REVIEWED GROUP RESULTS

for the year ended 30 June 2020

DISTELL
CRAFTING BRANDS SINCE 1925

SALIENT FEATURES

GROUP REVENUE

-14,6%

on 22,5% lower volumes

- Domestic revenue down 18,2% alongside non-alcoholic growth and innovations during restrictions
- Robust Africa revenue performance outside SACU up by 6,6%
- Strong international premium spirits performance

EBITDA

Reported

-23,0%

EBITDA

Normalised and adjusted for forex[1, 2]

-49,0%

HEADLINE EARNINGS

Reported

-63,9%

HEADLINE EARNINGS

Normalised and adjusted for forex[2]

-74,0%

EXCISE DUTY CONTRIBUTION

down by 11,3% to

R6,3 billion

DIVIDEND PAYMENTS TEMPORARILY SUSPENDED

[1] *Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) refers to EBITDA adjusted for the: (a) profit or loss on disposal and impairment of property, plant and equipment (PPE), intangible assets and subsidiaries; (b) Group restructuring, retrenchment and other one-off costs; (c) expected credit loss on Zimbabwe financial assets; (d) the implementation of IFRS 16 Leases, which resulted in lease operating expenses being replaced by depreciation and interest; and (e) impairment of the investments in Best Global Brands Limited (BGB) and TD Spirits LLC.*

[2] *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 condensed financial statements.*

("Distell" or "the Group" or "the company")

CONTENTS

CHANGE · EVOLUTION · IMPACT

COMMENTARY

RESPONDING TO COVID-19

The restrictions imposed on the sale of alcohol as a part of government's strategy to curb the spread of the COVID-19 virus reduced the trading year by nearly 20%. As a result, the Group lost approximately 100 million litres in sales volumes and R4,3 billion in revenue as a consequence of the lockdown restrictions that were imposed in various countries and in particular in its largest market, South Africa, to curb the spread of the COVID-19 virus.

Liquidity, cash flow protection and the resilience of Distell's strong balance sheet were key factors in mitigating the adverse impact on the Group in the reported period. Management has taken proactive steps to focus its portfolio choices and associated key investments, while also putting stringent cost and capex controls in place to protect the sustainability of the business. At the same time the safety and well-being of employees will continue to be prioritised along with key investments in innovation and digital capabilities so that the Group is well positioned for a recovery.

The Group negotiated with its key funders to increase debt facilities to R7,75 billion to provide sufficient short-term liquidity. The South African Revenue Service provided payment relief by extending excise duty payment terms by 90 days. The Group has also made good progress with the sale of the two premium wine farms, Alto and Plaisir de Merle, which are classified as held for sale on the statement of financial position.

The Group managed to fulfil only 54% of open orders for export purposes since regulations were amended given local port constraints and customer cancellations caused by the delay at the Cape Town City harbour.

Since trading resumed from 1 June 2020, increased debtor payments had a positive effect on the Group's cash flow, which meant being able to pay key suppliers. We will continue to support vulnerable customers and suppliers with customised credit or payments dependent on their size and their liquidity constraints.

To further lighten the strain on liquidity, the Group deferred over R300 million of capital expenditure while limiting all discretionary spend. Furthermore, a painful but necessary salary reduction of between 10,0% and 12,5% will be implemented from 1 September 2020 for all South African-based employees.

The pandemic has highlighted the resilience of the people and culture of Distell and we have demonstrated our commitment to doing the right thing in balancing profits, and the well-being of our consumers, customers and suppliers, while always being mindful of the broader role we play in society.

As a demonstration of this commitment, Distell's South African and international operations donated a total of 180 000 litres of sanitiser, along with its Kenyan operations donating 105 000 litres of ethanol for the use of sanitisers to local government, NGO's, taverns and customers in order to support the need for good hygiene practices and responsible trading in vulnerable communities.

OPERATING PERFORMANCE

Group revenue declined by 14,6% to R22,4 billion on 22,5% lower volumes. Revenue excluding excise duty was down by 15,8%.

Tough operating conditions resulted in domestic revenues decreasing by 18,2% while volumes declined by 25,0%. Key gin and vodka brands performed well in a competitive environment in the period with spirits enjoying some growth after the first South African ban on liquor sales was lifted. The broader wine category was also impacted by restrictions although the category saw a resurgence in consumer purchases following the lifting of restrictions. Increased competition and discounting in a growing ready-to-drink (RTD) category continued. However, Savanna continued its strong momentum against competitors, validating our focus on building brand equity over aggressive price discounting. New innovations in Esprit and Savanna Non-Alcoholic recorded strong performances in the period. The Group also generated a total of R24,5 million in revenue from the sales of ethanol and sanitiser in the reported period.

In African markets, outside South Africa, revenue declined by 3,0% on lower sales volumes, which were down by 14,7%, mainly as a result of a 19,1% decline in volumes in BLNE countries (Botswana, Lesotho, Namibia and Eswatini). Focus markets on the continent, outside the Southern African Customs Union (SACU), grew revenue by 6,6%, underscoring our strategic aim to expand operations in this region. Our Nigerian, Angolan, Kenyan and Mozambican expansion investments yielded comparable revenue growth of 21,2% on higher sales volumes of 1,7%. The spirits category grew double digits in revenues, led by double digit revenue and volume growth from Kibao and Hunter's Choice. Commendable mainstream wine growth was led by 4th Street, Caprice and Drostdy-Hof brands across the continent. Trading conditions in Angola and Zimbabwe remained challenging with currency devaluations and liquidity restrictions amid tough economic conditions impacting on operating performance. As a result, the Group impaired an additional amount of R143,8 million of its 26% investment in BGB and also recognised a credit loss provision of R108,1 million to write down the full investment in the US dollar (USD) denominated savings bonds with the Zimbabwe Reserve Bank. We remain confident in the BGB Angola business given that volumes and market share continue to improve. The BGB group has also reduced its Angolan foreign currency exposure by 86%, down to USD4 million. Despite the challenging environment in Angola, we believe that much-needed structural reforms will ultimately reap rewards in this important market. The Africa region contributed 61,0% to foreign revenue with its contribution to Group revenue rising to 17,7% in the period.

