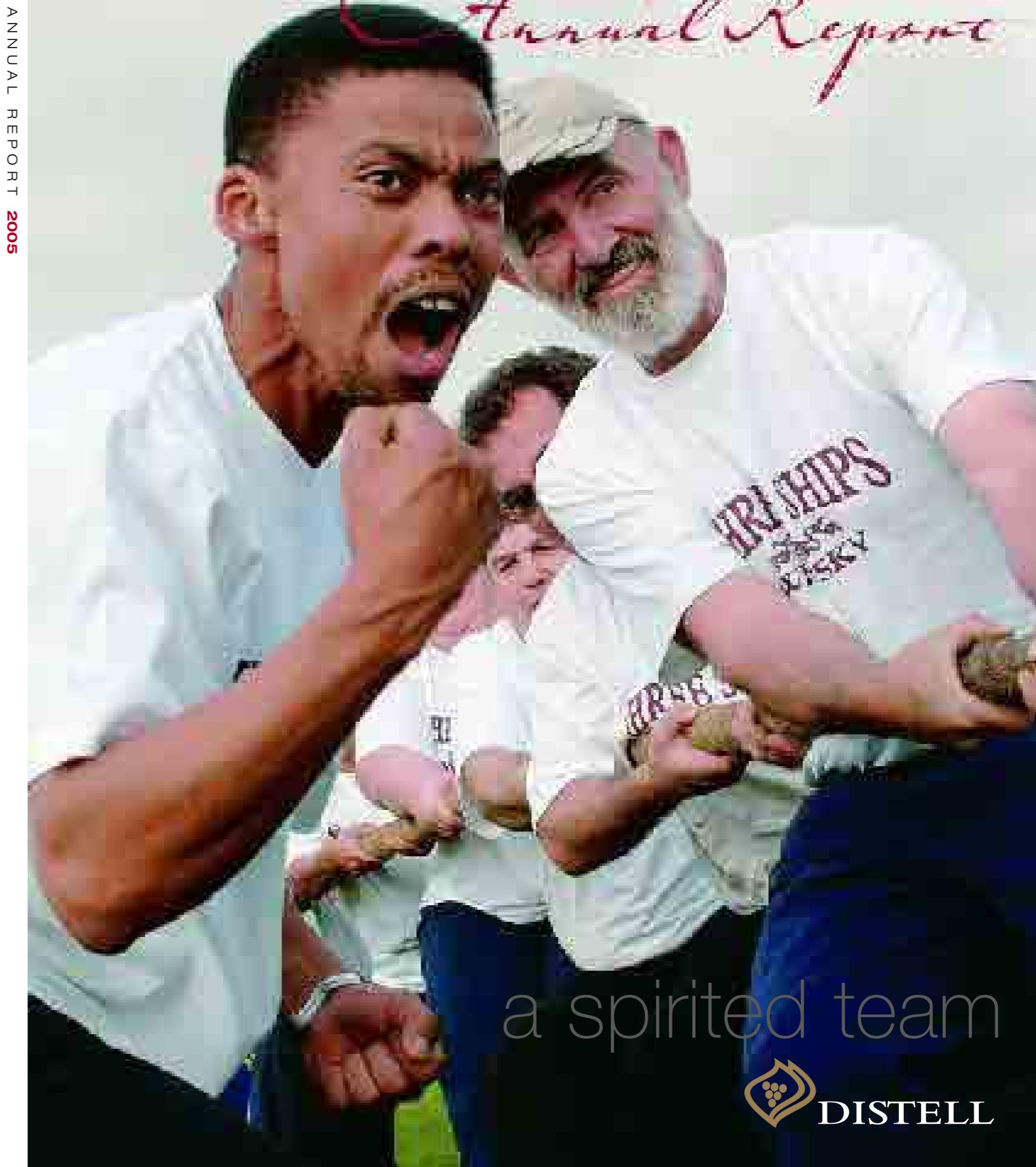


DISTELL 2005

Annual Report



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What we do

Our core business

We produce and market fine wines, spirits and ready-to-drink (RTD) alcoholic beverages

By unleashing our combined energy and resources, maintaining a market orientation and commitment to transformation, we strive to

