DISTELL
CRAFTING BRANDS SINCE 1925

INTEGRATED REPORT

TWENTY NINETEEN

WELCOME TO OUR 2019

INTEGRATED REPORT

This report reflects the performance of Distell Group Holdings Limited (Distell or the Group) for the year ended 30 June 2019 and prospects for the future.

GROUP REVENUE	NORMALISED EBITDA[2, 3] adjusted for forex	NORMALISED HEADLINE EARNINGS adjusted for forex[3]	RETURN ON INVESTED CAPITAL[2, 3]	TOTAL DIVIDEND
+9,4% on flat volumes[1]	+7,5%	+7,0%	+34bps	+7,1%

[1] *The Group adopted the new accounting standard IFRS 15 Revenue from Contracts with Customers with effect from 1 July 2018. The Group makes payments or provides products to customers which, under IFRS 15, are not regarded as payment for distinct goods and services and for which separate performance conditions cannot be determined (see note 12 to the summary financial statements). From 1 July 2018, these costs are allocated against revenue as the Group has applied the modified retrospective application option and comparative information has not been restated. For comparability purposes, pro forma restated figures were calculated as disclosed in note 12.*

[2] *Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) refer to EBITDA adjusted for the: (a) prior year gain on the unbundling of Lusan and the sale of Bisquit, (b) the prior year one-off losses and write-off in Tanzania Distilleries Limited (TDL), an associate company, following a sachet ban and excise duty dispute, (c) profit on disposal and impairment of property, plant and equipment (PPE) and intangible assets, (d) Group restructuring, retrenchment and other non-recurring costs, (e) expected credit loss on Zimbabwe financial assets, and (f) impairment of the investment in Best Global Brands Limited (BGB).*

[3] *Foreign currencies and abnormal transactions affect the Group's performance. Where relevant in this report, adjusted non-IFRS measures are presented. These adjusted measures represent pro forma financial information. A reconciliation of the pro forma financial information to the equivalent IFRS metrics is provided in note 3 to the summary financial statements.*

The Distell Group is a global business with roots in South Africa. We are Africa's leading producer and marketer of wines, spirits, ciders and other ready-to-drink (RTDs) beverages, enjoyed responsibility by people across the world. Our portfolio of brands offers consumers a choice for every occasion and provides unique moments of social enjoyment. The value we create also enriches the lives of our employees, shareholders and the communities within which we live and work.

Our purpose: Creating memorable moments. Crafting a better future.

	Customer and consumer focus	Excellence	One Distell
OUR VALUES	We are passionate about our customers and consumers	We are committed to excellence in everything we do	We win by collaborating with integrity, honesty and respect
THE BEHAVIOURS THAT UNDERPIN OUR VALUES	– We delight our consumers by putting them first – As our customers grow, we grow – We think and act like business owners	– We challenge, then commit – We are digitally fluent – We fail fast, and learn faster	– We dare to care – We build trust together – Together, we play to win

ABOUT THIS REPORT

Content guidance, assurance and approval

We consider, use and apply a range of content guidance documents in the preparation of our reporting elements, as detailed on page 122.

The annual financial statements were audited by the external auditors, PricewaterhouseCoopers, and an unqualified opinion has been issued.

Our report is assessed by management to ensure the reliability and completeness of the information included.

The board of directors has reviewed the report's contents, preparation and presentation, including the appropriateness of the reporting frameworks used. The board believes it is an accurate representation of the prospects and 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 2019 integrated report in Stellenbosch on 27 August 2019 for release to shareholders on 28 August 2019.

Jannie Durand	Richard Rushton	Catharina Sevillano-Barredo
Chairman	Group chief executive officer	Chairperson of the audit committee

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All Distell products mentioned in this integrated report are not for sale to persons under the age of 18 years. We appeal to consumers who choose to drink alcohol to enjoy our products responsibly.

FEEDBACK

Your feedback is important to us and we welcome your input to enhance our reporting content and processes. Please send your comments to: Investor.Relations@distell.co.za or call +27 21 809 7000.

FOLLOW US ON:

Facebook LinkedIn Twitter

OUR INVESTMENT CASE

OUR HERITAGE IS OUR PRIDE

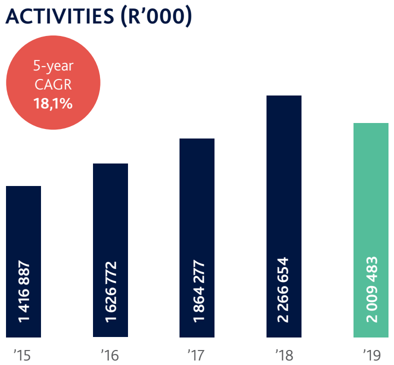
Distell is the only South African-owned and operated alcoholic beverages company. Most of the Group's revenue (73,9%) is generated in South Africa.

WE PIONEER NEW MARKETS IN AFRICA

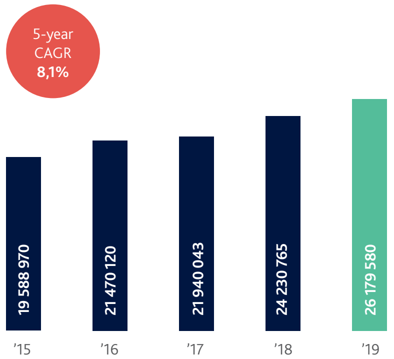
We are Africa's leading producer and marketer of wines, spirits, ciders and RTDs and we are building long-term platforms to deliver growth on the continent. Geographies in Africa increased to 15,5% of Group revenue.

WE YIELD RESULTS THAT MATTER

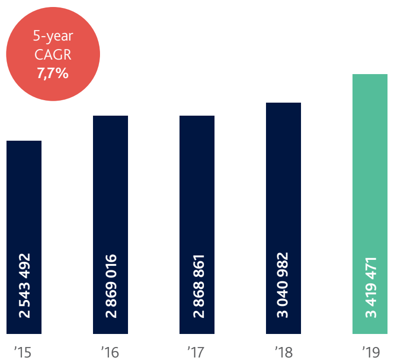
NET CASH GENERATED FROM OPERATING ACTIVITIES (R'000)



REVENUE (R'000)



NORMALISED EBITDA (R'000)



WE LEVERAGE OUR FOCUSED PORTFOLIO

The Group's competitive advantage is our balanced category spread. A consolidated portfolio of our brands is sold in select markets across the world. Geographies outside of South Africa contribute 26,1% to Group revenue.

Ciders and RTDs

We pioneered the cider category in South Africa to become the second-largest global producer of ciders, with unprecedented growth of 15,6% in Africa.

Spirits

Our premium and accessible spirit brands include local brands in key African markets.

Amarula is the world's second-largest cream liqueur.

Wines

Our wines, with their rich heritage, are sold on every continent.

OUR REPERTOIRE OF BRANDS:

- resonates with a broad spectrum of consumers with different **taste profiles**;
- plays across the **price continuum**; and
- is enjoyed at **mixed-gender drinking occasions worldwide**.

WE VALUE OUR BRANDCRAFTERS

We are building an empowered, high-performance organisational culture that encourages innovation from a diverse pool of talented professionals.

B-BBEE level 3

WE ARE COMMITTED TO CRAFTING A BETTER FUTURE

We find opportunities at each point along our value chain to do more, be better and foster positive change in the lives of our stakeholders.

Water usage

↓ **19,3%**

per litre of production than our 2014 base year

Electricity usage

↓ **15,6%**

per litre of production than our 2014 base year

Greenhouse gas emissions

↓ **10,5%**

fewer emissions than in our 2014 base year

Read more in our sustainability report online.

OUR BRANDS

Our brands are our heritage. They are also our future.

KEY DISTELL BRANDS

CIDERS AND RTDs	SPIRITS	WINES
Bernini	Amarula	4th Street
Extreme	Bain's Cape Mountain Whisky	Autumn Harvest Crackling
Hunter's	Bunnahabhain	Drostdy-Hof
Savanna	Cruz	Nederburg
	Klipdrift	Original Paarl Perlé
	Old Buck	
	Richelieu	
	Scottish Leader	
	Viceroy	

The 2019 brand category performance, developments and awards are discussed in the Group CEO report on page 30.

PORTFOLIO OPTIMISATION

Distell engages in a continual process of analysis, adjustment and improvement across our brands. The aim is to:

- streamline our portfolio;
- build our core global brands; and
- identify which key brands to promote in each geography.

This results in efficiency and scale and supports our strategic priority of improving margins.

CONSUMER ENGAGEMENT

We are mindful that our marketing efforts should encourage responsible consumption.

While our brands are enjoyed responsibly every day, we appreciate that some adults do not make good decisions. We are dedicated to helping people make the right choices when consuming our products.

Liquor legislation will also affect the way we are able to market our products. We embrace this regulatory shift by revitalising our consumer engagement options. Our new marketing channels are diverse enough to operate in any environment, and in ways that were not available before.

PREMIUMISATION

Distell's brands are positioned across the price continuum, from accessible, scale brands that enjoy wide-ranging popularity to premium brands that are crafted with the connoisseur in mind.

The scope of our portfolio provides a natural journey: Our more accessible products, like 4th Street, Esprit and Harrier Whisky meet mainstream consumer needs, for example a sweeter taste profile and lower levels of alcohol. Given time, a consumer who enjoys our more accessible brands, might move to easy-drinking yet more sophisticated brands and eventually to premium brands.

Consumers can also trade up or down, depending on their disposable income at the time. In tough times, consumers have scale brand options and in good times, they enjoy premium brands. This creates a natural risk hedge, since we retain their spend.

We see evidence of this in the sustained performance of brands like Drostdy-Hof, Bernini and Klipdrift, which are accessible yet more premium.

BRAND INNOVATIONS

FLAVOURED VODKAS - CRUZ AND COUNT PUSHKIN

Cruz Luxury Vodka is the fastest growing premium vodka in South Africa. In 2018, the brand launched Cruz watermelon, carrying platinum-selling artist, AKA's name and later made it a permanent, luxury edition flavour.

Count Pushkin is the fastest growing accessible vodka range in South Africa. In 2018, Count Pushkin Vodka launched a world first: A low-alcohol flavour range at 20% abv. The range of mango, apple, botanic and cinnamon flavours taps into the growing trend for moderation among millennials, while providing a competitive price point due to lower excise.

EDGE

Distinctively smooth, Edge is where beer and cider meet.

The cider introduces a balanced flavour of both cider and hops, a barrier broken for the first time in South Africa. It is unexpected and pleasantly surprising.

AMARULA

Amarula Vanilla Spice was launched for the 2018 festive season in South Africa. 180 000 litres sold through the retail channel in just three months. Shopper data indicated the new variant was successful in attracting new consumers with its unique bouquet of exotic African flavours including Madagascan vanilla and African ginger.

BAIN'S CAPE MOUNTAIN WHISKY

Bain's Cape Mountain Whisky, our proudly South African and internationally award-winning single grain whisky, launched a limited edition 15-year-old single grain whisky.

Crafted at the James Sedgwick Distillery in Wellington, the 15-year-old is the first of our Founder's Collection series of whiskies. It is the oldest grain whisky to date launched in South Africa.

> 'WE HAVE OVERCOME THE ODDS AGAINST THE PERCEPTION THAT ONLY TRADITIONAL WHISKY PRODUCING COUNTRIES CAN BE TAKEN SERIOUSLY.' ANDY WATTS, BAIN'S CAPE MOUNTAIN WHISKY FOUNDER DISTILLER

SAVANNA LEMON NON-ALCOHOLIC

Our first non-alcoholic cider, Savanna Lemon gives you a crisp, sparkling and dry apple cider taste with a lemon zing.

Wellness-focused consumers seek premium no- and low-alcohol experiences, but still desire the same depth of flavour and sense of occasion.

Staying true to the dry and distinctive Savanna taste, we chose a process of dealcoholisation to reduce the above to 0,3% and the result is a non-alcoholic cider with the same crisp taste.

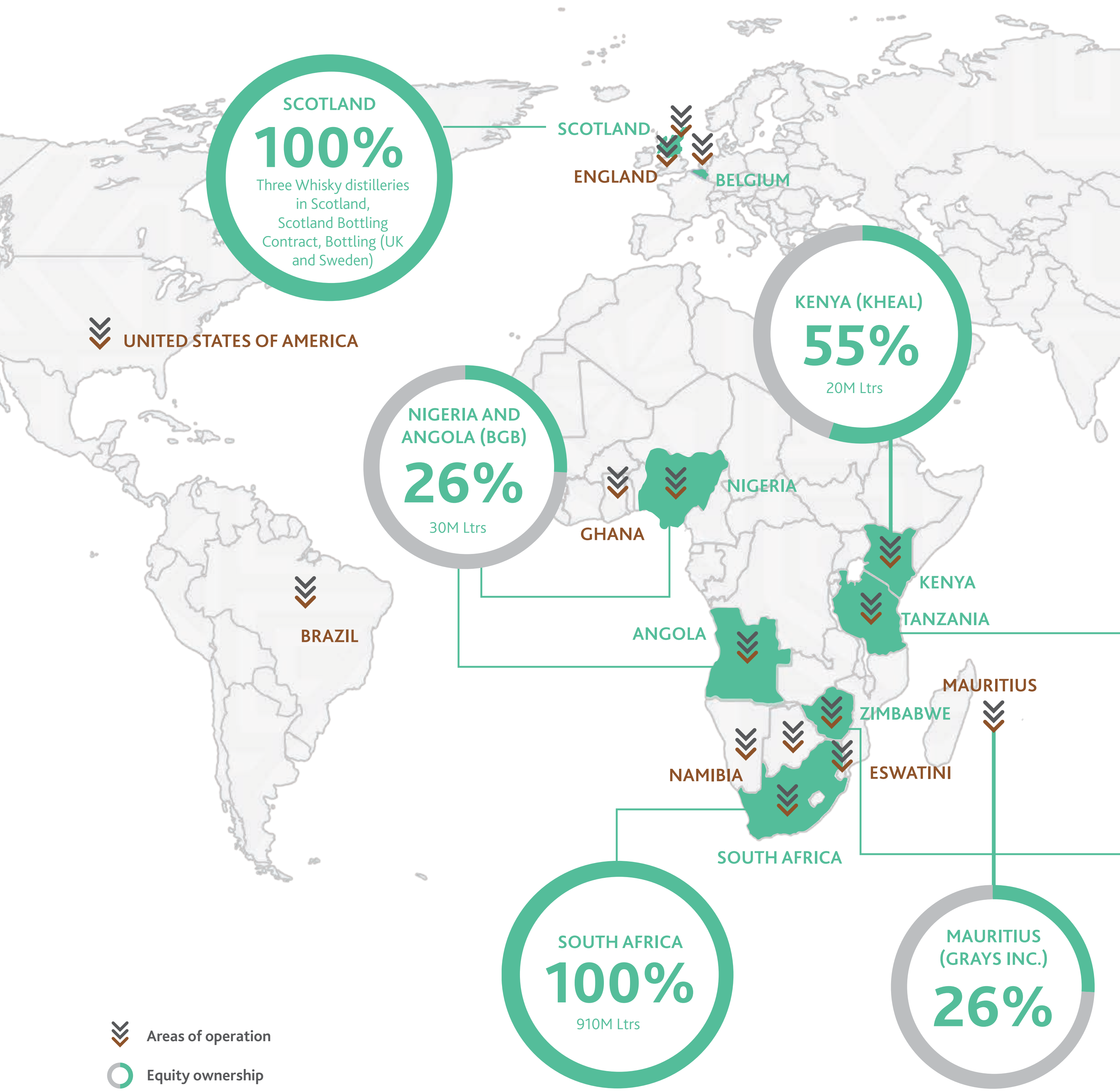
DURBAN POISON

Durban Poison Cannabis Lager is brewed with hemp seeds from the Cannabis Sativa plant species. While these seeds contain no THC, they are widely renowned for their health properties and still provide a feel-good factor with a light, refreshing taste and easy drinkability.

Distell has partnered with Poison City Brewing to provide route-to-market distribution.

OUR FOOTPRINT

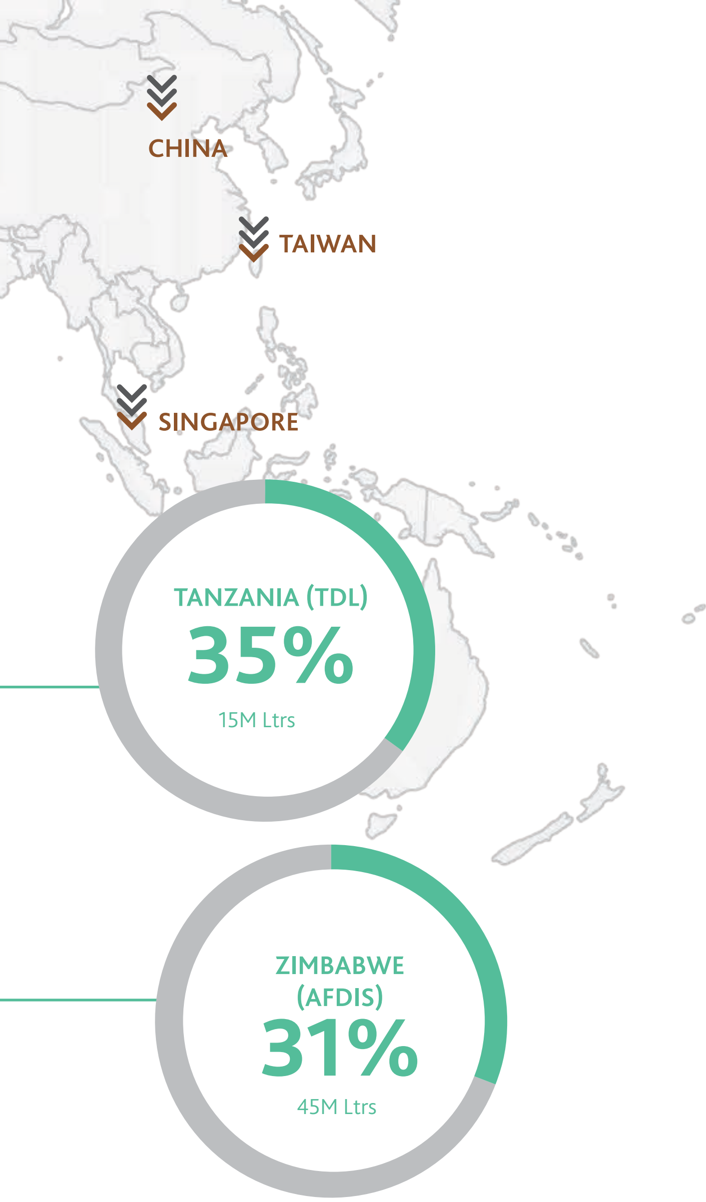
Most of Distell's products are produced in South Africa and sold worldwide.

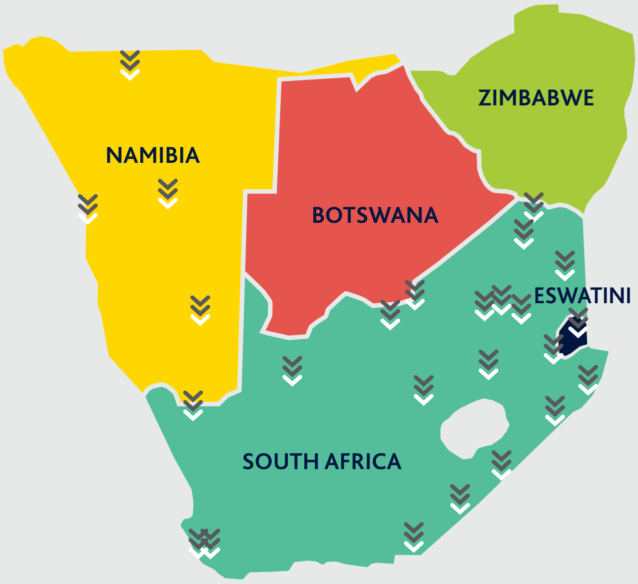


OUR GLOBAL DISTRIBUTION NETWORK IS SUPPORTED BY LOCAL PRODUCTION CAPABILITY IN SOUTH AFRICA, SCOTLAND, ANGOLA, KENYA AND NIGERIA.

WE HAVE JOINT VENTURE AND ASSOCIATE PARTNERSHIPS IN COUNTRIES THAT INCLUDE TANZANIA, ZIMBABWE, ANGOLA AND MAURITIUS.

GOING FORWARD, WE HAVE PRODUCTION GREENFIELDS AND EXPANSION PLANS FOR ZAMBIA AND KENYA.





Distillery & Operations

- Worcester
- Goudini
- Van Ryn's
- Wellington
- Monis (Paarl)
- Durbanville Hills
- Plaisir de Merle
- Alto

Operations & Packaging

- Adam Tas
- Nederburg
- J.C. Le Roux
- Port Elizabeth
- Springs
- Wadeville

18
distribution centres (incl. four in Namibia)

24
trade express sites (incl. one in Eswatini)

2
dedicated export warehouses

FROM OUR
CHAIRMAN

Distell is the only South African-owned and operated alcoholic beverages company with a growing African platform with global position and reach. It is important to the board that Distell is, and is seen to be, a responsible corporate citizen and above reproach so that investors can be confident in the level of governance we maintain.

THE WORLD WE OPERATE IN

The global economy is uncertain. Whether it be socio-economic circumstances, politics or consumer trends, the rate of change is accelerating across all our markets. This changing landscape creates opportunities and challenges for all South African companies.

In South Africa, under new political leadership we are reassured by the political intent to streamline government, eradicate corruption and the mismanagement of public funds, and improve the performance of state-owned enterprises. The president's economic recovery and stimulus plan, announced in September 2018, focuses on the agriculture industry, with its employment and economic growth potential, which is encouraging. However, the country's economy continues to lag most of the world, and it will take years of structural reform to address weak governance, reduce fiscal debt, attract meaningful investment and turn the economy around.

GOVERNANCE AT DISTELL

As global and domestic corporate scandals have demonstrated, no governance framework can guarantee that a company does the right thing. From a board perspective it is much more important that we appoint the right people in executive positions. In Africa, we also partner with companies that have reputations for doing the right thing.

We work with our industry peers and governments to manage the societal impacts of irresponsible alcohol consumption and to create a cycle of growth for our business and the communities where we do business. We are proud of our contribution as a substantial contributor to tax, an employer of 4 936 people throughout the globe and a major buyer, particularly of apples and grapes, in the agricultural sector.

However, we face structural cost challenges, for example, a significant tax burden and rising energy costs in South Africa. Excise duties on alcohol have increased above the rate of inflation since 2001. Given that illicit alcoholic beverages are from unregistered entities, this puts the entire tax burden on the compliant and registered sector of the industry. We believe in collaborating with local governments to create an enabling environment that encourages licensing and responsible trading.

THE ROLE OF THE DISTELL BOARD

The board and management team recognise that we need to have a clear vision for the future of the Group and evolve our business and strategy accordingly, remaining adaptable enough to withstand changeable external factors. We encourage a diversity of views on the board because we believe that in-depth analysis and deliberation anticipate and mitigate risks.

For Distell and our shareholders to get the most value out of the work of the board, we focus on three responsibilities:

- To oversee the allocation of capital, particularly financial and human capital.
- To challenge the Group strategy by asking the right questions of management, and stress testing the strategy we sign off once it is implemented.
- To delegate governance matters to the appropriate board committees, to receive focused attention.

HOW WE OVERSEE THE ALLOCATION OF CAPITAL

The Remgro Group remains a shareholder of reference, alongside key institutions and other domestic and foreign shareholders. Remgro and Distell are similar in that both companies have always taken a long-term, measured approach to capital allocation. This allows Distell's executive management team to pursue sustainable opportunities, rather than short-lived gains, and ensures credibility, stability and continuity during challenging trading periods.

Investing in Africa

In Africa, we form partnerships and put operational building blocks in place to ensure profitable and sustainable growth. This journey entails long-term thinking and disciplined processes for the allocation of capital, strategic choices and trade-offs.

African countries are diverse in terms of socio-economic situations, demographics and social mechanisms. We accept that there are short-term effects in developing countries that influence our performance, as we saw in Angola and Zimbabwe this year. However, experience has taught us that doing business in Africa is for the long term and we have established these footholds for future generations.

We are diligent in selecting the markets Distell enters. To make it worthwhile for the board to approve the allocation of money and management time, we conduct risk analyses and consider each country's size, infrastructure, currency fluctuations, government amenability and the potential to invest in local niche brands and partnerships. As we did in Kenya and Angola, we prefer to 'test the waters' in Africa. By investing in a minority stake of a strong local company, we keep our risk within acceptable levels and learn alongside our partners to build out meaningful route-to-markets over time.

To achieve our strategic priority of geographic growth, it is critical for Distell to get into markets where the potential is worthwhile over time.

Investing in our premium wine and spirit portfolios

The establishment of Libertas Vineyards and Estates, our premium wine subsidiary, allows the business to be more focused on margin enhancement over volumes and to develop an entrepreneurial culture. It also ensures that management and the board can more clearly track our invested capital to capitalise on appropriate opportunities into the future.

The cost of investment in premium brown spirits like whisky and brandy is high and returns happen over many years. Therefore, it is important that we keep our spirits portfolio balanced with white spirits and accessible local brands, to generate cash while the premium brown spirits mature. We invest in local brands with excellent growth potential.

Investing in technology and innovation

Technology and innovation are drivers of long-term value creation and facilitate the intersection of all functions in the business. As a board, we encourage flexibility and creativity and promote innovative thinking, while managing risk within our agreed appetite.

HOW WE CHALLENGE AND TEST THE GROUP STRATEGY

The Group's steady performance has built on the solid platform we created through consistently reviewing and implementing our strategy over the past four years. Our annual two-day review is where we debate and sign off the strategy. Once implemented, we analyse it quarterly to see whether implementation is delivering as expected.

This year, Distell's strategic direction evolved to articulate more clearly what we want to achieve in Africa and how we want to structure our premium wine and spirit categories, in South Africa and elsewhere. Our operating environment is highly competitive, and if we want to be a proudly African company that can compete with the top players in the world, benchmarking showed us that we needed to make certain changes. The fourth industrial revolution means that companies need to reinvent themselves to remain nimble and competitive. For Distell, this included the restructuring of our supply chain network and head office functions to improve efficiency and unlock growth potential.

Investing in new technologies and consolidating production facilities does mean that to do the same job we need less people, and the process did involve job shedding. It was critical to the board and management that our affected employees were given proper support. Where appropriate, they were offered training for sales roles, since, given our expanding sales force, this is where the Group needs more people. In other cases, we supported reskilling to enable departing employees to become entrepreneurs and enter our supply network.

HOW WE DELEGATE TO THE BOARD COMMITTEES

Each committee has an independent role with accountability to both the board and shareholders. It operates as an overseer and makes recommendations to the board for its consideration and final approval. The board has confidence in each committee's skills and experience and their ability to take responsibility for relevant governance matters. Where necessary, the board will challenge and debate committee decisions.

Changes to the board

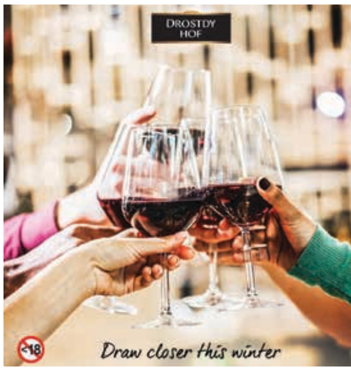
- Kees Kruythoff was appointed as non-executive director in April 2019. Mr Kruythoff was the president of Unilever's Home Care business and has been a member of the Unilever Leadership Executive since November 2011. On the Distell board, he is responsible for strategic direction, performance management and brand development. Kees brings a wealth of experience in marketing, international business, general business and fast-moving consumer goods to the board. He has worked extensively abroad, including China, Brazil and North America.
- Piet Beyers retired as independent non-executive director in June 2019. He was appointed to the board in 2000 and served Distell with distinction in several capacities, including as a member of the investment subcommittee. Through his business insights, marketing skills and passion for the Group, he made an enduring contribution and provided strategic direction to the evolution of Distell. We wish him all the best.

APPRECIATION

This has not been an easy year for Distell. Organisational change, though critical, is challenging to manage. In addition, we face tough competition and headwinds in almost all the economies where we operate. Nonetheless, this modest drinks company out of South Africa is holding its own in the global market and building an African business for the next generation. This is to the credit of executive management. I would like to express my appreciation to them for acting responsibly, treating our employees (known as Brandcrafters) with respect, and maintaining trust during another year of change. I remain confident that Distell's team will consistently drive our strategy, achieve good results and create value in the long run for stakeholders.

I would also like to thank all our Brandcrafters, who once again showed courage, resilience and innovation. The board, the management teams and I extend our thanks to our shareholders, partners, customers, suppliers and consumers for their ongoing support.

Jannie Durand
Chairman
Stellenbosch
27 August 2019



OUR BUSINESS MODEL

OUR RESOURCES

THE INPUTS WE USE TO CONDUCT OUR BUSINESS ACTIVITIES ARE TRANSFORMED INTO OUTPUTS AND OUTCOMES FOR OUR STAKEHOLDERS.

Our business model relies on the six resources, or capital inputs, of value creation described below. We apply these resources based on our strategic aspirations and priorities, as described on page 28.

FINANCIAL RESOURCES

Funding from providers of capital is invested according to our strategy, to support our business activities. The CFO report on page 36 includes a review of our financial performance for 2019, and our summary consolidated financial statements from page 96 provide a detailed overview.

MANUFACTURED RESOURCES

Manufactured resources include the physical infrastructure we use to produce, cellar, package, warehouse, sell and distribute our brands. We continuously optimise our asset portfolio. Detail for 2019 on capital investments, upgrades and consolidation of assets can be found in the Group CEO report on page 30.

INTELLECTUAL RESOURCES

Our organisational knowledge, systems, protocols and intellectual property, including our brands, constitute our intellectual resources. Our intellectual resources provide competitive advantage, quality control and innovation. Our decentralised model, as described on page 33, enables prompt decision-making, heightened commercial responsibility and improved brand resonance with consumers.

HUMAN RESOURCES

Distell’s human resources are our people, the board, management and employees – our ‘Brandcrafters’ – and their skills, competency, capability and experience. Information on engagement with employees and matters addressed during 2019 can be found in the stakeholder section of this report on page 14 and the Group CEO report on page 30.

SOCIAL AND RELATIONSHIP RESOURCES

Our social and relationship resources take the form of a network of internal and external relationships with stakeholders. These relationships are guided by our values and shape our reputation and legal and social licence to operate. Distell’s material stakeholder groups and our engagement with each are discussed on page 14.

NATURAL RESOURCES

Natural or environmental resources include the land, water, energy and agricultural produce, such as apples and grapes, upon which we depend for our production, packaging and manufacturing processes. Material developments are highlighted in the Group CEO report on page 30, and detail on our sustainability initiatives can be found in our sustainability report online at www.distell.co.za.

OUR BUSINESS ACTIVITIES

THROUGH THE ACTIVITIES AND PROCESSES ALONG OUR VALUE CHAIN, WE CRAFT DISTINCTIVE BRANDS, CREATE MEMORABLE MOMENTS, AND PROMOTE RESPONSIBLE CONSUMPTION.

RESEARCH AND DEVELOPMENT

Product and packaging innovations occur at various ‘centres of excellence’. Here, subject matter experts bring new and innovative ideas to the market, and ensure that we continue to produce award-winning wines, spirits, ciders and RTD offerings.

PROCUREMENT

The bulk of our raw materials is sourced locally, and we support black-owned and black-woman-owned enterprises that form part of our supply chain.

CELLARING, DISTILLING AND BOTTLING

We process, cellar, mature and package per brand under safe and controlled conditions that adhere to international standards.

MARKETING

We market our brands in accordance with market specifications and encourage consumers to use our products responsibly.

SALES AND DISTRIBUTION

We distribute and sell our products in select markets across the world using multiple channels. These include the off-trade market (retail outlets) and the on-trade market (bars, taverns, restaurants, etc.).

CONSUMPTION AND POST-SALES

We support our communities with awareness campaigns around responsible consumption and recycling. These are profiled in our sustainability report online.

We continue to invest across our value chain to drive efficiencies and reduce costs. Initiatives undertaken in 2019 are highlighted in the Group CEO report on page 32. Details on projects to promote responsible drinking, advance transformation, empower communities and manage our supply chain sustainably are available in our sustainability report online.

OUR OUTPUTS

Distell's main outputs comprise our diverse portfolio of wines, spirits, ciders and RTDs, as outlined on page 4.

Read about brand developments and innovations, and the performance of our portfolio in the Group CEO report on page 30 and the regional reports from page 43.

As a result of our operations, we produce by-products and waste, and we remain committed to reducing our environmental impact.

Read about our 2019 environmental sustainability highlights in the Group CEO report on page 30. More detail can be found in our sustainability report online.

OUR OUTCOMES

THE MAIN OUTCOME OF OUR BUSINESS MODEL IS IN THE VALUE CREATED FOR OUR STAKEHOLDERS. THE STAKEHOLDER SECTION THAT FOLLOWS DESCRIBES HOW DISTELL CREATES VALUE PER STAKEHOLDER GROUP.

- Employees
- Suppliers
- Strategic business partners
- Consumers
- Trade customers
- Communities
- Government
- The environment
- Investors
- Industry bodies

OUR STAKEHOLDERS

Maintaining sound, transparent relationships with all our stakeholders is a priority because our long-term sustainability depends on them.

Our ability to deliver on our strategic objectives is dependent on a diverse group of stakeholders who all have a legitimate interest in the way we conduct our business. Our approach to stakeholder engagement is therefore aimed at building and maintaining quality relationships that help us achieve more and do better.

This is supported by regular engagement with our stakeholders to understand their needs and expectations and respond accordingly. We welcome stakeholder feedback and take it seriously because it is invaluable to our continued success.

The social and ethics committee oversees and monitors the implementation of the Group Stakeholder Management framework, which outlines our philosophy and guides our relationships with stakeholders.

