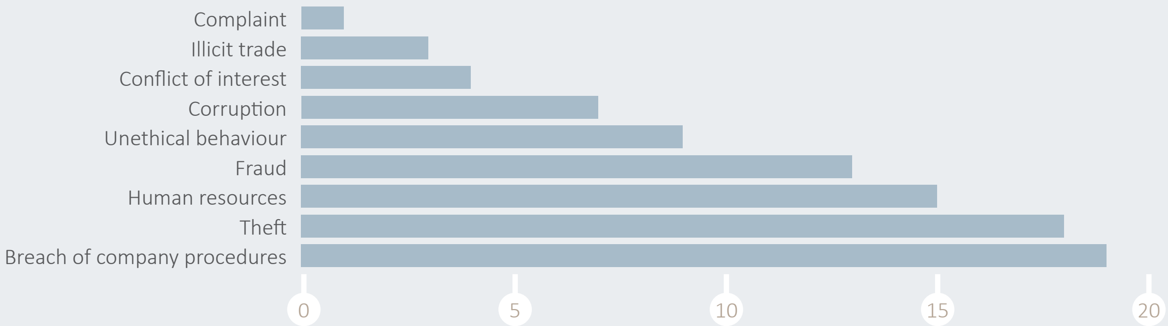
All employees and business partners must remain vigilant in preventing, detecting and reporting any suspected illegal, non-compliant or unethical behaviour. In line with our commitment to integrity, Distell has implemented an independent whistle-blowing system that is confidential and operates 24 hours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

The Distell Ethics Line is independently managed by Deloitte's Tip-Offs Anonymous division. In upholding our company's values, we encourage all staff members to use the Ethics Line, which offers a selection of communication channels (**ethics hotline: 0800 004 822**/**distell@ethics-line.com**).

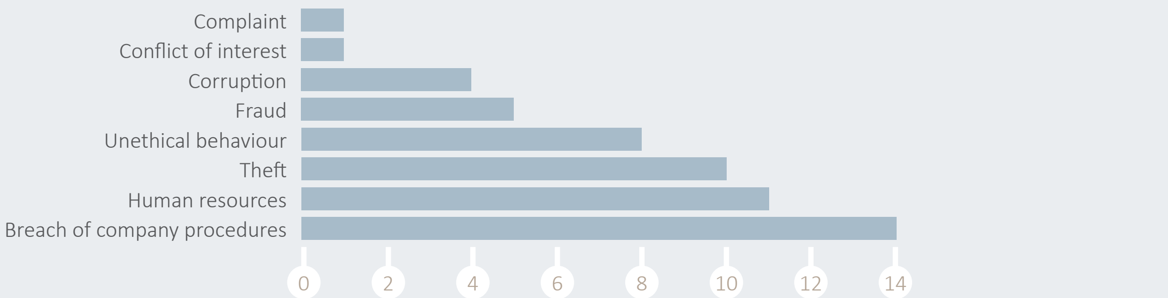
The Ethics Line has been expanded and is now also available to employees in Europe, Asia and Africa. The social and ethics committee continues to govern the workings of the line and ensures appropriate action is taken on reported matters.

A breakdown of all matters reported for the financial year is shown below:

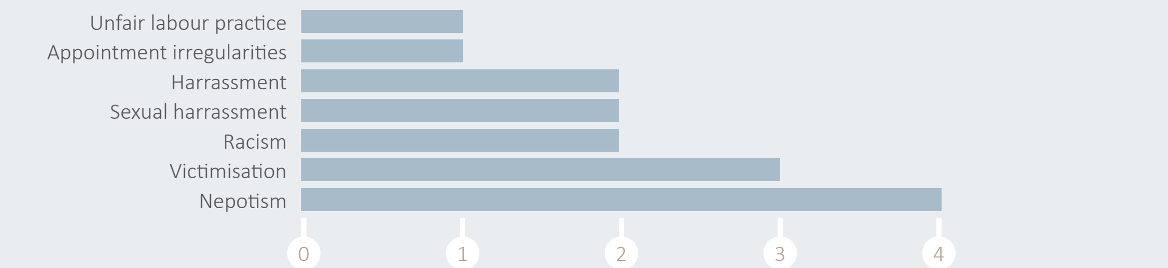
BREAKDOWN OF TOTAL REPORTED MATTERS: 2017



BREAKDOWN OF ETHICS LINE CALLS: 2017



HUMAN RESOURCES CATEGORY: 2017



REMUNERATION REPORT

OUR REMUNERATION CONTEXT

As part of our forward-looking remuneration policy, the remuneration committee continuously benchmarks Distell's reward policies and principles against market best practice. Where appropriate, we consider policy adjustments to achieve improved alignment between the expectations and interests of shareholders, as well as those of our employees.

The remuneration committee recently reviewed the current Share Appreciation Rights (SAR) Scheme as Distell's preferred long-term incentive plan. The review took consideration of Distell's business life cycle. The scheme was also measured against its main objectives. These include the following:

- To deliver shareholder value
- To recognise exceptional performance
- To better align the interests of participants and shareholders
- To act as retention mechanism for all participants

After thorough research, and with the assistance of PricewaterhouseCoopers Inc. (PwC) and Rand Merchant Bank (RMB), a new long-term incentive plan will be presented for shareholder approval at the annual general meeting (AGM). More information on this vote is available in the shareholders' circular. The vesting of shares over a five-year period (equal tranches vesting in years three, four and five) will be subject to performance metrics. We believe that these metrics will drive shareholder value creation.

The salient features of our new long-term incentive scheme are summarised on page 170 of this report.

We refined and improved our Employee Value Proposition (EVP) to support our focus on total reward. In addition, we adjusted the benefit structure of our retirement fund in South Africa to support increased retirement benefits and embarked on proactive employee engagement workshops.