Volumes in international markets outside Africa declined by 13,1% and revenue by 8,8%. Our focus and strategy behind single malt whisky continues to bear fruit and these brands performed well in challenging trading conditions, led by Bunnahabhain, our flagship single malt whisky, and Deanston. Amarula revenue declined as a direct result of the halt on South African exports and much lower sales in travel retail markets impacted by COVID-19 restrictions. Amarula remains a key brand in our spirits portfolio with an active innovation pipeline. We have now focused our existing wine export position to pursue profitable business opportunities as they arise while also continuing to build our important larger wine brands in selected markets.

Operating costs declined by 11,3%. The overall provision for expected credit losses on trade and other receivables increased from R104,6 million to R173,7 million as it is expected that customers across the various distribution channels will be financially constrained as a result of restrictions on trade. The Group increased its provision for obsolete and slow-moving inventory by R123,8 million as certain products have a limited shelf life. The lower throughput of volumes also resulted in additional write offs as production overheads could not be fully recovered.

Other gains and losses include the impairment of R143,8 million of our investment in BGB referred to above, as well as R58,7 million of our investment in the TD Spirits LLC joint venture in the US which will be dissolved.

Foreign currency translation gains amounted to R266,3 million (2019: R25,4 million). Net finance costs increased from R270,9 million to R380,9 million. Included in net finance costs for the current period is interest of R55,5 million accounted for in terms of IFRS 16 *Leases*, which was implemented with effect from 1 July 2019 (see note 12 to the condensed financial statements).

Distell's share of equity-accounted earnings increased from R61,5 million to R97,0 million, reflecting the improving profitability of Tanzania Distilleries Limited and BGB.

Reported EBITDA declined by 23,0%. Normalised EBITDA, which mainly excludes the impact of IFRS 16, the impairments, retrenchment and Group restructuring costs in the prior year, declined by 40,2%. Normalised EBITDA, excluding foreign currency translation movements, declined by 49,0%.

The effective tax rate was 43,6% (2019: 41,9%). This is largely attributable to the impairments of BGB and TD Spirits which are not tax deductible.

Headline earnings and headline earnings per share decreased by 63,9% to R516,8 million and by 64,0% to 235,3 cents respectively. Excluding the currency conversion movements, IFRS 16 impact, expected credit losses, retrenchment and the Group restructuring costs referred to above, headline earnings decreased by 74,0%.

INVESTMENT AND FUNDING

Total assets increased by 7,1% to R25,3 billion.

Investment in net working capital, including assets held for sale, increased by 6,9% to R7,0 billion. Inventory increased by 3,3% to R8,5 billion. Of this, bulk spirits in maturation, planned in accordance with the Group's longer-term view of consumer demand for its brands in this category, increased by 12,5% to R3,2 billion. This was mainly as a result of the conversion of whisky stock in Scotland to the rand at year-end, and further impacted by the slower last quarter sales as a result of the COVID-19 lockdowns that were implemented in various markets. Investment in bottled stock and packaging material decreased by 16,0% to more normal levels following the stock build in the previous year not to disrupt trading while we were in the process of consolidating South African production facilities. Trade and other receivables declined by 21,6% as a result of the impact of trading restrictions due to COVID-19. Trade and other payables declined by 18,2%.

Capital expenditure for the period amounted to R1,4 billion (2019: R1,4 billion). Of this, R458,1 million was spent on the replacement of assets. A further R900,6 million was directed to the expansion of capacity, mainly in relation to the Group's optimisation of the South African manufacturing facilities and its expansion into priority markets in Africa.

Cash generated from operations decreased to R1,9 billion (2019: R3,1 billion), reflecting the significant impact of the restrictions on trading since the end of March 2020.

Net debt at the end of the reporting period amounted to R5,9 billion (2019: R3,9 billion) and includes an amount of R358,7 million for lease liabilities that relates to the implementation of IFRS 16 on 1 July 2019. The Group is highly cash generative in a normal trading environment and still has a strong balance sheet despite gearing levels increasing, reflected in a debt to debt-plus-equity ratio of 32,9% (2019: 24,6%) and a debt-to-equity ratio of 48,9% (2019: 32,6%) at the end of the reporting period. The debt to EBITDA debt covenant of 2,75:1 for the South African medium-term funding was amended by the financial institutions to 5:1 for the June 2020 measurement period and will be reviewed again in December 2020. The actual debt to EBITDA at 30 June 2020 ended at 3,1:1.

EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

On the evening of Sunday, 12 July 2020 the South African government announced new measures to curb the spread of COVID-19 to be implemented as part of their risk-adjusted strategy. These measures included a reintroduction of the ban on the sale of alcoholic beverages with immediate effect. This ban was subsequently lifted from midnight on Monday, 17 August 2020. The Group was still allowed to manufacture products in South Africa for export purposes which was carried out. Other major territories in which the Group operates have not been impacted to this extent and were able to trade in line with general economic constraints or applicable COVID-19 regulations in the various territories.

The Group has evaluated the adverse consequences of the alcohol ban on its liquidity forecast.

PROSPECTS AND GOING CONCERN ASSESSMENT

Global gross domestic product (GDP) growth remains a concern over the next 12 months as the impact of COVID-19 evolves and plays out.