Engagement and communication happen at corporate level and at touch points across our business.

Below is a high-level summary of our stakeholder engagement approach and material developments for the financial year. More details on initiatives highlighted can be found in the Group CEO report on page 30 and our sustainability report online.

EMPLOYEES

People are at the heart of our business and we have several programmes that create a diverse and safe work environment, free of harassment or discrimination. We foster a culture of respect, trust and mutual understanding through open, two-way communication and encouragement. We encourage work-life balance and leverage and develop employee capabilities to ensure a sustainable talent pool.

4 936
employees
(2018: 5 136)

33,2%
female
(2018: 33,1%)

66,8%
male
(2018: 66,9%)

73,2%
black
(2018: 72,6%)

26,8%
white
(2018: 29,4%) in South Africa

87
people with disabilities participated in learnerships
(2018: 96)

How we engage

- Quarterly town hall engagements followed by CEO communication through various channels
- Team meetings
- Face-to-face engagements
- Webcasts
- Monthly newsletter communications
- Training and development programmes
- Ongoing formal performance evaluations
- Ongoing engagement with labour unions

How we assess the quality of these relationships

- Employee-focused surveys to measure employee engagement and test employee affiliation and commitment to Distell

> 'WE ARE COMMITTED TO OUR TRANSFORMATION JOURNEY, WHICH AIMS TO CRAFT A CULTURE OF INCLUSIVITY WITH RICH VALUES, VARIED IDEAS AND PERSPECTIVES.' JP VAN DER WALT, DIRECTOR: HUMAN RESOURCES AT DISTELL

Key initiatives

- To grow Distell's future leaders, we invest in training programmes that include internships, learnerships, skills development programmes, apprenticeships and adult basic education.
- Health and safety are paramount in our business and to guide our conduct, we have a comprehensive occupational health and safety (OHS) strategy in place. On-site clinics provide occupational health services to employees who work in operations.
- Annual education session and our employee assistance programme (EAP) offers employees the chance to address personal issues impacting their work.
- Several 'Leading Change' and 'Coping with Change' workshops were held in 2019 to embed and strengthen the change agility of our employees and executive management team during our business transformation journey.
- A cross-functional team of employees worked in collaboration to refresh our purpose statement including the values and behaviours required to align our strategy and operating model.

An analysis of our employee composition, as well as our employee value proposition including details on wellness and diversity initiatives are in our sustainability report, available online.

SUPPLIERS

Our supplier base ranges from small to large businesses who supply services and raw materials. We depend on suppliers for raw materials and the services used in the production and marketing of our brands. Our suppliers benefit from long-term and mutually beneficial relationships with Distell. With our supplier development programme, we assist suppliers to access developmental loans from financial institutions. Our suppliers can be assured of ethical behaviour and practices.

Preferential procurement

+11% in black-owned enterprises – this resulted in a **36%** increase in spend.

+12% in black women-owned enterprises – this resulted in a **10%** increase in spend.

How we engage

- Supplier visits and audits
- Our dedicated local enterprise and supplier development programme, the E+Scalator programme
- Collaboration on B-BBEE and preferential procurement requirements
- Supplier conferences and workshops
- Supplier engagement sessions on key issues – for example, transformation, climate change and land reform

How we assess the quality of these relationships

- Joint targets
- Sustainable sourcing programme
- Preferential procurement spend
- Supplier feedback

Key initiatives

- The Distell E+Scalator programme empowers and escalates small- and medium-sized enterprises (SMEs) within our value chain, thereby ensuring their long-term viability.
- During the year, we reassessed how we measure the contribution of the SMEs participating in our E+Scalator programme – with a focus on job creation, ownership and the realisation of broad-based empowerment.
- Preferential procurement is a priority element of the B-BBEE scorecard and an important aspect of our commitment to enterprise and supplier development. Due to our efforts, we increased our preferential procurement score from 15 to 16 points out of a maximum of 25. We also increased the number of black-owned and black women-owned enterprises in our supply chain.

Read more in our sustainability report online.

STRATEGIC BUSINESS PARTNERS

We support various strategic partnerships along our value chain, particularly in Africa, where we partner to establish local manufacturing and route-to-market platforms. Our geographic growth strategy relies on opportunities for mutually beneficial relationships that are long term in nature and respectful in character.

How we engage

- Regular forum and one-on-one meetings
- Roadshows
- Conferences

How we assess the quality of these relationships

- Volume growth in new markets

Key initiatives

- In May 2019, at the celebration of KHEAL's 50th year of operations, we announced the construction of a new ultra-modern manufacturing plant in Kenya.
- With our peers in the South African liquor industry, we signed the Guidelines for Good Business Practice in Africa.

Read more about these initiatives in our Africa regional performance report on page 47.

INVESTORS

As providers of financial capital, investors have a vested interest in Distell and we want to keep them informed about our financial performance, approach to capital allocation, sustainability and how we ensure shareholder value. We 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.

Dividend

+7,1%

Return on invested capital (ROIC) Normalised and adjusted for forex

13,6%

Up 34bps

Normalised headline earnings adjusted for forex

+7,0%

How we engage

- Investor presentations, meetings and roadshows
- Trade visits
- Annual general meeting

How we assess the quality of these relationships

- Total return to shareholders
- Annual dividend

Key initiatives

- We increased our engagement with foreign investors and undertook two investor visits overseas. This improved engagement increased foreign holdings in our free float of shares from 7,5% to 11% in the second half of the year.
- We hosted our 2018 full year financial results presentation at our Springs cider facility and combined it with a tour of the facility. Similarly, we hosted an investor question and answer session at Van Ryn's distillery and brandy cellar shortly after we announced our interim results in March 2019.
- We invited members of the buy and sell-side community to a trade visit in Tembisa, Johannesburg. Investors gained insight into our trade execution in mainstream channels, visiting a balanced portfolio of on- and off-consumption outlets.

CONSUMERS

We engage with consumers on various media channels to understand their needs so that we can improve their experience of our brands. They are people of all walks of life, who enjoy mixed-gender drinking occasions in South Africa, Africa and around the world. We remain consumer focused by offering value, quality and innovative products and encouraging responsible drinking. We encourage engagement across traditional and digital channels and value consumer feedback on our product offerings.

Over **R20 million**

investment in harm reduction

How we engage

- Dedicated customer-care line
- Social media platforms
- Marketing and promotional campaigns

How we assess the quality of these relationships

- Consumer satisfaction survey results
- Sales growth
- Reputation measure
- Investment in harm reduction
- Brands with purpose

Key initiatives

- In response to consumer needs, we develop our portfolio to include recyclable packaging, premium no- and low-alcohol brands, brands with less sugar etc. Read more about our brand innovations on page 5.
- We are a proud member of Aware.org.za, a non-profit organisation focused on reducing the harmful effects of alcohol abuse through several targeted on-the-ground programmes.
- We launched our #RespectNotRegret campaign in October 2018. This campaign encouraged responsible alcohol consumption among consumers by reminding them that no matter what they choose to drink, they must know when they have had enough.

Read more in our sustainability report online.

TRADE CUSTOMERS

Our trade customers, like wholesalers, retailers, tavern owners, etc. are the interface between the business and our consumers. Our engagement with trade customers focuses on demand trends to ensure supply consistency and facilitates a thorough understanding of our brand portfolio.

Loyalty programmes

499

Upsella members

22 424

Bansela members

How we engage

- Regular site and facility visits
- One-on-one meetings and joint business planning meetings
- Trade customer conferences

How we assess the quality of these relationships

- Surveys
- Customer feedback

Key initiatives

- Our customer loyalty programmes, Bansela and Upsella, build relationships with tavern and counter service outlets by incentivising them to follow the Bansela way. This is simply: stock, price and display a specially selected portfolio of Distell products and trade responsibly to earn Bansela bucks.
- Distell developed a Taverner Training Programme designed to empower female taverners with basic business and in-trade execution skills to grow their businesses sustainably. The programme is a first for Distell and advances collaboration from the boardroom to the taverns along our value chain. Details in our sustainability report online.

'AFTER THE TWO DAYS, I AM MORE AWARE OF HOW I CAN IMPROVE AND MAKE AN IMPACTFUL CHANGE TO MY BUSINESS.' TRYPHINA ADONIS, OWNER OF TRYPHINA'S LIQUOR STORE IN KHAYELITSHA, WESTERN CAPE

COMMUNITIES

To secure our licence to operate, we engage with and invest in the many communities where we operate. We believe these communities should be better off because of our operations. Our CSI strategy focuses on sustainable economic initiatives that create positive long-lasting socio-economic impact. We run a community upliftment programme to address employment creation, skills training and empowering women. We identified the arts as a catalyst for individual and social empowerment and we invest in the arts and theatre.

Corporate social responsibility spend

R67 million

How we engage

- Collaboration with partners along our value chain, such as Chrysalis Academy and Bergzicht Training
- Brands with purpose
- Collaboration with the Distell Development Trust (the Trust)

How we assess the quality of these relationships

- Social return on investment
- Corporate social investment (CSI) spend
- Investment in communities

Key initiatives

- The Trust contributes to our integrated B-BBEE strategy. During the year, the Trust disbursed R9,9 million to 11 programmes.
- We invested in the following programmes to grow business skills and accelerate job creation: Bergzicht Training, Stellemploy, Ranyaka Community Transformation, University of Stellenbosch Business School's Small Business Academy and Chrysalis Academy.
- We supported the following community arts and culture initiatives: The Zabalaza Theatre Festival, The Distell National Playwright Competition, The Artscape Theatre Centre and US Woordfees and Amazink.
- We partnered with ProCare, a leading emotional wellness company that provides critical psycho-social support to the farm workers and their families on five of our farms: Papkuilsfontein, Nederburg, Plaisir de Merle, Groenhof and J.C. Le Roux.

More information on these initiatives in our sustainability report online.

GOVERNMENT

We engage with all levels and spheres of government, including national and regional governments as well as government agencies such as regulators. Strong relations between government and the private sector are good for the development and growth of South Africa. We support government's National Development Plan and the country's transformation goals.

R6,9 billion

excise duty paid

R634 million

tax paid on income

How we engage

- Ongoing direct and indirect engagement
- Hosting of government-related events to look into challenges and opportunities
- Partnering with government to support platforms like youth in agriculture and Aware.org
- In-country visits and engagements with African ministers and presidents where possible
- We assist governments in Africa as necessary, for example, in Mozambique we assisted with water provision during Hurricane Aida

How we assess the quality of these relationships

- Policy decisions in the best interest of the industry and its stakeholders

Key initiatives

- We are proud to report that our efforts to align the United Nations Sustainable Development Goals (SDGs) along our extended value chain were recognised by the Global Compact Network South Africa (GCNSA). We were featured as a best-practice example in South Africa's Voluntary National Review. This recognition acknowledges our commitment to work together internally and with other stakeholders to respond to the national and global challenges of poverty, inequality and environmental degradation.
- South Africa continues to grapple with the economic impact of alcohol abuse. In response, the National Liquor Policy was proposed in 2014 and subsequently approved by Cabinet and published for public comment in 2016. The proposed Bill recommends several measures to limit the availability of and access to alcohol and includes restricting alcohol advertising. We understand the challenge government is facing and are committed to working collaboratively to find sustainable solutions.

Read more in our sustainability report online.

INDUSTRY BODIES

Distell is represented on several industry bodies, including Business Unity South Africa, Business Leadership South Africa, the South African Liquor Brand owners Association (SALBA) and the Consumer Goods Council of South Africa (CGCSA). Through these bodies, we engage on matters relating to, among others, promoting responsible drinking, supplier and enterprise development, industry regulation, social compliance and matters of environmental concern. As a member of these bodies, we are also are able to respond as an industry to global and local social, political and regulatory changes.

How we engage

- Regular meetings
- Task teams (issue dependent)

How we assess the quality of these relationships

- Through feedback and by measuring the stability and predictability of the environments we trade and operate in

Key initiatives

- We engaged on wine strategy and transformation with various organisations including VinPro, Wine and Agricultural Ethical Trade Association (WIETA), Wines of South Africa and SALBA
- The collective bargaining associated with significantly represented unions are governed through bi-annual forums that address employee rights and allow for collective solution-driven discussions.

> 'DISTELL PLACES GREAT IMPORTANCE ON SOCIAL COMPLIANCE, WITH SPECIFIC EMPHASIS ON THE DISTRIBUTION OF WEALTH, OPPORTUNITIES AND PRIVILEGES WITHIN SOCIETY. TO THIS END, EMPLOYEES ARE ENCOURAGED TO EXERCISE THEIR RIGHT TO FREELY ASSOCIATE WITH A UNION OF THEIR CHOICE OR TO REFRAIN FROM UNION MEMBERSHIP. THIS CREATES AN ENVIRONMENT THAT PROMOTES SOCIAL JUSTICE, LABOUR PEACE AND DEMOCRACY IN THE WORKPLACE.' PAUL BARENDSE, GROUP MANAGER: INDUSTRIAL AND EMPLOYEE RELATIONS AT DISTELL

THE ENVIRONMENT

We understand that our long-term sustainability is intrinsically linked to the natural resources on which we depend, from farm to consumer and back again. We must therefore nurture, preserve and protect the planet. Our resource efficiency targets for 2020 (related to the usage of water, electricity and fossil fuel-based energy in our production processes and available in our sustainability report online) will enable us to actively drive annual improvements in performance.

Water usage maintained below 2020 target value at	Electricity usage down	Greenhouse gas emissions up	Effluent down
3,1 ℓ/ℓ%	**1%**	**1%** due to increased distillation volumes and returnable bottle cleaning	**22%**

How we engage

- Partnerships along our value chain – such as the Stellenbosch River Collaborative
- Through our dedicated email address: environmental@distell.co.za
- Regular engagement and interaction with relevant environmental regulatory bodies and local authorities, either directly or through industry bodies
- Collaboration with leading industry players on matters of social and environmental compliance, such as WIETA

How we assess the quality of these relationships

- Water usage
- Electricity usage
- Greenhouse gas (GHG) emissions
- Reduction in effluent discharged

Key initiatives

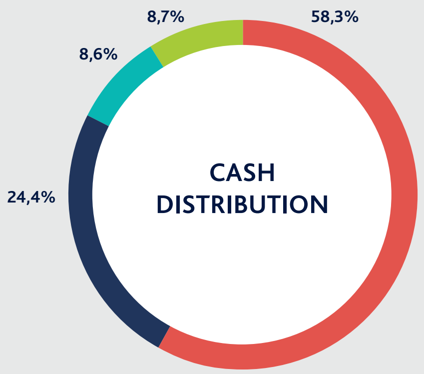
- We are proud to be a founding member of the Stellenbosch River Collaborative and active participant in the Collaborative Governance initiative. We have donated R1 million to date and have pledged our continued support to 2023.
- We launched GreenUP – a recycling programme based in Khayelitsha, Western Cape. GreenUP aims to achieve a cleaner environment by formalising an effective value chain for the collection, separation and processing of recyclable post-consumer waste.
- We are proud to report that only 1% of our total packaging by weight is plastic. This remarkable achievement is the result of a decade-long journey and commitment to lead the way in responsible and sustainable packaging that considers people and planet as much as profit.
- We are a member of the Consumer Goods Council of South Africa (CGCSA) and support President Cyril Ramaphosa's 'Good Green Deeds Campaign', which aims to raise awareness of the need to protect the environment and promote a cleaner and litter-free South Africa.

More information on these initiatives in our sustainability report online.

CASH VALUE-ADDED STATEMENT

	GROUP	
	2019 R'000	2018 R'000
Cash generated		
Cash derived from sales	**25 870 068**	24 018 205
Net financing cost paid	**(282 549)**	(238 592)
Income from investments	**4 211**	6 657
Cash value generated	**25 591 730**	23 786 270
Cash payments to suppliers of materials and services	**(13 077 925)**	(11 929 664)
Cash value added/wealth created	**12 513 805**	11 856 606
Cash utilised to:		
Pay excise duty to the State	**6 864 258**	6 288 886
Pay tax on income to the State	**633 935**	580 575
Remunerate employees to their services	**3 006 129**	2 720 491
Provide shareholders with a return on the use of their risk capital	**891 705**	837 244
Cash disbursed among stakeholders	**11 396 027**	10 427 196
Net cash retained from operating activities	**1 117 778**	1 429 410
Reconciliation with cash generated		
Cash value added (above)	**12 513 805**	11 856 606
Less: Remuneration to employees for their services	**(3 006 129)**	(2 720 491)
Net financing costs paid	**282 549**	238 592
Payment of excise duty to the State	**(6 864 258)**	(6 288 886)
Cash generated from operating activities	**2 925 967**	3 085 821
State taxes		
Excise duty	**6 864 258**	6 288 886
Tax on income	**633 935**	580 575
Value-added tax and alcohol levy	**1 588 752**	1 428 337
Employees' tax deducted from remuneration	**524 587**	447 587
Property taxes	**58 867**	70 175
Channelled through the Group	**9 670 399**	8 815 560

BENEFITING ALL STAKEHOLDERS – 10-YEAR PERIOD



State | Employees | Shareholders | Retained to fund growth

OUR OPERATING

ENVIRONMENT

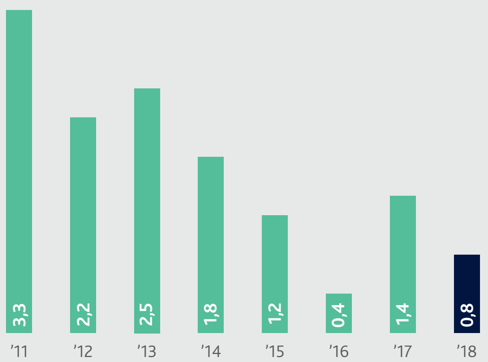
SOUTH AFRICA

GROSS DOMESTIC PRODUCT (GDP) GROWTH	CPI	CONSUMER CONFIDENCE INDEX (CCI)	HOUSEHOLD DEBT TO DISPOSABLE INCOME	UNEMPLOYMENT
0,8%	4,7%	5%	71,9%	27,1%

Political instability and uncertainty on land reform policies resulted in decreased investor confidence. Consumer spending was again constrained, as South Africa suffered high levels of unemployment, a weak currency and a volatile and subdued equities market. The agriculture sector had a particularly difficult 2018, in part due to droughts in the Cape, registering a contraction of 4,8%. This affected the price and availability of the raw materials we use.

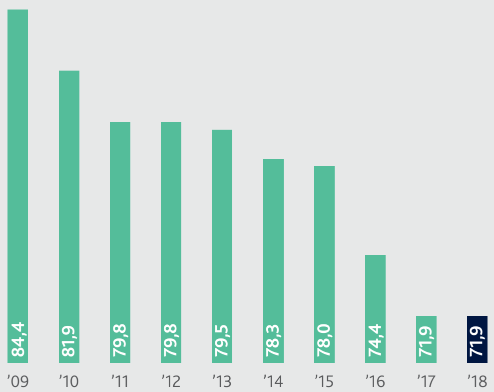
Expansion of the South African economy in the second half of 2018 was just enough to push overall growth into positive territory. The real annual growth rate of 0,8% is down from 1,4% in 2017, but up from 0,4% in 2016.

SOUTH AFRICAN ANNUAL GDP GROWTH (%)



Source: Statistics South Africa

HOUSEHOLD DEBT TO DISPOSABLE INCOME



Source: tradingeconomics.com, South African Reserve Bank

OUTLOOK FOR SOUTH AFRICA

The International Monetary Fund (IMF) has lowered South Africa's projected GDP growth rate for 2019 from 1,4% to 1,2%. This is far below the 5% growth required in terms of the National Development Plan to reduce poverty and inequality by 2030, however it is still above the 0,8% level at which the economy expanded in 2018.

Projected GDP expansion for 2020 has also been lowered from 1,7% to 1,5%. Beyond 2020, the IMF estimates that South Africa's growth will stabilise at around 1,75%.

We expect that high unemployment, inflationary pressure from rising input costs, particularly fuel and energy costs, and a weaker rand will continue to cause low consumer confidence and constrained spend.

AFRICA

Distell's key African markets are Nigeria, Ghana, Kenya, Tanzania, Angola, Mozambique, Zambia, Zimbabwe, Namibia and Botswana.

THE AFRICAN ECONOMY IN THE 2018 CALENDAR YEAR

The 2019 African Economic Outlook from the African Development Bank shows that the continent's general economic performance continues to improve. However, according to the IMF, growth in sub-Saharan Africa is estimated at 2,3% for 2018, down from 2,5% in 2017.

GDP GROWTH IN AFRICA (%)

Source: African Development Bank

Currency volatility and regulatory factors, such as consumption tax increases are an ongoing challenge. Slow overall growth in many African economies reflects ongoing domestic macroeconomic instability, including poorly managed debt, inflation and political and regulatory uncertainty.

This belies stronger performance in several smaller economies, that continue to grow steadily. According to the World Bank, non-resource-intensive economies, such as Kenya, recorded solid economic growth in 2018. In Nigeria, growth reached 1,9% in 2018, up from 0,8% in 2017. Over the past two years the price of Brent crude oil has risen about 177%, which has helped Nigeria recover. Even the Zimbabwean economy performed better than expected in 2018, expanding by an estimated 3,5%, driven by agriculture and supported by relatively peaceful elections.

'BY 2050, AN AFRICAN POPULATION OF MORE THAN 2,5 BILLION, MORE THAN HALF OF WHOM WILL BE YOUNG PEOPLE, WILL BRING CONCOMITANT CHANGES AND OPPORTUNITIES FOR ECONOMIC DEVELOPMENT.' AFRICAN DEVELOPMENT BANK, GOVERNORS' DIGEST, 2019

OUTLOOK FOR AFRICA

Africa's GDP growth is projected to accelerate to 4,0% in 2019 and 4,1% in 2020, and growth in sub-Saharan Africa is expected to rebound to 2,8% in 2019.

- In Nigeria, real GDP growth is expected to remain subdued. Ambiguous economic policymaking, a high incidence of corruption, long delays in executing critical structural reforms and government revenue weakness remain challenging.
- The World Bank projects that Ghana's economy will grow by 7,5% in 2019 from 6,3% last year. The growth is expected to be driven by both the oil and non-oil sector, because of revitalised policy interventions in agriculture and industry.
- Kenya's growth forecast for 2020 stands at 5,9%, driven by a resilient services sector, positive investor confidence and a stable macroeconomic environment.
- Growth in Tanzania is projected at 6,6% in both 2019 and 2020, supported by large infrastructure spending.
- Angola, which is recovering from a recession, is expected to average lower GDP growth than South Africa in 2019, as oil production remains weak.
- Growth in Mozambique is projected to be 4,5% in 2019 and 5,0% in 2020, driven by agriculture, which is continuing to recover from the 2015/16 regional drought, expanding coal exports and prospects of increased foreign direct investment in gas-related megaprojects.
- In Zambia, weakening mining sector sentiments and fiscal strain will likely yield low growth, which is projected at 4,2% in 2019.
- Despite policy-related macroeconomic instability, lack of funding, land tenure, inefficient government bureaucracy and inadequate infrastructure, the Zimbabwean economy is projected to grow by 4,2% in 2019 and 4,4% in 2020.

ILLICIT TRADE

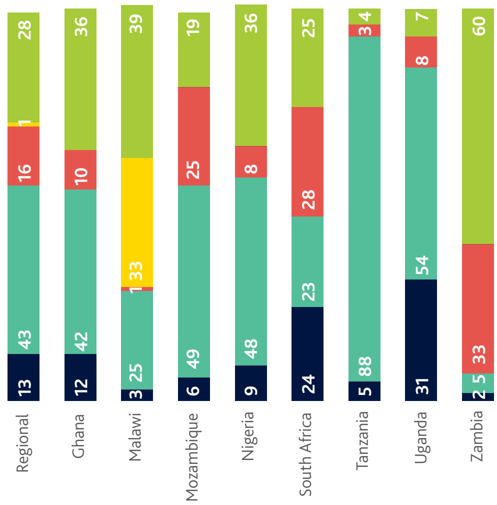
Global market research company Euromonitor International undertook a study to determine the impact of the illicit trade of alcohol in seven African countries, including South Africa.

The study, released in 2018, concluded that one in four bottles of alcohol consumed are illicit, representing 25,8% of the market. In addition, it finds that the South African economy suffered a fiscal loss of R6,4 billion in 2017 due to illicit alcohol activities.

Illegal alcohol products pose a serious risk to the health and safety of individuals as they contain potentially dangerous substances.

Partnerships with governments in all our key markets, particularly in Africa, are vital to combat illicit trade. Through industry bodies like SALBA in South Africa, we play an important role in managing and coordinating industry initiatives to prevent the illicit trade in alcohol.

ILLICIT ALCOHOL VOLUME CONSUMED IN AFRICA BY CATEGORY (HL LAE, LATEST YEAR) (%)



Counterfeit/unregistered brands | Illicit artisinal | Smuggling | Surrogate | Tax leakage

Source: Euromonitor International

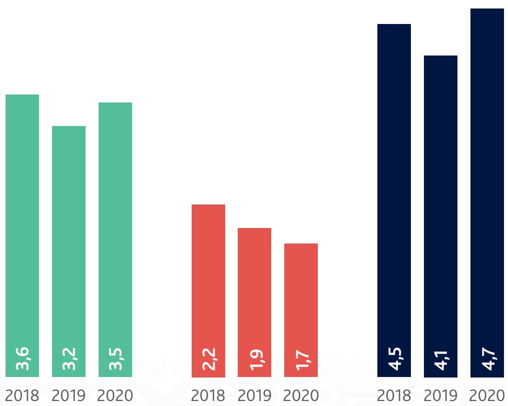
INTERNATIONAL

THE GLOBAL ECONOMY IN THE 2018 CALENDAR YEAR

After strong growth in 2017, global economic activity slowed in the second half of 2018. Economic stability is threatened by wide-reaching disruption to trade, particularly between the US and China, and by Brexit, with the United Kingdom still negotiating its exit from the eurozone.

GROWTH PROJECTIONS (%)

Global growth is set to moderate in the near term, then pick up modestly



Global economy | Advanced economies | Emerging markets and developing economies |

Source: International Monetary Fund

INTERNATIONAL OUTLOOK

The IMF predicts that global growth will slow from 3,6% in 2018 to 3,3% in 2019, before returning to 3,6% in 2020. Although a 3,3% global expansion is still reasonable, the outlook for many countries is challenging, with considerable uncertainties in the short term.

Internationally, the alcoholic beverage industry provides a lucrative opportunity. According to research and consulting firm Frost & Sullivan, South Africa saw 30% growth in alcoholic beverage exports.

INDUSTRY TRENDS

HEALTH

Consumers increasingly seek to care for their physical and mental health. About half of US adults say they are trying to drink less, according to data from market-research firm Nielsen. Wellness-focused consumers call for premium no- and low-alcohol experiences.

We continue to innovate by growing our offering and providing consumers with an expanded selection of no- and low-alcohol products. This also supports our ambition to combat alcohol abuse and misuse and inspire responsible enjoyment. Our current portfolio of no- and low-alcohol brands are:

- Chamdor and J.C. Le Roux non-alcohol sparkling wines.
- Drostdy-Hof Light and Fleur du Cap Light low-alcohol wines.
- Savanna Light low-alcohol cider and Savanna Lemon non-alcoholic cider.

CLIMATE CHANGE AND ENVIRONMENTALLY CONSCIOUS CONSUMERS

Climate change and the resultant droughts and floods severely impact agriculture and the supply of raw materials. Rapid urbanisation and a growing disparity between classes mean that many people in emerging markets experience the reality of pollution daily.

Consumers look for brands that are responsible and respectful of the environment. They use their spending power to effect the change they want to see. As a result, sustainability has become an opportunity for companies to connect with consumers who are excited about change.

Our environmental policy commits us to preserving and protecting the environmental resources upon which we depend. Detail on initiatives undertaken in the 2019 financial year can be found in our sustainability report online.

THE INFLUENCE OF MILLENNIALS AND GENERATION Z

Although still influential, the millennial is getting older. The next generation, Generation Z, born from 1994 onwards, are gaining spending power and influence. While distinct, millennials and Generation Z share consumption traits shaped by two major phenomena: the digital revolution and the global recession. These include:

- In a culture of collaboration, amplified by the digital ecosystem, they share information. This peer-to-peer philosophy leads to the development of new behavioural consumption habits.
- One of the biggest aspects setting the new generations apart is the fact that they are digital natives. We need to transform the so-called 'fourth industrial revolution' into a growth driver.
- They have a lower attachment to a single brand, instead choosing from a range of brands depending on the occasion. Overarching values they expect from brands are authenticity, diversity and creativity.
- They reject any kind of slowness or hassle in their consumption experience. In a world where a purchase is reduced to a 'click', time spent considering a purchase is reduced, and top-of-mind brand awareness drives choice.
- They share a moral and ethical awareness. They are more attracted to responsible brands, from a social and environmental point of view. Brands can no longer just say, they must also do.

Sources for operating environment section

- *African Development Bank Group, African Economic Outlook, 2019.*
- *Euromonitor International, Size and Shape of the Global Illicit Alcohol Market, 2018.*
- *International Monetary Fund, World Economic Outlook, Growth Slowdown, Precarious Recovery, April 2019.*
- *Justin Malherbe (Frost & Sullivan), Foodbev is key to powering South Africa's growth potential, Food & Beverage Reporter, October 2018.*
- *Statistics South Africa, Statistical Release P0441, Gross Domestic Product, Fourth Quarter 2018, March 2019.*

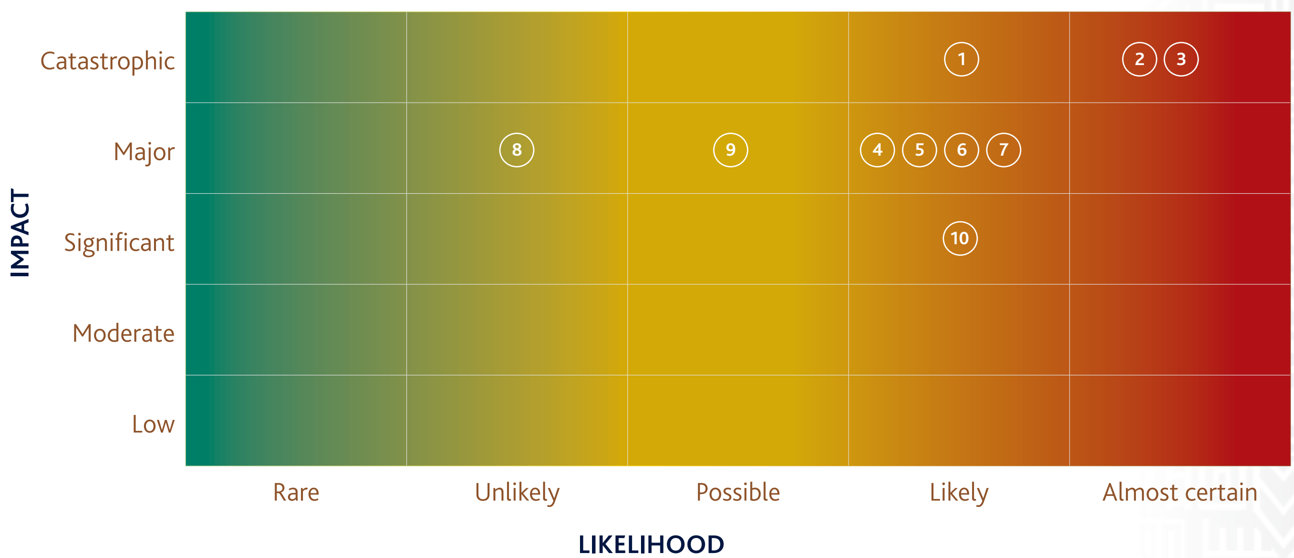
OUR STRATEGIC RISKS, OPPORTUNITIES AND

MATERIAL MATTERS

All significant business decisions are risk based, and the Group's risk appetite and tolerance levels are reviewed annually and submitted to the board for approval. Each risk also presents growth opportunities, and we apply mitigating actions to develop these opportunities. Read more about our approach to risk management as an essential element of sound corporate governance and our risk management processes in the risk committee report on page 87.

RISK	IN RESPONSE
1. Limited geographic diversification Organic business growth is unlikely to significantly reduce our exposure to South Africa. Risks associated with acquisitions in growth markets, including slow integration and delays in establishing routes-to-markets, can hamper our growth aspirations.	– We pursue inorganic opportunities that are value accretive within five years and build management depth with experience. – Geographic diversification is included in top management key performance indicators (KPIs) to drive the integration of acquisitions.
2. Increased competition Our market share and cost to compete are affected by lower beer prices and increased trade investment in promotions and discounts. Global brewers and distillers invest in premiumisation.	– We focus on building the brand equity of our core RTD brands by means of through-the-line campaigns. – We extract cost efficiencies from the supply chain to be able to price our core portfolio more competitively.
3. Proposed legislation Proposed changes to alcohol legislation could result in higher taxes, restrictions in alcohol marketing and packaging, a change in the legal drinking age and a limitation on licensed outlets.	– We participate in industry lobby efforts. – We drive our commitment to broad-based black economic empowerment (B-BBEE) and transformation in our value chain. – We develop our innovation pipeline, remaining cognisant of regulatory changes, like alcohol percentages, health warnings, etc. and invest in digital marketing and expanding our trade marketing efforts.
4. The African market In Africa, 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. Specific high risk relates to the devaluation of currency in Zimbabwe and Angola.	– We reduce our dependence on imports of raw materials. We invest in local route-to-market and production facilities to gear for future market recovery. – In Zimbabwe and Angola we continuously consider the extent of our business activities to limit exposure, while ensuring our brand equity and overall performance remains intact.
5. Innovation The rise of the fourth industrial revolution is disrupting traditional industries and business models. Our potential inability to stay abreast of innovation could result in market share loss.	– We invest in a multi-year end-to-end digital transformation of the Group. – We pursue step-change innovation, with accessible RTD innovation as a priority.
6. Brand equity erosion A fragmented portfolio erodes the health of our core brands due to insufficient investment support.	– We optimise the size of our brand portfolio and asset base to enable renewed focus and effective investment support to build brand equity.