At our 2016 AGM Distell received a 97,5% non-binding vote in favour of its remuneration policy. During the year we took into account investor feedback on our remuneration policy and value drivers, and have taken steps to ensure greater transparency in this year's remuneration report.

As the remuneration committee, we believe Distell's remuneration policy has achieved its stated objectives, and trust that shareholders will show their support by means of a non-binding vote (refer to ordinary resolution 6 in the AGM notice).

OUR REWARD FRAMEWORK

REWARD PHILOSOPHY
Our approach is aimed at driving a high-performance culture by ensuring that our employees are motivated and committed to the success of our company.

REWARD STRATEGY
Our reward strategy is designed to attract, develop, motivate and retain talented employees who enable us to pursue and achieve our strategic objectives and thereby enhancing value for all stakeholders.

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

Our reward policy is driven by our reward philosophy and supports the business strategy, particularly as an integral part of our larger EVP. However, we realise that remuneration alone is not sufficient to attract and retain talented employees.

Our EVP consists of the following four elements, in addition to reward:

Great company, culture and leaders: We want Distell to be a great place to work at and continuously strive to become better at everything we do. A high-performance culture is a cornerstone of our company and ensures that our employees stay motivated and committed. Our leaders continuously strive to behave ethically and with integrity. Leadership development forms an integral part of our training and development initiatives.

Exciting work: We want our employees to enjoy their work. It is answering 'yes' to the question: 'Do you like what you do each day?'

Development opportunities: Apart from learning and development opportunities, we emphasise the importance of taking personal responsibility for continuous learning and self-development as a critical career success factor. As a core resource, we encourage our employees to continuously acquire new skills and knowledge.

Well-being: We believe that to achieve our strategic objectives, we should place our employees at the centre of everything we do. It is therefore critical that we invest in the well-being of our people. Our medical aid offerings and Employee Assistance Programmes play a vital role in the achievement of this aspiration.

REMUNERATION GOVERNANCE

The remuneration committee consists mainly of non-executive directors who review and oversee Distell's remuneration policies (as part of the overall reward policy). The Group managing director and other executives may attend remuneration committee meetings by invitation. However, these executives may not vote, nor may they be present when their own remuneration is discussed.

The remuneration committee held four meetings during the year. The committee's composition and attendance is reflected below:

AC Parker (chair)	**(4/4)**
JJ Durand	**(4/4)**
DM Nurek (retired 24 November 2016)	**(1/4)**
LM Mojela	**(3/4)**

The remuneration committee's terms of reference is reviewed annually and includes, among others, the following responsibilities:

- Ensuring that an appropriate comparator group is selected when comparing remuneration levels
- Reviewing and approving short- and long-term incentive plans, including the hurdle rate of the long-term incentive scheme (LTI) and targets of the annual short-term incentive plan (STI)
- Satisfying itself with regards to the accuracy of recorded performance measures that govern the vesting of shares or other incentives
- Considering and recommending material changes to contracts of employment, as well as retention and termination policies and procedures
- Reviewing and approving the individual remuneration levels of the Group managing director and other executives who report directly to the Group managing director
- Reviewing and recommending non-executive directors' fees to the board (and thereafter for shareholder approval at the AGM)

The remuneration committee's full terms of reference is available on https://www.distell.co.za/corporate-governance/

FAIR AND RESPONSIBLE REMUNERATION

At Distell we are committed to the principle of fair and responsible remuneration. We consider the fairness of executive remuneration in the context of the remuneration of all our employees.

Initiatives include the following:

- Ongoing assessment of same-level employee remuneration in accordance with the principle of 'Equal Pay for work of Equal Value'. This enables us to identify and address any unjustifiable remuneration disparities
- Investment in employee initiatives, in line with Distell's EVP, which includes talent programmes or mapping, mentoring and on-the-job training, structured training courses, as well as employee well-being programmes. Improving the skills and capacity of employees through these initiatives will enable Distell to advance the careers of general employees and increase remuneration
- Employee engagement and education on all components of Distell's EVP to create understanding of our fair and responsible approach to holistic reward

COMPONENTS OF TOTAL REMUNERATION

Total reward comprises all elements of remuneration, including salary and benefits, as well as variable remuneration such as short- and long-term incentives.

Salary and benefits (guaranteed remuneration)

We believe that Distell's salaries and standard benefit offerings compare well with the market. We use reputable companies to assist us in continuously benchmarking salary levels and benefit design as part of our total reward offering.

During the year, we step-changed our benchmarking capability in all end-markets in which we employ our people. We continuously review market best practice for improvement opportunities. We have access to reliable market data with regards to reward levels and employment practices in our respective end-markets (inclusive of ex-patriots and local nationals).

We further pride ourselves with regards to our benefit offering and design. We provide the following benefits as part of our standard set of offerings:

Retirement fund	It is compulsory for all employees in South Africa to belong to either the Distell Provident or Distell Retirement Fund. In addition to helping employees save for retirement, these funds provide extensive death and disability benefits. We are also in the process of implementing preservation options when exiting the fund, as per the recently published retirement fund reform proposals.
Medical aid fund	All employees in South Africa are eligible for membership of the Distell medical aid scheme, Remedi. Annually, the scheme provides three different options for members to choose from. These options aim to accommodate the different healthcare needs and affordability levels of diverse employee membership.
Company cars	Certain of our sales employees are required to travel extensively for business. We provide these employees with a company-allocated car, which may also be used (within limits) for private purposes.
Travel allowances	Employees who are required to travel for business purposes with private cars receive travel allowances as part of their guaranteed package.

With regards to our employees based outside of South Africa, we have embarked on a process to investigate alternative retirement plans and medical aid options, taking into account local legislation and best practice.