The South African economy's GDP per capita continues to decline with reduced disposable income and an increasing rate of unemployment. Consumer confidence is at its lowest level since the fourth quarter of 2017 and higher sovereign debt levels are highly likely to negatively impact the overall growth of the economy going forward as Government attempts to contain the impact. Inflation growth forecasts, however, remain subdued. Distell is concerned that the prohibition of alcohol sales in South Africa did not take into account how other countries around the world applied their COVID-19 measures to balance the need to protect the health of their nations and minimise mortality, while also protecting livelihoods, jobs and the economic contribution that the industry makes to GDP and tax revenue. For every rand generated by Distell in revenue, 59 cents goes to government in the form of taxes. It is therefore important that Distell and the industry engage with government to form a more constructive relationship so that all societal interests can be safeguarded through the responsible consumption of alcohol in the country. We will work with the South African government in order to ensure the effective enforcement of the current regulations, while at the same time working collectively to chart the new landscape for alcohol in South Africa.

As the pandemic has shown, recession-proofing the Group and re-evaluating portfolio choices is essential. We believe the strategy to focus on larger, more asset-light brands will enhance our return on invested capital and reduce complexity in the Group. This will increase our ability to leverage our strengths and deliver sustainable growth.

The Group has a strong balance sheet, underpinned by the recent consolidation of and upgrades to its production network. Its powerful and well-known portfolio of brands service a wide range of consumer needs spanning many price points, channels and geographies.

The Group has access to committed banking facilities of R7,5 billion for its South African operations, of which R4,8 billion (net after cash and cash equivalents and money market funds) was utilised on 30 June 2020. The board has also reviewed the cash flow forecasts of its major foreign subsidiaries and is satisfied that these entities will generate sufficient cash and have access to available facilities to be able to operate independently from additional Group support. The Group has further taken various measures to mitigate against existing and emerging risks to the business. Management regards the Group as having sufficient financial and operational capacity to continue operations, albeit in a severely constrained trading environment in South Africa.

We have an evolving but focused plan to be responsive to the new consumer and customer environment. We believe that within the foreseeable future, by pursuing our strategy with conviction and investment, Distell will emerge as a stronger and more agile business as the recovery takes shape. The board remains confident in the long-term strength and resilience of the business in spite of the short to medium-term headwinds and challenges.

DIVIDENDS

As part of the measures introduced to improve the liquidity of the Group following the impact of COVID-19, the board has taken the decision to temporarily suspend the payment of dividends.

AUDITOR'S REPORT

The condensed consolidated financial statements for the year ended 30 June 2020 have been reviewed by PricewaterhouseCoopers Inc., which expressed an unmodified review conclusion thereon.

A copy of the auditor's review report is available for inspection at the company's registered office, together with the financial statements identified in the auditor's report.

Signed on behalf of the board

JJ Durand
Chairman

RM Rushton
Group chief executive officer

Stellenbosch
26 August 2020

Directors: JJ Durand (chairman), GP Dingaan, DP du Plessis, T Kruythoff, PR Louw (alternate), MJ Madungandaba, EG Matenge-Sebesho, CA Otto, AC Parker, RM Rushton (Group chief executive officer), CE Sevillano-Barredo, LC Verwey (Group chief financial officer)
Company secretary: L Malan
Registered office: Aan-de-Wagenweg, Stellenbosch 7600
Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Sponsor: RAND MERCHANT BANK (a division of FirstRand Bank Limited), 1 Merchant Place, c/o Rivonia Road and Fredman Drive, Sandton 2196
Registration number: 2016/394974/06
JSE share code: DGH
ISIN number: ZAE000248811

ACCESS TO INFORMATION

The full financial results:

- can be viewed on SENS;
- can be viewed online at www.distell.co.za (Investor Centre): https://www.distell.co.za/investor-centre/financial-results/DGHFY20.pdf
- can be viewed online at JSE: https://senspdf.jse.co.za/documents/2020/JSE/ISSE/DGHE/DGHFY20.pdf
- are available for inspection at the company's registered office and the office of the sponsor at no charge, during normal business hours from 27 August 2020; or
- may be requested in printed format from the company secretary, tel: +27 21 809 7000.

INDEPENDENT AUDITOR'S REVIEW REPORT

ON THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF DISTELL GROUP HOLDINGS LIMITED

We have reviewed the condensed consolidated annual financial statements of Distell Group Holdings Limited, set out on pages 6 to 23 of the preliminary report, which comprise the condensed consolidated statement of financial position as at 30 June 2020, and the related condensed consolidated income statement and the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

Directors' Responsibility for the Condensed Consolidated Annual Financial Statements

The directors are responsible for the preparation and presentation of these condensed consolidated annual financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated annual financial statements of Distell Group Holdings Limited for the year ended 30 June 2020 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: RM Labuschaigne

Registered Auditor
Stellenbosch
26 August 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	REVIEWED 30 June 2020 R'000	30 June 2019 R'000 *Restated*	1 July 2018 R'000 *Restated*
ASSETS			
Non-current assets			
Property, plant and equipment	**8 198 184**	7 196 088	6 443 880
Financial assets at amortised cost	**84 466**	92 326	–
Loans and receivables	**–**	–	20 391
Financial assets at fair value through other comprehensive income (FVOCI)	**49 575**	57 800	–
Available-for-sale financial assets	**–**	–	60 485
Investments in associates	**373 928**	432 710	862 364
Investments in joint ventures	**57 056**	105 384	141 165
Intangible assets	**2 267 557**	1 951 987	2 008 475
Retirement benefit assets	**643 936**	526 812	522 885
Deferred income tax assets	**62 747**	108 218	100 154
Total non-current assets	**11 737 449**	10 471 325	10 159 799
Current assets			
Inventories	**8 436 466**	8 224 001	7 504 148
Trade and other receivables	**2 919 657**	3 722 548	3 413 036
Investment in money market funds	**565 000**	–	–
Current income tax assets	**177 432**	36 510	35 756
Cash and cash equivalents	**1 169 057**	1 153 104	1 084 215
	13 267 612	13 136 163	12 037 155
Assets of disposal group classified as held for sale	**266 776**	–	–
Total current assets	**13 534 388**	13 136 163	12 037 155
Total assets	**25 271 837**	23 607 488	22 196 954
EQUITY AND LIABILITIES			
Capital and reserves			
Capital and reserves	**11 582 926**	11 572 540	11 625 367
Non-controlling interest	**409 134**	357 464	314 944
Total equity	**11 992 060**	11 930 004	11 940 311
Non-current liabilities			
Interest-bearing borrowings	**5 122 473**	4 523 673	4 432 840
Retirement benefit obligations	**30 414**	27 547	27 800
Deferred income tax liabilities	**1 196 469**	1 149 363	1 158 401
Total non-current liabilities	**6 349 356**	5 700 583	5 619 041
Current liabilities			
Trade and other payables	**4 238 512**	5 199 781	4 317 071
Interest-bearing borrowings	**2 478 602**	522 288	113 788
Provisions	**35 511**	212 536	167 973
Derivative financial instruments	**154 485**	–	–
Current income tax liabilities	**23 311**	42 296	38 770
Total current liabilities	**6 930 421**	5 976 901	4 637 602
Total equity and liabilities	**25 271 837**	23 607 488	22 196 954