RISK	IN RESPONSE
7. Information and cyber security The disruption of IT systems and loss of valuable and sensitive information and assets are risks to the Group. Failing to comply with tightening information technology and cyber security legislation poses a threat of significant financial penalties or restrictions.	– We invest in data leakage prevention technology to avoid the sharing of highly confidential information. – We have an established cyber security internal control framework that is aligned to industry best practice and frameworks that govern internal roles, responsibilities and procedures. – We have a robust disaster recovery and business continuity plan.
8. Our international markets European Union (EU) instability may dampen consumer spend in our key EU markets leading to the loss of UK duty free access for South African wines and reduced profitability of South African exports. 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 will sustain the profitability of our export portfolio and develop strong partnerships in select international markets.
9. Climate change Climate change and related extreme weather events can have a negative impact on South African grape and apple production, which affects the security of our supply.	– We are optimising our supply chain to be energy and water efficient. – We invest in research to support the sustainability of the supply of our key grape and apple juice requirements.
10. Our talent pipeline Our decentralised model requires specialised skills. We need enough internal talent to support our inorganic growth pipeline.	– We strengthen our employment policies and practices, and our reward systems, to ensure the right talent is identified, recruited, developed and retained. – Skills gaps are identified and filled through talent management and recruitment processes. – We have leadership capability and development processes in place. – Effective change management initiatives support and enable our change journey. – Our talent management process is used to protect critical skills.



HOW WE DETERMINE OUR MATERIAL MATTERS

To facilitate the achievement of our strategic priorities and aspirations, the Group identifies those matters that have the potential to substantially affect our ability to implement our strategy. The board approves the material matters and monitors them based on specific risk tolerance and appetite levels.

To determine our material matters we consider the following:

– The expectations and concerns of our stakeholders, as outlined on page 14.
– Our operating environment, including macroeconomic factors and industry and consumer trends, as discussed on page 20.
– Our material risks and opportunities.

OUR MATERIAL MATTERS

Consolidated revenue growth

Revenue growth is the outcome of our aspirations for category and geographic growth. Over the past five years, revenue had an annual compound growth rate of 8,1%. We want to achieve an annual growth rate of more than 8%.

Strategic risks that are relevant to this material matter:

- Limited geographic diversification
- Proposed alcohol legislation
- Innovation
- Brand equity erosion

Our corporate reputation

Damage to our corporate reputation can affect our ability to achieve our strategic aspirations and priorities. No issue or stakeholder posed a threat to our corporate reputation in 2019. We negate immediate reputational risk and avoid sustained risk.

Strategic risks that are relevant to this material matter:

- Increased competition
- Proposed legislation
- Brand equity erosion
- Information and cyber security
- Our talent pipeline

Brand protection

Our brands are central to our strategic aspiration to optimise and leverage our portfolio. Wherever possible, we must avoid material threats to any key brand or trademark in any of our markets. When such a threat does occur, we ensure that gross margin compression does not exceed 500 basis points for a sustained period.

Strategic risks that are relevant to this material matter:

- Innovation
- Brand equity erosion
- Information and cyber security

Health and safety

A significant disaster at a key site can impact business continuity and the health and safety of employees. Our injury rate improved by 97,7% compared to 2018. We avoid all serious workplace injuries so that our injury rate remains below the leading industry benchmark.

Strategic risks that are relevant to this material matter:

- Proposed legislation
- Innovation
- Our talent pipeline

Cultural diversity, talent acquisition and retention

Successful business transformation and growth depend on having the right people. We employ 73,2% black and 33,2% female employees, in line with our employment equity targets as set out in our five-year National Employment Equity Plan 2017 – 2022. We aim to fill vacancies in critical positions in the Group within three months.

Strategic risks that are relevant to this material matter:

- Proposed legislation
- Our talent pipeline

Our responsiveness to regulatory interventions

Our licence to operate depends on our ability to comply with regulations in all our key markets. We must also do what we can to avoid sector disaggregation.

Strategic risks that are relevant to this material matter:

- Limited geographic diversification
- Proposed legislation
- The African market
- Our international markets

Operational and supply chain resilience which leads to customer satisfaction

To ensure customer satisfaction and loyalty, our products need to be of the highest quality, and available to our customers on time. We achieved our service and distribution availability target of 95% and did not receive material customer complaints on product quality.

Strategic risks that are relevant to this material matter:

- Innovation
- Brand equity erosion
- Climate change

The integration of our acquisitions

The Group's geographic growth depends on our ability to efficiently integrate new acquisitions. For each acquisition, we execute defined organisational integration projects and milestones within set timeframes.

Strategic risks that are relevant to this material matter:

- Limited geographic diversification
- The African market
- Our international markets
- Our talent pipeline

AN OVERVIEW OF OUR STRATEGY

STRATEGY PROCESS

Distell's strategy is owned by the people who execute it. Group strategy is developed centrally, with broad targets and category plans. Using insights gained from customer and consumer interactions and experience in the market, each region then designs its own strategy in support of the Group strategy.

The board appreciates that strategy, risk, performance and sustainability are inseparable. To steer Distell into a sustained future, the board assesses and approves the Group's strategy and empowers management to implement it.

The board and executive management take two days annually to debate, assess and refine the strategy. The board constructively challenges the strategy with reference to, among other things:

- the timelines and parameters which determine the meaning of short, medium and long term;
- availability of resources;
- relationships connected to the various forms of capital;
- the expectations of material stakeholders; and
- the impact on transformation and the environment that may result from the proposed strategy.

OUR STRATEGY

Our strategy seeks to leverage the benefits derived from our geographic expansion and our varied portfolio across the wines, spirits, ciders and RTDs categories, while ensuring that we retain the efficiency of the business.

To measure our progress and performance, we finalised a Distell-specific earned value management (EVM) framework. This will be used to design a comprehensive KPI tree for the board and executive management.

Our strategic aspirations

To **double our revenue growth and EBITDA** by 2022.	In South Africa, to cement our capabilities and **grow our market share**.	To expand into Africa by leveraging and growing our platforms in **Kenya, Angola and Nigeria.**	To leverage our **core brand portfolio** by optimising it.	To accelerate our premium positions through the **new venture business** unit.

Our strategic priorities

Category growth	Geographic growth	Improved margins	Business transformation

OUR OPERATIONAL MODEL

Distell's decentralised operating model, implemented over the past few years, has enabled us to respond rapidly to ever-changing consumer and competitor conditions in our priority market segments and countries. This model helps to reduce duplication and increase efficiency because the decision-making processes reside in the respective regions.

In the latter half of the financial year, management implemented the next phase in realigning and optimising our organisational model. As a result, an 8% headcount reduction was made to align with the new model which seeks to invest in future fit strategic capabilities in:

- Growth and innovation
- Digital transformation
- Shared services

At our central, multi-functional centre in Cape Town, The Hive, our systems streamline human resources, customer services credit management and accounts payable, among others.

The proper use of technology and data is central to the Group, since this is where all functions in the business intersect. For the past few years we have invested heavily in automation, systems and cyber security. Our digital transformation journey uses data-driven insights to improve internal business processes as well as customer and consumer experiences

THE ALLOCATION OF CAPITAL

Distell is rigorous regarding capital usage. We allocate capital according to:

- our strategic aspirations and priorities;
- economic value added (EVA); and
- return on invested capital.

We invest to maintain our assets and to enhance and scale them in Africa. To grow, we invest in a select portfolio of brand assets and markets. We optimise our brand and asset portfolios in line with:

- changing consumer preferences;
- evolving market trends;
- growing disposable income in the millennial category; and
- product innovation.


AMARULA
- CREAM -
& MARUL FRUIT
17% Vol.
750 ml

FROM OUR

GROUP CEO

I am proud that Distell has maintained revenue growth across our portfolio of brands. This is testament to our strong foundational business practices and the effective implementation of our strategic aspirations and priorities. I am confident that we are positioned for long-term success.

STRATEGIC DEVELOPMENTS

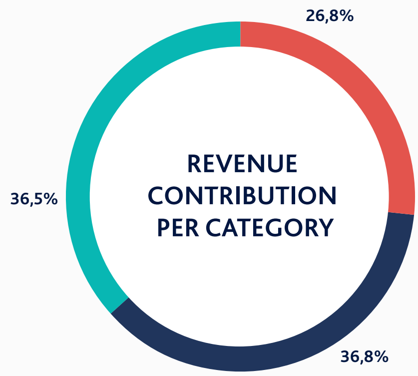
OUR STRATEGIC ASPIRATIONS	OUR PROGRESS
To double our revenue growth and EBITDA by 2022.	Group revenue increased by 9,4% and normalised EBITDA, adjusted for forex, increased by 7,5% with cash generated from operations down 5,1%.
In South Africa, to cement our capabilities and grow our market share.	Our South African market performed as follows: – Wine: maintained market share – Spirits up 40 bps – Ciders and RTDs (including beer) up 80 bps
To expand into Africa by leveraging and growing our platforms in Kenya, Angola and Nigeria.	Our African operations' contribution to Group revenue increased to 15,5%. In Kenya, we doubled revenue and tripled EBITDA over four years.
To leverage our core brand portfolio by optimising it.	Our top 15 brands generate 70,2% of total revenue and are growing at 9,7% per annum.
To accelerate our premium positions through the new venture business unit.	In a period of transition, both international premium spirits and Libertas Vineyards and Estates improved margins by 300 bps and 400 bps respectively, amid anticipated volume decline.

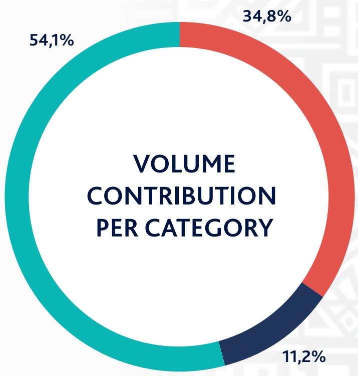
Due to cost pressures resulting from utility and raw material cost increases, we had to adjust pricing across our brands. While this did affect volumes, the fact that revenue grew speaks to the strength and resilience of our broad portfolio, brand equity, customer and consumer support and our ability to manage and shape our portfolio for the competitive landscape.

In the fourth quarter we established the venture business unit under Kate Rycroft to accelerate and build Distell's premium position. The unit is made up of:

- **International premium spirits:** To refocus in core markets on premium spirits, particularly Amarula, malts and gin. We aim to unlock value, deliver profitable growth and higher quality earnings. The business rationalised approximately 45% of its stock keeping units and exited a significant number of underperforming distribution agreements. It also exited its entire RTD business. Initially, the business expects revenue and volume impact but will rebuild its position on stronger margins.
- **Libertas Vineyards and Estates:** To focus on the growth of premium wine in domestic and international priority markets, while enhancing margins and profitability over scale. It will use its established brand portfolio of premium wine, its entrepreneurial management team and customised route-to-market to achieve this.
- **Henry Tayler & Ries:** To transform our domestic platform for premium spirits growth by expanding its route-to-market. It will also incubate smaller premium brand innovations and acquisitions.
- **International exports:** To create a cash-generating trading platform of our domestic portfolio. It leverages the efficiency of scale production in South Africa. It will continue to build key scale export wine brands whilst trading under clear margin and volume guardrails.

RICHARD RUSHTON | GROUP CEO





Wines | Spirits | Ciders and RTDs

CATEGORY THAT SHOWED THE MOST VOLUME GROWTH	CATEGORY THAT SHOWED THE MOST REVENUE GROWTH
spirits at **4,3%**	ciders and RTDs at **12,3%**

OUR STRATEGIC PRIORITIES

Category growth

CIDERS AND RTDS

The ciders and RTDs category grew revenue by 12,3%. Consumer trends and competitive action mean that the different brands in this category perform in cycles. Distell's basket of brands makes us resilient in any phase. Strong growth in Savanna, Extreme and Bernini demonstrated our strong position in the market with promising signs from newly launched Esprit.

SPIRITS

Spirits grew revenue by 11,2%. Our whisky brands in particular bucked international trends, where brown spirits are struggling. Harrier volumes grew by 11,7% and Bain's Cape Mountain Whisky by 11,7%.

WINES

The 2017/18 drought led to wine and grape juice shortages, which led to higher costs for these commodities. As a result, we adjusted wine prices by 12%, in line with industry norms. This affected volumes in our accessible and premium wine segments. However, revenue in accessible wine increased 3,4% and in premium wine, 3,7%.

More detail on performance, with focus on how specific brands performed in each market, can be found in the regional performance reports from page 43.

Geographic growth

SOUTH AFRICA

Stabilising and growing our South African business are core tenets of our strategy. Enhanced margins and our retention of market share are signs that our hard work over the past four years has paid off.

AFRICA

A robust performance in Africa gives us a strong base from which to accelerate platforms for future growth. Africa is not homogenous, and each country poses its own opportunities and challenges. We have built an understanding of our customers and distribution partners in each market and are segmenting our outlet and customer universe, so that we can better serve their unique needs.

INTERNATIONAL

We are consolidating our portfolio by focussing on premium opportunities in wines and spirits, in fewer geographies. Our international division will become smaller and more targeted to deliver better quality margins. Evidence of this shift can be seen in improved margins, lower volumes and higher profits. These results are to be expected as we exit low-margin business segments.

Detailed regional performance information, including specific brand performance indicators, follows in the Group CFO report on page 36 and the regional reports from page 43.

Improved margins

Strategic initiatives to enhance margins, improve efficiencies, increase reliability and enhance quality delivered cost savings of R220 million this year. Our investments in maintenance, quality management, housekeeping and safety practices have resulted in efficient and well-run facilities. More detail can be found in the regional reports from page 43.

Business transformation

Business transformation underpins our short-term strategic priorities of category growth, geographic growth and improved margins. Our culture change journey aims to encourage innovation and creativity and to improve the agility, effectiveness and efficiency of the Group.

Our executive management team understands the crucial role it plays and continued to make great progress during the year to workshop and agree on the behaviours and actions needed to drive this journey from the top and lead by example. To reaffirm our commitment to diversity and transformation, and to strengthen execution across our value chain, we made the following changes to our executive team from April 2019:

- Donovan Hegland, formerly the director of global marketing, now leads the newly created growth and innovation function.
- Kate Rycroft, formerly the director of corporate development heads the new ventures business.
- Kershen Pillay joined the executive leadership team as director of corporate services.
- André Opperman holds a temporary role as director of strategic change initiatives.
- Fraser Thornton, managing director of our international business unit, and Kay Nash, the CEO of Libertas Vineyards and Estates report to Kate Rycroft.
- Marius Lambrechts, our former director of innovation moved into the supply chain as group manager of intrinsics.

The remaining executive team stays the same.

We developed a change management toolkit in 2018 to help employees transition smoothly and respond to change. This toolkit also serves as an additional resource to standardise change management processes and practices at Distell.

Going forward, our revised purpose statement and values will become the non-negotiable watermark of everything we do at Distell. To reinforce these values, we will undertake practical culture-shaping workshops. Various campaigns and initiatives will be introduced across the business to reward and reinforce desired behaviours. We will also conduct a follow-up culture-shaping survey to assess any positive or negative shifts since the baseline assessment that was done in 2018.

OUR OPERATIONS

Sales force optimisation

> **OUR OVERALL SOUTH AFRICAN MARKET SHARE IMPROVED BECAUSE OF THE INCREASED EXECUTION OF OUR DECENTRALISED MODEL IN OUR SALES FORCE.**

This led to wider customer reach in a highly competitive environment, underlined by cash-strapped consumers seeking value. We improved our sales force capability to service and support customers across a much wider base through activation in their businesses and our two loyalty programmes, Bansela and Upsella. Our extensive national sales force now calls regularly on an outlet universe of approximately 43 000 customers.

We focused our key account management capability to specialise in different customer categories. Our team's engagement with the independent trade, retailers and wholesalers built strong business relationships and enhanced our competitive performance in the local market.

We will replicate this strategy in our African routes-to-market going forward.

Network risk and security

To compete effectively, we continue to invest in our systems competencies. In 2019, we invested R2,5 million to improve our cyber incident monitoring and response, and confidential data leakage prevention to reduce risk exposure.

SUSTAINABILITY

> **AS A BUSINESS WITH A VAST NETWORK OF SUPPLIERS, REACHING MILLIONS OF CONSUMERS, WE ARE MINDFUL OF OUR BROAD REACH AND IMPACT.**

We delivered against our sustainability goals, as detailed in our sustainability report online. We continue to promote responsible drinking, transformation, community empowerment and the sustainable management of our supply chain. Past efforts have given us a strong base from which to move forward. Capable, diverse and transformed teams run our operations. The small businesses we support are growing and procurement from black-owned businesses is increasing.

OUR AWARDS

Distell won overall **distiller of the year** in the *2019 Icons of Whisky World Whisky Awards*

37 of our wines achieved gradings of **90 points** and above in the *2018 Tim Atkin South Africa Report*

Our whiskies won **12 awards** at the *World Whiskies Awards 2019*

At the *Michelangelo International Wine and Spirit Awards 2018* Distell wines won **19 awards**

At the *Veritas Awards 2018* our wines won **21 awards**, and **spirits nine gold** and **double gold** awards

17 wines, across our brands, achieved 4,5 stars in the Platter's by *Diners Club South African Wine Guide 2019* and **Plaisir de Merle Signature Blend 2012** achieved a 5-star rating

Alto Cabernet Sauvignon 2015

Gold in the *Concours Mondial de Bruxelles 2019*

Gold in the *Asian Cabernet Sauvignon Masters 2019*

National winner of the *Novare SA Terroir Wine Awards 2018*

Amarula

South African Brand of the Year at the *World Branding Awards 2018*

Best South African cream liqueur at the *World Liqueur Awards 2019*

Bain's Cape Mountain Whisky won best overseas whisky at the *2019 Òran Mór Whisky Awards*

Gold for **Black Bottle Blended Scotch** in the *2019 San Francisco Spirits Awards*

OUR AWARDS

Bunnahabhain 25-year-old Scotch Whisky won best Scotch Islay Single Malt at the *World Whiskies Awards 2019*

Deanston 12- and 18-year-old Highland Single Malt Scotch Whiskies achieved double gold in the *San Francisco Spirits Awards 2019*

Gold for Durbanville Hills Collectors Reserve The Lighthouse Merlot 2016 in the *International Wine and Spirit Competition (IWSC) 2018*

Desiderius Pongrácz 2009 Museum class winner in the *Amorim Cap Classique Challenge 2018*

Desiderius Pongrácz 2011
Double gold in the *Michelangelo International Wine and Spirit Awards 2018*
Trophy in the *Old Mutual Trophy Wine Show 2019*

Durbanville Hills The Tangram white blend 2017
Gold in the *Drinks Business Global Masters Sauvignon Blanc*
91 points in the *Wine Mag Aerobotics Sem-Sauv Blend Report 2018*

Fleur du Cap Noble Late Harvest 2015 and **Unfiltered Chardonnay 2016**: Gold outstanding in the *IWSC 2018*

A trophy for **Fleur du Cap Series Privee Sauvignon Blanc 2017** in the *Michelangelo International Wine and Spirit Awards 2018*

A trophy for **J.C. Le Roux Scintilla** at the *Old Mutual Trophy Wine Show 2019*

Sustainability highlights for 2019 include:

- We have identified key areas along our value chain where we believe we can make the most significant impact and contribute towards sustainable development, supported by our employees. These areas shape our contribution to the SDGs, which aim to end global poverty, protect the planet and ensure prosperity for all. We took new steps during the year to improve the accuracy of our disclosures against these important global goals and enhance the transparency of our reporting.
- Our Taverner Training Programme was launched during the year to empower female taverners along our value chain. Not only does this programme support responsible consumption, it equips tavern owners with the tools to do business better. We are proud to report that of the 397 tavern owners who participated in this programme in 2019, 332 were women.
- We have also maintained our water management and reduction programme, especially in the Western Cape, and extended it to our other operations, as part of our wider sustainability drive. Our efforts to combat Day Zero were recognised by Nordea – the largest financial services group in the Nordic region and an institutional investor in Distell. Nordea visited our operations in the Western Cape to understand how we are managing water-related risks as well as the actions undertaken to reduce our water usage by 38% in the face of the water crisis.
- Following early indications that this year's harvest is not expected to produce an increase in volumes compared to last year, we secured enough grape and wine supply for the forthcoming cycle.

OUR ONLINE SUSTAINABILITY REPORT TELLS THE STORY OF OUR SUSTAINABILITY JOURNEY OVER THE PAST YEAR AND HIGHLIGHTS THE START OF GREAT THINGS TO COME.

Each year brings an opportunity to set challenging targets against new benchmarks and find better and more innovative ways to manage and use resources. I have been invited to speak at the 2019 CGCSA Summit to be held in November 2019 on the topic of: 'Building business models that deliver value for consumers aligned to the SDGs'. This presents a great opportunity to share and gain insights into the environmental sustainability challenges facing South Africa as well as how industry can get involved to enhance public-private partnerships for the betterment of our country.

WE WERE NAMED OVERALL WINNER AT THE 2019 ABSA BUSINESS DAY SUPPLIER DEVELOPMENT AWARDS.

The strength of our E+Scalator programme was acknowledged as we were announced as the overall winner at the 2019 Absa Business Day Supplier Development Awards. These awards recognise leading companies in South Africa who are championing supplier development, building resilient supply chains and creating lasting value that moves beyond compliance. They also profile some of the small businesses we support and provide a platform for them to share their experiences. Read more about these businesses in our sustainability report online.

'DISTELL'S ENTERPRISE AND SUPPLIER DEVELOPMENT DRIVE SHOWS THEIR GENUINE COMMITMENT TO BUILDING AND DIVERSIFYING THEIR SUPPLIER BASE, WITH EFFORTS THAT EXTEND WELL BEYOND THE SCORECARD.' CATHERINE WIJNBERG, CEO, FETOLA

BRAND DEVELOPMENTS

PORTFOLIO OPTIMISATION

Our portfolio, with diverse brands, market segments and price point offerings, acts as a buffer in difficult economic conditions, because while certain brands or categories are adversely affected, others grow. The result has been balanced growth across the portfolio and reasonable performance during the year.

Distell's performance depends on our ability to shape and optimise our asset portfolio to meet future demand. In 2019, we further reduced our non-core and underperforming stock keeping units by 29%, resulting in a gross profit per unit improvement of 10%. We will continue this discipline.

To deliver world-class experiences to customers and consumers, while managing cost and increasing efficiencies, we consolidated our marketing agency portfolio and appointed two agencies to:

– manage the full spectrum of marketing communications for our global brands, including Savanna, Hunter's, Edge, Viceroy, Amarula, Bain's and Scottish Leader.
– manage local and multi-country brands, including Bernini, Extreme, Count Pushkin, J.C. Le Roux, Klipdrift, Olof Bergh, Richelieu and Three Ships.

BRANDS WITH PURPOSE

Drostdy-Hof and the Pinotage Youth Development Academy (PYDA) have partnered to ensure a sustainable wine industry for the future. The Academy targets historically disadvantaged South Africans between the ages of 18 and 25 and offers a holistic year-long work readiness programme focused on demand-led local industries that include wine and tourism.

The Amarula Trust and WildlifeDirect joined forces in 2016 with the shared vision to protect Africa's elephants. The global passion for Amarula, the authentically produced African liqueur from the marula tree, has raised more than €50 000 for elephant conservation through donations to WildlifeDirect in the last year.

Read more about these initiatives in our sustainability report online.

APPRECIATION

> **FOR DISTELL, MARKET AND CATEGORY DIVERSIFICATION WILL REMAIN A KEY IMPERATIVE AS WE EXPLORE MORE OPPORTUNITIES TO GROW IN AFRICA. I AM CONFIDENT THAT OUR MULTI-YEAR STRATEGIC JOURNEY WILL YIELD THE DESIRED RESULTS.**

We took decisive action to reduce costs and increase productivity. This resulted in a leaner, fitter and stronger Group. I am proud of what has been achieved and extend my sincere thanks to our board of directors and executive management for sharing in Distell's vision and for their passion and dedication.

I appreciate the work of all our employees to help build the foundation and legacy of Distell, while remaining energised about the diversity, youthfulness and entrepreneurial spirit of our future journey.

Richard Rushton
Group chief executive officer
Stellenbosch
27 August 2019

OUR AWARDS

Klipdrift Premium Brandy received a masters award at *The Spirit Business Brandy Masters 2019*

Best newcomer for **Ledaig PX Cask Finish Whisky** at the *Òran Mór Whisky Awards 2019*

Nederburg Heritage Heroes The Motorcycle Marvel 2016 achieved a trophy award at the *Cathay Pacific Hong Kong International Wine and Spirits Competition*

Richelieu XO Fine Champagne Cognac won the cognac trophy award at the *IWSC 2018*

Van Ryn's 10-year-old Single Potstill Brandy achieved Best in Competition at the *The Spirit Business Brandy Masters 2019*

FROM OUR

GROUP CFO

Doing the right things to move in the right direction: Distell creates shareholder value by improving our operating margin, while driving revenue growth and the efficient use of assets.

Throughout this report, references are made to 'normalised' and/or 'adjusted for forex' and or 'comparable' metrics.

Normalised items refer to metrics as reported, but adjusted for:

- retrenchment and Group restructuring costs following an extensive review of our operating model;
- the expected credit loss recognised relating to the investment in savings bond of the Reserve Bank of Zimbabwe following currency restrictions which prevented African Distillers Limited to settle all its trading debt owed to Distell; and the impairment of the investment in Best Global Brands Limited (BGB).

The results of the Group are also impacted by changes in foreign exchange rates. Certain metrics are therefore reported on a constant currency basis to eliminate severe currency movements. These adjusted measures represent pro forma financial information.

We evaluated the impact of, and applied, the following new accounting standards (see note 13 to the financial statements):

- IFRS 15: revenue from contracts with customers. The Group has applied the modified retrospective application option and the costs of payments to customers for non-distinct goods and services related to these items are classified as part of 'Revenue' from 1 July 2018. 'Comparable' items refer to metrics as reported, but adjusted for the prior year impact of IFRS 15 if it was applied from 1 July 2017.
- IFRS 9: financial instruments replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

FINANCIAL VALUE CREATION

Distell's governing objective is to create value for all stakeholders.

In our drive to create financial value, we focus on core indicators to inform investment decisions. These key performance indicators (KPIs), together with non-financial measures, are used to monitor our performance and track progress. The KPIs provide a measurable link to strategic initiatives and are integrated into our short-term and long-term incentive schemes, as discussed in the remuneration report from page 73.

LUCAS VERWEY | GROUP CFO

The financial metrics and KPIs by which we measure ourselves are:

			MARGINS	
From continuing operations	Rm	% change	**2019 %**	2018 %
Revenue	26 180	9,4		
EBITDA	3 419	12,4	**13,1**	12,7
EBITDA adjusted for forex	3 437	7,5	**13,1**	13,4
Gross profit	8 097	8,1	**30,9**	31,3
Operating profit	2 789	14,7	**10,7**	10,2
Headline earnings	1 800	13,5	**6,9**	6,6
Headline earnings adjusted for forex	1 825	7,0		
Return on invested capital (ROIC)			**13,6**	13,2

Note: Normalised and comparable.

TOTAL SHAREHOLDER RETURN (TSR)

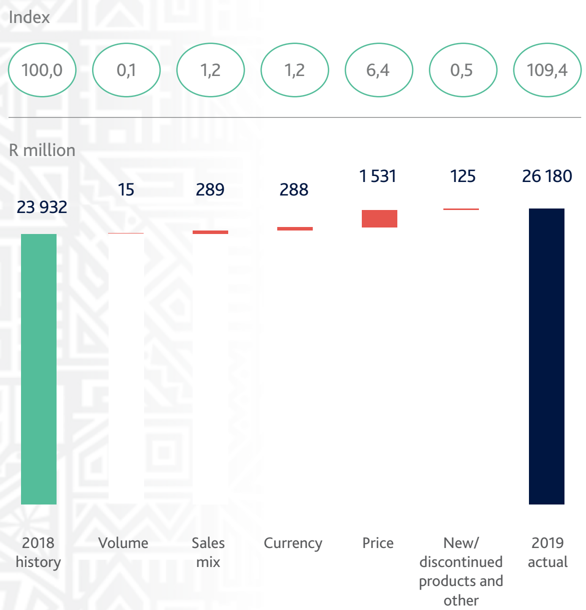
Sustainable value creation for our shareholders is best measured by TSR, a combination of share price appreciation and dividends paid over the medium to longer term. Over a ten-year period, Distell has delivered a TSR of 13,0% per annum.

REVENUE

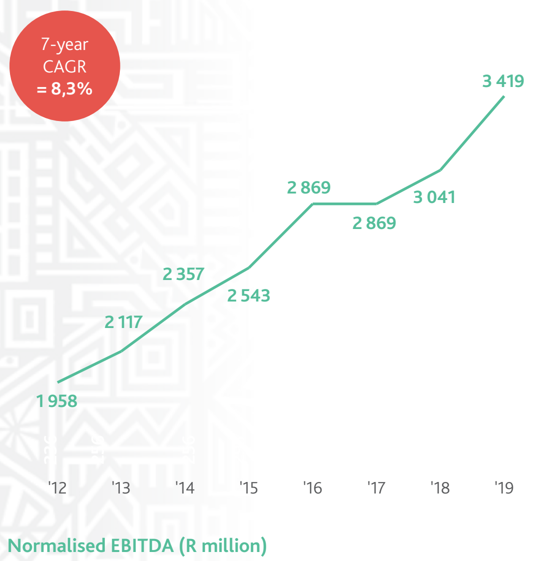
Revenue, on a comparable basis, grew 9,4% to R26,2 billion, on the back of:

- flat sales volume growth;
- commendable comparable revenue growth of 9,5% in South Africa;
- African revenue which grew by an excellent 20,0%; and
- an improved sales mix.

DRIVERS OF REVENUE GROWTH



CONSTANT EBITDA GROWTH



PROFIT

Gross profit grew by 8,1% (2018: 6,8%), while operating profit, as reported, decreased to R1,8 billion from R2,4 billion in 2018, mainly as a result of the Group restructuring and retrenchment costs and the expected credit loss provision on the Zimbabwe savings bonds. Normalised and comparable operating profit increased by 14,7% to R2,8 billion.

EBITDA

Normalised EBITDA grew by 12,4% to R3,4 billion, and normalised EBITDA adjusted for foreign currency movements, grew by 7,5% to R3,4 billion.

OPERATING COSTS

Normalised comparable operating costs increased by 8,9% to R23,4 billion (2018: R21,5 billion). Excise duties increased by 11,1%, an unsustainable rate increase, which could severely impact our business should the trend continue. Excluding excise duty increases, other operating costs rose by 7,9%.

To build our brands for the long term, we continue to invest in customer and consumer facing sales and marketing initiatives. Overall comparable sales and marketing costs increased by 1,3%, benefiting from improved procurement practices and focused spending on key trademarks.

We continued with our structured process to consolidate and improve the efficiencies of our supply chain and supporting functions throughout the Group. This includes our Shared Service Centre with best-in-class ICT systems. While these significant investments have not yet resulted in savings, we believe they will do so in the long run.

Foreign currency translation gains amounted to R25,4 million (2018: R51,4 million loss).

OTHER GAINS AND LOSSES

The significant devaluation of about 50% of the Angolan kwanza and its impact on the Angolan economy has negatively impacted the earnings of BGB, the owner of the Best brand, in which Distell acquired a 26% interest in 2017. Although BGB has grown volumes and maintained market share since Distell's investment, the Group has decided it would be prudent to impair about two-thirds, being R524,0 million, of the value of its 26% investment in BGB.

The impairment of the goodwill in Distell (Hong Kong) Limited and the loss on sale and impairment of property, plant and equipment was R20,8 million.

SHARE OF EQUITY-ACCOUNTED EARNINGS

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

ASSOCIATES

Distell's share of after-tax profits from associated companies was R23,4 million (2018: R7,7 million loss). Our investment in associated companies includes:

- **35%** share in Tanzania Distilleries Limited (TDL)
- **26%** interest in BGB
- **26%** interest in the Mauritian company, Grays Inc. Limited

JOINT VENTURES

- Our share of profits from joint ventures was lower at **R38,1 million** (2018: R39,1 million).

JVs include:

- AFDIS
- Terlato
- Radoux
- Moyo

FINANCE COSTS AND TAXATION

Finance costs and taxation paid increased to R916,5 million (2018: R819,2 million).

Finance costs

The Group's interest-bearing debt, net of cash and cash equivalents, was R3,9 billion (2018: R3,5 billion), and with a debt-to-debt-plus equity ratio of 24,5%, it places us in a strong position to pursue our strategic priorities.

The Group has access to R2,3 billion general banking facilities, of which R1,8 billion remains unutilised at year-end. We have borrowing capacity available which will allow us to seek new investment opportunities and service our ongoing funding and liquidity requirements.

Our debt mainly consists of medium-term loans and we utilise short-term bank credit facilities to manage the cyclical nature of our cash flows during the year. We match funding requirements with the currency of the underlying operations or assets to be financed, when these are considered cost-effective, to obtain natural currency hedges. Most of our interest-bearing debt is fully secured by fixed properties, trade receivables and inventory.

During the current financial year, the Group refinanced the secured term rand borrowings to extend the maturity profile and at improved interest rates. The interest rates of about 50% of the re-financed borrowings were also fixed by way of interest rate swaps.