- Delight customers and consumers everywhere
- Develop rewarding careers for our employees
- Deliver excellent returns for our shareholders
- Become meaningfully involved in our communities
- Be innovative in all that we do

Our values

- A sense of ownership in the company
- An entrepreneurial spirit
- A performance-driven culture
- A customer-service orientation
- Respect for the individual

Dates of importance to shareholders

Annual general meeting	October 2005
Financial report	
Interim report	February 2006
Preliminary announcement of annual results	August 2006
Annual financial statements	September 2006
Ordinary dividends	
Interim dividends	
– declaration	February 2006
– payable	March 2006
Final dividends	
– declaration	August 2006
– payable	September 2006

Administration

Distell Group Limited

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

Secretary

CJ Cronjé

Registered office

Distell
Aan-de-Wagen Road, 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 2004 (Proprietary) Limited
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107
Telephone: 011 370 7700
Facsimile: 011 688 5221

Auditors

PricewaterhouseCoopers Inc.
Stellenbosch

Listing

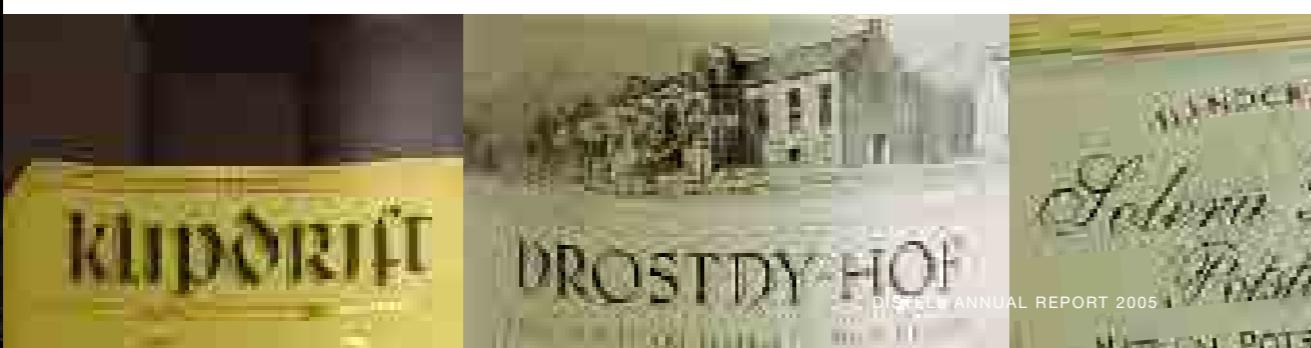
JSE Limited
Sector: Non-cyclical consumer goods – Beverages

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)

Website

www.distell.co.za





We introduce our Distell Inspirational Teams for 2005

At Distell we know that nobody is able to reach their fullest potential without an enabling environment, which we seek to provide through a set of core values that apply to us all. We believe that no innovation, success or achievement is ever the result of a single individual operating in isolation. We work in teams and rely on teamwork to help us achieve greater things. This is the Distell Lifestyle.

To celebrate these values and our culture of teamwork and togetherness, we asked employees to nominate teams within Distell who have inspired them. Teams were nominated in one or more of six categories. The categories embody the Distell values and are an expression of the Distell Lifestyle. The six categories are:

Having fun, being the best!

A team that embodies our performance-driven culture, but doesn't take itself too seriously

Team members have a friendly, fun and supportive ethos. They work hard to achieve their goals and to continually improve performance, but they also play together, strengthening their sense of unity.

Celebrating diversity

A team that respects every individual in the group

Distell teams comprise diverse individual members: men and women of a multiplicity of backgrounds, cultures, languages and religions. The winning team embraces and celebrates these differences, becoming enriched in the process.

Brand pride

A team that embodies a sense of ownership

Team members identify very strongly with Distell. They are proud of the company and our brands. They readily and regularly attend company events, participating with loyalty and enthusiasm. They also enjoy our products, proudly and responsibly sharing them with friends and family.

Change agents

A team as dynamic as Distell is

Team members embrace new processes, structures, ideas and products. They are adaptive, supportive and show entrepreneurial spirit as they evolve and progress with the company.