Note: Refer to note 12 for changes in accounting policies which resulted in a restatement of 2019 and 2018 results.

CONDENSED CONSOLIDATED INCOME STATEMENT

	REVIEWED Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000 *Restated*	Change %
Revenue	**22 370 224**	26 179 580	(14,6)
Operating costs	**(21 179 917)**	(23 882 808)	(11,3)
Costs of goods sold	**(16 065 724)**	(18 090 006)	
Sales and marketing costs	**(2 779 851)**	(2 960 669)	
Distribution costs	**(1 154 545)**	(1 239 871)	
Administration and other costs	**(955 391)**	(1 289 811)	
Net impairment losses on financial assets	**(224 406)**	(302 451)	
Other gains and losses	**(209 399)**	(570 498)	
Operating profit	**980 908**	1 726 274	(43,2)
Dividend income	**2 538**	4 211	
Finance income	**61 128**	69 792	
Finance costs	**(441 978)**	(340 720)	
Share of equity-accounted earnings	**97 033**	61 529	
Profit before taxation	**699 629**	1 521 086	(54,0)
Taxation	**(305 009)**	(637 457)	
Profit for the year	**394 620**	883 629	(55,3)
Attributable to:			
Equity holders of the company	**312 300**	870 428	(64,1)
Non-controlling interest	**82 320**	13 201	
	394 620	883 629	(55,3)
Per share performance:			
Issued number of ordinary shares ('000)	**222 382**	222 382	
Weighted number of ordinary shares ('000)	**219 642**	219 543	
Earnings per ordinary share (cents)			
– Basic earnings basis	**142,2**	396,5	(64,1)
– Diluted earnings basis	**142,1**	396,2	(64,1)
– Headline basis	**235,3**	652,9	(64,0)
– Diluted headline basis	**235,3**	652,4	(63,9)
Dividends per ordinary share (cents)			
– Interim	**174,0**	174,0	–
– Final	**–**	249,0	–
	174,0	423,0	(58,9)
Reconciliation of headline earnings:			
Net profit attributable to equity holders of the company	**312 300**	870 428	(64,1)
Adjusted for (net of taxation):			
Impairment of equity-accounted investments	**202 592**	524 000	
Impairment of intangible assets	**–**	7 510	
Impairment of PPE	**35 520**	8 467	
Gain on previously held equity interest and on sale of investments and subsidiaries	**(10 548)**	87	
Profit on sale of PPE	**(23 024)**	22 897	
Headline earnings	**516 840**	1 433 389	(63,9)

Note: Refer to note 12 for changes in accounting policies which resulted in a restatement of 2019 results.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	REVIEWED Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000 *Restated*
Profit for the year	**394 620**	883 629
Other comprehensive income (net of taxation)	**613 470**	(79 413)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**623 356**	(43 136)
Fair value adjustments of cash flow hedges	**(75 301)**	(18 251)
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefits	**56 836**	(13 412)
Fair value adjustments		
– Financial assets through other comprehensive income	**9 147**	(3 167)
Share of other comprehensive income of associates	**(568)**	(1 447)
Total comprehensive income for the year	**1 008 090**	804 216
Attributable to:		
Equity holders of the company	**926 114**	791 191
Non-controlling interest	**81 976**	13 025
	1 008 090	804 216

Note: Refer to note 12 for changes in accounting policies which resulted in a restatement of 2019 results.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	REVIEWED Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000 *Restated*
Attributable to equity holders		
Opening balance	**11 572 540**	11 624 297
Change in accounting policy (note 12)	**–**	(15 326)
Restated opening balance at the beginning of the financial year	**11 572 540**	11 608 971
Comprehensive income		
Profit for the year as previously disclosed	**312 300**	896 645
Change in accounting policy (note 12)	**–**	(26 217)
Other comprehensive income (net of taxation)		
Fair value adjustments:		
– Financial assets through other comprehensive income	**9 147**	(3 167)
Cash flow hedge of interest rate swaps	**(75 301)**	(18 251)
Currency translation differences	**623 700**	(42 960)
Remeasurements of post-employment benefits	**56 836**	(13 412)
Share of other comprehensive income of associates	**(568)**	(1 447)
Total other comprehensive income	**613 814**	(79 237)
Total comprehensive income for the year	**926 114**	791 191
Transactions with owners		
Employee share scheme:		
– Shares paid and delivered	**1**	1
– Value of employee services	**15 143**	64 631
Share issue costs	**–**	(2 099)
Dividends paid	**(929 460)**	(887 711)
Transactions with non-controlling interests	**(1 412)**	(2 444)
Total transactions with owners	**(915 728)**	(827 622)
Attributable to equity holders	**11 582 926**	11 572 540
Non-controlling interest		
Opening balance	**357 464**	314 944
Profit for the year	**82 320**	13 201
Dividends paid	**(8 810)**	(3 994)
Sale of interest to non-controlling interest	**(20 158)**	–
Currency translation differences	**(344)**	(176)
Contribution by non-controlling interests	**–**	37 664
Transactions with non-controlling interests	**(1 338)**	(4 175)
Total non-controlling interest	**409 134**	357 464
Total equity at the end of the year	**11 992 060**	11 930 004