MEDIUM-TERM BORROWINGS

R4 524 million

(2018: R4 433 MILLION)

R3,5 billion

RAND RE-FINANCED DURING THE YEAR AND R1,0 BILLION UK POUND DENOMINATED

SHORT-TERM NET CASH

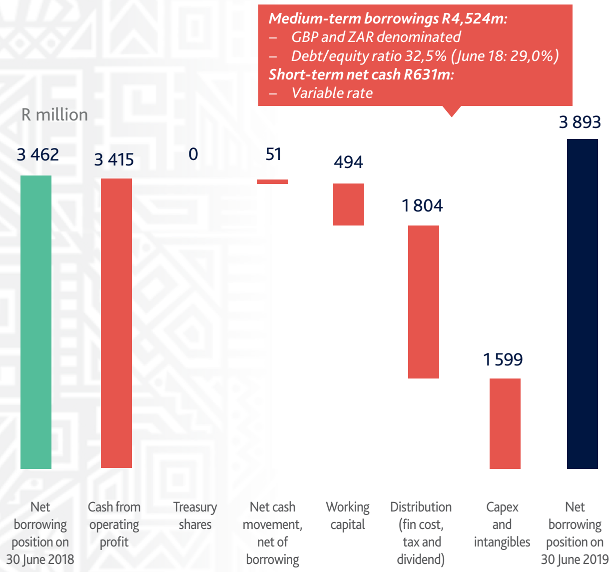
R631 million

(2018: R970 MILLION)

VARIABLE RATE

7,9%

CASH FLOWS AND FUNDING



Funding structure	2019 Rm	2018 Rm
Bank overdrafts and call accounts	**(522)**	(114)
Cash and cash equivalents	**1 153**	1 084
Medium-term bank loans	**(4 524)**	(4 420)
Short-term bank loans	**–**	(13)
Total	**(3 893)**	(3 462)
Medium-term debt maturity profile		
Within one year	**–**	(13)
Between one and two years	**–**	(1 200)
Between two and three years	**(2 224)**	(1 050)
Between two and five years	**(2 300)**	(2 170)

Taxation

The effective tax rate increased from 29,7% in 2018 to 41,5%. This is largely attributable to the R524 million impairment of BGB which is not tax deductible.

CASH FLOW

Distell is a strong cash-generative business.

Net cash generated from operations, after working capital movements, decreased 5,1% to R2,9 billion (2018: R3,1 billion). Towards the end of the financial year we built stock to allow us to close a large production facility as part of our supply chain optimisation process. This, coupled with one-off retrenchment cost impacted our cash flow, which would otherwise have been constant if these items are excluded.

Cash inflow before financing activities declined to R410,1 million (2018: R1,12 billion) following capital expenditure of R1,3 billion and the R330,8 million purchase of financial assets, including the savings bonds of the Reserve Bank of Zimbabwe.

HEADLINE EARNINGS

Reported headline earnings declined marginally from R1,5 billion in 2018 to R1,4 billion, and achieved CAGR of 5,8% over a seven-year period.

Normalised headline earnings adjusted for currency movements increased from R1,7 billion in 2018 to R1,8 billion and by 7,0% per share to 831,1 cents (2018: 776,8 cents).

RETURN ON INVESTED CAPITAL (ROIC)

ROIC 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, or average total invested capital comprises average net assets for the year (excluding post-retirement employment net liabilities/assets) and average net borrowings.

Assets

Total assets increased by R1,4 billion to R23,5 billion, an 6,4% change from the previous year. Net operating assets (i.e. fixed assets, intangible assets, inventory and receivables less payables) increased 5,6% to R15,7 billion.

Economic profit

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

The standard capital charge applied to the average total invested capital is 10,8% (2018: 10,8%). Calculations for return on average total invested capital and economic profit are as follows:

Economic profit	2019 Rm	2018 Rm	% change
Normalised headline earnings adjusted for currency movements	**1 824,7**	1 704,7	7,0
Interest (after tax)	**193,7**	213,1	(9,1)
Actual returns achieved	**2018,4**	1 917,8	5,2
Capital charge at 10,8% (June 2018: 10,8%)	**1 611,2**	1 569,4	2,7
Economic profit	**407,2**	348,3	16,9
Average total invested capital	**14 887,1**	14 504,8	2,6
Return on average total invested capital	**13,6**	13,2	

CAPITAL EXPENDITURE

Capital expenditure amounted to R1,3 billion (2018: R1,2 billion). Of this, R536,7 million (2018: R464,7 million) was spent on the replacement of assets, while a further R722,3 million (2018: R710,0 million) was directed to capacity expansion in our manufacturing and distribution capabilities.

WORKING CAPITAL

We manage our working capital carefully. Investment in working capital resulted in a cash outflow of R493,5 million (2018: R173,2 million). Net working capital increased by 2,1% to R6,7 billion (2018: R6,6 billion). Inventory, the main component, was up 9,6% to R8,3 billion (2018: R7,6 billion). Bulk spirits in maturation remained unchanged at R2,9 billion. Investment in bottled stock and packaging material increased by 19,5% to ensure that the Group will be able to supply products to customers while we are busy to optimise our production network configuration. Trade and other receivables increased by 9,1%, while trade and other payables and provisions increased by 20,3% as the Group benefited from improvements realised in its shared service centre and centralised procurement.

INVESTMENTS

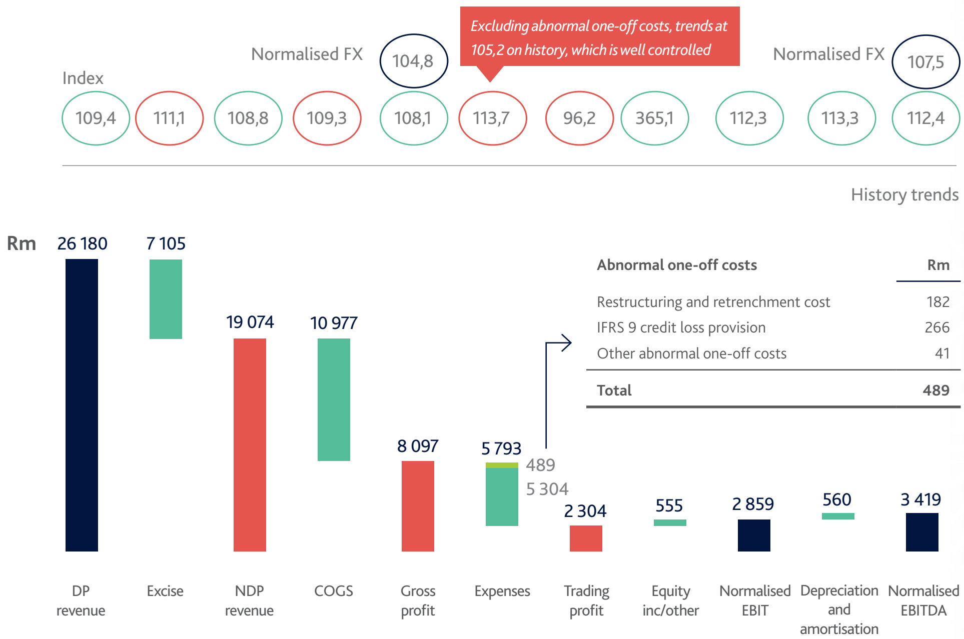
Cash outflow from investment activities, excluding capital expenditure on PPE, was R360,3 million (2018: R96,3 million).

This included:

- R318,5 million investment in savings bonds of the Reserve Bank of Zimbabwe, and
- R36,1 million software acquired during the year.

MARGIN

One of our key strategic objectives in the business is margin enhancement. On a normalised and comparable basis, we were able to improve this key metric during the year under review as our EBITDA margin improved from 12,7% to 13,1%. On the back of cost pressures from increased wine and apple juice prices, higher energy costs and excise duty, we adjusted pricing across the range of our brands. We also optimised our brand portfolio by discontinuing brands with low margins. As a result, volume growth has remained constant. Gross profit margin declined marginally to 30,9% (2018: 31,3%) as constrained consumer spending limited the ability to fully pass on cost increases to consumers.



Abnormal one-off costs	Rm
Restructuring and retrenchment cost	182
IFRS 9 credit loss provision	266
Other abnormal one-off costs	41
Total	**489**

	DP revenue	Excise	NDP revenue	COGS	Gross profit	Expenses	Trading profit	Equity inc/other	Normalised EBIT	Depreciation and amortisation	Normalised EBITDA
NDP % CY			100,0	57,5	42,5	30,4	12,1	(2,9)	15,0	(2,9)	17,9
NDP % PY			100,0	57,3	42,7	29,0	13,7	(0,8)	14,5	(2,8)	17,3
DP % CY:	100,0	27,1	72,9	42,0	30,9	22,1	8,8	(2,1)	10,9	(2,2)	13,1
DP % PY:	100,0	26,7	73,3	42,0	31,3	21,3	10,0	(0,6)	10,6	(2,1)	12,7

Normalised EBITDA margin on a non-duty paid basis increased by 59 bps

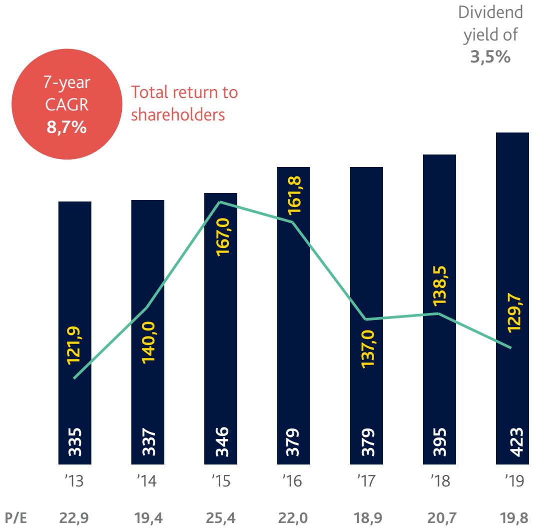
DP: Duty paid
NDP: Non-duty paid

DIVIDEND

The board resolved to declare a gross cash dividend, number 3, of 249,0 cents (2018: 230,0 cents) per share for the year ended 30 June 2019.

This represents a total dividend of 423,0 cents (2018: 395,0 cents) for the year and a dividend cover of 1,9 times (2018: 1,9 times) normalised headline earnings. Our guideline is to achieve a dividend cover of between 2,0- and 2,5-times normalised headline earnings.

REWARDING SHAREHOLDERS



Share price | **Dividend (cents)**

Total dividends paid to shareholders of the Group amounted to R887,7 million (2018: R832,8 million), an increase of 6,6% on the prior year.

Lucas Verwey
Group chief financial officer
Stellenbosch
27 August 2019

OUR REGIONAL
PERFORMANCE

SOUTH AFRICA

We focused on margin enhancement and growth through portfolio optimisation, revenue management and improved market execution. Despite continued challenging operating conditions, we managed to largely maintain volumes and strongly grow EBIT.

We delivered revenue growth in all three categories, resulting in top-line growth in 12 of Distell's top 15 brands. We grew our comparable domestic market revenue by 9,5%, while sales volumes declined marginally due to declining disposable income and increased value offerings by competitors.

REVENUE	VOLUMES	CONTRIBUTION TO GROUP REVENUE	BEST PERFORMING BRAND (VALUE) BERNINI
+9,5%	-0,9%	73,9%	+70,6% REVENUE GROWTH

KEY BRANDS IN THIS REGION

4th Street	Cruz	Nederburg	Scottish Leader
Amarula	Drostdy-Hof	Old Buck	Three Ships
Bain's Cape Mountain Whisky	Hunter's	Richelieu	Viceroy
Bernini	Klipdrift	Savanna	

CIDERS AND RTDs

Ciders

Savanna sustained its volume growth demonstrating that our focus on building brand equity rather than engaging in aggressive price cutting has been effective.

We invested in brand enhancements in the cider portfolio, specifically in Hunter's which contends in a highly competitive sub-category against sweeter offerings in the RTD space. Performance was muted, but we expect our initiatives to revitalise the brand to show results in the medium- to long-term. Extreme, which resonates with a younger generation of consumers, grew volumes.

Other RTDs

The crafting of premium brand Bernini, to address the millennial trend for a natural grape taste profile, delivered strong volume growth.

We relaunched Esprit in April 2019, with multi-faceted flavours, lower alcohol and sugar, and at a lower price point, to appeal to next-generation consumers. It has shown robust volume growth and will continue to play an integral part of our RTD portfolio.

SPIRITS

White spirits

Premium white spirits delivered excellent performance, boosted by consumer preferences for premium spirits. Gin and vodka boasted the highest volume growth in the spirits category.

Cruz grew volumes and is one of the fastest growing spirit brands in South Africa.

The strength of the gin category generated robust results for gin.

Vodka is enjoying a renewal in the South African market. Flavoured vodka is particularly popular and our newly launched Count Pushkin flavours have rejuvenated the brand. See page 5.

Brown spirits

Performance for brandy was muted. Klipdrift and Richelieu remained stable, but Viceroy slowed down after two years of growth. However, price adjustments meant that overall margins improved.

Provenance whiskies are growing. As a result, our premium whiskies, Three Ships and Bain's Cape Mountain Whisky, performed well. Bain's, our proudly South African, single grain whisky, delivered double-digit revenue growth and won several awards.

Our blended whiskies outperformed the category, with Scottish Leader and Harrier growing revenue alongside premium whiskies.

Amarula

Amarula again sustained its performance, furthered by effective campaigns and activations that resonate with consumers. The limited edition Amarula Vanilla Spice was well received.

WINES

Accessible wines

Wine supply shortages resulted in above-inflation costs, which led us to pass on pricing. This impacted our accessible scale wines across the category where volumes declined, but we were able to grow revenues by 2,6%. Campaigns and activations are underway to mitigate this with the category still playing a key part in recruiting new wine consumers who may be intimidated by premium wine brands.

Drostdy-Hof, playing at a slightly higher price index to 4th Street continued to grow, underscoring the resilience of our diversified portfolio in the consumer premiumisation journey.

Premium wines

Although volume growth was marginal due to price adjustments, our premium wines showed healthy revenue growth, indicating that our renewed focus on core brands is yielding results. The disposal of non-core brand assets and the creation of Libertas Vineyards and Estates, our dedicated premium wine business unit, further enhanced this category by increasing premium wine margins by 3,7%.

Méthode Cap Classique recovered in 2019, achieving double-digit volume and revenue growth. Pongrácz achieved double-digit volume growth, aided by the launch of Pongrácz Noble Nectar Demi Sec, a blend of Pinot Noir and Chardonnay.

CUSTOMER CHANNELS

Progress regarding our sales force optimisation initiative is described in the Group CEO report on page 30.

We maintained momentum in the off-trade (wholesale, grocery etc.) space. We focused on improved merchandising.

In the mainstream channel, our customer loyalty programmes, Bansela, launched in 2018 and Upsella, launched in 2019, reached a total of 22 923 customers, to communicate with them more effectively and assist them in trading.

In the on-trade (bars, restaurants, taverns etc.) space we saw a step-change, thanks to our new, dedicated team, tailored customer programmes and collaborative marketing initiatives across our portfolio of brands.

TRANSFORMATION

The transformation imperative is integrated into all aspects of our business.

In an ongoing effort to transform our value chain, we continue to extend our positive impact to those areas of our business where we see the greatest opportunity. For example, we focus on agriculture and developing empowered apple and grape farmers in a manner that generates long-term value for the South African economy. More detail can be found in our sustainability report online.

OUR POLOKWANE TEAM WON DISTELL SALES TEAM OF THE YEAR

To pick a winning team, weekly tracking identifies the best performing sales team per channel in each region. At year-end an adjudicating team, including our managing director and other members of executive management, visit the top team in each region for a day. Teams deliver a presentation and take judges on a trade visit. The winning team is announced at our annual sales, distribution and marketing conference.

We are proud that the team that won this year – team Limpopo, led by Ronald Chauke – is our biggest sales team and is diverse in terms of race, culture, language, age and gender. They cover the most widely dispersed area in the country and each team member sells across all channels. Over four years, they achieved a compound annual growth rate of 9%.

OUR SUPPLY CHAIN

Over the past four years we have made a profound shift in consolidating our asset base and modernising our supply chain and manufacturing capabilities.

A historical competitive disadvantage was that our manufacturing and distribution network was fragmented and cumbersome, with operations far away from the market. Therefore, to improve efficiency and unlock growth potential, we took the strategic decision to:

- scale down manufacturing activities at Green Park in Cape Town and use it as a distribution asset;
- relocate the bottling and processing activities to Adam Tas in Stellenbosch and Springs in Gauteng; and
- add wine blending and bag-in-box capability at Wadeville in Gauteng.

We are exceptionally proud of our Springs cider facility, which is our largest production site, producing more than half of total South African volumes per annum from one site. It is a modern, world-class end-to-end cidery of scale. The facility features a range of new green technology innovations and is an example for future sustainable green sites. Our Adam Tas and Wadeville facilities are now being modernised, showing similar shifts in best-in-class manufacturing practices. Details can be found in our sustainability report online.

We consolidated our position in South African premium and fine wines by establishing Libertas Vineyards and Estates as a new stand-alone subsidiary with ownership of all our premium wine brands. These include Alto, Nederburg, Durbanville Hills, Plaisir de Merle, Pongrácz, Fleur du Cap and Allesverloren and the unique heritage assets of Chateau Libertas, Zonnebloem, the Tabernacle and Vinoteque.

LOOKING AHEAD

In our 2018 report, we disclosed that our long-term strategic aspiration is to increase our share of the total alcoholic beverage market in South Africa by 50 basis points per year. We came close to this goal in 2019, while improving margins and profitability. Going forward, we will still strive toward this stretch target and seek to drive category growth through innovation.

These aspirations will be achieved through a combination of cost saving, investment in our brands and continued improvement in market service excellence. Supply chain consolidation and efficiency initiatives, as described in the Group CEO report on page 30, are expected to yield cost savings at an accelerated pace.

Wim Bührmann
Managing director: southern Africa

AFRICA

We have grown our African platform into a focused presence in eight countries with a wide-ranging product portfolio, including strong local brands. This gives us flexibility, which is a competitive advantage on the continent. Further measured investment in local production and route-to-market will enhance our growth in the future.

REVENUE
(including Botswana, Lesotho, Namibia and Estwatini)

+20,0%

(excluding Botswana, Lesotho, Namibia and Estwatini)

+40,7%

VOLUMES
(including Botswana, Lesotho, Namibia and Estwatini)

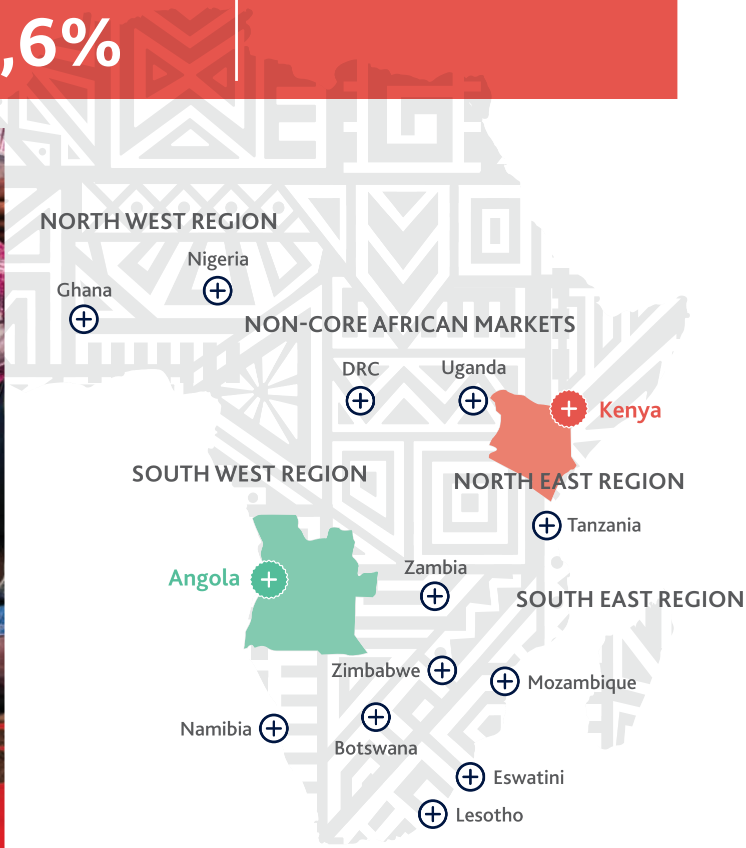
+10,3%

(excluding Botswana, Lesotho, Namibia and Estwatini)

+28,6%

CONTRIBUTION TO GROUP REVENUE

15,5%



KEY BRANDS IN THIS REGION

4th Street	Hunter's Choice
Best Whisky	Kibao
Hunter's	Savanna

Our investments into expansion in Africa yielded exceptional comparable revenue growth of 20,0% on sales volumes which were up by 10,3%. Growth was recorded across the board, with outstanding results in Zambia, Kenya, Nigeria, Ghana, Mozambique and Tanzania.

These results give impetus to our African growth ambitions.

We have seen the benefits of establishing strong local partnerships, local production and end-to-end route-to-market platforms built on effectiveness in each market.

Our margins are boosted by local production and by harnessing local brands with market equity, while carefully managing costs. This enables us to meet consumer demand through availability, accessibility and affordability.

We have begun optimising our brand and category portfolio across Africa and building on the momentum of local brands, where possible, supported by our luxury international brands.

We invest in sales-force optimisation and expansion, based on the diverse needs of each country. This will give us effective line of sight, enabling accurate modelling and costing and ultimately supporting our drive towards superior execution across our African markets.

BOTSWANA, NAMIBIA, LESOTHO, ESWATINI

Countries within the Southern African Customs Union (SACU), besides South Africa, delivered mixed results, with Botswana performing best at volume growth of 11,6%.

Focus markets outside the SACU, delivered excellent results with volume and revenue growth of 28,6% and 40,7% respectively.

NORTH WEST REGION

Nigeria

Sales volumes increased by 37,2% and revenue by 57,6% off a fairly small base. We commenced local production of Chamdor and 4th Street in Nigeria. Local production also enables us to source local materials, at local currency rates.

Ghana

A partnership agreement reached with Kasapreko in Ghana, has established our route-to-market platforms and improved profitability, with sales volumes increasing by 62,1%.

NORTH EAST REGION

KENYA

Our majority stake in KWA Holdings E.A. Limited (KHEAL) offers us key leverage in distribution, production and route-to-market platforms in East Africa. KHEAL has demonstrated that expanded and efficient local production, supported by a well-defined and developed route-to-market, yields positive results, with volume in the region up 48,6% and revenue up by 61,6%.

KHEAL is performing beyond expectations, led by the impressive performances of local brands Kibao and Hunter's Choice. We continue to expand our portfolio to cover obvious gaps, and intend to acquire a site in preparation for expansion of production and distribution capacity.

Our goal is to replicate this model and build similar models in further select markets in Africa.

IN MAY 2019, KHEAL MARKED 50 YEARS OF BUSINESS OPERATIONS WITH AN EVENT HELD IN NAIROBI.

Present during the event was the Kenyan cabinet secretary for trade, industrialisation and enterprise development, Peter Munya and other key stakeholders from different industries. During the event, KHEAL managing director Lina Githuka announced that the company is looking forward to setting up an ultra-modern manufacturing plant at Tatu City.

> 'THIS NEW FACILITY WILL ENABLE KHEAL TO FURTHER CONTINUE TO LOCALISE PRODUCTION OF OUR IMPORTED PORTFOLIO AND PRODUCE THE REQUIRED VOLUMES OF OUR PORTFOLIO OF FAST-GROWING BRANDS.' LINA GITHUKA, MANAGING DIRECTOR, KHEAL

> 'THE VISION TO EXPAND LOCAL MANUFACTURING WILL RESULT IN INCREASED EMPLOYMENT OPPORTUNITIES FOR KENYANS, A SIGNIFICANT CONTRIBUTION TO KENYA'S VISION 2030 AND THE BIG 4 AGENDA OF JOB CREATION THROUGH MANUFACTURING.' PETER MUNYA, CABINET SECRETARY FOR TRADE, INDUSTRIALISATION AND ENTERPRISE DEVELOPMENT

Tanzania

Our performance in Tanzania normalised after a sachet ban severely affected revenue and margins in 2018. We acted quickly, converting to small glass bottles and as a result the business has normalised with both revenue and volumes up by 146,2% and 320,0% respectively, alongside doubled EBITDA margin. We partnered with Coca-Cola Beverages Africa (CCBA) in Tanzania and Uganda to establish broader route-to-market platforms with positive initial impact, notably in Tanzania.

SOUTH WEST REGION

ANGOLA

We retain a 26% equity ownership in Best Global Brands (BGB). With a significant presence in Angola, BGB provides us with a platform for our growth ambitions through well-established pan-African spirits brands that have scale in both Angola and Nigeria and significant growth opportunities in Mozambique, Kenya and Zambia.

The devaluation of the currency, regulatory challenges and limited supply of foreign exchange all put pressure on our operational performance. Revenue decreased by 3,0%, while volume increased by 19,0%.

The significant devaluation of about 50% of the kwanza and its impact on the local economy affected the earnings of our Angolan business. Although BGB has grown volumes and maintained market share since Distell's investment, we chose to be prudent and impair two-thirds of the value of our 26% investment in BGB.

We are confident in the potential of the country and foresee a gradual improvement. Therefore, we plan to extend our partnership with BGB, and are also extending our own local production facilities in country. We want to establish Distell as a serious contributor to the Angolan economy and continue to work with the local government to develop a sustainable and profitable local manufacturing sector.

SOUTH EAST REGION

Mozambique and Zambia

Our businesses in Mozambique and Zambia have yielded stellar volume growth of 41,2% and 28,2% respectively. We have increased our sales execution footprint in Mozambique and have been negotiating dispensation in Zambia with the aim to establish a local production footprint.

Zimbabwe

Distell brands resonate well in Zimbabwe and the country was showing strong double-digit volume growth of 36,8%, driven by the availability of locally produced ciders. Distell is a supplier to African Distillers Limited (Afdis) in Zimbabwe, in which we own an indirect 31% interest.

Unfortunately, the introduction of real-time gross settlement (RTGS) bonds resulted in a substantial devaluation of the local currency against the South African rand. Consequently, our equity income dropped significantly in the second half of the year.

The lack of foreign exchange caused a gradual increase in the debt owed by African Distillers Limited (Afdis). We have converted all debt, approximately $22 million, to US dollar denominated bonds with the Reserve Bank of Zimbabwe. Bonds mature after two years and bear interest at 7%.

Considering the uncertainty and economic difficulties facing Zimbabwe, the Group decided to recognise a credit loss provision of about 80% on the investment in the savings bonds.

We are still optimistic that efforts to reform and grow the economy will be successful, but we have constrained funding to manage our total exposure in the interim.

DISTELL, WITH OUR PEERS IN THE SOUTH AFRICAN LIQUOR INDUSTRY, SIGNED THE GUIDELINES FOR GOOD BUSINESS PRACTICE IN AFRICA IN FEBRUARY 2019.

The guidelines are a voluntary set of principles and standards to align our involvement and practices with the South African government's integration and development objectives on the continent. They promote responsible business conduct and good corporate governance in business engagements for South African companies operating in Africa.

> 'SIGNING THE GUIDELINES FOR GOOD BUSINESS PRACTICE BINDS THE LIQUOR INDUSTRY TO A SET OF PRINCIPLES AND STANDARDS THAT WILL ENSURE BUSINESS CONDUCTED ACROSS AFRICA WILL COMPLY WITH THE LAWS OF THE COUNTRIES IN WHICH THEY OPERATE.' RICO BASSON, CHAIRMAN, ASSOCIATION FOR ALCOHOL RESPONSIBILITY AND EDUCATION (AWARE.ORG)

LOOKING AHEAD

Our strategic aspiration for Africa is to accelerate sustainable growth in the region, through localisation, to become the continent's leading player in wines, spirits and RTDs. To achieve this, we need to anticipate the consumption patterns of emerging consumers in countries undergoing rapid demographic change and economic development. We then need to adapt and refine our portfolio to be competitive and profitable.

Len Volschenk
Managing director: Africa

INTERNATIONAL

The strategic role of our International region is to build brand equity and route-to-market for our global premium spirits brands in select countries. Our focus is to improve returns and leverage existing strong market positions.

REVENUE	VOLUMES	CONTRIBUTION TO GROUP REVENUE	BEST PERFORMING BRAND (REVENUE) BUNNAHABHAIN
Flat	-10,6%	10,5%	+20,8%

KEY BRANDS IN THIS REGION

- Amarula
- Nederburg
- Bunnahabhain
- Scottish Leader

Our international operations saw a fall in volume, which was to be expected as our focus continued to shift from the lower margin wine and RTD categories, toward our higher margin premium wine and spirits portfolio.

Momentum picked up in the latter half of the year as we took steps to improve performance. We removed 45% stock keeping units to create a narrower and more profitable portfolio, we strategically exited struggling markets, adapted our operating model and increased efficiencies.

As evidence that these steps have begun to produce results, margin growth improved by 1% and the percentage margin increased from 41,6% to 42,5%. This is an encouraging trend set against a series of economic and political headwinds which impacted a number of our key international markets.

SPIRITS

Following a review of our international whisky strategy last year, key brands such as Bain's, Deanston and Bunnahabhain enjoyed overall double-digit volume and revenue growth.

Bunnahabhain, our flagship single malt, grew revenue by 20,8%, significantly ahead of the category. Single malt brand homes also saw increased visitor numbers, which contributed to volume and revenue growth.

Scottish Leader held market share in Taiwan in a marginally declining blended Scotch category and the malt portfolio grew.

The UK market delivered growth across the majority of the spirits portfolio, on the back of a trend toward premiumisation.

WINE

South African wines continued to be under pressure in global wine markets.

Sales volumes were challenged by price adjustments caused by the impact of consecutive adverse harvests in the Western Cape, caused by drought. The resultant shelf price increases made our portfolio less competitive in the value category and our wine volumes declined 14,4% as a result.

The creation of our Libertas Vineyards and Estates premium wine division brought together a dedicated team of wine experts to address the challenges facing South African wine.

WE ARE EXPANDING AND UPGRADING OUR PRODUCTION FACILITIES IN SCOTLAND.

Our focus for the year was to:

- Upgrade our Bunnahabhain distillery and brand home to enhance the visitor experience
- Upgrade the Tobermory distillery and brand home and expand its distillation footprint to produce gin
- Commence the development of a blending and maturation plant next to our bottling facilities in East Kilbride

LOOKING AHEAD

Going forward, our international operations will be a part of and report into a newly created venture business unit as mentioned in the Group CEO's report. This will create three highly specialised businesses, focused on their respective strengths. We believe this gives us the best opportunity to grow premium spirits and wines in key markets and drive brand premiumisation in line with consumer demand. The venture business unit will also explore acquisition and/or partnering opportunities in premium spirit categories where they can add value to our key markets and geographies.

Kate Rycroft
Managing director: Venture Business

CORPORATE GOVERNANCE BOARD OF DIRECTORS

FROM LEFT TO RIGHT:

① **LUCAS VERWEY (44)**
Group chief financial officer
BCompt (Hons), CA(SA), CFA

② **CATHARINA SEVILLANO-BARREDO (56)**
Independent non-executive
BCom (Hons), CA(SA)

③ **PIETER LOUW (50)**
Non-executive (alternate for JJ Durand)
CA(SA)

④ **RICHARD RUSHTON (56)**
Group chief executive officer
BCom

⑤ **JANNIE DURAND (52)**
Non-executive chairman
BAcc (Hons), MPhil (Oxon), CA(SA)

⑥ **CHRIS OTTO (69)**
Independent non-executive
BCom LLB

For full CVs please see page 54 of this report.

⑦ **JOE MADUNGANDABA (61)**
Independent non-executive
CPA(SA)

⑧ **ETHEL MATENGE-SEBESHO (64)**
Independent non-executive
MBA (Brunel) and CAIB(SA)

⑨ **KEES KRUYTHOFF (50)**
Independent non-executive
Business economics

⑩ **PRIEUR DU PLESSIS (64)**
Independent non-executive
BSc (QS), MBA (Cum laude), DBA (Doctor of Business Administration – Finance), Chartered Director (SA)

⑪ **ANDRÉ PARKER (68)**
Independent non-executive
MCom

⑫ **GUGU DINGAAN (43)**
Independent non-executive
BCom (Acc), H Dip Acc, CA(SA)

JANNIE DURAND (52)

Non-executive chairman

Qualifications: BAcc (Hons), MPhil (Oxon), CA(SA)
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 of the board 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 and governance.

Other: Chief executive officer of Remgro and a director of, inter alia, RCL Foods, RMI Holdings Limited and Mediclinic International PLC.

GUGU DINGAAN (43)

Independent non-executive

Qualifications: BCom (Acc), H Dip Acc, CA(SA)
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 as a member of the investment subcommittee in 2015 and as a member of the remuneration committee and the nomination committee in 2017.

Expertise: Financial markets and investments, general business, mergers and acquisitions, transformation, risk management and governance.

Other: Investment executive at WIPHOLD and non-executive director of various WIPHOLD investee companies.

PRIEUR DU PLESSIS (64)

Independent non-executive

Qualifications: BSc (QS), MBA (Cum laude), Doctor of Business Administration (DBA) – Finance, Chartered Director (SA)
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, general business, governance, mergers and acquisitions, risk management.

Other: Chairperson of Plexus Holdings, an investment management business he founded in 1995. He also serves as director of Professional Provident Society (PPS) Insurance Company and PPS Investments. 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.

KEES KRUYTHOFF (50)

Independent non-executive

Qualifications: Business Economics Erasmus University in Rotterdam, Holland
Gender: Male

Tenure and committees: Appointed to the board, and as a member of the investment subcommittee in 2019.

Expertise: international business, general business, mergers and acquisitions, marketing, fast-moving consumer goods.

Other: Chairman Enactus, chairman Mr Green Africa, chairman Foods United.

PIETER LOUW (50)

Non-executive (alternate for JJ Durand)

Qualifications: CA(SA)
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 RCL Foods Limited. He is currently Head of Corporate Finance at Remgro.

JOE MADUNGANDABA (61)

Independent non-executive

Qualifications: CPA(SA)
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 chairman of Schneider Electric, non-executive deputy chairman of Jasco Electronics Holdings and non-executive director of Air Liquide Healthcare and of Afrocentric Limited.

ETHEL MATENGE-SEBESHO (64)

Independent non-executive

Qualifications: MBA (Brunel) and CAIB(SA)
Gender: Female

Tenure and committees: Appointed to the board in 2015 and as member of the risk and compliance committee in 2016 and the audit committee in 2018.