During the year, we made several changes to our policy, including the following:

- As the economic cost to Distell does not align with the perceived benefit to employees, employees appointed from 1 July 2016 will no longer receive a post-retirement medical subsidy. Over time, it is anticipated that this decision will have significant positive financial impact.
- We changed the rules of our retirement fund to allow for additional voluntary member contributions. This will enable members to contribute additional pre-tax money towards their retirement savings in an effort to increase their fund value or credit.
- In addition to the identification of employee training and development needs, we implemented an integrated employee performance management system to further enhance the performance culture at Distell.

Short-term incentives (STIs)

All employees participate in the company's STI scheme, which is designed to drive performance. It encourages employees to focus on both financial and non-financial value drivers. All scorecards (corporate and functional teams) are approved by the board and cascaded into strategic or operating plans, budgets and performance scorecards. We continuously strive to enhance line-of-sight, and recognition for performance. In this regard the STIs provide for enhanced payment in the event that the company and functional business units achieve stretch performance levels, and exceed their targets and objectives.

Performance targets for STIs

Below are our approved STI metrics for the 2017/2018 financial year. These metrics are aligned with Distell's long-term strategic and financial objectives.

	BUSINESS UNIT WEIGHTING	FUNCTIONAL UNIT WEIGHTING
Revenue	10	10
EBITDA[1]	10	30
Cash invested[2]	10	10
B-BBEE[3]	10	10
Subtotal	**40**	**60**
Strategic initiatives	60	40
Total	**100**	**100**

1. *EBITDA: Earnings before interest, tax, depreciation and amortisation.*
2. *Cash invested: Increased investment in fixed assets, inventory, trade receivables and trade payables compared to the previous year.*
3. *B-BBEE: Broad-based black economic empowerment.*

The STI pool is self-funded and only accrues to the extent that the budgeted financial performance metrics are met. Below are the maximum, potential STI individual earnings:

LEVEL	MAXIMUM AS % OF COST OF EMPLOYMENT
Group managing director	**70%**
Finance director	**55%**
Top management	**55%**

Long-term incentives (LTIs)

Current year LTIs

For the year under review, Distell operated a SAR plan and awards were made in October 2016. No SAR awards will be made in the 2018 financial year. Instead, the forward-looking Conditional Share Plan (CSP) will form the basis of future awards. Read more about our CSP on page 170.

SAR as applicable in 2017

Design	Participants are granted a right to the growth in the share price, which is settled in equity (shares) when the participant exercises the right (after vesting)
Vesting	Equal tranches (1/3) in years three, four and five after grant date
SAR period	Vested SARs can be exercised seven years after grant date, after which they lapse
Performance conditions for vesting	SARs have robust and stretch-performance conditions for vesting: • **Revenue** (40% weighting), threshold performance ranges from CPI plus 0,5% (20% vesting) to stretch at CPI plus 4% (100% vesting). • **EBITDA** (60% weighting), threshold performance ranges from CPI plus 1% (20% vesting) to stretch at CPI plus 5% (100% vesting).

REVENUE (40%)		EBITDA (60%)	
Margin above CPI	Vesting percentage*	Margin above CPI	Vesting percentage*
4,0%	100%	5,0%	100%
3,0%	80%	4,0%	80%
2,0%	60%	3,0%	60%
1,0%	40%	2,0%	40%
0,5%	20%	1,0%	20%
0,0%	0%	0,0%	0%

* *Linear vesting between the different performance targets.*

Allocations of SARs	Allocations are based on a multiple of total cost to company. The set multiples are determined with reference to the employee's job grade, role, performance, and the need to attract and/or retain key talent. Multiples range between 2,0x and 11x of annual cost of guaranteed package.

Forward-looking LTIs

After an extensive market practice review (and taking into account remuneration governance standards) the remuneration committee approved the CSP (Conditional Share Plan). The CSP will be presented to shareholders for approval at the AGM in October 2017. New CSP awards will only be made and reported on in next year's remuneration report.

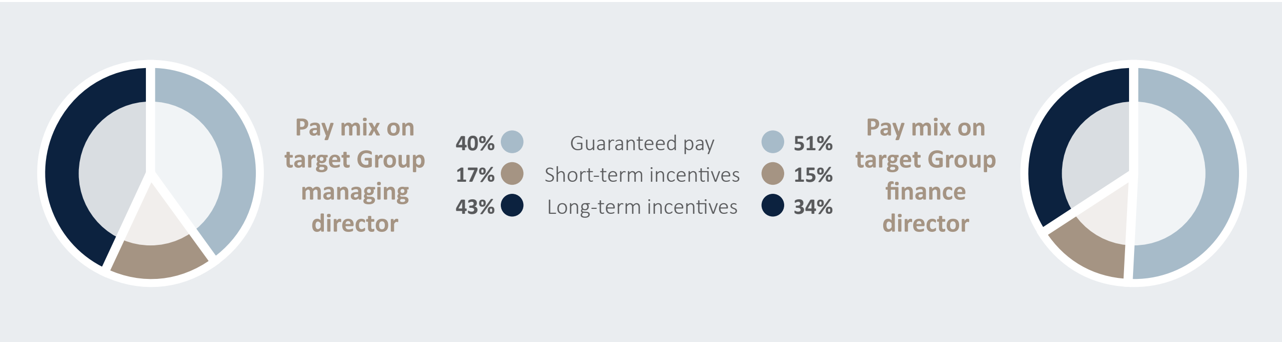
The new CSP is less volatile and dilutive than the SAR. It further provides alignment between management and shareholders as management will receive rights akin to directly holding Distell shares. Vesting of the conditional shares is subject to performance conditions, specifically selected to support Distell's strategic and growth targets over three to five years. Salient features of the CSP are outlined in the table below:

<table>
<tr><th colspan="2">CSP to be introduced in 2018</th></tr>
<tr><td>Design</td><td>Participants are granted a right to delivery of shares on vesting date. Therefore, if, for example, 1 000 conditional shares are awarded and the performance conditions for vesting are achieved (at stretch), 1 000 Distell shares will be delivered upon vesting. Performance shares (subject to stretching financial performance conditions) are awarded annually. However, the CSP also makes provision for retention shares (with more conservative performance conditions) in critical retention scenarios.</td></tr>
<tr><td>Vesting</td><td>Equal tranches (1/3) in years three, four and five after grant date.</td></tr>
<tr><td>Performance conditions for vesting</td><td>The rules of the CSP enable the remuneration committee to set performance conditions. These include, but are not limited to, earnings or return metrics. For the first award of CSPs the following performance metrics are envisaged:
<table>
<tr><th></th><th>100% ALLOCATION</th><th>75% ALLOCATION</th></tr>
<tr><td>EBITDA growth rate required</td><td>RGDP* + 2%</td><td>RGDP + 1%</td></tr>
<tr><td>Revenue growth rate required</td><td>RGDP + 1%</td><td>RGDP</td></tr>
<tr><td>Be employed</td><td></td><td></td></tr>
<tr><td>Weighting: 40 Revenue:60 EBITDA</td><td></td><td></td></tr>
</table>
* RGDP= Real GDP growth %.

Distell's average actual performance measured over a rolling three-year period (financial year) will be used to determine the vesting of each of the three CSP tranches.</td></tr>
<tr><td>Allocations of CSPs</td><td>Allocations of CSPs have a greater expected value than SARs on award date. Therefore, fewer CSPs have to be awarded than SARs. As a result the CSP is less dilutive. CSP multiples will range from 0,5x to 3,5x of total cost of employment (a third of the SARs allocations) and the award policy is based on the same principles as in prior years (see SARs summary on page 169).</td></tr>
<tr><td>Early termination of employment</td><td>In the event of resignation and just-cause dismissal, all unvested CSPs lapse. In the event of death, disability, retrenchment or retirement, unvested CSPs will vest pro rata based on the extent to which performance conditions were met. In the event of early retirement, the remuneration committee has discretion for employees to continue to participate in the CSP until vesting.</td></tr>
</table>

FORWARD-LOOKING PAY MIX

The pay mix for Distell's executive directors (based on the proposed CSP allocation) in an on-target performance scenario, both in quanta and relativity, is illustrated below:



Single-figure remuneration of executive directors

Distell's senior executive team comprises 12 members, including the Group managing director and finance director, who are also members of the Distell Group Limited board. Their compensation is disclosed in note 34 of Distell's annual financial statements. The remuneration of Distell's executive directors is outlined below:

Executive	Salaries R'000	Incentive bonus R'000	Retirement fund contribution R'000	Medical aid contribution R'000	Vehicle benefit R'000	2017 Total R'000	2016 Total R'000
RM Rushton	6 354	3 392	579	39	418	10 782	7 805
MJ Botha	–	–	–	–	–	–	2 917
LC Verwey	3 258	1 202	409	40	313	5 222	3 090
Subtotal	**9 612**	**4 594**	**988**	**79**	**731**	**16 004**	13 812

STI outcomes

As a result of stated performance conditions not being met, no STI bonuses were payable to any member of the top management team for the 2017 financial year.

LTI table

The table below provides an overview of the SARs granted to executive directors during the year, as well as the SARs not yet vested or exercised at indicative value. It further illustrates the cash value of SARs exercised during the year.

Executive	Balance of SARs accepted as at 30 June 2016	SARs accepted during the year to 30 June 2017	SARs offer price (Rand)	Number of SARs exercised in the year to 30 June 2017	Share price on exercise date (Rand)	Increase in value R'000	Balance of SARs accepted as at 30 June 2017
RM Rushton	513 891	45 867	165.02	–	–	–	559 758
LC Verwey	104 901	55 314	165.02	–	–	–	160 215
Subtotal	618 792	**101 181**		–	–	–	**719 973**

EXECUTIVE AND SENIOR MANAGEMENT SERVICE AGREEMENTS

Notice periods

The notice period for executive directors is six months, and the notice period for senior management is three months.

Payments on termination of employment

The employment contracts for members of executive management do not compel Distell to make any payments in the event of termination of employment on account of personal failure. Upon termination of employment, any payments made to a member of executive management will be as required in terms of legislation, and the consequences of unvested variable remuneration will be governed by the rules of the incentive plans and the basis for the termination of employment.

NON-EXECUTIVE DIRECTORS' FEES

All non-executive directors receive the same fixed, annual board retainer, which is augmented by fees for services rendered as members of subcommittees of the board. These committee fees are based on an assessment of the committee members' additional time, commitment and responsibilities. A premium is paid to the chair of the board, as well as the chair of the board subcommittees, and to the lead independent director. No fees are paid per meeting attended.

Non-executive directors do not receive performance incentive payments, SARs or options, pension fund benefits, loans on preferential terms, expense allowances or any other form of financial assistance. Direct expenditure incurred by non-executive directors to attend meetings or carry out their duties is carried by Distell.

Non-executive directors' fees are reviewed annually for market comparability and to ensure these are fair and competitive.

The proposed non-executive directors' fees for the 2018 financial year and the fee increase percentage are set out below. These have been approved by the board, and will be tabled to shareholders for approval by special resolution in line with section 66(9) of the Companies Act. It should be noted that fees are VAT exclusive. Where VAT must be charged by a non-executive director, as per a recent ruling by the South African Revenue Service (SARS), this VAT will be charged in addition to the fee charged by the non-executive director.