Customer focus

A team that goes the extra mile

Team members have a strong service orientation. Whether liaising internally with colleagues or with people outside the company they treat everyone as a valued customer.

Unique

A team that is inspiring and brings new insights

For whatever reason, this is a special and unique Distell team – inspiring others by the way its members live the Distell Lifestyle.

These six winning teams are celebrated in this annual report



Our group

2

FEATURES GROUP STRUCTURE

Remgro-KVV Investments
Limited
60%

Other Beverage Interests
(Proprietary) Limited ("SABMiller")
30%

Other investors
10%



DISTELL

Distell Group Limited

Listed on the JSE Limited

South African Distilleries and Wines (SA) Limited (100%)

Subsidiaries

Manufacturers and distributors of branded alcoholic beverages

- Distell Limited (100%)
- Stellenbosch Farmers' Winery Limited (100%)

Manufacturers of wine

- Nederburg Wines (Proprietary) Limited (100%)
- Durbanville Hills Wines (Proprietary) Limited (66%)

Farming

- Nederburg Wine Farms Limited (100%)

Wholesale distributors of branded alcoholic and other beverages

- Distell Namibia Limited (100%)
- Expo Liquor Limited (100%)
- Swaziland Liquor Distributors Limited (100%)

Sorter and washer of second-hand bottles

- Ecowash (Proprietary) Limited (100%)

Joint ventures and associates

Manufacturer and distributor of maturation vats

- Tonnellerie Radoux (SA) (Proprietary) Limited (50%)

Manufacturer and distributor of branded alcoholic and other beverages (associate)

- Tanzania Distilleries Limited (35%)

Manufacturers of wine

- Lusan Holdings (Proprietary) Limited (50%)
- Papkuilfontein (Proprietary) Limited (49%)



Annual highlights

Financial results (R'000)

	% change	2005	2004
Turnover	7,0	5 951 146	5 563 969
Trading income	19,8	712 557	594 732
Headline earnings	34,5	482 173	358 624
Total assets	3,2	4 985 350	4 832 890

Share performance (cents)

	% change	2005	2004
Headline earnings	34,1	245,8	183,3
Dividends	26,8	123,0	97,0
Net asset value	10,0	1 440,3	1 309,9
Cash flow from operating activities	(6,2)	241,3	257,3
Closing share price	73,3	2 600,0	1 500,0

Financial statistics

	2005	2004
Return on equity	17,0	13,9

Seven-year compound growth per annum (%)

	2005	2004
Total return to shareholders	21,0	0,6
Distell share price index	20,6	(0,6)

Salient features

- ▲ Headline earnings per share up 34,1%
- ▲ Dividends per share increases 26,8%
- ▲ Total sales revenue increases 7,0%
- ▲ Trading income rises 19,8%
- ▲ Reduced foreign currency losses and financing costs

How we've measured up

Objectives and performance

Objectives: Strategic priorities

We are committed to becoming a credible global alcoholic beverages company

- We will grow Amarula to become a leading global brand
- We will build on our position as South Africa's leading wine exporter
- We will capture our full potential as the domestic market leader
- We will continue on our path as a responsible corporate citizen
- We will accelerate transformation
- We will continue to improve our return on equity

Achievements

- Van Ryn Collection Reserve 12-year-old Brandy is judged the world's best brandy at the International Wine and Spirit Competition (IWSC), London for the second year running.
- Lord Neethling Laurentius 2001 and Nederburg Noble Late Harvest earn trophies at the Fairbairn Capital SA Trophy competition.
- Nederburg is voted readers' favourite New World wine brand in Germany's leading wine trade publication *Weinwirtschaft*.
- Nederburg is judged the most dynamic wine tourism facility, scooping the prestigious International Wine Tourism Award for Cape Town in the 2004 Great Wine Capitals Global Network Awards presented in Melbourne.
- Fleur du Cap Chenin Blanc scores a hat trick at the 2004 SA National Wine Show with three consecutive vintages – two scooping Veritas double golds and the other a gold medal.
- In total Distell wines win 10 Veritas double golds and 13 golds on the 2004 SA National Wine Show.
- The launch of Oude Meester Reserve brandy, a distinctive potstill premium brandy matured in French oak barrels for 12 years.
- New packaging launched for Graça range and Esprit Red Apple.
- New television ads developed and flighted for Klipdrift, Savanna, Richelieu, Nederburg, Graça and JC le Roux. All have been well received.
- Brown-Forman, distributors of Amarula in the US, takes on drive wine brand Durbanville Hills, while Brown-Forman Europe

distributes Durbanville Hills in the UK. The brand is the first from the southern hemisphere to be included in Brown-Forman's portfolio.