Expertise: Financial markets and investments, international business, general business, marketing, risk management and governance.

Other: Director on the boards of FirstRand and FinMark Trust.

CHRIS OTTO (69)

Independent non-executive

Qualifications: BCom LLB
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 serves on selected audit and remuneration committees.

ANDRÉ PARKER (68)

Independent non-executive

Qualifications: MCom
Gender: Male

Tenure and committees: Appointed to the board in 2008 and as lead independent director in 2016. He was appointed as chairman of the remuneration committee in 2013 and as chairman 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.

RICHARD RUSHTON (56)

Group chief executive officer

Qualifications: BCom
Gender: Male

Tenure: Richard was appointed to the board in 2013 following various leadership roles with SABMiller in Africa, Asia and Latin America since 1997. He initially held leadership positions at Barclays and Adcock Ingram before joining SABMiller. Richard's role is to ensure the company delivers on its key strategic objectives and to build a high-performance culture within the company.

Expertise: International business, mergers and acquisitions, marketing and fast-moving consumer goods.

CATHARINA SEVILLANO-BARREDO (56)

Independent non-executive

Qualifications: BCom (Hons), CA(SA)
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 and Concor. She was also a member of WIPHOLD's audit committee and chaired the Concor audit committee.

LUCAS VERWEY (44)

Group chief financial officer

Qualifications: BCompt (Hons), CA(SA), CFA
Gender: Male

Tenure: Lucas joined Distell in 2014 from Remgro where he was an investment executive overseeing a specific portfolio of investments since 2008. Lucas was appointed to his current position in September 2015. Following the executive restructure in February 2019, he oversees the financial sustainability and growth of Distell through financial planning and reporting. He has also taken on new portfolios including mergers and acquisitions, investor relations and risk management. His previous oversight of IT has moved to corporate services.

Expertise: Financial markets and investments, general business, mergers and acquisitions, valuation, risk management and governance.

EXECUTIVE TEAM

FROM LEFT TO RIGHT:

① **ANDRÉ OPPERMAN (46)**
Director: strategic change initiatives
BA Honours (Industrial Psychology)

② **LEN VOLSCHENK (48)**
Managing director: Africa
BCom (Hons) (Marketing)

③ **JP VAN DER WALT (56)**
Director: human resources
MCom (Industrial Psychology)

④ **LUCAS VERWEY (44)**
Group chief financial officer
BCompt (Hons), CA(SA), CFA

⑤ **WIM BÜHRMANN (53)**
Managing director: southern Africa
BAcc (Hons), CA(SA)

⑥ **RICHARD RUSHTON (56)**
Group chief executive officer
BCom

For full CVs please see page 58 of this report.

7 **KATE RYCROFT (46)**
Managing director: venture business
BSocSci (Hons), MBA

8 **BRIDGITTE BACKMAN (56)**
Director: corporate and regulatory affairs
BSc (Chemistry), HDE, MBA

9 **KERSHEN PILLAY (36)**
Director: corporate services
BCom; BCom Honours; CA (SA); MBA

10 **JOHAN VAN ZYL (47)**
Director: supply chain
BEng (Chemical), PrEng, MBA

11 **DONOVAN HEGLAND (44)**
Director: growth and innovation
BCom (Hons) (Business Economics)

BRIDGITTE BACKMAN (56)

Director: corporate and regulatory affairs

Qualifications: BSc (Chemistry), HDE, MBA
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 (53)

Managing director: southern Africa

Qualifications: BAcc (Hons), CA(SA)
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.

DONOVAN HEGLAND (44)

Director: growth and innovation

Qualifications: BCom (Hons) (Business Economics)
Gender: Male

Tenure: Donovan joined Distell as marketing director: southern Africa in 2010. In 2015 he moved on to head up the Africa business. Donovan took over the global marketing function at the end of 2017 and transitioned the role into growth and innovation for the Group focused on transformational strategy, foresight and insight development, health and profitability of the brand portfolio, break out innovation, digital transformation and marketing capability development.

Expertise: Africa, general management, marketing and sales, innovation and digital transformation, human resources, agile leadership.

ANDRÉ OPPERMAN (46)

Director: strategic change initiatives

Qualifications: BA Honours (Industrial Psychology)
Gender: Male

Tenure: André was appointed to his current position on 1 April 2019 (not a board member). His career highlights include Head of HR for British American Tobacco in Zimbabwe, HR director at RACEC and head of HR for Distell South Africa.

Expertise: General business, fast-moving consumer goods and human resources.

KERSHEN PILLAY (36)

Director: corporate services

Qualifications: BCom; BCom Honours; CA(SA); MBA
Gender: Male

Tenure: Kershen joined the Distell team in July 2015 as financial manager in New Germany. In April 2016 moved to head office in South Africa as financial manager. He was promoted to director: corporate services in April 2019. This newly established function is the catalyst for Distell's digital transformation.

Expertise: Financial markets and investments, general business and risk management.

KATE RYCROFT (46)

Managing director: venture business

Qualifications: BSocSci (Hons), MBA
Gender: Female

Tenure: Kate joined Distell in 2003, prior to which she worked for a global investment bank in London. She was director: corporate development, responsible for Group strategy and mergers and acquisitions. Her new portfolio includes Distell's international spirits business, Libertas Vineyards and Estates, the international export business and Henry Taylor and Ries in South Africa. She is responsible for executing key strategic changes within these portfolios under a renewed operating model.

Expertise: Business management, mergers and acquisitions, business transformation, deal integration and deal origination.

JP VAN DER WALT (56)

Director: human resources

Qualifications: MCom (Industrial Psychology)
Gender: Male

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

Expertise: Human resources

JOHAN VAN ZYL (47)

Director: supply chain

Qualifications: BEng (Chemical), PrEng, MBA
Director: supply chain
Gender: Male

Tenure: Johan joined Distell in 2016 as the head of manufacturing and was appointed as director: supply chain in 2017. He is responsible for optimising Group supply chain operations across procurement, planning, manufacturing, warehousing, logistics and technical centres of excellence (intrinsics, engineering, capital projects and safety, health, environment, risk and quality). He began his career at Anglo American, then SABMiller where he held manufacturing and general management roles, and Cadbury/Kraft Foods overseeing the supply chain for sub-Saharan Africa. He also held general management roles at Anglo Vaal Industries.

Expertise: General business, fast-moving consumer goods, integrated supply chains, manufacturing and operations.

LEN VOLSCHENK (48)

Managing director: Africa

Qualifications: BCom (Hons) (Marketing)
Gender: Male

Tenure: Len joined Distell as head of sales and operations in March 2017 before moving on to his current role as managing director for Africa in May 2018. Before joining Distell, Len held various leadership roles within SABMiller of which the latest was managing director for Namibia.

Expertise: General business, mergers and acquisitions, wholesale and retail operations, trade marketing and marketing, sales and operational, people and team capability building, commercial and business acumen.

CORPORATE GOVERNANCE REPORT

FROM OUR LEAD INDEPENDENT DIRECTOR

Distell's governance practices ensure the sustainability of the Group and optimise value for shareholders and other stakeholders, while contributing to prosperity in the communities we serve.

Governance requirements continually evolve and present new challenges, especially with Distell's growing footprint in regions with high operating risks. The board applies integrated thinking as promoted by King IV™, and application is achieved through appropriate policies, processes and controls.

The board seeks to:

- enhance our value creation model;
- align our governance practices with the interests and expectations of our stakeholders; and
- continue sharing value with all our stakeholders.

How we ensure ethical behaviour at Distell

We believe corporate governance should contribute to an ethical culture that stretches beyond compliance to the principles of true accountability, transparency and fairness. When it comes to ethical conduct, it is central to Distell's culture to err on the conservative side. While performance is a priority, there is never pressure to achieve targets at the cost of doing the right thing.

The board ensures that Distell's ethics are managed effectively and provides effective leadership based on an ethical foundation. In 2019, the Group identified an ethics officer to promote and sustain an ethical corporate culture by:

- endorsing the values of the Group documented in the Code of Ethics and Conduct, which is published on the website and incorporated by reference in employee contracts;
- endorsing internal policies, specifically around anti-bribery and corruption, gifts and entertainment and whistle-blowing to tackle practices more efficiently that are essential to ethical conduct;
- monitoring and reporting on the measures taken by the Group to adhere to the Code of Ethics and Conduct (through the social and ethics, and audit committees); and
- ensuring all business conducted by the board and management aligns with the values of the Group.

The implementation and execution of the Code of Ethics and Conduct and related policies are delegated to management. The key areas of focus for organisational ethics in the 2020 financial year include:

- the establishment of an ethics risk register, which will be integrated into Distell's organisation-wide risk management framework and will ensure that these risks are elevated to the appropriate forum;
- the inclusion of ethics related questions in the interview guides for recruitment and increasing the information on the Code of Ethics and Conduct included in the induction programme;
- creating an 'Ethics blog' providing employees the opportunity to post questions; and
- implementing an ethics helpdesk facility to provide guidance to employees regarding ethical decision making when faced with ethical dilemmas. The service will guide employees through the Code of Ethics and Conduct and other ethics-related policies and assist them to decide their course of action. It should be noted that this service will be separate from the Distell Ethics Line (whistle-blowing service). Queries/enquiries will be handled by competent and trustworthy employees with good ethical decision-making skills and comprehensive knowledge of organisational policies and procedures. Confidentiality will be guaranteed and records will be kept of all enquiries made.

Board topics

Key topics addressed by the board in 2019 included:

- The board has and will continue to keep close oversight of the restructuring of the Group. As discussed in the chairman's letter on page 8 of this report, fundamental changes were made that affected people and processes throughout the business. We believe that executive management is implementing these changes effectively and responsibly, and that this process will contribute to the long-term sustainability of the Group.

- Although several acquisitions were considered during the year, we concluded one, which is partly testimony to the rigorous evaluation processes implemented at management and board levels. Apart from completing a thorough financial evaluation for each potential project, we also consider whether Distell is the best future owner of the business in question, and if we have the requisite human capital in order to turn the business around (as invariably is the case).
- We considered succession at board and executive management level. To ensure we have depth of succession, we invest in our top talent and foster a culture of innovation and entrepreneurship. We are comfortable with the depth of succession from within the Group.
- Given recent corporate failures in South Africa and abroad, and the fact that Distell has a majority shareholder, we proactively test procedures relating to the disclosure of conflicts of interest. To verify that there are no areas of omission within Distell, a Group-wide study and awareness campaign focused on conflicts of interest were conducted. No material lapses were identified.

Appreciation

Sincere thanks to Jannie, my fellow board members, and to Richard and his team, for sharing in the vision of a transformed Distell, capable of meeting the challenges of a dynamic external environment.

The disciplined and diligent manner in which you fulfil your duties goes a long way in facilitating the maintenance of high levels of corporate governance at Distell.

André Parker
Lead independent director
Stellenbosch
27 August 2019

Formal board and director evaluations were conducted by Heidrick & Struggles, and the material outcomes were as follows:

- The board is of a high quality and well-functioning, comprising members of stature and experience. There is considerable support for both the chairman and the CEO and there is a strong level of trust between executive management and the board. Any adjustments needed are of a relatively minor nature.
- There has been a positive and welcome change in board culture with debate and discussion more open, healthy, robust, and challenging. The board would benefit by holding one of its meetings in a year in one of its African operations (outside of South Africa), combined with a trade visit. More time should be spent debating and discussing business performance against strategy.
- With the rotation of senior non-executive directors, the board must prioritise the appointment of suitably experienced replacements with relevant skills including:
  (i) a senior all-round business person preferably with manufacturing experience;
  (ii) hands-on experience in East or West Africa (possibly a national);
  (iii) significant emerging market, brand marketing and business strategy experience,
  (iv) alcoholic beverage experience.
- The board functions well, strategy formulation is robust, and the board provides appropriate levels of governance.
- Committees function well. More formalisation around chairman and CEO evaluation, transparent succession planning and individual board director development is encouraged.

BOARD OF DIRECTORS

The board is accountable for the Group's overall performance. It comprises individuals elected by shareholders and entrusted to provide direction and leadership.

The board of directors is committed to complying with the requirements of:

- the Companies Act, No. 71 of 2008, as amended (the Companies Act);
- the JSE Listings Requirements; and
- the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™). Our King IV™ register, available on our website at www.distell.co.za/investor-centre/annual-report, explains how Distell applies the principles of King IV™.

THE BOARD BELIEVES THAT, FOR THE PERIOD 1 JULY 2018 TO 30 JUNE 2019, THESE REQUIREMENTS WERE MET AND THAT THE BOARD FULFILLED ITS RESPONSIBILITIES IN ACCORDANCE WITH THE BOARD CHARTER.

Ways of working

Board committees

The board delegates specific responsibilities to committees that operate under board-approved charters or terms of reference (TOR). Five main committees exist:

AUDIT COMMITTEE (report on page 69)	RISK AND COMPLIANCE COMMITTEE (report on page 87)	REMUNERATION COMMITTEE (report on page 73)	NOMINATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE (report on page 92)
INVESTMENT SUBCOMMITTEE				

Each of the main committees is chaired by an independent non-executive director. The chairperson approves the agenda for each committee meeting to ensure that relevant issues are discussed, and that committee members' time is used effectively.

To support each committee, management councils and forums precede committee meetings on the corporate calendar. This ensures that relevant, accurate and up-to-date information is submitted for discussion at the committee meetings. This process will be further enhanced in the 2020 financial year as detailed below.

Nine councils and forums exist:

EXECUTIVE SALES AND OPERATIONS COUNCIL	ORGANISATIONAL EFFECTIVENESS COUNCIL	SUSTAINABILITY COUNCIL
STRATEGY COUNCIL	BRAND EXECUTION FORUM	INNOVATION COUNCIL
CAPITAL COUNCIL	BRAND STRATEGY COUNCIL	DIGITAL & ICT COUNCIL

Each council or forum is chaired by a member of the executive committee who attends the related board committee meetings to provide feedback. In turn, the chairperson of each committee:

- reports to the board on the council's activities and discussions; and
- attends the AGM to respond to shareholder queries.

Monthly executive committee meetings and a bi-annual talent review complete the management routines.

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 briefed in advance. Effective chairing and a formal agenda with supporting documentation ensure all issues requiring attention are raised and addressed. Supporting documentation is distributed a week before meetings. This enables directors to discharge their fiduciary responsibilities. The board holds ad hoc meetings, if required.

A majority of the directors in office counts as a quorum for any directors' meeting. Decisions taken at board meetings are confirmed 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.

Board meeting attendance	23 August 2018	22 November 2018	**27 February 2019**	**20 June 2019**
Jannie Durand	✓	✓	✓	–
André Parker	✓	✓	✓	✓
Catharina Sevillano-Barredo	✓	✓	✓	✓
Chris Otto	✓	✓	✓	✓
Ethel Matenge-Sebesho	✓	✓	✓	✓
Gugu Dingaan	✓	✓	✓	✓
Joe Madungandaba	✓	✓	✓	✓
Kees Kruythoff[1]	–	–	–	✓
Lucas Verwey	✓	✓	✓	✓
Piet Beyers[2]	✓	✓	✓	✓
Pieter Louw[3]	✓	✓	✓	✓
Prieur du Plessis	✓	✓	✓	✓
Richard Rushton	✓	✓	✓	✓

Investment subcommittee meeting attendance	20 August 2018	22 November 2018	**20 February 2019**	**19 June 2019**
Jannie Durand	✓	✓	–	–
André Parker	✓	✓	✓	✓
Catharina Sevillano-Barredo	✓	✓	✓	✓
Chris Otto	✓	✓	✓	✓
Gugu Dingaan	–	✓	✓	✓
Kees Kruythoff[1]	–	–	–	–
Piet Beyers[2]	✓	✓	✓	✓
Pieter Louw[3]	✓	✓	✓	✓

[1] Appointed 1 April 2019.
[2] Retired 30 June 2019.
[3] Alternate for Jannie Durand

Appointment, composition and rotation

Appointment

Board members are appointed transparently and with the full board's consideration. The nomination committee uses reputable recruitment firms to source suitable candidates. When identifying individuals to become board members, the nomination committee considers:

- skills gaps that should be filled to deliver on the Group's strategic initiatives; and
- South Africa's demographics and our voluntary targets stipulated in our policies on the promotion of gender and race diversity.

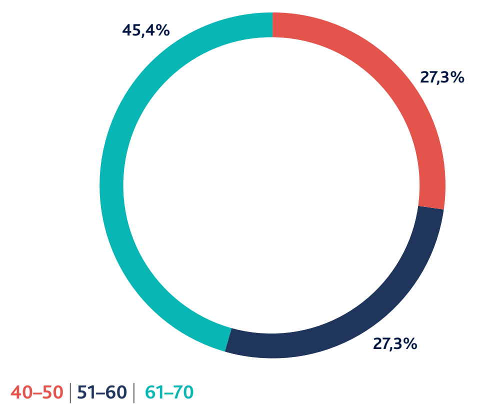
Remuneration and nomination committees meeting attendance	04 October 2018	20 February 2019	**15 April 2019**	**19 June 2019**
Jannie Durand	–	–	✓	–
André Parker	✓	✓	✓	✓
Gugu Dingaan	✓	✓	✓	✓
Pieter Louw (alternate for Jannie Durand)	✓	✓	✓	✓

During the year under review, Kees Kruythoff was appointed as independent non-executive director and Piet Beyers retired as independent non-executive director.

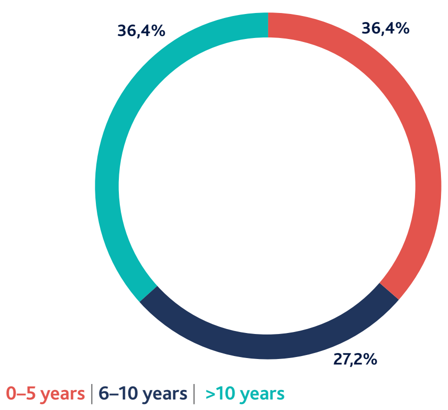
While there is no maximum term for appointment, the retirement age for non-executive directors is 70 years.

TOTAL DIRECTORS	NON-EXECUTIVE DIRECTORS	INDEPENDENT DIRECTORS	EXECUTIVE DIRECTORS
11	9	8	Richard Rushton (Group CEO) Lucas Verwey (Group CFO)

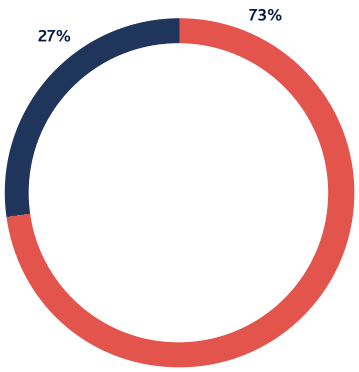
AGE



TENURE

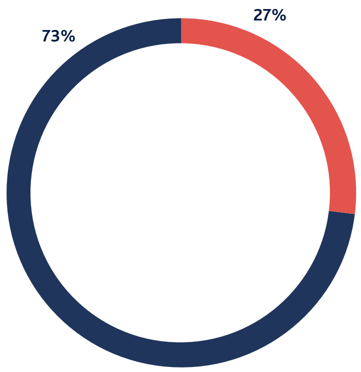


GENDER



male | **female**

RACIAL DIVERSITY



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Our policy on the Promotion of Gender Diversity seeks to achieve a voluntary target of 40% female representation at board level by the end of 2020. At the end of the financial year, female representation remained the same as the previous year.

Although formal targets are not set, our Promotion of Race Diversity policy specifies that the nomination committee pursue all opportunities to enhance the racial diversity of the board.

Balance of power

The board ensures that an appropriate balance of power and authority exists so that no individual, or block of individuals, has unfettered decision-making powers or undue influence.

CHAIRMAN

The chairman is elected on an annual basis. He is the CEO of Remgro Limited (Remgro), Distell's shareholder of reference, and is therefore not independent. Remgro owns a 31,41% economic interest with a 56% voting interest. Given his knowledge of the business and extensive experience, the board deems Jannie Durand the best candidate to lead the Group through our change journey. The board considers his input essential to achieving Distell's business objectives.

LEAD INDEPENDENT DIRECTOR (LID)

In applying King IV™ and complying with the JSE Listings Requirements, and to guard against any perceived conflict of interest, the board annually elects an LID. The current LID is André Parker.

The main function of the LID is, among other things, to lead and advise the board, without detracting from the authority of the chairman, when the chairman has a conflict of interest.

Rotation

All non-executive directors retire by rotation in terms of the Group's Memorandum of Incorporation (MOI). At the AGM, one-third of the directors retire and may make themselves available for re-election. The directors who retire are those longest in office since their last election.

The nomination committee makes recommendations regarding the re-election of the retiring directors considering performance, meeting conduct, etc. The independence and performance of non-executive directors who have served on the board for more than nine years are subjected to a rigorous review.

Refer to pages 52 and 53 for the directors in office as at 30 June 2019 as well as their biographical details.

THE BOARD IS SATISFIED THAT ALL DIRECTORS HAVE THE REQUIRED QUALIFICATIONS AND RELEVANT EXPERIENCE TO ACTIVELY CONTRIBUTE TO THE SUCCESS OF DISTELL AND THAT ITS COMPOSITION REFLECTS THE APPROPRIATE MIX OF KNOWLEDGE, SKILLS, EXPERIENCE AND INDEPENDENCE.

Roles and responsibilities

The board has adopted a charter setting out its responsibilities, duties and accountability towards Distell.

The board strives to act in the best interests of the Group. It assesses and authorises the plans and strategies submitted by the executive team, agrees on KPIs, and identifies key risk areas and responses.

The main responsibilities of the board, in terms of its annually reviewed charter, are set out in the respective committee reports, from page 69.

The Group CEO

The board appoints the Group CEO to appropriately manage the Group on a day-to-day basis, and he is responsible for the implementation of the approved strategy. The charter formally stipulates the role of the Group CEO, and a written delegation of authority is annually reviewed and approved to separate the matters on which the Group CEO has final authority from those where the board has final approval.

THE BOARD IS SATISFIED THAT THE DELEGATION OF AUTHORITY FRAMEWORK CONTRIBUTES TO ROLE CLARITY AND THE EFFECTIVE EXERCISE OF AUTHORITY AND RESPONSIBILITIES.

Orientation and development

All new directors undergo a formal induction programme. Upon their appointment, new directors receive an induction pack including agendas and minutes of the previous board and board committee meetings, the latest integrated report, relevant insurance information, strategic documents, and relevant policies and charters and TOR. These directors 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

The board and its chairman, individual members, and committees are each subject to a formal evaluation. The process happens at least every two years and is either a self-evaluation or an externally facilitated one. The LID facilitates the chairman's evaluation.

The results of the evaluations are discussed with the board, and suggested changes and comments are minuted and actioned by the board. All recommendations from the previous evaluation were implemented with success and included digitalisation of all board packs and communication.

A formal evaluation was conducted during the 2019 financial year. Material outcomes of this evaluation are discussed in the LID letter at the beginning of this corporate governance report.

Share trading

Distell's Price-sensitive Information policy prevents the abuse of inside information. The policy prohibits directors, senior management, and other employees from trading in the Group'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. The company secretary informs all employees of the closed periods.

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

Before dealing in Distell shares:

- executive directors and the company secretary are required to advise the chairman and obtain his clearance;
- executive management and directors of major subsidiary companies are required to advise the Group CEO or the company secretary and obtain clearance; and
- other senior employees require the approval and clearance of the company secretary.

Conflict of interest

The directors are required by the Companies Act to disclose annually their personal financial interests in material contracts or other matters, including interest by related persons to them. This process is facilitated by the company secretary around year-end. Where a potential conflict of interest exists, directors must recuse themselves from relevant discussions and decisions.

All directors are required to comply with the Code of Ethics and Conduct, the Financial Markets Act, No. 19 of 2012, and the requirements of the JSE Limited regarding inside information, dealings in securities and the disclosure of such dealings.

In 2019, a Group-wide study was conducted, and an awareness campaign focused on procedures relating to the disclosure of conflicts of interest.

Company secretary's role and responsibilities

The company secretary is responsible to the board and facilitates adherence to proper corporate governance principles that are outlined in the board charter; compliance with relevant legislation. The company secretary prepares meeting agendas and records minutes. The company secretary also assists with director induction and ongoing training as necessary.

All directors have unlimited access to the advice and services of the company secretary, and they may seek independent professional advice at the Group's expense, when appropriate.

To comply with the King IV™ principle of having an arm's-length relationship, the company secretary is not a member of the board and is suitably independent. The board confirms that Lizelle Malan, who is a chartered accountant, has an arm's-length relationship with the board, suitably fulfils the role, and possesses the requisite competence and knowledge to carry out the duties of a secretary of a public company. This was confirmed during the external board evaluation.

RISK MANAGEMENT

The company secretary serves as the chief risk officer for the Group and attends all audit and risk and compliance committee meetings. Senior management, supported by the internal audit function, is responsible for identifying, managing and mitigating risks.

Refer to pages 87 to 91 for the risk report.

INVESTOR RELATIONS

Our investors are an integral stakeholder group, and we place significant emphasis on transparency, access to management and proactive communication. Since the collapse of our shareholder structure in 2018, the number of foreign shareholders has increased by 33%, and liquidity has increased by 25%.

Frank Ford, Group general manager: investor relations, proactively and regularly engages the investment community:

- in person;
- by email;
- at our interim and annual results presentations; and
- through market updates, conference calls, site visits, investor conferences, and one-on-one meetings.

During 2019 we added additional engagement opportunities, including site visits to the Springs cidery and a trade visit to customers in Tembisa.

Some of these engagement sessions are attended by the Group's senior management to give investors wider access to management teams and a deeper understanding of Distell's investment proposition. Over and above these engagements, investors have access to our dedicated investor website which provides mandatory information about the Group.

We engage in a transparent manner, in compliance with JSE Listings Requirements. We believe that open and transparent engagement can enhance the valuation of our Group, thereby improving our access to capital.

We always report on our operational and financial performance; progress in delivering on our strategic objectives; and material matters that may impact our performance, such as regulatory and political risk, corporate activity by way of acquisitions or disposals, other corporate transactions, drought, and community matters.

Investors are encouraged to attend and actively participate in the AGM in October. They can do this by submitting questions either prior to or during the AGM. The chairpersons of the Group's audit, risk and compliance, social and ethics, remuneration and nomination committees are always present to respond to questions from shareholders.

ORGANISATIONAL ETHICS

The board ensures that Distell's ethics are managed effectively and provides effective leadership based on an ethical foundation. In 2019, the Group appointed a dedicated ethics officer to promote and sustain an ethical corporate culture by:

- endorsing the values of the Group documented in the Code of Ethics and Conduct, which is published on the website and incorporated by reference in employee contracts;
- endorsing internal policies, specifically around anti-bribery and corruption, gifts and entertainment and whistle-blowing to tackle practices more efficiently that are inimical to ethical conduct;
- monitoring and reporting on the measures taken by the Group to adhere to the Code of Ethics and Conduct (through the social and ethics and audit committees); and
- ensuring all business conducted by the board and management aligns with the values of the Group.

The implementation and execution of the Code of Ethics and Conduct and related policies are delegated to management.

Anti-bribery and corruption

Distell's anti-bribery and corruption policy is available on our website, at www.distell.co.za/corporate-governance, and sets out our clear stance on bribery and corruption. We are committed to protecting our 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.

Our commitment to conducting business in accordance with the highest ethical standards and in compliance with both the spirit and letter of the law can never be compromised by either our people or our business partners.

Gifts and entertainment

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 gift policy therefore limits the type, nature, extent and value of gifts and entertainment that may be given or accepted, and must be duly reported in terms of the policy.

AUDIT
COMMITTEE REPORT

CHAIRPERSON

Catharina Sevillano-Barredo (independent non-executive)

"I am pleased to present the Distell Group Audit Committee Report for the 2018/2019 financial year. While Distell implemented extensive organisational change and dealt with tough competition in the market, the committee's focus remained on ensuring the integrity of the Group's financial reporting and internal control activities. The committee worked closely with the Group's risk committee as well as the social and ethics committee, leveraging synergies between these functions to identify common risk and control themes."

MEMBERS

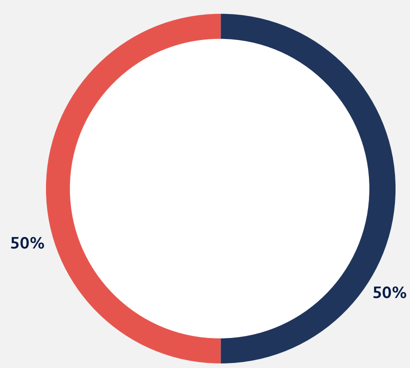
- Prieur du Plessis (independent non-executive)
- Gugu Dingaan (independent non-executive)
- Ethel Matenge-Sebesho (independent non-executive), appointed 24 October 2018

MEETING ATTENDANCE

The committee meets at least four times per year.

The Group CEO, the Group CFO, external auditors, chief audit executive and selected senior management are invited to attend the meetings.

EXPERIENCE



0–5 years | 6–10 years | >10 years

ROLES AND RESPONSIBILITIES

The purpose and role of the audit committee is to assist the board with discharging its responsibility to:

- Safeguard the Group's assets.
- Consider significant financial matters.
- 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, as well as enhancing the reliability, integrity, objectivity and fair presentation of the affairs of the Group.
- Evaluate and approve the integrated report, annual financial statements, interim financial statements and dividends to shareholders.
- Monitor compliance with laws and regulations and the business code of conduct.
- Provide oversight of the external and internal audit functions and appointments.

	20 Aug 2018	17 Oct 2018	**25 Feb 2019**	**20 May 2019**
Catharina Sevillano-Barredo	✓	✓	✓	✓
Prieur du Plessis	✓	✓	✓	–
Gugu Dingaan	–	✓	✓	✓
Ethel Matenge-Sebesho	✓	✓	✓	✓

Internal controls

The board of directors assumes ultimate accountability to ensure the Group maintains adequate systems of controls across the broad spectrum of financial, operational, information and technology, and compliance controls.

Management is tasked with implementing the internal controls to mitigate risks in pursuit of the company's objectives and targets.

The systems of internal controls are generally not expected to eliminate risk entirely or guarantee absolute assurance against misstatement or loss; however, they are 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:

- An appropriate control environment is established 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 for 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 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 board has adopted a combined assurance model that is designed to assist in highlighting gaps in assurance coverage of key business risk areas and in identifying opportunities for optimisation.

The model distinguishes the different levels of assurance across the various risk and control owners, internal and independent assurance providers, i.e.:

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. Similar self-assessment processes are being implemented in the Africa and International regions.
Specialist internal functions that oversee and facilitate risk management and compliance	Includes risk management, corporate and regulatory affairs, legal and compliance, internal forensic fraud investigators, health and safety and process assessors, etc.
Independent internal assurance service providers	Such as internal auditors.
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, 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.

Except where identified issues are being addressed by management, 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

Distell Internal Audit (DIA) is a significant 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.

DIA 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, adopting the Institute of Internal Auditor's (IIA) International Professional Practices Framework (IPPF) for internal audit. This framework includes a Code of Ethics which team members attest to complying with annually. In addition to the IIA IPPF, the principles outlined in the following leading frameworks are embedded in the overarching internal audit practices, approach and methodologies:

– King IV™: governance, risk and controls principles
– COSO: global internal control and risk management framework
– COBIT 5,1: information and technology general controls framework

The DIA resources have an average of fourteen years' internal audit experience and all employees have either a relevant qualification/certification or extensive industry and technical skills. Resourcing includes trainee chartered accountants participating in the Distell TOPP (Training Outside Public Practice) programme which is accredited by the South African Institute of Chartered Accountants (SAICA). This is a three-year programme 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. Internal audit provides assurance that the key strategic, financial, information and technology, compliance and operational risks are understood, identified, and effectively managed and mitigated. This is achieved through the execution of an annual risk-based audit plan aligned to the Group's goals and objectives. The audit plan, resources and budget are formally approved by the audit committee prior to each financial year.

When required, specialist information and technology skills are co-sourced.

Independence and authority

Internal audit's organisational positioning and independence is enabled by reporting functionally to the audit committee and administratively to the Group CFO. 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 the board, executive management, information and 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 2019, DIA 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. There were no undue scope limitations or impairments to independence.

ACTIVITIES IN 2019

Internal financial control

– Reviewed the adequacy and effectiveness of the financial reporting process and the system of internal control and satisfied itself that the internal financial controls form a sound basis for the preparation of reliable financial statements.
– 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 authorised management to sign the representation letter.
– Met separately with management, external audit and internal audit to discuss matters the respective parties believed should be discussed privately for the committee's consideration in satisfying itself that no material control weakness existed.
– Reviewed the following items in relation to the financial statements, which required significant judgement during the year:
  » New disclosure IAS 36: Impairment of assets
  » New disclosure IFRS 9: Financial instruments – expected credit loss provision
  » Corporate transactions
– Satisfied itself that the Group does not have an interest in any off-balance sheet structures and that related-party transactions are arms-length transactions conducted in the normal course of business.

External audit

- Satisfied itself that PricewaterhouseCoopers Inc. (PwC) is independent of the Group even though they have been the auditor of Distell for 31 years. In addition, PwC and their predecessor firms have been the auditor of the Group as a result of its business transacted through Stellenbosch Farmers Winery Group Limited and Distillers Corporation SA Limited, for 74 years. In reaching this conclusion, the committee considered:
  - the current and past designated partners were recent assignments to Distell, i.e. Rika Mare Labuschaigne (current partner - assigned in 2019), Nicolaas Hendrik Doman (immediate past partner - assigned in 2016);
  - the extent of non-audit services is continuously monitored with no material or excessive engagements noted;
  - the appointment of the CEO in 2013 and the CFO in 2015 assists to mitigate the risk of familiarity between the auditor and senior management;
  - PwC has delivered a high quality of external audit considering the calibre of the audit team assigned to the audit, the standard of the execution of engagements, scope of activities performed, PwC's independence, its relationship with stakeholders, and understanding of the business and the extent of non-audit services provided;
  - the requirements of mandatory audit firm rotation as prescribed by IRBA effective 1st April 2023. PwC's tenure was discussed in light of these changes. The company and the committee are committed to complying with the mandatory auditor rotation rules and agreed to rotate external auditors by no later than the company's financial year ending on 30 June 2023. This timing may be influenced by the main shareholder, Remgro's decision around appointing auditors for the Remgro Group before this date; and
  - the committee ensured that the appointment of PWC complied will all legislation on appointment of auditors.