Committee role	2017	2018	% increase
Board chairperson	**1 202 145**	289 443	*
Board member	**273 059**	289 443	6%
Lead independent director	**903 326**	957 526	6%
Audit chairperson	**277 255**	293 890	6%
Audit member	**137 857**	146 128	6%
Remuneration chairperson	**195 778**	207 525	6%
Remuneration member	**103 041**	109 223	6%
Social and ethics chairperson	**154 562**	163 836	6%
Social and ethics member	**91 913**	97 428	6%
Investment chairperson	**195 778**	207 525	6%
Investment member	**103 041**	109 223	6%
Risk and compliance chairperson	**277 255**	293 890	6%
Risk and compliance member	**137 857**	146 128	6%

** In 2017 JJ Durand replaced DM Nurek as chairperson of Distell midway through the year. DM Nurek was paid 50% of R1 202 145 for his services as chairperson for the first six months of the 2017 financial year, being the annual remuneration approved by the Distell shareholders at Distell's annual general meeting in 2016. JJ Durand agreed to accept R273 059 as annual remuneration for serving as the chairperson of the board of Distell and was paid 50% (fifty per cent) of R273 059 for the last six months of the 2017 financial year.*

AC Parker
Chairman of the remuneration committee

Stellenbosch
30 August 2017

Durbanville Hills
Blanc de Blanc 2012

Gran d'Or – **2016**
Michelangelo
International Wine
and Spirits Awards

AWARD

RISK
REPORT

PROACTIVELY MANAGING RISK

The board of directors is ultimately accountable for the risk management process, which includes a comprehensive risk management system that incorporates continual risk assessment, evaluation and embedding internal controls.

Risk management involves achieving an appropriate balance between realising opportunities for gains and minimising adverse impacts. Enterprise Risk Management (ERM) is a key tool in optimising enterprise value and protecting stakeholder interests.

The governance of risk management in the Group lies with the newly established risk and compliance committee (the committee), which is a subcommittee of the audit committee. The committee had its first meeting in August 2016. It is mandated to monitor and report on the effectiveness of the risk management processes.

The composition of and attendance at the committee meetings appear below:

Members of the committee	
DP du Plessis (chairman) (appointed 20 June 2016)	**(4/4)**
DM Nurek (appointed 20 June 2016 and retired 24 November 2016)	**(2/4)**
GP Dingaan (appointed 20 June 2016)	**(3/4)**
PR Louw (appointed 20 June 2016)	**(4/4)**
CE Sevillano-Barredo (appointed 20 June 2016)	**(4/4)**

OUR APPROACH

The responsibility and accountability for implementation of risk management rest with management and staff. The board of directors retains accountability and responsibility for the overall process of risk management. Control assurance focuses on maintaining the quality and consistency of the risk identification, analysis and evaluation activities, as well as the effectiveness of risk management responses. Governance and assurance standards improve our ability to manage risk effectively, so that we can pre-emptively identify risks as well as opportunities, act quickly and confidently to gain a competitive advantage, create further value and achieve sustained growth.

Risk response and control levels are balanced against our strategic objectives for enterprise development and innovation. Alignment with effective corporate governance is achieved through the regular measurement of top risk exposures, and reporting and communication of risk management performance, which include progress of risk management plans and improvements to risk management maturity.

The governance of top business risks is of critical importance. These risks are usually debated at strategic planning sessions, and reviewed at executive committee and risk and compliance committee meetings. Focus is placed on all business risks with high impact or the likelihood thereof, which are generally described as top business risks. These risks are managed in the context of the Group's risk appetite. Controls and treatment plans are implemented to reduce risk exposures to acceptable residual risk levels, and records are kept of the execution of the risk management function that satisfies independent audit criteria.

Please refer to pages 18 to 21 for the corporate strategic risk table.

OUR FRAMEWORK

Our ERM policy and framework provide a basis for management to effectively deal with the uncertainty of associated risks and opportunities, thereby enhancing its capacity to build value. The risk management activities in the framework are based on the principles of King IV™ and ISO 31000.

An effective risk management framework and methodology exploits opportunities and creates benefits while managing potential exposures, thereby protecting shareholder value and supporting the achievement of our strategic objectives. Our risk-taking behaviour is aligned with our risk appetite, as outlined in our risk appetite framework.

Distell commits to the following to ensure the risk management policy objectives are achieved:

- application of necessary resources and transparent reporting;
- governance of our activities in a manner that is commensurate with the overarching corporate governance principles of fairness, accountability, responsibility and transparency; and
- embedding of risk management objectives in the measurable functions of all employees.

RISK MANAGEMENT PRINCIPLES

Risk appetite and risk tolerance levels

Risk appetite can be defined as the amount and type of risk that an organisation is willing to take to meet its strategic objectives. Risk tolerance is the willingness of an organisation to accept or avoid risk.

Distell's risk appetite and tolerance levels are reviewed annually and submitted to the board for approval. The board approved specific risk tolerance and appetite levels for each category of risk. These categories include revenue growth, earnings sustainability, brand protection, corporate reputation, environmental sustainability and protection, as well as health and safety, among others.

All significant business decisions are risk based, with formal consideration of the implications for the organisation's risk profile.