Note: Refer to note 12 for changes in accounting policies which resulted in a restatement of 2019 results.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	REVIEWED	
	Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000 *Restated*
Cash flows from operating activities		
Operating profit	**980 908**	1 726 274
Non-cash flow items	**1 189 647**	1 782 825
Working capital changes	**(293 304)**	(458 262)
Inventories	**(2 107)**	(758 478)
Trade and other receivables	**817 315**	(383 933)
Trade payables and provisions	**(1 108 512)**	684 149
Cash generated from operations	**1 877 251**	3 050 837
Net financing costs	**(422 437)**	(278 338)
Taxation paid	**(413 035)**	(633 935)
Net cash generated from operating activities	**1 041 779**	2 138 564
Net cash outflow from investment activities (note 5)	**(1 999 878)**	(1 728 435)
Net cash inflow from financing activities (note 6)	**30 004**	132 293
Dividends paid	**(938 270)**	(891 705)
Decrease in net cash, cash equivalents and bank overdrafts	**(1 866 365)**	(349 283)
Net cash, cash equivalents and bank overdrafts at the beginning of the year	**630 816**	970 427
Exchange gains on cash, cash equivalents and bank overdrafts	**54 606**	9 672
Net cash, cash equivalents and bank overdrafts at the end of the year	**(1 180 943)**	630 816

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year to 30 June 2020

1. BASIS OF PREPARATION, ACCOUNTING POLICY AND COMPARATIVE FIGURES

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements (Listings Requirements) for preliminary reports and the requirements of the Companies Act, No. 71 of 2008, as amended (Companies Act). The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the South African Institute of Chartered Accountants (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 condensed consolidated annual financial statements, prepared under supervision of the Group chief financial officer, LC Verwey CA(SA).

The accounting policies applied in the preparation of the condensed consolidated annual financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the change in the accounting policy for the recognition and measurement of returnable containers which was applied retrospectively and resulted in a restatement of the prior year results as disclosed in note 12.

The Group has adopted all new as well as amended accounting pronouncements issued by the International Accounting Standards Board (IASB) that are effective for financial years commencing 1 July 2019. The impact of the new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2019 is disclosed in note 12. None of the other new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2019 which are not disclosed in note 12 have a material impact on the consolidated results of the Group.

	REVIEWED 30 June 2020 R'000	30 June 2019 R'000	Change %
2. SALES VOLUMES (LITRES '000)	**554 635**	715 449	(22,5)

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:

	30 June 2020 R'000	30 June 2019 R'000	Change %
Headline earnings	**516 840**	1 433 389	(63,9)
Adjusted for (net of taxation):			
Expected credit loss on Zimbabwe savings bonds	**77 297**	190 262	
Retrenchment, restructuring and other one-off costs	**73 415**	168 603	
Normalised headline earnings	**667 552**	1 792 254	(62,8)

The results of the Group are also significantly impacted by the change in foreign exchange rates, mainly relating to the UK pound, euro, 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 R14,19 compared to R15,64 in the current year, and the AOA devaluated from an average aggregated daily AOA/USD exchange rate of 305,7 to 466,7 in the current year.

The adjustments below thus represent a restatement of the 2019 foreign income using the current year aggregated daily average exchange rates.

	30 June 2020 R'000	30 June 2019 R'000	Change %
Normalised headline earnings	**667 552**	1 792 254	(62,8)
Adjusted for (net of taxation):			
Prior year restatement to current year aggregated daily average exchange rates	–	48 012	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
– Other major currencies	**(191 842)**	(33 650)	
– Kwanza (in associate)	**9 374**	58 364	
Normalised headline earnings adjusted for foreign exchange movements	**485 084**	1 864 980	(74,0)

	REVIEWED 30 June 2020 R'000	30 June 2019 R'000	Change %
3. PRO FORMA INFORMATION *continued*			
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**1 889 062**	2 453 350	(23,0)
Adjusted for:			
Impairment and profit on disposal of PPE, intangible assets, investments and gain on previously held interest and subsidiaries disposed	**209 399**	570 498	
Implementation of IFRS 16 *Leases*	**(182 237)**	–	
Expected credit losses on financial assets	**108 107**	266 100	
Retrenchment, restructuring and other one-off costs	**78 100**	223 344	
Normalised EBITDA	**2 102 431**	3 513 292	(40,2)
The adjustments below represent a restatement of the 2019 foreign income using the current year aggregated daily average exchange rates as explained above.			
Normalised EBITDA	**2 102 431**	3 513 292	(40,2)
Adjusted for:			
Prior year restatement to current year aggregated daily average exchange rates	**–**	86 092	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
– Other major currencies	**(267 745)**	(40 882)	
– Kwanza (in associate)	**9 374**	58 364	
Normalised EBITDA adjusted for currency movements	**1 844 060**	3 616 866	(49,0)

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 auditor 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 will be included in the 2020 integrated report.