A final decision will be made in due course.

- Nominated to the shareholders for re-appointment of PwC as the external auditor, and Rika Mare Labuschaigne as the designated auditor. She replaced Nicolaas Hendrik Doman, who retired from the Distell audit in July 2018. The audit committee confirms that it has discharged its duty per paragraph 22,15(h) of the Listings Requirements in making this decision. 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 18.3 of the annual financial statements).
- Reviewed and approved the annual audit plan, the effectiveness of the external auditor and its independence.

Internal audit

- Oversaw the internal audit function and approved the annual internal audit plan and budget.
- Approved the terms of references for both internal audit and the audit committee.
- Evaluated the independence, resources, performance and effectiveness of the chief audit executive and 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 the committee or internal audit believed should be discussed privately.
- Received assurance on the adequacy of internal controls.
- Based on the above, formed an opinion that there was no material breakdown in internal controls, including financial controls.

Combined assurance

- Approved the combined assurance model and arrangements; however, its full implementation is still in progress.
- Satisfied itself that the combined assurance plan implementation was adequate and reviewed the progress of the combined assurance methodology and plan to achieve the objective of an effective, integrated approach across the activities of the five levels of assurance.

Expertise of the chief financial officer and the finance function

- As required by the JSE Listings Requirements, the committee considered the experience and expertise of Distell's Group CFO, Lucas Verwey (his biographical details are detailed on page 55) 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.

Conclusion

The committee has determined that it discharged both its legal and general responsibilities in terms of its terms of reference 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.

I wish to convey my appreciation and thanks to the members of the audit committee and management for their contribution towards the committee achieving its goals.

Catharina Sevillano-Barredo
Chairperson of the audit committee
Stellenbosch
27 August 2019

REMUNERATION REPORT

BACKGROUND STATEMENT

I am pleased to present the Distell Group's remuneration report for the 2018/19 financial year. This report will, among others, focus on the guaranteed and variable elements of executive remuneration, fees paid to non-executive directors (NEDs), and provide an overview of our remuneration policy, practices and governance.

During the past year global and local economic conditions have led to a more challenging business environment with little growth in some of our key markets and subdued consumer spending. Regardless of all the challenges we have achieved strong domestic revenue growth, as well as exceptional underlying performance in Africa.

The extent to which our financial performance targets and other strategic goals were achieved has influenced variable remuneration outcomes for the past year. We have also made adjustments to the earnings potential of our Short Term Incentive scheme (STI) for a number of executives (including the CEO and CFO) in order to better align our variable reward offering with market practice (see page 85 for more detail).

The overall goal of this committee is to ensure that Distell's remuneration principles and practices are closely aligned to the Group's strategic objectives, and to the achievement of performance objectives on team and individual levels.

We believe that Distell's remuneration policy achieved its goals during the financial year. Key activities included the following:

- Continuous enhancement of our Employee Performance Management System (EPMS), including a simplified approach with seamless alignment to key business value drivers and improved differentiation between individual performance and salary adjustments.
- We introduced a subsidised medical aid scheme and retirement fund offering to all employees in African countries, where we have a local footprint. This has significantly bolstered our Employee Value Proposition (EVP) in these countries and we are already regarded as an employer of choice in these respective countries.
- We conducted several alignment exercises to ensure that the key performance indicators and targets contained in our various scorecards support the Group's goals and aspirations and that proper line-of-sight is maintained throughout the different business units.
- We step-changed our reward engagement initiatives for employees at all levels to better understand the total reward offering as an integral part of our EVP. The latest employee engagement survey results show a marked improvement in our reward engagement score and we will continue with this initiative going forward.

At the 2018 AGM, we received 98,97% endorsement for our remuneration policy and 98,99% endorsement for our implementation report. The remuneration committee oversees the proper execution of our reward policy, and plays an active governance role ensuring that:

a. Internal and external equity is taken into consideration in all reward decisions.
b. Decisions are based on reliable data and careful scrutiny of external service providers where applicable.
c. Initiatives and practices are compliant with best practice and appropriate legislation.
d. We always strive to conduct business fairly and with integrity.

The remuneration committee continues to assist the board in fulfilling its oversight responsibility to shareholders by ensuring that Distell adopts remuneration policies and practices that create value for all its stakeholders.

My thanks to the remuneration committee and management for their contribution towards us achieving this goal.

André Parker
Chairman of the remuneration committee
Stellenbosch
27 August 2019

REMUNERATION POLICY

Our Employee Value Proposition (EVP)

It is clear from the above that Reward forms an integral part of our EVP and we will continue to leverage this asset to ensure a competent and talented workforce.

Distell's **Reward Philosophy** is aimed at driving a high-performance culture by ensuring that our employees are motivated and committed to the success of our company.

Distell's **Reward Strategy** is designed to attract, develop, motivate and retain talented employees who enable us to pursue and achieve our strategic objectives, and thereby enhance shareholder value.

Distell's **Reward Policy** is transparent and based on the principles of market competitiveness, internal equity and pay for performance.

Remuneration governance

The remuneration committee primarily consists of non-executive directors who review and oversee the remuneration policy (as part of the overall reward policy) of Distell. The chief executive officer (CEO) and other executives may attend remuneration committee meetings by invitation, but do not vote, and are not present when their own remuneration is discussed.

The remuneration committee held four meetings during the year and the committee composition and attendance are reflected on page 64.

The terms of reference of the remuneration committee 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 and targets of the annual incentive plan.
- 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 CEO, and other executives who report directly to the CEO.
- Reviewing and recommending to the board the fees for the non-executive directors (NEDs), including independent NEDs, for shareholder approval at the AGM.

The remuneration committee's full terms of reference are available on: https://www.distell.co.za/corporate-governance/.

During the year the remuneration committee received advice from PwC on remuneration matters, including benchmarking and remuneration reporting. The committee is satisfied that PwC's work was conducted objectively and independently.

Fair and responsible remuneration

We are committed to the principle of fair and responsible remuneration at Distell, and therefore consider the fairness of executive remuneration in the context of the remuneration of all employees.

Ongoing initiatives include:

- Continuous assessment of remuneration of employees at the same level, in accordance with the principle of 'Equal Pay for Work of Equal Value' to identify and address any unjustifiable remuneration disparities. If unjustifiable remuneration discrepancies are identified, a plan will be developed to ensure that such disparities are rectified over an appropriate period of time;
- Sensitivity to the significant wage gap in South Africa between senior managers and the lowest-level employees. We continuously monitor these multiples, as well as what is commonly referred to as the Gini coefficient, regarding how Distell compares to benchmarks in this regard;
- Collectively agree with recognised trade unions on a fair and responsible minimum wage;
- Investment in people initiatives, in line with Distell's EVP for all employees, which includes talent initiatives, mentoring, on-the-job training, structured training courses, and well-being programmes. By improving the skills and the capability of employees throughout the business, will facilitate the advancement of the careers of general employees, and bolster remuneration; and
- Employee engagement and education on all elements of Distell's EVP, to provide understanding of our fair and responsible approach to holistic reward.

Components of total remuneration

Total remuneration comprises all elements of remuneration, including guaranteed remuneration and variable remuneration such as short- and long-term incentives.

Total guaranteed package

The total guaranteed package (TGP), which every Distell employee receives, forms the basis of our total reward offering. The TGP consists of a fixed salary and a range of benefits tailored to the individual's role profile and position within the company.

The selection of benefits offered is determined by the company's requirement to be in line with, or better than market practice. Benefits provided are not equivalent in each country, and benefit-sets for a specific country are determined by taking local labour legislation and market best-practice into consideration.

We pride ourselves on our benefit offering and design and we provide the following benefits as part of our standard offering:

Retirement Fund	It is compulsory for all Distell employees working in South Africa to belong to either the Distell Provident Fund or Distell Retirement Fund. In addition to assisting employees to 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 Distell employees working in South Africa are eligible for membership of the Distell medical aid scheme, Remedi. Annually, the scheme provides three different options for members from which to choose. These options aim to accommodate the different healthcare needs and affordability levels of diverse employee membership.
Company Cars	Sales employees are required to travel extensively for business and these employees are provided with a company-allocated car, which may also be used (within limits) for private purposes.
Travel Allowance	Employees at management level who are required to travel for business purposes, receive travel allowances as part of their guaranteed package.

In order to remain relevant, competitive and aspirational, we continuously study market trends and best practices, and will make adjustments to our policies and procedures where necessary. The Group's benchmarking exercises are based on independent surveys that are conducted on a continuous basis in the different geographies where people are employed. We currently make use of PwC REMchannel for South Africa and Korn Ferry Hay Group for all other geographies.

The success of any reward offering is determined by the extent to which it complies with the principles of internal and external equity. Our reward levels compare favourably with our market comparator group which has been selected and approved by the remuneration committee.

Annual salary increases for employees outside of the bargaining unit are based on merit and directly related to the employee's continued performance assessment determined by our Employee Performance Management System (EPMS).

Salary increases for employees within the bargaining unit are determined by a process of collective negotiations with the applicable union(s).

Short-Term Incentive Scheme (STI)

All employees, including employees in the bargaining unit, but excluding employees with a specific sales focus, participate in a scheme where the size of the annual bonus is determined by the achievement of the pre-determined corporate and functional team objectives. All scorecards (corporate and functional teams) are approved by the board and cascaded into strategic or operating plans, budgets and individual employee 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, and exceed its targets and objectives.

The objective of our STI scheme is to incentivise and reward all employees for the achievement of performance targets. Our scheme complies with the principles of the King IV™ Code of Corporate Governance, evidenced by the following:

- The bonus component of total reward is structured in such a way that a flexible bonus plan is operated i.e. where there is unacceptable performance, no bonus is payable.
- Annual bonuses clearly relate to performance against objectives consistent with long-term value for shareholders.
- Performance conditions and targets are tailored to the needs of the business and revised regularly to ensure they remain relevant.
- Performance targets for threshold, target and stretch-performance are robustly set and monitored.

The STI pool is self-funded, and only accrues to the extent to which the budgeted financial performance conditions are met. STI awards are capped as a multiple of an individual's total guaranteed package.

Details of the caps for the executive directors are set out below.

LEVEL	ON-TARGET AS % OF TGP	MAXIMUM AS % OF TGP
CEO AND CFO	62% AND 52%	123% AND 104%

Performance targets for STIs (2019/20)

The table below indicates our approved short-term incentive performance conditions for 2019/20, which is aligned with the Group's long term strategic and financial objectives.

PERFORMANCE TARGET AND WEIGHTING

PERFORMANCE TARGET AND WEIGHTING	WEIGHTING FOR BUSINESS UNITS	WEIGHTING FOR SUPPORT FUNCTIONS
Achieve net revenue growth as per the approved budget	10%	10%
Deliver HLE growth targets after bonus pay-out	20%	40%
Increase our cash invested cycle	10%	10%
Implement our B-BBEE strategy	10%	10%
Functional scorecards	50%	30%

HLE: Headline Earnings

Cash invested: increased investment in fixed assets, inventory, trade receivables and trade payables compared to the previous year.

B-BBEE: Broad-based black economic empowerment.

PERFORMANCE PERIOD/ STRATEGIC PURPOSE

1 year

Aligned to Distell's strategic objectives set for a 12-month period and increased growth and earnings for shareholders.

STI scheme for employees with a sales focus

Employees with specific sales focus (i.e. sales managers and sales representatives) participate in a sales incentive programme which rewards participants upon the achievement of set sales targets by volume, gross income, distribution, etc. This scheme has a shorter payment cycle and employees can receive their incentives monthly/ quarterly.

STI payments on termination of employment

Any employee (including executive directors) who leave Distell's employ during the financial year, as a result of death, disability, retrenchment and retirement will receive a pro rata incentive bonus. Employees who leave for reasons other than those listed above, are not eligible for any bonus payment.

Long-Term Incentive Scheme (LTI)

From 2010, Distell operated a Share Appreciation Rights (SAR Scheme) scheme for selected senior managers. After an extensive market practice review, the shareholders approved the implementation of a Conditional Share Plan (CSP) at the October 2017 Annual General Meeting. Effective 1 November 2017, all LTI awards will be made in terms of the rules and conditions of the new CSP. The SAR scheme will therefore be phased out, as no new allocations or top-ups will be granted in this scheme.

The three different instruments under the CSP are detailed in the tables below:

Instrument 1

NORMAL CSP

Design	Participants are granted a right to delivery of shares on vesting date, to the extent that the performance conditions set out below are met and they remain employed. 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 stretch financial performance conditions) are awarded annually.
Vesting	Equal tranches (1/3) in years three, four and five after grant date.
Performance conditions for vesting	The rules of the CSP enable the remuneration committee to set performance conditions. These include, but are not limited to, earnings or return conditions. The following performance conditions are currently used: (see table below)
Number of participants	113 employees individually selected by senior managers and approved by the remuneration committee.
Allocations of awards	For all participants, excluding the CEO and CFO, the award multiples range from 0,6x to 2,6x TGP. The award allocation policy is based on the same principles as in prior years, whereby top-up grants are made to a participant annually in order to maintain their award multiple (top-up method). Multiples for the CEO and the CFO respectively are 3,6 and 2,6 and also follow the top-up method.
Early termination of employment	In the event of resignation or just-cause dismissal, all unvested awards lapse. In the event of death, disability or retrenchment, unvested awards will vest pro rata, based on the extent to which performance conditions were met and proportion of vesting period elapsed. In the event of retirement (normal or early), the remuneration committee has discretion for employees to continue to participate in the CSP until vesting.

Performance conditions for vesting:

	WEIGHTING	100% ALLOCATION	75% ALLOCATION	50% ALLOCATION	0% ALLOCATION
EBITDA growth rate required	40%	NGDP + 2%	NGDP + 1%	NGDP	NGDP x 0,6
Revenue growth rate required	40%	NGDP + 1%	NGDP	NGDP x 0,8	NGDP x 0,4
Return on invested capital	20%	WACC + 2%	WACC + 1%	WACC + 0,5%	WACC + 0,5%
Be employed					

Distell's average actual performance measured over a rolling 3-year period (financial year) will be used to determine the vesting of each of the three tranches.
Nominal gross domestic product (NGDP) is a measure that reflects the value of all goods and services produced by an economy in a given year, including inflation. Assume inflation (CPI) is 6% and real GDP is 1%, then the NGDP target is 7%.
WACC = Weighted average cost of capital.

Instrument 2

RETENTION CSP

Design

Due to the fact that the previous SAR scheme did not serve its retention purpose, the remuneration committee granted an ad hoc award (Retention CSP) to a select group of employees. These and other participants were selected by considering their criticality to the business in terms of mission-critical key roles, retention risk, talent and employment equity.

Participants were granted a right to delivery of shares on vesting date, to the extent that the performance conditions set out below are met and they remain employed.

Vesting

Equal tranches (1/3) in years three, four and five after grant date.

Performance Conditions for Vesting

The following performance conditions were used for the once-off award:

	WEIGHTING	100% ALLOCATION
EBITDA growth rate required	40%	NGDP
Revenue growth rate required	40%	NGDP
Return on invested capital	20%	>= WACC
Be employed		

Distell's average actual performance measured over a rolling 3-year period (financial year) will be used to determine the vesting of each of the three tranches.
Nominal gross domestic product (NGDP) is a measure that reflects the value of all goods and services produced by an economy in a given year and includes inflation. Assume inflation (CPI) is 6% and real GDP is 1% then the NGDP target is 7%.
WACC = Weighted average cost of capital.

Number of Participants

51

Allocations of awards

Up to 40% of normal CSP allocation.

Early termination or employment

In the event of resignation and just-cause dismissal, all unvested awards lapse. In the event of death, disability or retrenchment, unvested awards will vest pro rata, based on the extent to which performance conditions were met, and proportion of vesting period elapsed.

In the event of retirement (normal or early), the remuneration committee has discretion for employees to continue to participate in the CSP until vesting.

Instrument 3

OUTPERFORMANCE CSP

Design	In order to drive out-performance, the remuneration committee granted an ad hoc award (Out-Performance CSP) to a select group of employees. This group was selected based on their direct responsibility for revenue and profitability of the business, including their ability to step-change the organic and inorganic performance of the company. Participants were granted a right to delivery of shares on vesting date, subject to the stretch-performance conditions set out below being met, and the individual remains employed.
Vesting	Equal tranches (1/3) in years three, four and five after grant date.
Performance Conditions for Vesting	The Out-Performance CSP is subject to the following performance conditions: (see table below)
Number of Participants	16
Allocations of awards	Award multiples range from 1x to 3x TGP.
Early termination of employment	In the event of resignation and just-cause dismissal, all unvested awards lapse. In the event of death, disability or retrenchment, unvested awards will vest pro rata, based on the extent to which performance conditions were met and proportion of vesting period elapsed. In the event of retirement (normal or early), the remuneration committee has discretion for employees to continue to participate in CSP until vesting.

Performance Conditions for Vesting:

	WEIGHTING	100% ALLOCATION	75% ALLOCATION
EBITDA growth rate required	80%	NGDP + 5%	NGDP + 2,5%
Return on invested capital	20%	WACC + 2,5%	WACC + 1,5%
Be employed			

Distell's average actual performance measured over a rolling 3-year period (financial year) will be used to determine the vesting of each of the three tranches.
Nominal gross domestic product (NGDP) is a measure that reflects the value of all goods and services produced by an economy in a given year, including inflation. Assume inflation (CPI) is 6% and real GDP is 1%, then the NGDP target is 7%.
WACC = Weighted average cost of capital

Distell STI LTI Matching Scheme

In order to achieve further alignment between shareholder value and executive reward/interest, Distell decided to further incentivise members of the executive team, by providing them with the opportunity to place all or a portion of their STI allocation at risk, through the deferral of a portion of the STI into CSPs, in terms of the Distell matching share scheme.

Apart from the normal corporate and functional STI scorecards for the respective areas, there will be a further, more stringent, corporate performance scorecard (see below), in addition to the normal scorecard. If the out-performance condition is achieved (implying that the normal STI scorecard has also been achieved in full), the employee can elect to defer a part or all of his / her STI payment in return for CSP shares. For each share the employee receives by virtue of the deferral of a portion of his/her STI, Distell will match the value in the form of a CSP share allocation. If the out-performance scorecard is not achieved, the normal STI payment will be made in cash.

Performance measures:

	WEIGHTING	100% ALLOCATION
EBITDA growth rate required	100%	NGDP + 6%
Be employed		

1. *Distell's average actual performance measured over a rolling 3-year period (financial year) will be used to determine the vesting of each of the three tranches of the CSPs.*
2. *Nominal gross domestic product (NGDP) is a measure that reflects the value of all goods and services produced by an economy in a given year and includes inflation. Assume inflation (CPI) is 6% and real GDP is 1%, then the NGDP target is 7%.*

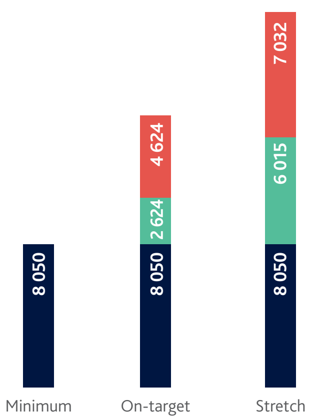
Forward-looking pay mix

Below, the pay mix of Distell's executive directors is illustrated in terms of a single total figure of remuneration for a minimum, on-target and maximum performance outcome.

The pay aligns with best-practice pay mix for listed companies on the JSE, and the remuneration outcomes at on-target performance level align to those of similar positions in our comparator group of companies.

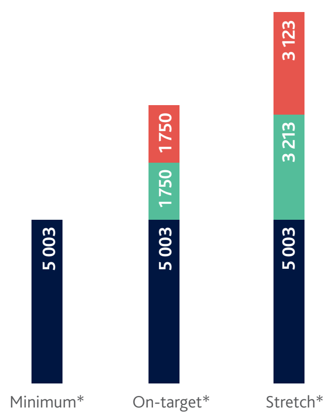
ELEMENT	MINIMUM	ON TARGET	ABOVE TARGET
TGP	Annual total guaranteed package based on July 2019.		
STI	Nil	52% or 62% of TGP	104% or 123% of TGP
LTI	Nil	LTI multiple divided by the average vesting period (4 years) multiplied by the annual TGP, multiplied by 60% (which assumes an on target vesting).	LTI factor divided by the average vesting period (4 years) multiplied by the annual TGP.

CEO



TGP | STI | LTI

CFO



TGP | STI | LTI

Executive and senior management service agreements

Notice periods

The notice period for the current CEO is three months. However, subsequent to his appointment, our policy with regards to notice periods was changed to three months for senior and top management, and six months for the CEO and CFO.

The notice period for the current CFO, who was appointed after the policy change, is six months.

Payments on termination of employment

The employment contracts of members of executive management do not compel Distell to make any payments in the event of termination of employment on account of their failures. Upon termination of employment, any payments to that executive will be made in terms of legislation. 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

Non-executive directors (NEDs) all receive the same fixed annual board retainer, which is augmented by fees for services rendered as members of subcommittees of the board (i.e. committee retainers). 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. The fees of the chairperson and lead independent director are fully inclusive of the subcommittees on which they serve. No fees are paid per meeting attended.

NEDs do not receive performance incentive payments (short- or long-term), pension fund benefits, loans or preferential terms, expense allowances or any other form of financial assistance. Direct expenditure incurred by NEDs to attend meetings or carry out their duties is carried by Distell.

The fees for NEDs are reviewed annually for market comparability to ensure these are fair and competitive. In conducting this market analysis, various factors were taken into account, including the size of Distell, and the complexity of the work performed by NEDs.

The proposed NED fees for the 2019/2020 financial year, and the fee increase percentage, are set out in the next column. 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. Please note these fees are VAT exclusive and where VAT has to be charged by the NED, based on the SARS ruling, this will be charged by the NED in addition to these fees.

Committee role	2018/19	**2019/20**	% increase
Board chairperson	307 099	**323 989**	5,5%
Board member	307 099	**323 989**	5,5%
Lead independent director	1 350 730	**1 425 020**	5,5%
Audit chairperson	311 817	**328 967**	5,5%
Audit member	155 042	**163 569**	5,5%
Remuneration chairperson	220 184	**232 294**	5,5%
Remuneration member	115 886	**122 260**	5,5%
Social and ethics chairperson	173 830	**183 391**	5,5%
Social and ethics member	103 371	**109 056**	5,5%
Investment chairperson	311 817	**328 967**	5,5%
Investment member	155 042	**163 569**	5,5%
Risk and compliance chairperson	311 817	**328 967**	5,5%
Risk and compliance member	155 042	**163 569**	5,5%

Shareholder engagement and voting

Our 2019 remuneration policy, as well as our implementation report on the remuneration policy will be subject to two separate non-binding advisory votes at our AGM. As per global best practice, the Group company secretary and investor relations proactively seek both buy-side and governance rating agency views in and outside the AGM solicitation period, to ensure our approach aligns with their mandates and expectations. However, should the remuneration policy or implementation report be voted against by 25% or more of the votes exercised at the AGM, the company will, in its voting results announcement, extend an invitation to dissenting shareholders to engage with the company via a conference call.

IMPLEMENTATION REPORT

The total guaranteed package for the executive directors were as follows:

Executive directors (R'000)	2018	**2019**
RM Rushton	8 050	**8 528**
LC Verwey	5 004	**5 262**

The increase levels on the guaranteed package of RM Rushton and LC Verwey was 5,9% and 5,1% respectively.

This is contrasted by an average guaranteed package increase of 6,1% for management and non-management level staff, and a 7% salary increase for employees in the bargaining unit.

STI outcomes (2018/19)

The table below indicates the 2018/19 performance conditions as well as actual performance versus targets.

		PERFORMANCE REQUIRED				CEO		CFO	
Performance metric	Weighting	Threshold	On target	Stretch	Actual performance	Achievement as % salary	R value	Achievement as % salary	R value
Revenue	10	25 914 128	27 360 612	27 752 878	26 665 564	3,3%	346 817	3,3%	181 220
EBITDA	40	3 388 818	3 529 486	3 580 638	3 436 953	10,8%	1 135 037	10,8%	593 082
Cash invested	10	1 343 000	1 221 000	1 099 000	1 115 296	9,3%	977 393	9,3%	510 710
B-BEE	10	87,0	89,0	91,0	90,7	9,3%	977 393	9,3%	510 710
Strategic initiatives	30					16,0%	1 681 535	12,6%	691 929
Total	**100**					**48,7%**	**5 118 175**	**45,3%**	**2 487 651**

LTI outcomes

The table below provides an overview of the SAR awards that will vest during the 2019/20 financial year. Please note that these SARs were allocated before performance conditions were introduced.

CEO

Award date	**Award price**	**Number of SARs to vest**	**Vesting date**	**Value of shares* R'000**
27 Oct 2014	R129,00	9 647	27 Oct 19	7
Total				**7**

CFO

Award date	**Award price**	**Number of SARs to vest**	**Vesting date**	**Value of shares* R'000**
23 Mar 2015	R152,00	16 150	23 Mar 20	0
Total				**0**

**Based on share price of R129,70 at 30 June 2019.*

LTI

The table below indicates the CSPs granted during the year, and the CSPs and SARs not yet vested or exercised (outstanding at indicative value). It further illustrates the cash value of SARs exercised during the year, if any.

CEO

Date of grant	Final vesting date	Expiry date (SARs only)	Number of instruments awarded	SARs: Strike price/ CSP: price on grant	Total face value on grant R'000	Total fair value on grant R'000
SARs						
Feb 2014	Feb 2019	Feb 2021	342 834	139,00	47 653 926	14 673 295
Oct 2014	Oct 2019	Oct 2021	28 941	129,00	3 733 389	1 065 029
Oct 2015	Oct 2020	Oct 2022	142 116	170,30	24 202 355	7 333 186
Oct 2016	Oct 2021	Oct 2023	45 867	165,02	7 568 972	2 504 338
CSPs						
Nov 2017	Nov 2022	Nov 2022	57 183	128,69	7 358 880	6 616 073
Oct 2018	Nov 2023	Nov 2023	118 638	108,33	12 852 055	11 377 384
Apr 2019	Apr 2024	Apr 2024	34 761	129,44	4 499 464	4 164 368
RETENTION AWARDS						
Nov 2017	Nov 2022	Nov 2022	135 063	128,69	17 381 257	15 626 789
Apr 2019	Apr 2024	Apr 2024	5 325	129,44	689 268	637 935
OUT PERFORMANCE AWARDS						
Nov 2017	Nov 2022	Nov 2022	125 058	128,69	16 093 714	14 469 211

CFO

Date of grant	Final vesting date	Expiry date (SARs only)	Number of instruments awarded	SARs: Strike price/ CSP: price on grant	Total face value on grant R'000	Total fair value on grant R'000
SARs						
Mar 2015	03-2020	03-2022	48 450	152,00	7 364 400	1 782 960
Oct 2015	Oct 2020	Oct 2022	56 451	170,30	9 613 605	2 912 872
Oct 2016	Oct 2021	Oct 2023	55 314	165,02	9 127 916	3 020 144
CSPs						
Nov 2017	Nov 2022	Nov 2022	20 574	128,69	2 647 668	2 380 412
Oct 2018	Nov 2023	Nov 2023	35 631	108,33	3 859 906	3 417 013
Apr 2019	Apr 2024	Apr 2024	24 925	129,44	3 226 292	2 986 015
RETENTION AWARDS						
Nov 2017	Nov 2022	Nov 2022	53 619	128,69	6 900 229	6 203 718
Apr 2019	Apr 2024	Apr 2024	467	129,44	60 448	55 947
OUT PERFORMANCE AWARDS						
Nov 2017	Nov 2022	Nov 2022	125 058	128,69	16 093 714	14 469 211

Number of instruments vested and/or vested and exercised	Number of instruments lapsed	Closing number of unvested and/or vested but unexercised instruments	Indicative fair value of unvested and/or unexercised instruments R'000	Number of awards exercised/ settled in year	Share price on date of exercise/ settlement	Cash value of instruments exercised/ settled in year R'000
342 834	–	342 834	7 776 618	–		–
19 294	–	28 941	509 940	–		–
21 390	25 934	116 182	1 532 441	–		–
–	–	45 867	889 820	–		–
–	–	57 183	6 616 073	–		–
–	–	118 638	11 377 384			
–	–	34 761	4 164 368			
–	–	135 063	15 626 789	–		–
–	–	5 325	637 935			
–	–	125 058	14 469 211	–		–

Number of instruments vested and/or vested and exercised	Number of instruments lapsed	Closing number of unvested and/or vested but unexercised instruments	Indicative fair value of unvested and/or unexercised instruments R'000	Number of awards exercised/ settled in year	Share price on date of exercise/ settlement	Cash value of instruments exercised/ settled in year R'000
32 300	–	48 450	1 154 079	–		–
8 497	10 301	46 150	608 719	–		–
–	–	55 314	1 073 092	–		–
–	–	20 574	2 380 412	–		–
–	–	35 631	3 417 013			
–	–	24 925	2 986 015			
–	–	53 619	6 203 718	–		–
–	–	467	55 947			
–	–	125 058	14 469 211	–		–

Single figure remuneration

The Group senior executive team comprises two members, including the CEO and CFO, who are also members of the Distell Group Holdings Limited board. Their compensation is disclosed in note 34 of the Group annual financial statements. The total remuneration of the executive directors is as follows:

1 July 2018 – 30 June 2019 (R'000)

	Salaries	Retirement fund contribution	Medical aid contribution	Vehicle benefit	TGP	STI	LTI	2019 Total
RM Rushton	**7 143**	**787**	**40**	**441**	**8 411**	**5 118**	**7**	**13 536**
LC Verwey	**4 339**	**478**	**49**	**330**	**5 196**	**2 488**	**–**	**7 684**

1 July 2017 – 30 June 2018 (R'000)

	Salaries	Retirement fund contribution	Medical aid contribution	Vehicle benefit	TGP	STI	LTI	2018 Total
RM Rushton	6 719	740	39	429	7 927	1 434	92	9 453
LC Verwey	3 987	439	44	321	4 791	897	0	5 688

RISK

COMMITTEE REPORT

CHAIRPERSON

Prieur du Plessis (independent non-executive)

"Risk management is about the risk of not achieving objectives, making it crucial to link risk to objectives. To accomplish this, risk management needs to be an integral part of business processes. Despite the increased complexity of risks, Distell has made progress to embed the risk management process throughout the Group."

MEMBERS

- Bridgitte Backman (executive management)
- Gugu Dingaan (independent non-executive)
- Pieter Louw (non-executive)
- Ethel Matenge-Sebesho (independent non-executive)
- Richard Rushton (executive director)
- Catharina Sevillano-Barredo (independent non-executive)

MEETING ATTENDANCE

The committee meets once every quarter.

The committee is chaired by an independent, non-executive director and it operates under a board-approved Terms of Reference (TOR), which was reviewed during the year for compliance with King IV™.

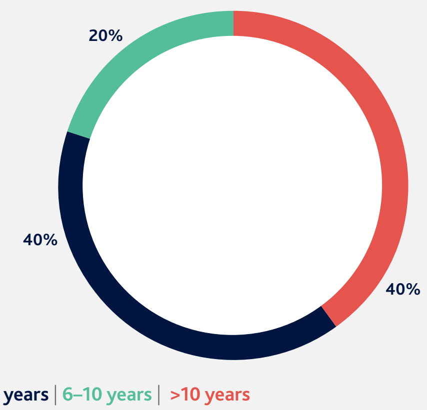
The committee comprises five non-executive directors, four of whom are independent.

The CEO and Bridgitte Backman, who is responsible for corporate and regulatory affairs on the executive committee, are members. Other executives as well as experts may attend the meetings by invitation.

The chairperson of the audit committee is also a member of this committee.

The chief risk officer is separate from the chief audit executive.

EXPERIENCE



	20 Aug 2018	17 Oct 2018	25 Feb 2019	20 May 2019
Prieur du Plessis	✓	✓	✓	✓
Bridgitte Backman	✓	–	✓	✓
Gugu Dingaan	–	✓	✓	✓
Pieter Louw	✓	✓	✓	✓
Ethel Matenge-Sebesho	✓	✓	–	✓
Richard Rushton	✓	✓	✓	✓
Catharina Sevillano-Barredo	✓	✓	✓	✓

PROACTIVELY MANAGING RISK

The board appreciates that the Group is exposed to certain risks as it operates in the fast-moving consumer goods industry across the African continent and other countries.

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.

Our framework

The responsibility and accountability for implementation of risk management rest with all levels of management and employees. Our ERM policy and framework provide a basis for management to deal effectively with the uncertainty of associated risks and opportunities, thereby enhancing its capacity to build value. The ERM policy and framework is supported by the committee's TOR which extends to the company and to all its subsidiaries, affiliates and/or joint ventures who are required to have a risk and compliance committee.

The risk management activities in the framework and TOR are based on the principles of King IV™ and ISO 31000 and was updated and approved by the board on 19 July 2019.

Risk management principles

Risk appetite and risk tolerance levels

Risk appetite can be defined as the amount and type of risk a business is willing to take to meet its strategic objectives. Risk tolerance is the willingness of a business to accept or avoid risk.

Distell's risk appetite and tolerance levels are reviewed annually and submitted to the board for approval. The board approves specific risk tolerance and appetite levels for each category of risk (most recent approval by the board was 19 July 2019). These categories include revenue growth, earnings sustainability, brand protection, corporate reputation, environmental sustainability and protection, and health and safety, among others.