The annual work plan

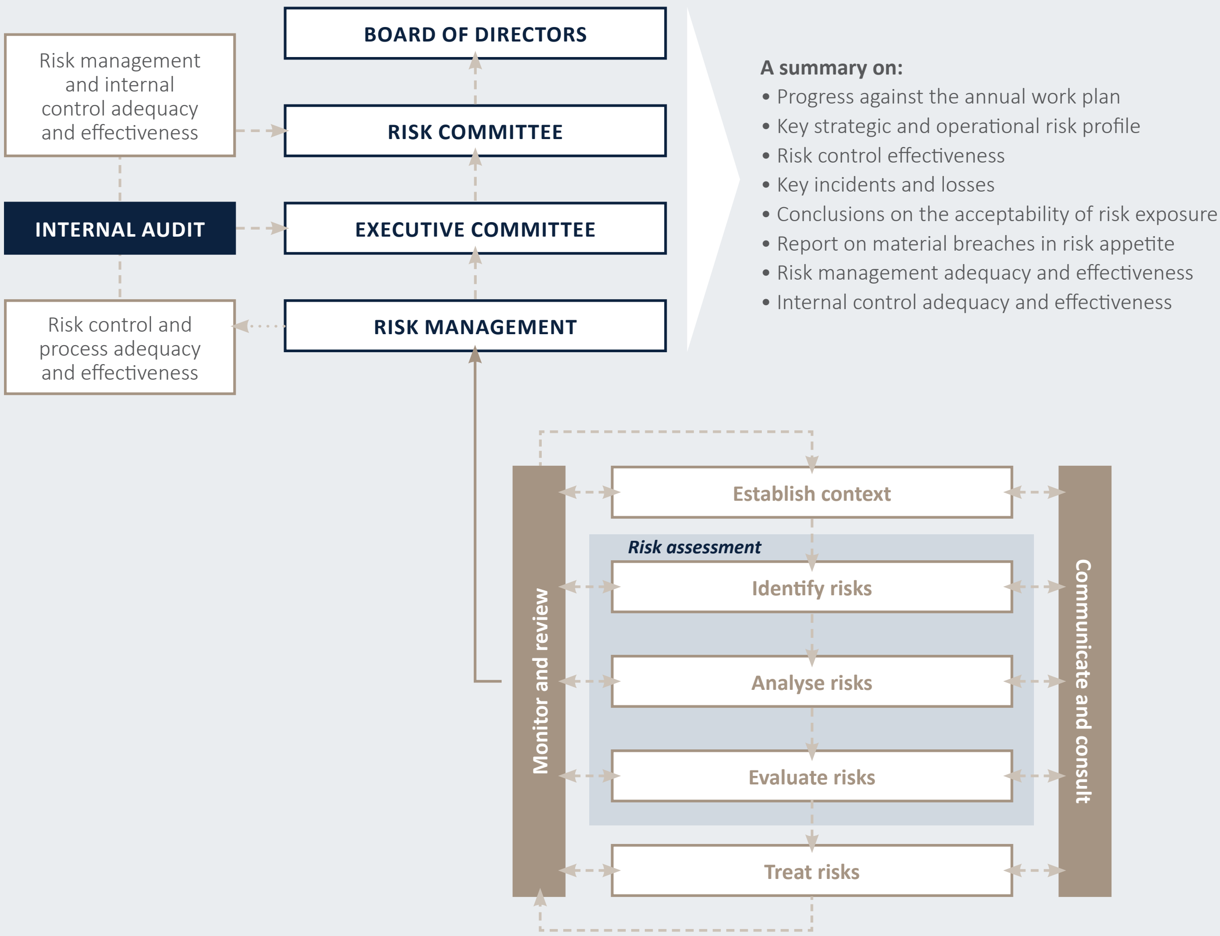
The risk management plan includes a 'risk calendar' or 'work plan' that documents the year's scheduled risk activities and initiatives to mature the risk management process. This work plan is approved by the committee and forms part of its charter.

Functional risk registers

Each function and business unit within the Group is responsible for creating, updating and mitigating their risk register. Each unit assigns an owner to the register and each risk has an owner and action owner. The risk rating matrix is used to determine the severity of the risk. This matrix has detailed descriptions of likelihood and impact criteria and serves as a basis for each unit to conduct its annual review of the risk register.

Reporting and information flow

The following structure and information flow has been implemented to ensure the efficient management of risk within the Group:



A summary on:

- Progress against the annual work plan
- Key strategic and operational risk profile
- Risk control effectiveness
- Key incidents and losses
- Conclusions on the acceptability of risk exposure
- Report on material breaches in risk appetite
- Risk management adequacy and effectiveness
- Internal control adequacy and effectiveness

TECHNOLOGY AND INFORMATION GOVERNANCE

Due to the growing dependency on IT systems for process automation, business growth and e-commerce, IT-related risk has become a significant factor in doing business. As a result, the board, through the risk and compliance committee, has been assigned the responsibility of maintaining oversight of and providing direction for all IT-related risks.

IT governance is a broad and ever-evolving discipline. For this reason, international guidelines such as Control Objectives for IT (CobIT), ITIL and ISO standards have been created to evaluate and monitor the progress of IT controls implementation over time. Distell IT has adopted these as guidelines, and is reporting to the committee on progress made.

The main focus area of the committee has been cyberattacks. Over the past year cyberthreats and the danger these pose to business have proved that awareness cannot remain only within IT. This has resulted in cyberthreats being a standing item on the committee's agenda.

Key IT governing bodies include the committee, the project prioritisation forum, strategy committee, IT management forum and IT architecture forum.

Key projects for the 2017 financial year include:

- disaster recovery project initiated to enable off-site recovery capabilities;
- IT risk management framework implemented;
- ISO 27001-based information security policies developed;
- cybersecurity awareness programme launched; and
- migration from CobIT v4 to v5.

Looking towards the 2018 financial year, the IT risk landscape for Distell comprises advanced cyberthreats, compliance with global data protection laws and recovering successfully from disasters affecting core information systems.

To reduce our risk exposure, global data leakage prevention, and legal and regulatory compliance along with identity and access management are the focus for 2017/18, with a strong emphasis on confidential information and the availability of core business systems.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group company secretary and Group legal counsel are responsible for guiding the board in discharging its regulatory responsibilities. The risk and compliance committee monitors the process implemented by management to ensure legal compliance.

Distell maintained its focus on other legislative compliance. The further rollout of an anti-bribery compliance project continued, while the Group also established an illicit trade forum.

The regulations of 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 UN Global Compact Principles.