	30 June 2020 R'000	30 June 2019 R'000
4. NET INTEREST-BEARING BORROWINGS		
Interest-bearing borrowings		
Non-current	**5 122 473**	4 523 673
Current	**2 478 602**	522 288
	7 601 075	5 045 961
Cash and cash equivalents and investment in money market funds	**(1 734 057)**	(1 153 104)
	5 867 018	3 892 857

	REVIEWED 30 June 2020 R'000	30 June 2019 R'000
5. CASH OUTFLOW FROM INVESTMENT ACTIVITIES		
Purchases of PPE to maintain operations	**(458 115)**	(665 748)
Purchases of PPE to expand operations	**(900 641)**	(722 359)
Proceeds from sale of PPE	**102 010**	19 957
Purchases of financial assets, money market funds, associates and joint ventures	**(641 652)**	(330 752)
Proceeds from financial assets	**24 714**	6 612
Purchases of intangible assets	**(120 790)**	(36 148)
Proceeds from intangible assets	**441**	3
Proceeds from disposal of interest in subsidiaries, net of cash	**(5 845)**	–
	(1 999 878)	(1 728 435)
6. CASH INFLOW FROM FINANCING ACTIVITIES		
Proceeds from ordinary shares issued and share issue costs	**1**	(2 098)
Shares issued for cash to minorities	**–**	37 664
Lease payments	**(129 903)**	–
Proceeds from interest-bearing borrowings	**159 906**	109 788
Repayment of interest-bearing borrowings	**–**	(13 061)
	30 004	132 293
7. CAPITAL COMMITMENTS		
Contracted	**291 175**	675 550
Authorised, but not contracted	**800 442**	1 752 952
	1 091 617	2 428 502
8. DEPRECIATION OF PPE	**702 026**	579 876
9. NET ASSET VALUE PER SHARE (CENTS)	**5 393**	5 365

Note: Refer to note 12 for changes in accounting policies which resulted in a restatement of 2019 results.

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 reallocated in the comparative period. In addition, other gains and losses and currency conversion gains and losses were allocated to the various reportable segments from Corporate.

REVIEWED YEAR ENDED 30 JUNE 2020

	South Africa R'000	BLNE R'000	Rest of Africa R'000	Europe R'000	Rest of inter-national R'000	Corporate R'000	Total R'000	Change %
Revenue	15 876 373	1 668 575	2 289 026	1 386 960	1 144 209	5 081	22 370 224	(14,6)
Costs of goods sold	(11 351 075)	(1 147 864)	(1 570 303)	(925 572)	(656 101)	(414 809)	(16 065 724)	(11,2)
Material costs and overheads	(11 351 237)	(1 144 957)	(1 639 145)	(973 164)	(639 089)	(584 457)	(16 332 049)	(9,8)
Currency conversion gains and losses	162	(2 907)	68 842	47 592	(17 012)	169 648	266 325	
Gross profit	4 525 298	520 711	718 723	461 388	488 108	(409 728)	6 304 500	(22,1)
Operating costs	(2 407 310)	(227 458)	(404 114)	(324 589)	(490 670)	(1 260 052)	(5 114 193)	(11,7)
Operating profit before allocations	2 117 988	293 253	314 609	136 799	(2 562)	(1 669 780)	1 190 307	(48,2)
Equity-accounted earnings and dividend income	(5 290)	–	86 334	–	14 702	3 825	99 571	
EBIT before allocations	2 112 698	293 253	400 943	136 799	12 140	(1 665 955)	1 289 878	(45,4)
Allocations	(678 775)	(58 702)	(170 159)	(26 681)	(12 682)	946 999	–	
EBIT after allocations	1 433 923	234 551	230 784	110 118	(542)	(718 956)	1 289 878	(45,4)
Other gains and losses	39 409	–	(143 845)	–	(48 199)	(56 764)	(209 399)	
Equity-accounted earnings and dividend income	5 290	–	(86 334)	–	(14 702)	(3 825)	(99 571)	51,5
Operating profit	1 478 622	234 551	605	110 118	(63 443)	(779 545)	980 908	(43,2)
EBIT before allocations attributable to:								
Equity holders of the company	2 091 659	293 253	339 900	136 799	12 140	(1 666 193)	1 207 558	
Non-controlling interest	21 039	–	61 043	–	–	238	82 320	
	2 112 698	293 253	400 943	136 799	12 140	(1 665 955)	1 289 878	
Non-current assets	7 160 660	131 108	1 495 817	2 895 116	54 748	–	11 737 449	

10. SEGMENTAL AND REVENUE ANALYSIS *continued*

REVIEWED YEAR ENDED 30 JUNE 2019 (RESTATED)

	South Africa R'000	BLNE R'000	Rest of Africa R'000	Europe R'000	Rest of inter–national R'000	Corporate R'000	Total R'000
Revenue	19 403 289	1 932 130	2 147 968	1 349 974	1 425 143	(78 924)	26 179 580
Costs of goods sold	(13 545 994)	(1 321 693)	(1 464 991)	(866 047)	(793 052)	(98 229)	(18 090 006)
Material costs and overheads	(13 546 013)	(1 324 149)	(1 452 751)	(885 297)	(780 581)	(126 590)	(18 115 381)
Currency conversion gains and losses	19	2 456	(12 240)	19 250	(12 471)	28 361	25 375
Gross profit	5 857 295	610 437	682 977	483 927	632 091	(177 153)	8 089 574
Operating costs	(2 362 615)	(224 994)	(391 811)	(373 583)	(539 118)	(1 900 681)	(5 792 802)
Operating profit before allocations	3 494 680	385 443	291 166	110 344	92 973	(2 077 834)	2 296 772
Equity-accounted earnings and dividend income	(1 625)	–	64 587	20	(2 067)	4 825	65 740
EBIT before allocations	3 493 055	385 443	355 753	110 364	90 906	(2 073 009)	2 362 512
Allocations	(530 762)	(31 454)	(296 427)	(20 896)	(11 840)	891 379	–
EBIT after allocations	2 962 293	353 989	59 326	89 468	79 066	(1 181 630)	2 362 512
Other gains and losses	(25 692)	–	(524 000)	–	(11 027)	(9 779)	(570 498)
Equity-accounted earnings and dividend income	1 625	–	(64 587)	(20)	2 067	(4 825)	(65 740)
Operating profit	2 938 226	353 989	(529 261)	89 448	70 106	(1 196 234)	1 726 274
EBIT before allocations attributable to:							
Equity holders of the company	3 482 694	385 443	353 121	110 364	90 906	(2 073 217)	2 349 311
Non-controlling interest	10 361	–	2 632	–	–	208	13 201
	3 493 055	385 443	355 753	110 364	90 906	(2 073 009)	2 362 512
Non-current assets	7 086 131	100 677	1 051 562	2 226 247	6 708	–	10 471 325