All significant business decisions are risk based, with formal consideration of the implications for Distell'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 TOR.

Functional risk registers

Each function and business unit within the Group is responsible for creating, updating and mitigating its risk register. Each unit assigns an owner to the register and each risk has an owner and action owner. The Group uses Barnowl as a platform to actively and timeously update and managing risks. These risk registers are reviewed and discussed by the committee on an annual rotation calendar. Any ad hoc new emerging risks will be disclosed to the committee when it arises.

Rating methodology

A risk-rating matrix is used to determine the severity of the risk based on the potential impact and probability.

The potential impact is based on a combination of financial indicators, reputation, brand protection, compliance and people. Probability varies from frequently to rare and is based on the likelihood of the event happening within a certain timeframe.

Bearing in mind that the operations in South Africa, the rest of the African continent and our International footprint have a different impact on the business, bespoke rating methodologies are used to determine the severity of the risk per country and the Group as a collective.

PURPOSE, ROLE, COMMITMENTS AND RESPONSIBILITIES

Purpose and role

The risk and compliance committee provides oversight of Distell's risk governance and risk management processes, Information, Communication and Technology (ICT) governance and regulatory compliance.

The primary role of this committee is to assist the board to ensure that the Group implement a risk management infrastructure, effective frameworks, policies and plans for enterprise risk management, ICT governance and legislative compliance; and adequate enterprise risk management processes and activities to enhance the Company's ability to achieve its strategic objectives.

Top and senior management, supported by the internal audit function, is responsible for identifying, managing and mitigating risks.

The company secretary serves as the chief risk officer for the Group and attends all audit and risk and compliance committee meetings.

Commitments

The role of the committee is also to see that the disclosure regarding risk is comprehensive, timely and relevant. The commitments of the committee include:

- 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.

Responsibilities

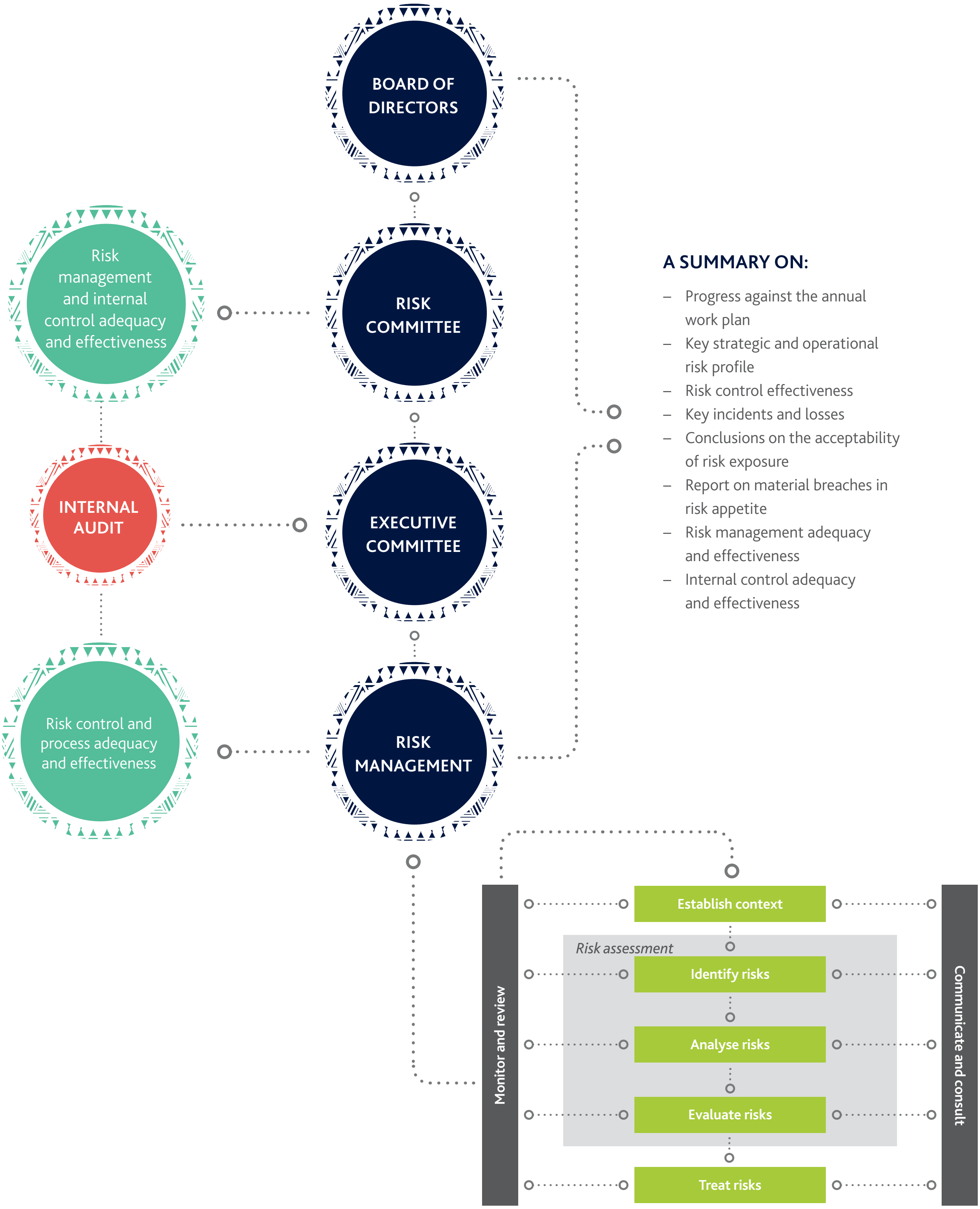
The committee's responsibilities are detailed in the TOR and include, among others:

- Helping to set the tone and developing a culture pertaining to risk of the company, specifically by promoting open discussion regarding risk and ensuring the integration of risk management into the Group's objectives and goals;
- Evaluating the adequacy of communication about escalating risk and the company's crisis preparedness, disaster recovery and business continuity processes and plans;
- Continually obtaining reasonable assurance from management that all known and emerging risks have been identified and mitigated or managed, and the risk management plan is integrated in the daily activities of the company;
- Reviewing and assessing the company's risk maturity, i.e. the effectiveness of the company's enterprise-wide risk assessment processes and risk management (a maturity assessment will be done in the 2020 financial year);
- In collaboration with the audit committee, understanding how the company's internal audit work plan is aligned with the risks that have been identified and with risk governance information needs;
- Ensuring the ICT strategy is aligned with the performance and sustainability objectives of the company, including making sure the ICT strategy is integrated with the company's strategic and business processes;
- Monitoring and evaluating significant ICT investments and expenditure;
- Ensuring the promotion of an ethical legislative compliance culture;
- Reviewing and approving a legal compliance framework and policy and ensuring it is implemented by management; and
- Monitoring the company's compliance with applicable laws, rules, codes and standards and considering adherence to instances where it is non-binding.

The list is not exhaustive.

Reporting and information flow

The following structure and information flow has been implemented to ensure the efficient management of risk within the Group:



ACTIVITIES IN 2019

Practical application

Our journey to fully integrate risk management throughout the Group continues with the integration of our Kenya business, KHEAL, in our reporting routine and Barnowl will be rolled-out in country within the foreseeable future.

Technology, communication and information governance

The guiding principles of the King Reports as well as the CobIT framework for IT Governance is referenced by management to ensure good practice is applied when designing, evaluating and reporting on IT-related capabilities.

Material actions undertaken regarding ICT-related risks during the 2019 financial year included:

- Implementing measures to correlate internal and external security events, cyber threat and vulnerability data in order to improve Distell's cyber security intelligence capabilities.
- Offsite disaster recovery site established.
- Maturing IT service management processes related to incident, change and service request processes.
- Maturing identity and access management capabilities globally.

Looking ahead: Distell's digital transformation strategy is at the forefront of strategic planning. The strategy introduces new risks and opportunities however, with a sound ERM framework we are able to manage the risk accordingly.

Compliance with laws and regulations

Key actions completed during this fiscal included a process to fully scope the Group's regulatory universe. The regulatory universe was reviewed and each applicable law was classified as high, medium or low based on the Group's exposure and the responsible department identified. Monitoring of compliance is done through self-evaluation, internal audit validation or external verification.

Distell also launched two large initiatives to implement necessary processes and controls on compliance with the EU's General Data Protection Regulation and our journey to become fully compliant with POPIA continues.

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 was effective during the reporting period and that it fulfilled its responsibilities in accordance with its terms of reference.

Prieur du Plessis
Chairman of the risk and compliance committee
Stellenbosch
27 August 2019

SOCIAL AND ETHICS COMMITTEE REPORT

CHAIRPERSON

Gugu Dingaan (independent non-executive)

"The SEC has grown from strength to strength in the execution of its mandate. The board is pleased to note the robust processes and structures that management has put in place with respect to the remit of this statutory subcommittee of the board."

MEMBERS

- Prieur du Plessis (independent non-executive)
- Ethel Matenge-Sebesho (independent non-executive)
- Richard Rushton (executive)
- Bridgitte Backman (executive)

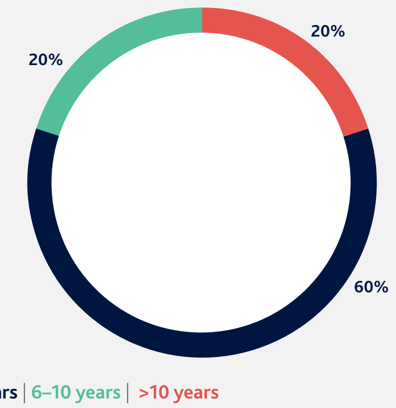
MEETING ATTENDANCE

In accordance with its mandate, the SEC met three times during the year under review.

The SEC considered detailed reports on the matters listed below.

Overall, we were satisfied that Distell is fulfilling its social and ethical obligations as a good corporate citizen.

EXPERIENCE



	21 Aug 2018	21 Nov 2018	20 Feb 2019
Gugu Dingaan	x	✓	✓
Prieur du Plessis	✓	x	✓
Ethel Matenge-Sebesho	✓	✓	✓
Richard Rushton	✓	✓	✓
Bridgitte Backman	✓	✓	✓

ROLES AND RESPONSIBILITIES

The SEC takes a principles-based approach guided by regulation 43 of the Companies Regulations, 2011 and the 10 principles of the UN Global Compact. The purpose and role of the SEC is to assist the board in discharging its responsibility to:

- Ensure that the Group's ethics are managed effectively and provide effective leadership based on an ethical foundation.
- Promote and sustain an ethical corporate culture through:
  - endorsing the values of the Group documented in the Code of Ethics and Conduct;
  - monitoring and reporting on the measures taken by the Group to achieve adherence thereof; and
  - ensuring that all business conducted by the board and management aligns with the values of the Group.
- Ensure that the Group is a responsible corporate citizen by endorsing the values, strategy and conduct which are congruent with being a responsible corporate citizen.
- Advise on and review transformation and empowerment.

ACTIVITIES IN 2019

Sustainability

Through our Corporate and Regulatory Affairs function, we took steps to further integrate sustainability into our strategy and management routines and align our progress with global best practice.

We strengthened our involvement with the United Nations Global Compact (UNGC) by increasing our level of engagement from a signatory to a participant. This now enables us to engage with the UNGC at a global level as well as nationally.

We continued to align our business activities and programmes with the Sustainable Development Goals (SDGs) – this included identifying targets and key performance measures to track our contribution to the world's biggest sustainable development challenges. As part of this journey we identified primary SDGs (3, 6, 8 and 12), secondary SDGs (1, 4, 7, 9 and 11) as well as foundational SDGs (5 and 17) that cut across our value chain. Our efforts were acknowledged by industry leaders, with Distell featured as a best-practice example in South Africa's Voluntary National Review of private sector support of the SDGs in 2019. This is testament to our commitment to find business-led solutions to global challenges that are responsive to the needs of markets, communities and consumers, in South Africa and around the world.

More information about our SDG maturity journey is available in our online sustainability report.

Generally, good governance remains a focus and our Sustainability Council continues to play an important role to ensure alignment between our business strategy and sustainability efforts. As an outcome of this, we formalised our sustainability strategy during the year and are in the process of setting challenging sustainability targets to take us forward to 2025.

B-BBEE

Distell improved its status to level 3 in 2019 (2018: level 4). This was thanks to leader-led strategy implementation, as well as business units and functions taking ownership of the various scorecard elements.

Ethics

Ethics hotline

Distell strives to create a culture which facilitates the disclosure of information by employees relating to criminal and other irregular conduct in the workplace in a responsible manner, by providing clear guidelines for the disclosure of this information and protection against reprisals as a result of such disclosure.

The Distell Ethics Line, independently managed by Deloitte's Tip-Offs Anonymous division, is available to employees and external stakeholders (suppliers and customers) in South Africa, Europe, Asia and the rest of Africa and offers a selection of communication channels, which are available 24 hours a day and 365 days a year. Distell thoroughly investigates all matters reported and take the necessary legal, civil or disciplinary steps flowing from this investigation. Distell gives feedback to whistle-blowers on the outcomes of these investigations, where possible, to demonstrate the seriousness with which we take all material matters reported.

Management has established a quarterly ethics committee to review all reported matters in detail and to ensure appropriate actions are taken. Feedback on this forum is submitted to the social and ethics committee for consideration. Additionally, a year-to-date report is discussed at each social and ethics committee meeting.

Awareness training sessions presented during 2019 focused on identified high-risk sites and included training on the Code of Ethics and Conduct, the Conflict of Interest Policy, Gifts and Entertainment Policy, the Distell Ethics Line, fraud awareness and anti-bribery training. Training on the extent and impact of the illicit liquor trade in South Africa was also presented.

Ownership

The Distell Development Trust contributes towards the ownership element of the B-BBEE scorecard and is required to operate as a B-BOS (Broad-based Ownership Scheme). B-BBEE points are awarded provided the Trust fulfils its mandate. This is assessed independently by an Independent Competent Person's Report.

Throughout the year, members of the committee engaged the B-BBEE Commission to proactively gauge the Commissioner on the topic of broad-based ownership to ensure alignment between the B-BBEE Act and the Distell Development Trust Deed. The management of additional risks and opportunities will remain an area of focus in the new financial year.

Preferential procurement

Procurement is tracked and monitored on a monthly basis. This includes a breakdown of preferential procurement spend per business unit and service function to identify opportunities for the development of new and existing empowered suppliers across the Group. We increased our preferential procurement score from 15 to 16,50 points out of a maximum of 25. We also increased the number of black-owned and black-women-owned enterprises in our supply chain.

Skills development

High-potential employees are supported to fast-track and accelerate their career development through various training and development interventions. Highlights for 2019 include the following:

- Of the 11 employees enrolled in our Accelerated Development Programme, 10 are African, Coloured and Indian employees and three are female employees.
- 99% of learnerships, 100% of internships and 82% of bursaries were awarded to African, Coloured and Indian employees.
- A comprehensive list of 64 high-potential African, Coloured and Indian individuals were identified during our Global Talent Review in January 2019. All identified employees have clear career paths and development plans in place to accelerate their progression at Distell.

Our talent management strategy is supported by SuccessFactors – a web-based, innovative solution that provides visible alignment between our succession and talent management processes. The learning module of SuccessFactors went live in October 2018. This module enables eLearning across the organisation and will provide a comprehensive, centralised learning and development platform for our employees.

Employment equity

Our revised National Employment Equity Plan 2017–2022 for South Africa was rolled out across all business functions. This plan remains our primary strategy to attain set transformation and diversity targets and address government's national transformation goals.

The plan prompted us to reflect on actions and soft behaviours required to embed an all-inclusive culture throughout our transformation journey. This includes, for example, investing in employee assistance programmes, including a bursary scheme and learnerships aimed at disabled learners. These investments affirm the value we place on our employees.

Over the past 12 months we have made the following progress against our employment equity targets for appointments and promotions within the business:

Percentage of previously disadvantaged individuals (PDIs) – top and senior management	2017	2018	**2019**	2022 Target
Appointments	64%	69%	**56%**	75%
Promotions	50%	56%	**54%**	75%

Percentage of PDIs – middle management	2017	2018	**2019**	2022 Target
Appointments	78%	89%	**81%**	90%
Promotions	45%	78%	**87%**	90%

Percentage of PDIs – junior management	2017	2018	**2019**	2022 Target
Appointments	90%	95%	**92%**	95%
Promotions	88%	89%	**93%**	95%

The oversight of targets and performance against targets for top management will remain an area of focus in the new financial year.

Compliance

We believe corporate governance should contribute to an ethical culture that stretches beyond compliance to the principles of true accountability, transparency and fairness. The board ensures that Distell's ethics are managed effectively and provides effective leadership based on an ethical foundation. The implementation and execution of the Code of Ethics and Conduct and related policies are delegated to management.

We are further committed to implementing best-practice social compliance practices on our farms. This is supported by our partnership with ProCare, a leading emotional wellness company that provides critical psycho-social support to our farm workers and their families.

We partnered with ProCare to provide psycho-social support to the farm workers and their families on five of our farms: Papkuilsfontein, Nederburg, Plaisir de Merle, Groenhof and J.C. Le Roux. ProCare also undertook a needs assessment on these farms to identify opportunities to do more and increase the level of support we provide. The results of this needs assessment were shared with internal and external stakeholders (including union members and relevant industry bodies).

The strength of this partnership was acknowledged at the 2019 Nedbank Vinpro Information Day, an industry-led event that looks at how South Africa's wine and brandy industries can be more sustainable, profitable and competitive. Our partnership with ProCare was featured as a best-practice example of value-enhancing social compliance. It further supports our commitment to comply fully with the Wine and Agricultural Ethical Trading Association (WIETA) Code of Conduct.

The environment

Distell understands that its long-term sustainability is intrinsically linked to the natural resources Distell depends on, from farm to consumer and back again. Distell must therefore ensure that its supply chain practices are efficient, agile and protect the environment – while meeting its customers' requirements in full. Distell carefully manages its supply chain to ensure that it delivers reliably, responsibly and sustainably and at the right quality. Distell monitors its performance against sustainability targets for 2020 related to water, electricity, fossil-fuel-based energy usage and waste water discharged. More information about our environmental performance is available in our online sustainability report.

Quality

Quality is a critical component to ensures that Distell delivers superior products and packaging. This includes:

- working with procurement to establish quality requirements for external suppliers;
- ensuring that Distell's manufacturing and production processes meet international and national quality standards for each product type; and
- establishing and maintaining quality controls.

Distell aims to achieve zero quality incidents. Any incidents relating to the bottling process are monitored closely and receive focused attention by management. Highlights for 2019 include the following:

- To improve trade quality we introduced a working group and steering committee that meets monthly.
- Quality at source initiatives were introduced to reduce the number of rejects and non-conforming quality write-offs.

Distell conducts on-site audits and, where necessary, assists suppliers to improve their production processes to ensure consistent quality. This ultimately ensures that Distell functions as effectively as possible to stay ahead of its competitors. Distell's quality scorecard is carefully monitored and its performance against targets is reported to the Sustainability Council and the SEC. All targets were met in 2019, with the exception of non-conforming quality write-offs. Distell achieved a 35% decrease in write-off costs associated with non-conforming products compared to 2018.

Stakeholder engagement

Stakeholder engagement at Distell is pivotal to how we interact with both our external and internal environment. As such, a stakeholder map and concomitant engagement plan were identified for critical matters as identified through environ-scanning and strategy requirements. Through the Corporate and Regulatory Affairs function, Distell engaged with different stakeholder groups on key issues identified by the business. This was assisted by and tracked via a stakeholder engagement landscape report and analysis.

LOOKING AHEAD

- We will leverage the benefits of our strengthened involvement with the UNGC. This includes accessing resources that will enable us to learn from global best practice and conduct industry and peer benchmarking to evaluate our sustainability performance.
- We will continue to build on our B-BBEE strategy. This includes focusing on each of the elements on the scorecard to enhance our transformation journey.
- We will continue to embed the SDGs in our business – with a particular focus on refining our contribution to specific targets per goal and aligning our internal sustainability performance indicators with our chosen SDGs.

Gugu Dingaan
Chairperson of the social and ethics committee
Stellenbosch
27 August 2019

SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

These summary consolidated annual financial statements, prepared in terms of IFRS, are extracted from our full set of consolidated annual financial statements available online at www.distell.co.za/investor-centre.

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DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

FOR THE YEAR ENDED 30 JUNE 2019

The summary consolidated annual financial statements of the Group are the responsibility of the directors of Distell Group Holdings Limited. In discharging this responsibility they rely on the management of the Group to prepare the annual financial statements, separately available on www.distell.co.za, in accordance with International Financial Reporting Standards (IFRS) and the South African Companies Act (No. 71 of 2008). As such, the summary consolidated annual financial statements include amounts based on judgements and estimates made by management. The information given is comprehensive and presented in a responsible manner.

The directors accept responsibility for the preparation, integrity and fair presentation of the summary consolidated annual financial statements and are satisfied that the systems and internal financial controls implemented by management are effective.

The directors believe that the company and Group have adequate resources to continue operations as a going concern in the foreseeable future, based on forecasts and available cash resources. The annual financial statements support the viability of the company and the Group.

The independent auditing firm, PricewaterhouseCoopers Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board, has audited the Group annual financial statements from which the summary consolidated annual financial statements were derived. The directors believe that all presentations made to the independent auditor during this audit were valid and appropriate. PricewaterhouseCoopers Inc.'s audit report is presented on page 98.

The summary consolidated annual financial statements, as set out on pages 96 to 117, were supervised by the Group chief financial officer, Lucas Verwey CA(SA), approved by the board of directors and are signed on its behalf:

JJ Durand
Chairman
Stellenbosch
27 August 2019

RM Rushton
Group chief executive officer

CERTIFICATE BY THE COMPANY SECRETARY

I, Lizelle Malan, being company secretary of Distell Group Holdings Limited, hereby certify that all returns and notices of Distell Group Holdings 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
27 August 2019

INDEPENDENT

AUDITOR'S REPORT

ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Distell Group Holdings Limited

Opinion

The summary consolidated financial statements of Distell Group Holdings Limited, set out on pages 99 to 117 of the Distell Integrated Report 2019, which comprise the summary consolidated statement of financial position as at 30 June 2019, the summary consolidated income statement, and statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Distell Group Holdings Limited for the year ended 30 June 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 27 August 2019. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: RM Labuschaigne
Registered Auditor
Stellenbosch
27 August 2019

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AUDITED 30 JUNE	
	2019 R'000	2018 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**7 040 250**	6 290 094
Financial assets at amortised cost	**92 326**	–
Loans and receivables	**–**	20 391
Financial assets at fair value through other comprehensive income (FVOCI)	**57 800**	–
Available-for-sale financial assets	**–**	60 485
Investments in associates	**432 710**	862 364
Investments in joint ventures	**105 384**	141 165
Intangible assets	**1 951 987**	2 008 475
Retirement benefit assets	**526 812**	522 885
Deferred income tax assets	**108 218**	100 154
Total non-current assets	**10 315 487**	10 006 013
Current assets		
Inventories	**8 315 109**	7 587 016
Trade and other receivables	**3 722 548**	3 413 036
Current income tax assets	**36 510**	35 756
Cash and cash equivalents	**1 153 104**	1 084 215
Total current assets	**13 227 271**	12 120 023
Total assets	**23 542 758**	22 126 036
EQUITY AND LIABILITIES		
Capital and reserves		
Capital and reserves	**11 614 083**	11 640 693
Non-controlling interest	**357 464**	314 944
Total equity	**11 971 547**	11 955 637
Non-current liabilities		
Interest-bearing borrowings	**4 523 673**	4 432 840
Retirement benefit obligations	**27 547**	27 800
Deferred income tax liabilities	**1 130 088**	1 132 135
Total non-current liabilities	**5 681 308**	5 592 775
Current liabilities		
Trade and other payables	**5 112 783**	4 257 093
Interest-bearing borrowings	**522 288**	113 788
Provisions	**212 536**	167 973
Current income tax liabilities	**42 296**	38 770
Total current liabilities	**5 889 903**	4 577 624
Total equity and liabilities	**23 542 758**	22 126 036

SUMMARY CONSOLIDATED INCOME STATEMENT

	AUDITED YEAR ENDED 30 JUNE		
	2019 R'000	2018 R'000	Change %
Continuing operations			
Revenue	**26 179 580**	24 230 765	8,0
Operating costs	**(23 875 292)**	(21 836 072)	9,3
Costs of goods sold	**(18 082 490)**	(16 442 193)	
Sales and marketing costs	**(2 960 669)**	(3 114 655)	
Distribution costs	**(1 239 871)**	(1 246 542)	
Administration and other costs	**(1 289 811)**	(1 032 682)	
Net impairment losses on financial assets	**(302 451)**	–	
Other gains and losses	**(544 806)**	(6 520)	
Operating profit	**1 759 482**	2 388 173	(26,3)
Dividend income	**4 211**	6 657	
Finance income	**69 792**	46 927	
Finance costs	**(340 720)**	(342 494)	
Share of equity-accounted earnings	**61 529**	31 358	
Profit before taxation	**1 554 294**	2 130 621	(27,0)
Taxation	**(644 448)**	(632 101)	
Profit for the year from continuing operations	**909 846**	1 498 520	(39,3)
Discontinued operations	**–**	169 531	
Profit for the year	**909 846**	1 668 051	(45,5)
Attributable to:			
Equity holders of the company	**896 645**	1 646 384	(45,5)
Non-controlling interest	**13 201**	21 667	
	909 846	1 668 051	(45,5)
Per share performance:			
Issued number of ordinary shares ('000)	**222 382**	222 382	
Weighted number of ordinary shares ('000)	**219 543**	219 443	
Earnings per ordinary share (cents)			
Basic earnings basis			
From continuing operations	**408,4**	673,0	(39,3)
From discontinued operations	**–**	77,3	(100,0)
	408,4	750,3	(45,6)
Diluted earnings basis			
From continuing operations	**408,1**	672,3	(39,3)
From discontinued operations	**–**	77,2	(100,0)
	408,1	749,5	(45,6)
Headline basis			
From continuing operations	**656,4**	669,9	(2,0)
From discontinued operations	**–**	(1,7)	(100,0)
	656,4	668,2	(1,8)
Diluted headline basis			
From continuing operations	**656,0**	669,3	(2,0)
From discontinued operations	**–**	(1,8)	(100,0)
	656,0	667,5	(1,7)

	AUDITED YEAR ENDED 30 JUNE		
	2019 R'000	2018 R'000	Change %
Dividends per ordinary share (cents)			
– Interim	**174,0**	165,0	5,5
– Final	**249,0**	230,0	8,3
	423,0	395,0	7,1
Reconciliation of headline earnings:			
Net profit attributable to equity holders of the company	**896 645**	1 646 384	(45,5)
Adjusted for (net of taxation):			
Impairment of equity-accounted investment	**524 000**	–	
Profit on disposal and impairment of PPE included in share of equity-accounted earnings	**–**	(16 025)	
Impairment of intangible assets	**7 510**	31 115	
Impairment of PPE	**8 467**	37 178	
Gain on previously held equity interest and on sale of investments and subsidiaries	**87**	(217 338)	
Loss on sale of PPE	**4 399**	(15 086)	
Headline earnings	**1 441 108**	1 466 228	(1,7)

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	AUDITED YEAR ENDED 30 JUNE	
	2019 **R'000**	2018 R'000
Profit for the year	**909 846**	1 668 051
Other comprehensive income (net of taxation)	**(79 413)**	263 414
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustments		
– Available-for-sale financial assets	**–**	7 662
Currency translation differences	**(43 136)**	144 157
Fair value adjustments of cash flow hedges	**(18 251)**	9 115
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefits	**(13 412)**	102 140
Fair value adjustments		
– Financial assets through other comprehensive income	**(3 167)**	–
Share of other comprehensive income of associates	**(1 447)**	340
Total comprehensive income for the year	**830 433**	1 931 465
Attributable to:		
Equity holders of the company	**817 408**	1 911 333
Non-controlling interest	**13 025**	20 132
	830 433	1 931 465
Total comprehensive income attributable to equity shareholders arises from:		
Continuing operations	**817 408**	1 741 802
Discontinued operations	**–**	169 531
	817 408	1 911 333

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	AUDITED YEAR ENDED 30 JUNE	
	2019 R'000	2018 R'000
Attributable to equity holders		
Opening balance	**11 640 693**	10 542 126
Change in accounting policy (note 12(a))	**(16 396)**	–
Restated opening balance at the beginning of the financial year	**11 624 297**	10 542 126
Comprehensive income		
Profit for the year	**896 645**	1 646 384
Other comprehensive income (net of taxation)		
Fair value adjustments:		
– Available-for-sale financial assets	**–**	7 662
– Financial assets at FVOCI	**(3 167)**	–
Cash flow hedge of foreign exchange transactions	**(18 251)**	9 115
Currency translation differences	**(42 960)**	145 692
Remeasurements of post-employment benefits	**(13 412)**	102 140
Share of other comprehensive income of associates	**(1 447)**	340
Total other comprehensive losses	**(79 237)**	264 949
Total comprehensive income for the year	**817 408**	1 911 333
Transactions with owners		
Employee share scheme:		
– Shares paid and delivered	**1**	1
– Value of employee services	**64 631**	49 926
Capital reorganisation	**–**	13 832
Share issue costs	**(2 099)**	(45 066)
Dividends paid	**(887 711)**	(832 778)
Transactions with non-controlling interests	**(2 444)**	1 319
Total transactions with owners	**(827 622)**	(812 766)
Attributable to equity holders	**11 614 083**	11 640 693
Non-controlling interest		
Opening balance	**314 944**	301 124
Profit for the year	**13 201**	21 667
Dividends paid	**(3 994)**	(4 466)
Currency translation differences	**(176)**	(1 535)
Contribution by non-controlling interests	**37 664**	–
Transactions with non-controlling interests	**(4 175)**	(1 846)
Total non-controlling interest	**357 464**	314 944
Total equity at the end of the year	**11 971 547**	11 955 637

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	AUDITED YEAR ENDED 30 JUNE	
	2019 R'000	2018 R'000
Cash flows from operating activities		
Operating profit	**1 759 482**	2 559 330
Non-cash flow items	**1 655 795**	693 155
Working capital changes	**(493 521)**	(173 321)
Inventories	**(766 718)**	(245 024)
Trade and other receivables	**(383 933)**	(208 022)
Trade payables and provisions	**657 130**	279 725
Cash generated from operations	**2 921 756**	3 079 164
Net financing costs	**(278 338)**	(231 935)
Taxation paid	**(633 935)**	(580 575)
Net cash generated from operating activities	**2 009 483**	2 266 654
Net cash outflow from investment activities (note 5)	**(1 599 354)**	(1 144 635)
Net cash inflow from financing activities (note 6)	**132 293**	378 988
Dividends paid	**(891 705)**	(837 244)
Decrease in net cash, cash equivalents and bank overdrafts	**(349 283)**	663 763
Net cash, cash equivalents and bank overdrafts at the beginning of the year	**970 427**	302 876
Exchange gains on cash, cash equivalents and bank overdrafts	**9 672**	3 788
Net cash, cash equivalents and bank overdrafts at the end of the year	**630 816**	970 427

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. BASIS OF PREPARATION, ACCOUNTING POLICY AND COMPARATIVE FIGURES

The summary consolidated annual financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The directors are responsible for the preparation of the summary consolidated annual financial statements, prepared under supervision of the Group chief financial officer, LC Verwey CA(SA), and the financial information in this summary has been correctly extracted from the underlying annual financial statements.

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements, with the exception of the adoption of the new accounting statements as indicated in note 12.

The Group has adopted all new and amended accounting pronouncements issued by the International Accounting Standards Board (IASB) that are effective for financial years commencing 1 July 2018. The impact of the new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2018 is disclosed in note 12. None of the other new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2018 which is not disclosed in note 12 have a material impact on the consolidated results of the Group.

	AUDITED 30 JUNE 2019 R'000	2018 R'000	Change %
2. SALES VOLUMES (LITRES '000)	**715 449**	715 005	0,1

3. PRO FORMA INFORMATION

The results of the Group are significantly impacted by abnormal or non-recurring transactions and the change in foreign exchange rates.

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

The adjustments below represent abnormal or non-recurring items which significantly impacted the financial results of the Group:

	2019 R'000	2018 R'000	Change %
Headline earnings	**1 441 108**	1 466 228	(1,7)
Adjusted for (net of taxation):			
Expected credit loss on Zimbabwe savings bonds	**190 262**	–	
One-off losses and write-offs in associate following sachet ban and excise dispute	**–**	78 461	
Retrenchment, restructuring and other one-off costs	**168 604**	40 688	
Normalised headline earnings	**1 799 974**	1 585 377	13,5

The results of the Group are also significantly impacted by the change in foreign exchange rates, mainly relating to the UK pound, euro, US dollar (USD) and Angola kwanza (AOA) for both reporting periods, 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 period-end.

In the prior year comparative period, the income of foreign subsidiaries was converted at an average aggregated daily ZAR/USD exchange rate of R12,87 compared to R14,19 in the current year, and the Angolan kwanza devalued from an average aggregated daily AOA/USD exchange rate of 203,5 to 305,7 in the current year.

The adjustments below thus represent a restatement of the 2018 foreign income using the current year aggregated daily average exchange rates.