- In April 2005, the Nederburg Auction reaches the second-highest turnover total in its 31-year history, with sales of R7,49 million (4 955 cases) – a 90 per cent increase on last year's prices on a vastly reduced number of case lots.
- The Nederburg charity auction raises a record R257 400 for the charities Hospice Palliative Care Association and M2M, an HIV/Aids support group NGO; and a further R366 942 for the Organ Donor Foundation.
- Sixty-nine candidates embark on Distell's inaugural Leadership Development Programme (DLDP).
- Distell annual report is awarded The Southern African Institute of Chartered Secretaries and Administrators' Best Annual Report for 2004.
- Ikhwezi Community Theatre Festival, co-sponsored by Distell, wins the Cultural Development Project of the Year at the Arts & Culture Trust awards.

Accreditation as at 30 June 2005

- ISO 9001:2000 certification at all our wineries, and secondary production sites.
- Hazard Analysis and Critical Control Points (HACCP) certification at the majority of our wineries and secondary production sites.
- ISO 17025 accreditation of Distell's central laboratory at Adam Tas cellar.
- International Food Standards (IFS) higher-level certification at Adam Tas cellar.
- British Retail Consortium (BRC) accreditation of Adam Tas, Bergkelder, JC le Roux and Nederburg wineries. Our Greenpark secondary production site is recommended for certification.
- 14001 certification of Durbanville Hills, while Nederburg is recommended for certification.
- Integrated Production of Wine (IPW) certification of all Distell and Lusan farms.
- Wine Industry Ethical Trade Association (WIETA) accreditation of Worcester, Robertson and Goudini primary production plants.



To be a **truly great South African company** that is reflective of its origins, as well as the leading producer of wine, spirits and RTDs on the African continent with a portfolio of quality products well suited to domestic and international markets, the company has evolved a code, we call **The Distell Way**.



1 Teamwork

To encourage teamwork within and across functional departments and to break down divisional barriers.

2 Always complying with the law

To meet the requirements of liquor legislation in all countries where we do business and to also comply with all aspects of the law as the minimum standard of acceptable behaviour.

3 Quality products

To develop and deliver products, sought after by our customers, while assiduously maintaining a focus on our consumers and their needs.

4 Customer service

To provide the highest levels of service by ensuring our customers a consistent and reliable supply of products, while meeting all promises made and at the same time delighting our customers with our offerings.

5 Transformation/Broad-based BEE

To promote the interests of historically excluded groups in all our operations in pursuit of empowerment that is both broad based and sustainable.

6 Community investment

To show commitment to enhancing the quality of life of all the communities in which we operate.

7 Employee development

To nurture the individual growth of all employees by engendering a culture of personal accountability and by providing training, development and skills transfer opportunities for all.

8 Enterprise development

To identify and establish sustainable enterprise development opportunities to promote empowerment that is broad based and sustainable.

9 Respect

To treat everyone with respect and dignity, regardless of race, gender, language, culture, creed, age, occupational status, educational level, health status or physical disability.

10 Inclusivity and shared values

To create a culture of inclusivity based on shared values in everything we do. These values are our constant reference point in our interaction with one another and with our external stakeholders as we compete in a dynamic, global marketplace.

11 Responsible alcohol use

To practise and promote the responsible use of alcohol as part of a healthy lifestyle.

12 HIV/Aids

To ensure all our employees are educated about the causes, consequences, treatment and prevention of the disease and to prevent discrimination against anyone who is HIV-positive.

13 Sharing information

To share relevant information timely with all stakeholders, in an open and transparent manner.

14 Building relationships

To foster healthy, mutually beneficial and long-term relationships with key suppliers, customers, agents and partners.