Note: BLNE = Botswana, Lesotho, Namibia and Eswatini (formerly Swaziland)
EBIT = Earnings before interest and taxation

The Group also reports on a measure of revenue per category, which is detailed below:

REVIEWED

Category	Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000	Change %
Spirits	**8 942 612**	9 263 061	(3,5)
Wine	**5 655 874**	7 178 868	(21,2)
Cider and RTDs	**7 724 645**	9 713 959	(20,5)
Other	**47 093**	23 692	98,8
Total revenue	**22 370 224**	26 179 580	(14,6)

10. SEGMENTAL AND REVENUE ANALYSIS *continued*

	REVIEWED	
	Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000
Corporate operating profit		
Corporate operating profit comprises the following major categories:		
Corporate head office	**(222 584)**	(241 480)
Corporate and shared services	**(384 587)**	(342 123)
Group expenses	**(130 113)**	(204 785)
Group provisions, accruals and credit loss provision on financial assets	**(168 238)**	(423 656)
Supply chain	**(933 906)**	(894 151)
Net foreign exchange gains	**169 648**	28 361
Allocations to geographical regions	**946 999**	891 379
Other gains and losses	**(56 764)**	(9 779)
Operating profit	**(779 545)**	(1 196 234)

Notes:

The corporate categories listed above include the following functions:

1. *Corporate head office: Group human resources (HR), global marketing, corporate governance, growth and innovation, corporate and regulatory affairs and development;*
2. *Corporate and shared services: Group information communication technology (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; and*
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 are 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 condensed 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 2020. 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 2019.

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 inputs, which reflect the market conditions, including that of COVID-19 in their expectations of future cash flows related to 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 FVOCI and money market funds are classified as level 1, 2 or 3 and derivative financial assets and liabilities are classified as level 2.

FAIR VALUE MEASUREMENTS AT 30 JUNE 2020

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets at FVOCI	2 061	132	47 382	49 575
Investment in money market funds	565 000	–	–	565 000
Derivative financial assets	–	894	–	894
Derivative financial liabilities	–	(154 485)	–	(154 485)
	567 061	(153 459)	47 382	460 984

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

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.

11. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *continued*

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 2020 is as follows:

	2020 R'000	2019 R'000
Opening balance	**40 179**	40 532
Fair value adjustments	**7 354**	(353)
Disposals	**(151)**	–
Balance at the end of the year	**47 382**	40 179

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 standard IFRS 16 *Leases* with effect from its mandatory implementation date of 1 July 2019. The Group also changed its accounting policy for the recognition of returnable glass containers from being part of inventory to PPE. This change was applied retrospectively in terms of the provisions of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Error*s. The impact of the adoption of these changes on the Group's financial statements is as follows:

12(a) IFRS 16 *Leases* – Impact of adoption

The new standard for leases, IFRS 16, requires a lessee to recognise a right-of-use asset and corresponding lease liability on the statement of financial position for almost all lease contracts. Previously operating lease expenses were charged to the income statement on a straight-line basis over the term of the lease. The Group leases various farming land, warehouses, machinery, equipment and vehicles under lease agreements.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases that had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 8,66%. Lease liabilities of R50,1 million on 1 July 2019 were identified in addition to the R374,8 million disclosed in the 31 December 2019 interim results.

12. CHANGES IN ACCOUNTING POLICIES *continued*

12(b) Returnable containers – Impact of change in accounting policy

The Group has changed its accounting policy for the recognition and measurement of returnable glass containers to better reflect the underlying economic substance and to be in line with the general industry practice for such items. The Group sells a limited number, but high in volume, of its products in glass containers which customers can return to the Group for a refund of the original deposit charged for these items.

Previously the glass containers were included in inventory and expensed as part of costs of goods sold. In recent years the Group has improved the return ratios of the returnable glass containers from customers and the bottles are used over several financial years. With the change in accounting policy, the returnable glass containers in circulation are now treated in terms of the measurement and recognition requirements of IAS 16 *Property, plant and equipment (PPE)*. On initial purchase, the returnable glass is capitalised to PPE and depreciated over its expected useful life, generally being five years, and adjusted for impairment losses taking into account expected operational losses and the number of cycles each bottle type is used per year.

A deposit refund liability is recognised under trade and other payables in respect of the obligation to repay the customers' deposits on returnable containers previously allocated to costs of goods sold. The deposit refund liability is adjusted for expected trade losses and non-returned containers.

During the period under review the depreciation on returnable containers amounted to R80,8 million (2019: R101,3 million) and impairment losses were R43,0 million (2019: R104,7 million). The adjustments to the deposit liability amounted to a reduction of the liability by R82,4 million (2019: R79,0 million).

Non-returnable containers continue to be recorded as inventory.

The total financial impact on the Group's retained earnings and other line items on previous reporting periods is disclosed in note 12(c) below.

12(c) Impact on the financial statements

IFRS 16 was adopted without restating comparative information as the Group applied the simplified transition approach in IFRS 16. Right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The Group has also elected to apply the practical expedient to not reassess the lease definition.

In accordance with the provisions in IAS 8, the Group has retrospectively applied the change in the accounting of returnable glass bottles, and comparative financial information was restated for the financial periods presented.