	2019 R'000	2018 R'000	Change %
Normalised headline earnings	**1 799 974**	1 585 377	13,5
Adjusted for (net of taxation):			
Prior year restatement to current year aggregated daily average exchange rates	**–**	16 469	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
– Other major currencies	**(33 650)**	43 715	
– Kwanza (in associate)	**58 364**	59 112	
Normalised headline earnings adjusted for foreign exchange movements	**1 824 688**	1 704 673	7,0

	AUDITED 30 JUNE		
	2019 **R'000**	2018 R'000	Change %
3. PRO FORMA INFORMATION *continued*			
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**2 385 220**	3 091 585	(22,8)
Adjusted for:			
Impairment and profit on disposal of property, plant and equipment (PPE), intangible assets, investments and gain on previously held interest and subsidiaries disposed	**544 806**	(182 962)	
One-off losses and write-offs in associate following sachet ban and excise dispute	**–**	78 461	
Expected credit losses on financial assets	**266 100**	–	
Retrenchment, restructuring and other one-off costs	**223 345**	53 898	
Normalised EBITDA	**3 419 471**	3 040 982	12,4
The adjustments below represent a restatement of the 2018 foreign income using the current year aggregated daily average exchange rates as explained above.			
Normalised EBITDA	**3 419 471**	3 040 982	12,4
Adjusted for:			
Prior year restatement to current year aggregated daily average exchange rates	**–**	38 060	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
– Other major currencies	**(40 882)**	58 845	
– Kwanza (in associate)	**58 364**	59 112	
Normalised EBITDA adjusted for currency movements	**3 436 953**	3 196 999	7,5

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, results 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 and is included in the integrated report 2019 on page 98.

	2019 **R'000**	2018 R'000
4. NET INTEREST-BEARING BORROWINGS		
Interest-bearing borrowings		
Non-current	**4 523 673**	4 432 840
Current	**522 288**	113 788
	5 045 961	4 546 628
Cash and cash equivalents	**(1 153 104)**	(1 084 215)
	3 892 857	3 462 413

		AUDITED 30 JUNE	
		2019 R'000	2018 R'000
5.	**CASH OUTFLOW FROM INVESTMENT ACTIVITIES**		
	Purchases of PPE to maintain operations	**(536 667)**	(464 731)
	Purchases of PPE to expand operations	**(722 359)**	(709 958)
	Proceeds from sale of PPE	**19 957**	126 356
	Purchases of financial assets, associates and joint ventures	**(330 752)**	(752 722)
	Proceeds from financial assets	**6 612**	17 514
	Purchases of intangible assets	**(36 148)**	(66 706)
	Proceeds from intangible assets	**3**	5 400
	Proceeds from disposal of interest in subsidiaries, net of cash	**–**	757 114
	Acquisition of subsidiaries, net of cash	**–**	(56 902)
		(1 599 354)	(1 144 635)
6.	**CASH INFLOW FROM FINANCING ACTIVITIES**		
	Proceeds from ordinary shares issued and share issue costs	**(2 098)**	(45 065)
	Shares issued for cash to minorities	**37 664**	–
	Proceeds from interest-bearing borrowings	**109 788**	828 099
	Repayment of interest-bearing borrowings	**(13 061)**	(404 046)
		132 293	378 988
7.	**CAPITAL COMMITMENTS**		
	Contracted	**675 550**	467 327
	Authorised, but not contracted	**1 752 952**	1 991 198
		2 428 502	2 458 525
8.	**DEPRECIATION OF PPE**	**478 538**	432 434
9.	**NET ASSET VALUE PER SHARE (CENTS)**	**5 383**	5 376

10. SEGMENTAL AND REVENUE ANALYSIS

Operating segments were identified based on financial information reviewed regularly by management for the purpose of assessing performance and allocating resources to these segments. Revenue includes excise duty. The segment information for the prior year has been restated to align with the current year segmentation basis as is currently reported to the chief operating decision-maker. Consequently, in order to ensure comparability between the current and prior year segment information, revenue and costs have been re-allocated in the comparative period.

AUDITED YEAR ENDED 30 JUNE 2019

	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	Change %
Revenue	19 389 665	1 944 846	2 131 209	1 351 746	1 415 362	(53 248)	26 179 580	8,0
Costs of goods sold	(13 577 826)	(1 318 421)	(1 472 134)	(862 681)	(727 638)	(123 790)	(18 082 490)	10,0
Material costs and overheads	(13 577 826)	(1 318 421)	(1 472 134)	(862 681)	(727 638)	(149 165)	(18 107 865)	10,5
Currency conversion gains and losses	–	–	–	–	–	25 375	25 375	
Gross profit	5 811 839	626 425	659 075	489 065	687 724	(177 038)	8 097 090	4,0
Operating costs	(2 286 915)	(231 058)	(362 868)	(384 962)	(525 367)	(2 001 632)	(5 792 802)	7,4
Operating profit before allocations	3 524 924	395 367	296 207	104 103	162 357	(2 178 670)	2 304 288	(3,8)
Equity-accounted earnings and dividend income	(1 625)	–	64 587	–	(2 047)	4 825	65 740	
EBIT before allocations	3 523 299	395 367	360 794	104 103	160 310	(2 173 845)	2 370 028	(2,6)
Allocations	(461 425)	(34 013)	(20 054)	(17 104)	(12 790)	545 386	–	
EBIT after allocations	3 061 874	361 354	340 740	86 999	147 520	(1 628 459)	2 370 028	(2,6)
Other gains and losses	–	–	–	–	–	(544 806)	(544 806)	
Equity-accounted earnings and dividend income	1 625	–	(64 587)	–	2 047	(4 825)	(65 740)	72,9
Operating profit from continuing operations	3 063 499	361 354	276 153	86 999	149 567	(2 178 090)	1 759 482	(26,3)
EBIT before allocations attributable to:								
Equity holders of the company	3 524 883	393 783	358 162	104 103	160 310	(2 184 414)	2 356 827	
Non-controlling interest	(1 584)	1 584	2 632	–	–	10 569	13 201	
	3 523 299	395 367	360 794	104 103	160 310	(2 173 845)	2 370 028	
Non-current assets	6 809 877	100 677	1 166 695	2 231 531	6 707	–	10 315 487	

10. SEGMENTAL AND REVENUE ANALYSIS *continued*

	AUDITED YEAR ENDED 30 JUNE 2018						
	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
Revenue	18 080 625	1 900 971	1 515 685	1 283 984	1 510 356	(60 856)	24 230 765
Costs of goods sold	(12 535 299)	(1 300 785)	(1 053 841)	(846 008)	(770 184)	63 924	(16 442 193)
Material costs and overheads	(12 535 299)	(1 300 785)	(1 053 841)	(846 008)	(770 184)	117 010	(16 389 107)
Currency conversion gains and losses	–	–	–	–	–	(53 086)	(53 086)
Gross profit	5 545 326	600 186	461 844	437 976	740 172	3 068	7 788 572
Operating costs	(2 540 205)	(231 885)	(314 657)	(373 681)	(549 427)	(1 384 024)	(5 393 879)
Operating profit before allocations	3 005 121	368 301	147 187	64 295	190 745	(1 380 956)	2 394 693
Equity-accounted earnings and dividend income	–	–	7 596	–	(3 930)	34 349	38 015
EBIT before allocations	3 005 121	368 301	154 783	64 295	186 815	(1 346 607)	2 432 708
Allocations	(166 213)	(18 103)	(6 216)	(5 724)	(13 149)	209 405	–
EBIT after allocations	2 838 908	350 198	148 567	58 571	173 666	(1 137 202)	2 432 708
Other gains and losses	–	–	–	–	–	(6 520)	(6 520)
Equity-accounted earnings and dividend income	–	–	(7 596)	–	3 930	(34 349)	(38 015)
Operating profit from continuing operations	2 838 908	350 198	140 971	58 571	177 596	(1 178 071)	2 388 173
EBIT before allocations attributable to:							
Equity holders of the company	3 006 644	366 808	140 644	64 295	199 607	(1 366 957)	2 411 041
Non-controlling interest	(1 523)	1 493	14 139	–	(12 792)	20 350	21 667
	3 005 121	368 301	154 783	64 295	186 815	(1 346 607)	2 432 708
Non-current assets	6 143 127	93 028	1 572 336	2 190 130	7 392	–	10 006 013

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

The Group also reports on a measure of revenue per category, which is detailed below:

Category	2019 R'000	2018 R'000	Trend
Spirits	**9 263 061**	8 293 207	11,7
Wine	**7 178 868**	7 043 531	1,9
Cider and RTDs	**9 713 959**	8 880 766	9,4
Other	**23 692**	13 261	78,7
Total revenue	**26 179 580**	24 230 765	8,0

Also refer to note 12(c) for the impact of the adoption of IFRS 15. If IFRS 15 was adopted retrospectively, total revenue would have increased by 9,4%.

10. SEGMENTAL AND REVENUE ANALYSIS *continued*

	2019 R'000	2018 R'000
Corporate operating profit		
Corporate operating profit comprises the following major categories:		
Corporate head office	**(324 936)**	(304 005)
Corporate and shared services	**(275 507)**	(258 220)
Group expenses	**(198 363)**	(207 253)
Group provisions, accruals and credit loss provision on financial assets	**(415 491)**	(35 922)
Supply chain	**(989 748)**	(522 470)
Net foreign exchange gains	**25 375**	(53 086)
Allocations to geographical regions	**545 386**	209 405
Other gains and losses	**(544 806)**	(6 520)
Operating profit	**(2 178 090)**	(1 178 071)
Adjusted for:		
impairment of PPE, intangible assets, investments and profit/loss on sale of investments and subsidiaries	**544 806**	(9 505)
expected credit loss on Zimbabwe savings bonds	**266 100**	–
retrenchment, Group restructuring and other one-off costs	**223 345**	53 898
Normalised operating profit	**(1 143 839)**	(1 133 678)

Notes:

The corporate categories listed above includes the following functions:

1. *Corporate head office: Group HR, global marketing, corporate governance, innovation, corporate affairs and development.*
2. *Corporate and shared services: Group ICT, shared service centre, internal audit, HR training and business improvement.*
3. *Group expenses: Employee share scheme and long-service bonus costs, post-retirement medical costs, legal fees, audit fees, directors' fees, administration offices' service and site costs.*
4. *Group provisions, accruals and credit loss provision: Restructuring and retrenchment costs and the credit loss provision for Zimbabwe bonds.*
5. *Supply chain: Centralised procurement and supply chain management. It also includes production variances from standard, inventory losses and provisions. Certain production variances from standard are allocated from "Corporate" to the regions and is included in "Allocations".*

11. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The summary consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 30 June 2019. There have been no material changes in the Group's credit, liquidity and market risk or key inputs in measuring fair value since 30 June 2018.

Fair value estimation

Items carried at fair value are classified according to the fair value hierarchy, 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).

Financial assets at fair value through other comprehensive income (FVOCI) (2018: available-for-sale financial assets) are classified as level 1, 2 or 3 and derivative financial assets and liabilities are classified as level 2.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Fair value measurements at 30 June 2019:				
Financial asset at FVOCI	**3 504**	**14 117**	**40 179**	**57 800**
Derivative financial assets	**–**	**2 780**	**–**	**2 780**
Derivative financial liabilities	**–**	**(31 084)**	**–**	**(31 084)**
	3 504	**(14 187)**	**40 179**	**29 496**

There have been no transfers between level 1, 2 or 3 during the period, nor were there any significant changes to the valuation techniques and inputs used to determine fair values.

Valuation techniques used to derive level 2 and 3 fair values

Financial assets at FVOCI (2018: available-for-sale financial assets)

These are valued using discounted cash flow techniques or the Group's share in the net assets.

Derivative financial assets and liabilities include the following:

Forward foreign exchange contracts

These are valued using foreign exchange bid or offer rates at year-end.

Interest rate swaps

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

The movement in level 3 assets for the period ended 30 June 2019 is as follows:

	2019 R'000	2018 R'000
Opening balance	**40 532**	14 113
Fair value adjustments	**(353)**	5 109
Acquisitions	**–**	21 350
Disposals	**–**	(40)
Balance at the end of the year	**40 179**	40 532

The fair values of all other financial assets and liabilities approximate their carrying amounts.

12. CHANGES IN ACCOUNTING POLICIES

The Group adopted the new accounting standards IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* with effect from 1 July 2018. The impact of the adoption of these new accounting standards on the Group's financial statements is as follows:

12(a) Impact on the financial statements

IFRS 9 was retrospectively adopted without restating comparative information in accordance with the transitional provisions in IFRS 9. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 30 June 2018, but are recognised in the opening statement of financial position on 1 July 2018.

In accordance with the transitional provisions in IFRS 15, the Group has applied the modified retrospective application option and certain adjustments are therefore not reflected in the statement of financial position as at 30 June 2018, but are recognised in the opening statement of financial position on 1 July 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Statement of financial position (extract)	30 June 2018 As originally presented R'000	IFRS 9 R'000	IFRS 15 R'000	1 July 2018 R'000
Non-current assets				
Financial assets at amortised cost	**–**	20 391	–	**20 391**
Loans and receivables	**20 391**	(20 391)	–	**–**
Financial assets at FVOCI	**–**	60 485	–	**60 485**
Available-for-sale financial assets	**60 485**	(60 485)	–	**–**
Current assets				
Trade and other receivables	**3 413 036**	(15 875)	12 260	**3 409 421**
Capital and reserves				
Retained earnings	**9 287 547**	(11 430)	(4 966)	**9 271 151**
Non-current liabilities				
Deferred income tax liabilities	**1 132 135**	(4 445)	(1 931)	**1 125 759**
Current liabilities				
Trade and other payables	**4 257 093**	–	19 157	**4 276 250**

12(b) IFRS 9 *Financial Instruments* – Impact of adoption

IFRS 9 replaces IAS 39 and the provisions that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The total financial impact on the Group's retained earnings and other line items as at 1 July 2018 is disclosed in note 12(a) above.

(i) Classification and measurement

(a) Reclassification from loans and receivables to financial assets at amortised cost

Loans and receivables were reclassified to financial assets at amortised cost (R20,4 million as at 1 July 2018). The Group's business model is to hold these investments for collection of cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value as at 1 July 2018 was equivalent to the amortised cost for these assets and there was no impact on retained earnings.

12. CHANGES IN ACCOUNTING POLICIES *continued*

12(b) IFRS 9 *Financial Instruments* – Impact of adoption *continued*

(i) Classification and measurement *continued*

(b) Equity investments previously classified as available-for-sale

The Group elected to present changes in the fair value of all its equity investments previously classified as available-for-sale in other comprehensive income (OCI) as these investments have been held as long-term investments and are not expected to be sold in the short to medium term. As a result, assets with a fair value of R60,5 million were reclassified from available-for-sale financial assets to financial assets at FVOCI on 1 July 2018. Any subsequent remeasurements or profit and loss on disposal of these instruments will be reflected in OCI and no portion will be transferred to the income statement.

(c) Borrowings

No retrospective adjustments were required in relation to the adoption of IFRS 9 as none of the borrowings outstanding on 1 July 2018 had been refinanced in prior periods, or for which gains or losses have not been recognised.

(ii) Derivatives and hedging activities

The Group enters into forward foreign exchange contracts to cover export proceeds not yet receivable or import commitments not yet payable, as well as held-for-trading commodity hedges on gas, oil and aluminium used in the business and interest rate swaps. The Group adopted IFRS 9 for the recognition and measurement of derivatives and hedging activities. The adoption of IFRS 9 had no impact on the recognition or measurement of these items.

(iii) Impairment of financial assets

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables; and
- Debt investments carried at amortised cost.

The Group revised its impairment methodology under IFRS 9 for these financial assets as required under IFRS 9. The impact of the change in impairment methodology on the Group's financial statements is disclosed below.

The calculated impairment loss on cash and cash equivalents, which are also subject to the impairment requirements of IFRS 9, was immaterial.

(a) Trade receivables

The Group applies the simplified approach under IFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables were grouped in categories which recognise similar credit risk characteristics, the days past due and by taking forward looking information into account.

The loss allowance as at 1 July 2018 was determined as follows:

	Current	Up to 60 days past due	Up to 90 days past due	More than 90 days past due	Total
Gross carrying amount (R'000)	2 846 596	129 432	27 145	135 235	3 138 408
Expected loss rate	0,4%	8,7%	13,7%	42,0%	2,7%
Loss allowance (R'000)	11 961	11 312	3 721	56 806	83 800

The loss allowances for trade receivables as at 30 June 2018 reconcile to the opening loss allowances on 1 July 2018 as follows:

	R'000
At 30 June 2018 (IAS 39)	67 925
Amounts restated through opening retained earnings	15 875
Opening loss allowance as at 1 July 2018 (IFRS 9)	83 800

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the debtor absconding or not traceable, the business closed down, the failure of a debtor to agree to a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

12. CHANGES IN ACCOUNTING POLICIES *continued*

12(b) IFRS 9 *Financial Instruments* – Impact of adoption *continued*

(iii) Impairment of financial assets *continued*

(b) Debt investments carried at amortised cost

The amortised cost debt investments at 30 June 2018 are considered to have minimal credit risk and the loss allowance calculated for those was therefore limited to 12 months expected losses and was immaterial. The debt instruments are considered to have minimal credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the annual financial statements.

12(c) IFRS 15 *Revenue from Contracts with Customers* – Impact of adoption

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 July 2018 which resulted in changes in accounting policies.

The impact of the adoption of the new accounting policies is set out below.

(i) Accounting for refunds

When the customer has a right to return the product within a given period, the Group is obliged to refund the purchase price. Previously the Group recognised revenue when the goods had been formally accepted by the customer or the goods had been delivered and the time period for rejection had expired as there was uncertainty about the possibility of return. When goods were subsequently returned, revenue was reversed and the customer credited with the value of the goods originally delivered.

Under IFRS 15, a refund liability for the estimated expected refunds of R19,2 million outstanding to customers was recognised as an adjustment to trade and other payables on 1 July 2018. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and therefore recognised a current asset, included in trade and other receivables (due to it being immaterial), of R12,3 million at 1 July 2018. The asset is measured by reference to the former carrying value of the product. The costs to recover the products are not material as the products are usually returned during the normal distribution process.

(ii) Accounting for payments to customers for non-distinct goods and services

The Group makes payments in the form of various rebates and allowances to customers linked to distribution or sales and marketing-related functions carried out by these customers. These costs have previously been presented as part of 'Distribution costs' or 'Sales and marketing costs' in the income statement.

Under IFRS 15, when consideration is paid or becomes payable to a customer, the consideration payable should be accounted for as a reduction of the transaction price and therefore of revenue, unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity, in which case the entity shall account for the purchase of the good or service in the same way that it accounts for other purchases from suppliers.

The Group has analysed its payments made to customers and concluded these payments to be in lieu of non-distinct services directly related to a revenue contract and, as a result, due to these services not considered to be distinct, these costs are accounted for against revenue when the Group pays or promises to pay the consideration to the customer in accordance with the newly introduced principles of IFRS 15.

The Group has applied the modified retrospective application option and the costs related to these items are classified as part of 'Revenue' from 1 July 2018. The 30 June 2018 comparative figures have therefore not been restated. An extract of the income statement has been prepared, as disclosed below, to indicate the impact if these changes had been applied retrospectively. Amounts of R192,7 million and R106,4 million would have been reclassified from 'Sales and marketing costs' and 'Distribution costs' respectively to 'Revenue'. These changes had no impact on the statement of financial position.

12. CHANGES IN ACCOUNTING POLICIES *continued*

12(c) IFRS 15 *Revenue from Contracts with Customers* – Impact of adoption *continued*

(ii) Accounting for payments to customers for non-distinct goods and services *continued*

Income statement (extract)	30 June 2018 As originally presented R'000	IFRS 15 R'000	30 June 2018 adjusted for IFRS 15 R'000
Revenue	24 230 765	(299 080)	23 931 685
Operating costs	(21 836 072)	299 080	(21 536 992)
Costs of goods sold	(16 442 193)	–	(16 442 193)
Sales and marketing costs	(3 114 655)	192 711	(2 921 944)
Distribution costs	(1 246 542)	106 369	(1 140 173)
Administration and other costs	(1 032 682)	–	(1 032 682)
Other gains and losses	(6 520)	–	(6 520)
Operating profit	2 388 173	–	2 388 173
Profit before taxation	2 130 621	–	2 130 621
Taxation	(632 101)	–	(632 101)
Profit for the period from continuing operations	1 498 520	–	1 498 520

Income statement (extract)	**30 June 2019 Not adjusted for IFRS 15 R'000**	IFRS 15 R'000	**30 June 2019 As presented R'000**
Revenue	**26 538 330**	(358 750)	**26 179 580**
Operating costs	**(24 234 042)**	358 750	**(23 875 292)**
Costs of goods sold	**(18 082 490)**	–	**(18 082 490)**
Sales and marketing costs	**(3 203 528)**	242 859	**(2 960 669)**
Distribution costs	**(1 355 762)**	115 891	**(1 239 871)**
Administration and other costs	**(1 289 811)**	–	**(1 289 811)**
Net impairment losses on financial assets	**(302 451)**	–	**(302 451)**
Other gains and losses	**(544 806)**	–	**(544 806)**
Operating profit	**1 759 482**	–	**1 759 482**
Profit before taxation	**1 554 294**	–	**1 554 294**
Taxation	**(644 448)**	–	**(644 448)**
Profit for the period from continuing operations	**909 846**	–	**909 846**

13. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

IFRS 16 *Leases* (effective 1 January 2019)

The Group will apply the standard from its mandatory implementation date of 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption.

As at the reporting date, the Group has non-cancellable operating lease commitments of R268,4 million.

The Group expects to recognise right-of-use assets of approximately R240,0 million on 1 July 2019, lease liabilities of approximately R240,0 million and deferred tax assets of R30,0 million.

The Group expects that net profit after tax will increase by approximately R20,0 million for 2020 as a result of adopting the new rules. EBITDA used to measure the Group's performance is expected to increase by approximately R80,0 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

14. RELATED PARTY TRANSACTIONS

The Group's most significant related party transaction for the period was with FirstRand Bank Limited for interest paid on interest-bearing borrowings which amounted to R156,7 million (2018: R154,5 million). The Group also paid dividends on ordinary shares of R282,2 million to subsidiaries of Remgro Limited.

15. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

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

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF DISTELL GROUP HOLDINGS LIMITED

Report on the Assurance Engagement on the compilation of pro forma financial information included in the Integrated Report for the year ended 30 June 2019

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Distell Group Holdings Limited (the "Company") by the directors. The pro forma financial information, as set out on pages 106 to 107 of the Integrated Report for the year ended 30 June 2019, consist of the impact of abnormal and non-recurring transactions and the effect of foreign currencies on information disclosed in the financial statements as at 30 June 2019, and related notes. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the JSE Limited (JSE) Listings Requirements and described in the Integrated Report.

The pro forma financial information has been compiled by the directors to illustrate the impact of abnormal and non-recurring transactions and the effect of foreign currencies on headline earnings and earnings before interest, taxation, depreciation and amortisation ("EBITDA"). As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the year ended 30 June 2019, on which an audit report has been published.

Directors' responsibility

The directors of the Company are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Integrated Report.

Our independence and quality control

We have complied with the independence and other ethical requirements of Sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)* and parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Integrated Report based on our procedure performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

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

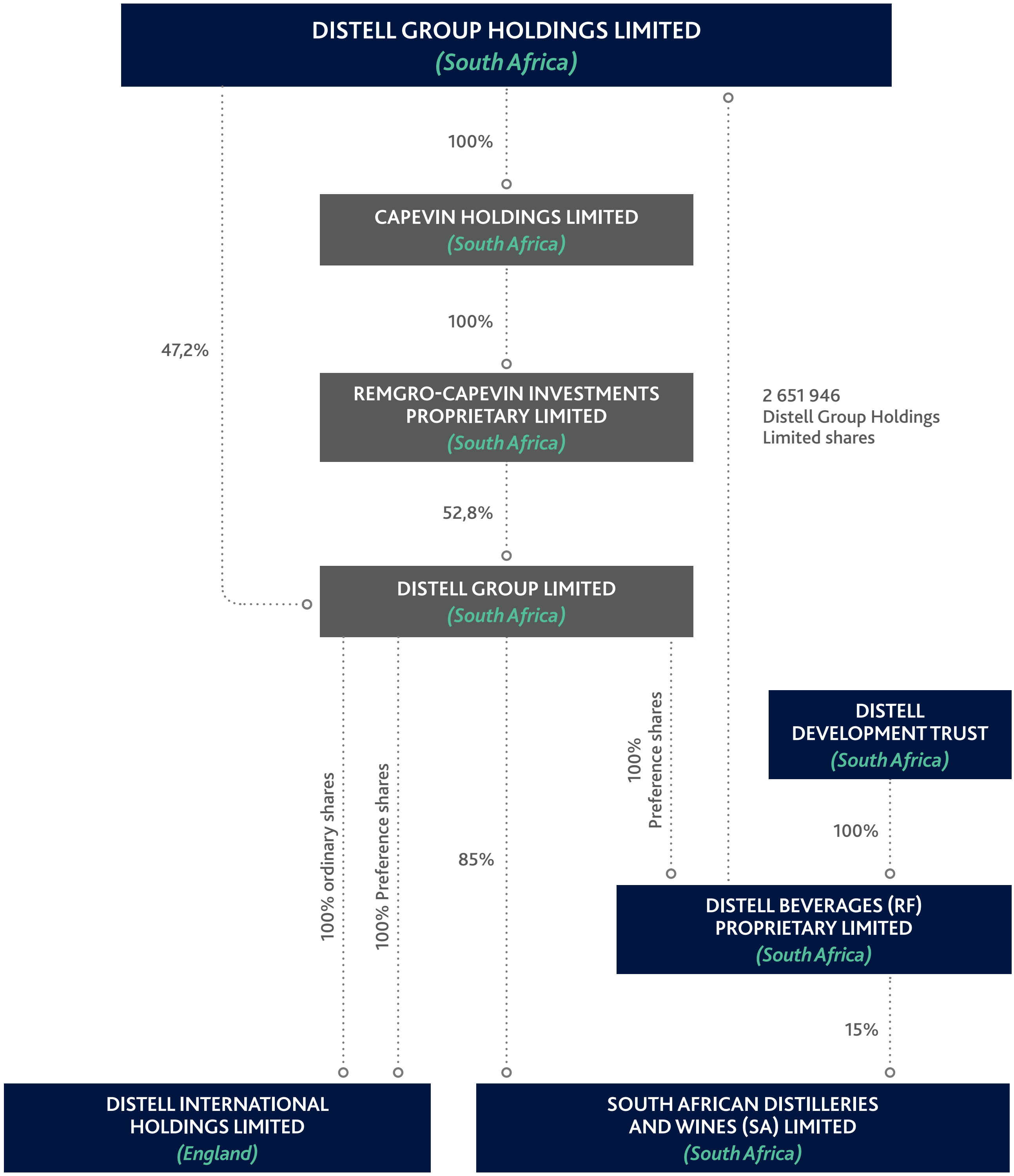
Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in the Integrated Report.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: RM Labuschaigne
Registered Auditor
Stellenbosch
27 August 2019

GROUP STRUCTURE



The country of incorporation and effective management (unless otherwise indicated) is indicated in green italics

ANALYSIS OF SHAREHOLDERS

SHAREHOLDER SPREAD	Number of shareholders	%	Number of Shares	%
1 – 1 000 shares	9 339	72,85	2 705 620	1,22
1 001 – 10 000 shares	2 811	21,93	8 863 270	3,99
10 001 – 100 000 shares	556	4,34	15 266 168	6,86
100 001 – 1 000 000 shares	96	0,75	25 315 683	11,38
1 000 000 and over	17	0,13	170 231 615	76,55
Total	**12 819**	**100**	**222 382 356**	**100**

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of Shares	%
Banks	21	0,16	299 764	0,13
Brokers	27	0,21	1 052 573	0,47
Close Corporations	39	0,30	85 379	0,04
Endowment Funds	19	0,15	240 616	0,11
Holding Company	2	0,02	69 850 256	31,41
Individuals	10 467	81,65	13 400 039	6,03
Insurance Companies	30	0,23	2 502 529	1,13
Investment Companies	3	0,02	379 125	0,17
Medical Aid Schemes	10	0,08	290 759	0,13
Mutual Funds	263	2,05	36 774 253	16,54
Nominees and Trusts	1 395	10,88	11 574 121	5,20
Other Corporations	9	0,07	1 086 283	0,49
Own Holdings	4	0,03	2 848 819	1,28
Pension Funds	210	1,64	79 000 290	35,52
Private Companies	320	2,50	2 997 550	1,35
Total	**12 819**	**100**	**222 382 356**	**100**

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of Shares	%
Non - Public Shareholders	14	0,11	142 688 615	64,16
Major beneficial shareholders	2	0,02	139 785 803	62,86
Directors, subsidiaries and associates of the company holdings	8	0,06	53 993	0,02
Distell Beverages (RF) (Pty) Ltd	1	0,01	2 651 946	1,19
Distell Limited	2	0,02	169 916	0,08
Distell Retirement Fund	1	0,01	26 957	0,01
Public Shareholders	12 805	99,89	79 693 741	35,84
Total	**12 819**	**100**	**222 382 356**	**100**

BENEFICIAL SHAREHOLDERS HOLDING OF 5% OR MORE	Number of Shares	%
Government Employees Pension Fund	69 935 547	31,45
Remgro-Capevin Investments Proprietary Limited	69 850 256	31,41

OUR APPROACH TO REPORTING

SCOPE OF THE REPORT

The report covers the integrated performance of the Distell Group for the year ended 30 June 2019.

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.

There has been no change from last year in the scope and boundary of the report, with the exception of the format that changed from annual financial statements to summary consolidated statements. A number of minor restatements of past statistical data have been made. These are clearly marked and explained in this report.

Additional information relating to presentations, events and results can be found in the investor centre section of our website.

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);
  - 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 IV Report on Corporate Governance™ for South Africa 2016 (King IV™).

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.

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.

DEFINITIONS AND RATIOS

AT 30 JUNE

1) **Acid test ratio**
Current assets, excluding inventories, divided by total current liabilities.

2) **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.

3) **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.

4) **Current ratio**
Current assets divided by total current liabilities.

5) **Dividend cover**
Headline earnings per ordinary share divided by dividends per ordinary share.

6) **Dividend yield**
Dividends per ordinary share divided by the weighted average price per share during the year.

7) **EBITDA**
Earnings before Interest, Tax, Depreciation, Amortisation and including Distell's share of equity accounted earnings

8) **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 25.1, 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 25.1, 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.

Normalised headline basis
Headline earnings attributable to equity holders, after taking into account foreign exchange movements, divided by the weighted average number of ordinary shares in issue.

9) **Earnings yield**
Headline earnings per ordinary share divided by the closing share price at year-end on the JSE Limited (JSE).

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

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

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

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

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

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

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

17) **Return on equity**
Headline earnings divided by closing equity.

18) **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.

ACCREDITATION AND CERTIFICATION

AS AT 30 JUNE

ISO 9001:2015 Quality Management Systems certified

All Distell's distilleries, wineries, secondary production sites and distribution centres in the Republic of South Africa are ISO 9001:2015 certified. Distell's Namibian facilities in Windhoek, Walvis Bay, Oshakati and Keetmanshoop are also ISO 9001:2015 certified. Our ISO 9001:2015 certification also includes corporate functions, namely: quality management, innovation, procurement, logistics, technical services, export logistics, distribution and Group human resource management.

International Food Standards (IFS) certified

Our Adam Tas and Nederburg facilities are all IFS higher-level certified.

British Retail Consortium (BRC) food safety certified

Our Adam Tas, J.C. Le Roux, Nederburg, Durbanville Hills, Plaisir de Merle wineries, and Paarl 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.

Certified organic wine producer

Nederburg cellar and selected vineyards at Papkuilsfontein have been certified to produce organic wines.

SANS 10330:2007 – HACCP certified

Our secondary sites producing for the South African market (Port Elizabeth and Springs) are HACCP (Hazard Analysis and Critical Control Points) certified.

As a continuous improvement initiative we will be upgrading the HACCP system to an internationally recognized GFSI (Global Food Safety Initiative) Food Safety Management system namely FSSC 22000 (Food Safety System Certification).

Our aim is to have the Springs and Port Elizabeth production sites certified against this standard in 2020.

FSSC 22000 certified (Food Safety System Certification)

Our secondary site Wadeville, producing for the South African and International market is FSSC 22000 certified

ISO 17025:2005 Requirements for the competence of testing and calibration laboratories accredited

Our central laboratory at Adam Tas cellar is fully accredited.

ISO 14001:2015 Environmental Management System certified

Distell successfully transitioned our environmental management system to the new ISO14001:2015 standard. Our Durbanville Hills, Nederburg, Plaisir de Merle, Monis, Adam Tas, Worcester, Wellington and Goudini plants are now all ISO 14001:2015 certified.

The ISO 14001:2015 system has been implemented at J.C. Le Roux, Port Elizabeth, Wadeville, Van Ryn's, Springs and Ecowash facilities.

Integrated Production of Wine (IPW) certified

All Distell farms, winemaking cellars, and wine bottling facilities at J.C. Le Roux, Port Elizabeth are IPW certified.

Fairtrade certified

Distell Limited and Distell International, as a trader with Adam Tas and Nederburg facilities as sub-contractors are Fairtrade certified.

WWF SA Biodiversity and Wine Initiative (BWI) certified

Plaisir de Merle has achieved BWI championship status during the reporting year.

amfori BSCI – Business Social Compliance Initiative

amfori BSCI enables companies to trade with purpose by improving social performance in their supply chain. It is not a certification scheme but its strong code of conduct consisting of 11 principles helps companies to improve working conditions in their supply chain.

The following facilities have successfully been audited against the amfori BSCI code of conduct:

- Adam Tas, Nederburg, J.C. Le Roux, Plaisir de Merle and Greenpark
- The following grape farms have successfully been audited against the amfori BSCI code of conduct:
  - Papkuilsfontein, Plaisir de Merle, Nederburg

DATES OF IMPORTANCE TO SHAREHOLDERS

Annual general meeting	October 2019
Financial report	
Interim report	February 2020
Preliminary announcement of annual results	August 2020
Annual financial statements	September 2020
Ordinary dividends	
Interim dividends	
– declaration	February 2020
– payable	March 2020
Final dividends	
– declaration	August 2020
– payable	September 2020

ADMINISTRATION

Distell Group Holdings Limited
Incorporated in the Republic of South Africa
(Registration number: 2016/394974/06)
JSE share code: DGH
ISIN: ZAE000248811

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)

Website
www.distell.co.za

GREYMATTER & FINCH # 13274

WWW.DISTELL.CO.ZA