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

THE EFFECTIVENESS OF THE RISK MANAGEMENT PROCESS

The board, via the committee, has considered the process of ERM, the policies and the procedures and is satisfied that the risk management process implemented in the Group is effective.

Dr DP du Plessis
Chairman of the risk and compliance committee

Stellenbosch
30 August 2017

Fleur du Cap Sauvignon Blanc Unfiltered 2015

Double Gold – **2016 Veritas Awards**

AWARD

SOCIAL AND ETHICS COMMITTEE REPORT

Distell's social and ethics committee (SEC) comprises nine members. Attendance details for the year are listed below:

Members of the committee	
GP Dingaan (chairperson)	**(2/2)**
Dr DP du Plessis (independent non-executive)	**(2/2)**
RM Rushton (group managing director)	**(2/2)**
W Bührmann (managing director: Southern Africa)	**(2/2)**
VC de Vries (CEO: Distell Development Trust)	**(2/2)**
SW Klopper (director: supply chain)**	**(1/2)**
Dr M Lambrechts (director: innovations)	**(2/2)**
L Malan (Group company secretary)**	**(1/2)**
JP van der Walt (director: human resources)	**(2/2)**
Invitee	
BSM Backman (director: corporate and regulatory affairs)	**(1/1)**

*** Sick/maternity leave on 29 August 2016.*

In accordance with its mandate, the SEC met twice during the year under review: on 29 August 2016 and on 13 February 2017. The SEC considered detailed reports on the matters listed below. Overall, 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.

SUSTAINABILITY APPROACH

The social and ethics committee approved a comprehensive Stakeholder Management framework for the company during the period under review.

The company developed a revised holistic, integrated approach to sustainability. In line with this approach, a Sustainability Council was instituted for the new financial year. This management council will provide strategic thought leadership and oversight to ensure that our sustainability strategy delivers on its key objectives. This includes monitoring the environmental and social impacts of our operations. The monitoring process will identify opportunities for, among others, local sourcing and entrepreneurship. Specific to South Africa, the Sustainability Council will also review the progress of Distell's transformation journey.

Distell's sustainability strategy will focus on:

- developing strategic key performance indicators (KPIs) to measure progress on Environment, Social, Economic, Governance (ESG), including B-BBEE targets, growth, cost containment, risk mitigation and creating intangible value;
- identifying key projects to support the execution of our sustainability strategy; and
- identifying corrective actions to address areas of underperformance.

EMPLOYMENT EQUITY

New employment equity targets were set for the next five-year period from 1 July 2017 – 30 June 2022. Following a review of the actual performance against set targets for the past year, the assessment showed that planned targets for previously disadvantaged individuals (PDIs) at senior management level and junior management level were achieved, while targets for middle management were not achieved. The management of vacancies was a particular area of focus.

SKILLS DEVELOPMENT

High-potential employees are supported to fast-track and accelerate their career development through various training and development interventions. Nine candidates were selected to participate in the flagship Accelerated Development Programme through the University of Stellenbosch Business School. 67% of the candidates currently participating in the value-chain exposure phase of the programme come from the previously disadvantaged group.

Distell provided bursaries for tertiary studies to 56 employees. A total of 356 people participated in learnerships, of which 96% were African, Coloured and Indian candidates. 64% were unemployed and 48% were learners with disabilities.

CORPORATE SOCIAL INVESTMENT (CSI)

Distell's CSI strategy was reviewed to:

- enhance programme impact;
- realign with the different national and regional governments' policy frameworks;
- focus on sustainable community empowerment and development; and
- support initiatives that reduce alcohol harm.

Going forward, the focus will be on three areas of investment:

- Harm reduction
- Economic empowerment and development
- Youth development

The committee notes the increased focus on:

- impact and measurable social return on investment; and
- partnerships as key to the CSI and corporate social responsibility approach.

B-BBEE

Significant B-BBEE improvements were a result of a leader-led strategy implementation as well as business units and functions taking ownership of the various scorecard elements. A verified B-BBEE certificate was issued in September 2016 and reflects a level 4 status. Distell is on track to retain its level 4 status in 2017.

CONSUMER HEALTH AND SAFETY

The committee noted that quality incidents relating to the bottling process were being monitored closely and were receiving focused management attention. Distell is furthermore investigating establishing a more visible customer care line in support of a new quality alert procedure. Sensory consistency is ensured by a taste panel which was established in 2016. An overarching integrated incident management process, that assists site management from an accountability and responsibility perspective, was developed for all Distell sites during the period under review. This integrated incident management process will be rolled out across the company in the new financial year.

DONATIONS AND SPONSORSHIPS

Donations and sponsorships form part of the corporate brand team and are directed by a strategy framework and guidelines. Main beneficiaries are previously disadvantaged communities and social impact is the main focus.

ENVIRONMENT

Three major projects were completed during the year to support resource efficiency: the Springs solar photovoltaic facility, the Adam Tas waste water facility and the Wellington biogas boiler.

STAKEHOLDERS

The committee approved a proposal to improve capability in terms of a stakeholder engagement framework and relationship management. Current sources of stakeholder information will be integrated into the framework and used as a baseline to identify engagement opportunities.

ETHICS LINE AND ANTI-BRIBERY TRAINING

The reporting on ethics line incidents are handled with sensitivity and confidentiality, with investigations conducted in a professional manner, dealt with by the appropriate individuals and escalated as needed. During the year under review we rolled out anti-bribery and -corruption training to all our employees. This training was conducted in both live and web-based (e-learning) environments. Continuous training of our employees as well as our business partners remains a key priority and is aimed at ensuring compliance and promoting ethical behaviour. Distell places high value on ethical conduct in all its actions and decisions.