The following tables show the adjustments recognised for each individual line item in the statement of financial position and income statement. 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 2019 As originally presented R'000	Returnable containers R'000	1 July 2019 *Restated* R'000
Non-current assets			
Property, plant and equipment	**7 040 250**	155 838	**7 196 088**
Current assets			
Inventory	**8 315 109**	(91 108)	**8 224 001**
Capital and reserves			
Retained earnings	**9 280 085**	(41 543)	**9 238 542**
Opening balance	**9 287 547**	(15 326)	**9 272 221**
Net movement for the period	**(7 462)**	(26 217)	**(33 679)**
Non-current liabilities			
Deferred income tax liabilities	**1 130 088**	19 275	**1 149 363**
Current liabilities			
Trade and other payables	**5 112 783**	86 998	**5 199 781**

12. CHANGES IN ACCOUNTING POLICIES *continued*

12(c) Impact on the financial statements *continued*

Income statement (extract)	30 June 2019 As originally presented R'000	Returnable containers R'000	1 July 2019 *Restated* R'000
Revenue	26 179 580	–	26 179 580
Operating costs	(23 875 292)	(7 516)	(23 882 808)
Costs of goods sold	(18 082 490)	(7 516)	(18 090 006)
Sales and marketing costs	(2 960 669)	–	(2 960 669)
Distribution costs	(1 239 871)	–	(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)	(25 692)	(570 498)
Operating profit	1 759 482	(33 208)	1 726 274
Profit before taxation	1 554 294	(33 208)	1 521 086
Taxation	(644 448)	6 991	(637 457)
Profit for the year	909 846	(26 217)	883 629

13. OTHER KEY MATTERS IMPACTING THIS YEAR'S RESULTS

13(a) Impairment of investment in associates

The further significant devaluation of the Angolan kwanza during the current financial year and its impact on the Angolan economy has negatively impacted the earnings of Best Global Brands Limited (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, profit margins declined substantially as a large component of raw materials used in production is imported and paid for in foreign currency. The impairment calculations indicated that the carrying value of the investment was not supported by the most recent cash flow projections and a further impairment provision of R143,8 million (2019: R524,0 million) was therefore raised. The impairment is disclosed as part of other gains and losses in the 'Rest of Africa' reportable segment in note 10.

The key assumptions used for the fair value less costs to sell calculations are as follows:

	2020		2019	
	Long-term growth rate	Discount rate	Long-term growth rate	Discount rate
Best Global Brands Limited	3,0%	16,5%	4,0%	16,1%

13. OTHER KEY MATTERS IMPACTING THIS YEAR'S RESULTS *continued*

13(b) Inventory provisions

Certain products in the Group's portfolio have a limited shelf life. Due to the COVID-19 related ban on the sale of our products in some countries, the Group had to make provision for additional obsolete inventory. Higher inventory levels of certain categories of products, mainly in the wine category, resulted in additional inventory provisions due to the impact of vintage changes in the next financial year. COVID-19 is not expected to affect future selling prices in the short to medium term. Net selling prices, after the consideration of sales incentives in the future, are not expected to be lower than the cost of inventories and no further provisions are considered to arise as a result of it. Due to lower production volumes as a result of COVID-19, production overhead costs could not be fully recovered and resulted in additional write offs to the income statement compared to the previous year.

Inventory provisions amounted to R208,8 million (2019: R85,0 million).

13(c) Assets of disposal group classified as held for sale

In March 2020 the Group announced plans to sell the premium wine farms Alto and Plaisir de Merle on the open market. Various parties have shown an interest in the farms and it is highly probable that the farms and related enterprises, including trademarks, will be sold in the next financial year. The operating results of the trademarks and farming operations do not meet the criteria to be classified as a separate major line of business or geographical area of operations and it has therefore not been disclosed separately as a discontinued operation. The disposal group is disclosed in the South Africa segment in note 10.

	2020 R'000
Assets of the disposal group classified as held for sale:	
Property, plant and equipment	193 918
Trademarks (included in intangible assets)	14 900
Inventories	57 958
Total identifiable assets	266 776

14. RELATED PARTY TRANSACTIONS

The Group's most significant related party transactions for the period were for dividends paid on ordinary shares of R295,5 million (2019: R282,2 million) to subsidiaries of Remgro Limited.

15. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

On the evening of Sunday, 12 July 2020 the South African government announced new measures to curb the spread of COVID-19. These measures included a ban on the sale of alcoholic beverages, this time with immediate effect, as well as an extension of the state of emergency to 15 August 2020 and a curfew from 22:00 to 04:00. The ban was lifted from Tuesday, 18 August 2020. The Group was still allowed to manufacture products in South Africa and to continue with its normal export activities during the ban. Other major territories in which the Group operates have not been impacted to this extent and the Group is able to trade mostly normally in line with general economic constraints in the various territories.

The Group has evaluated the adverse consequences of the alcohol ban on its liquidity forecast, its assessment of expected credit losses, inventory provisions for slow and obsolete stock and cash flow forecasts for certain intangible assets.

Going concern

Key initiatives for the 2021 financial year will focus on cash preservation and balance sheet management.

These key initiatives include:

Asset efficiency

The distribution model will be aligned to the expected lower volumes and to increase flexibility.

Portfolio focus will be key to drive further inventory optimisation to assist overall cash containment.

Margin optimisation

Focused sourcing and procurement to minimise increase in costs of goods sold.

Value engineering major products to enhance margins during price pressure.

Growth through customers and consumers

Respond to channel shifts, which includes an E-commerce strategy directly to consumers.

Innovation will be leveraged to keep brands relevant and expand into adjacent categories.

Summary

The Group has a strong balance sheet, underpinned by the recent consolidation of and upgrades to its production network, powerful and well-known brands across the portfolio range servicing consumer needs over various price points, channels and geographies.

The Group has access to committed banking facilities of R7,5 billion for its South African operations, of which R4,8 billion (net after cash and cash equivalents) was utilised on 30 June 2020. The board has also reviewed the cash flow forecasts of its major foreign subsidiaries, including Distell International Limited and KWA Holdings E.A. Limited, and is satisfied that these entities will generate sufficient cash and have access to available facilities to be able to operate independently from additional Group support. The Group has further taken various measures as outlined in the commentary to mitigate against existing and emerging risks to the business. Management regards the Group as having sufficient financial and operational capacity to continue operations, albeit in a severely constrained trading environment in South Africa.

The sale of the Alto farm, inventory and trademark referred to in the commentary and disclosed as a disposal group classified as held for sale was concluded, pending Competition Commission approval, on 31 July 2020.

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.

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