GP Dingaan
Chairperson: social and ethics committee

Stellenbosch
30 August 2017

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SUPPLEMENTARY INFORMATION

GROUP
STRUCTURE

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

52,8%
REMGRO-CAPEVIN INVESTMENTS PROPRIETARY LIMITED

27,7%
PUBLIC INVESTMENT CORPORATION (SOC) LIMITED (PIC)*

17,7%
OTHER INVESTORS

1,2%
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

* *The Public Investment Corporation (SOC) Limited (PIC) amount includes shares held by the Government Employees Pension Fund.*

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 a network of operations in the rest of Africa and beyond.

In the rest of Africa our offices can be found in some of the following countries: Angola, Ghana, Kenya, Nigeria and Mozambique. Elsewhere in the world 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 Kenya.

In Tanzania, Zimbabwe 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 35 trading depots in South Africa with a further six in BLNS. Furthermore, there is one independent distribution agent in South Africa. Elsewhere in Africa we make use of various distributors.

SUBSIDIARIES

Manufacturers and distributors of branded alcoholic beverages

- Distell Limited (100%)
- Stellenbosch Farmers Winery Limited (100%)
- Bisquit Dubouché et Cie (France) (100%)
- Distell International Limited (Previously Burn Stewart Distillers Limited) (Scotland) (100%)
- KWA Holdings E.A. Limited (Kenya) (52% (2016: 26%))
- Anhui Dangshan Distell Haisheng Co Ltd (China) (51%)
- Distell (Hong Kong) Limited (Hong Kong) (100%)
- Distell Angola Limitada (Angola) (95%)
- Distell Ghana Limited (Ghana) (100% (2016: 60%))
- Imported Premium Vodka Company Limited (75%)

Manufacturers of wine

- Durbanville Hills Wines Proprietary Limited (72%)
- Nederburg Wines Proprietary Limited (100%)

Farming

- Nederburg Wine Farms Limited (100%)

Wholesale distributors of branded alcoholic and other beverages

- Distell Botswana (Proprietary) Limited (100%)
- Distell Namibia Limited (100%)
- Distell Swaziland Limited (100%)
- Distell Winemasters Limited (Kenya) (100%)

JOINT VENTURES AND ASSOCIATES

Manufacturer and distributor of maturation vats

- Tonnellerie Radoux (SA) Proprietary Limited (50%)

Manufacturers and distributors of branded alcoholic and other beverages (associates)

- Grays Inc. Limited (Mauritius) (26%)
- Papkuilsfontein Vineyards Proprietary Limited (49%)
- Tanzania Distilleries Limited (Tanzania) (35%)
- Afdis Holdings (Private) Limited (Zimbabwe) (50%)

Manufacturers of branded alcoholic beverages (joint ventures)

- LUSAN Holdings Proprietary Limited (50%)

ANALYSIS OF SHAREHOLDERS at 30 June 2017

	Number of holders	% of holders	Number of ordinary shares	% of issued shares
Distribution of shareholders				
Public shareholders	**6 179**	**99,79**	**40 170 007**	**18,06**
Non-public shareholders	**13**	**0,21**	**182 212 349**	**81,94**
Major beneficial shareholders	**2**	**0,03**	**178 998 297**	**80,49**
Directors, including those of subsidiaries, and their associates	**9**	**0,14**	**216 058**	**0,10**
Distell Share Appreciation Right Scheme (SAR Scheme)	**1**	**0,02**	**346 048**	**0,16**
Distell Beverages (RF) Proprietary Limited	**1**	**0,02**	**2 651 946**	**1,19**
	6 192	**100,00**	**222 382 356**	**100,00**

	2017	2016
Number of shares in issue		
Total number of shares in issue	**222 382 356**	222 109 356
Shares accounted for as treasury shares		
The Distell Group Share Trust and SAR Scheme	**(346 048)**	(248 302)
Distell Beverages (RF) Proprietary Limited	**(2 651 946)**	(2 651 946)
	219 384 362	219 209 108
Weighted number of shares	**219 298 364**	219 037 582

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**
Public Investment Corporation[1]	**61 650 297**	**27,7**

Note:

1. *This number includes shares held by the Government Employees Pension Fund, Unemployment Insurance Fund and Compensation Commissioner Pension Fund.*

ACCREDITATION AND CERTIFICATION as at 30 June 2017

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. In order to remain relevant, we will be transitioning to the new updated version of the IS0 9001 standard, namely ISO 9001:2015, at all our sites.

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 and Plaisir de Merle wineries, as well as Paarl and Green Park facilities are all BRC 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 Neethlingshof, Uitkyk and Alto are also certified.

CERTIFIED ORGANIC WINE PRODUCER

Nederburg cellar and selected vineyards at Papkuilsfontein have been certified to produce organic wines.

HAZARD ANALYSIS AND CRITICAL CONTROL POINTS (HACCP) CERTIFIED

Our secondary sites producing for the South African market (Port Elizabeth, Springs and Wadeville) are HACCP SANS 10330:2007 certified.

ISO 17025 ACCREDITED

Our central laboratory at Adam Tas cellar is fully accredited.

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 transitioning 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.

WWF SA BIODIVERSITY AND WINE INITIATIVE (BWI) CERTIFIED

Uitkyk and Neethlingshof Estate have achieved BWI champion status, while Plaisir de Merle is in the process of applying for championship status. Due to the changes in the BWI management and certification system there is no longer any 'BWI member' category.

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 foreign exchange movements, 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 depreciation 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.


Nederburg

DATES OF IMPORTANCE TO SHAREHOLDERS

Annual general meeting	**October 2017**
Financial report	
Interim report	February 2018
Preliminary announcement of annual results	August 2018
Annual financial statements	September 2018
Ordinary dividends	
Interim dividends	
– declaration	February 2018
– payable	March 2018
Final dividends	
– declaration	August 2018
– payable	September 2018

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
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
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)

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DISTELL