15 Fostering pride

To guard the reputation of our company and our brands at all times, encouraging brand awareness and brand pride throughout the organisation.

16 Recognition

To recognise and encourage exceptional and value-adding performance, celebrating and sharing individual, team and corporate successes.

17 Innovation and risk taking

To encourage innovation and the application of new ideas and concepts.

18 Performance

To monitor performance at regular intervals, according to agreed targets, qualitative specifications and measures, giving open and honest constructive appraisals.



North America

Trend	Amarula	Wine
Volume	99%	119%
Value	98%	114%
% of total exports	24%	9%

Latin America

Trend	Amarula	Wine
Volume	92%	80%
Value	79%	75%
% of total exports	16%	1%

Total exports

Trend	Amarula	Wine
Volume	95%	108%
Value	93%	106%
% of total export volumes	6%	71%



Europe

Trend	Amarula	Wine
Volume	96%	107%
Value	98%	100%
<hr/>		
% of total exports	29%	41%

Asia Pacific

Trend	Amarula	Wine
Volume	97%	97%
Value	93%	90%
<hr/>		
% of total exports	4%	2%

Africa

Trend	Amarula	Wine
Volume	89%	108%
Value	89%	113%
<hr/>		
% of total exports	21%	47%

An international profile – highlights

Distell has achieved significant successes in a number of key markets, including:

- Increased distribution in the UK multiple grocer channel
- Significant volume gains in Scandinavia with major breakthroughs in Sweden and Denmark
- Significantly increased marketing investment behind key brands, for example Nederburg in Germany
- Launch of new brand – Obikwa – in Canada
- Amarula continued to grow as a global brand

our global presence

Board matters

Composition of the board

Board of directors

Duimpie Bayly*

Director of Duimpie Bayly & Associates, technical consultant and adviser to the wine industry.
Attended 5 of 6 board meetings.

Peter Bester*

Director of Anglovaal Industries, Suidwes Beleggings, Agrinet Ltd, New Holland (SA) Ltd and National Brands. He was formerly executive chairperson of Cadbury Schweppes (SA) Ltd until retiring in 2001.
Attended 5 of 6 board meetings.

Piet Beyers

Director of Remgro, Richemont, VenFin, and British American Tobacco and Unilever Bestfoods Robertsons.
Attended 5 of 6 board meetings.

Merwe Botha*

Financial director
Attended 6 of 6 board meetings.

Johan Carinus*

Wine farmer and director of Het Jan Marais Fund.
Attended 5 of 6 board meetings.

Smartie Genade*

Business director: Wines
Attended 6 of 6 board meetings.

Jakes Gerwel*

Director of Naspers, Old Mutual, Goldfields, and chairperson of Brimstone and Africon Engineering. He is also the chancellor of Rhodes University and chairperson of the board of trustees of the Nelson Mandela Foundation. He was previously director-general in the office of former President Nelson Mandela.
Attended 4 of 6 board meetings.

Dr Edwin de la H Hertzog

Chairperson of Medi-Clinic Corporation, deputy chairperson of Remgro, chairperson of the Stellenbosch University Council and also a director of Total (SA) and Trans Hex Group.
Attended 6 of 6 board meetings.

Joe Madungandaba*

Chief executive officer of Community Investment Holdings. He is also chairperson of Marine Data Systems and deputy chairperson of Transtel Audit Committee, executive director of Jasco Electronic Holdings Ltd and non-executive director of Air Liquide Healthcare.
Attended 3 of 6 board meetings.

David Nurek*

Regional chairperson of Investec Western Cape, chairperson of New Clicks and Lewis Group, deputy chairperson of Foschini and Business Connexion Group, and, amongst others, also a director of Pick 'n Pay, Aspen Pharmacare, Sun International and Tencor.
Attended 6 of 6 board meetings; 4 of 4 audit committee meetings; and 2 of 2 remuneration committee meetings.

Daan Prins*

Business consultant and a director of Remgro. He was previously financial director of Rothmans International.
Attended 6 of 6 board meetings; and 4 of 4 audit committee meetings.

Jan Scannell*

Managing director
Attended 6 of 6 board meetings.

Peter Swartz*

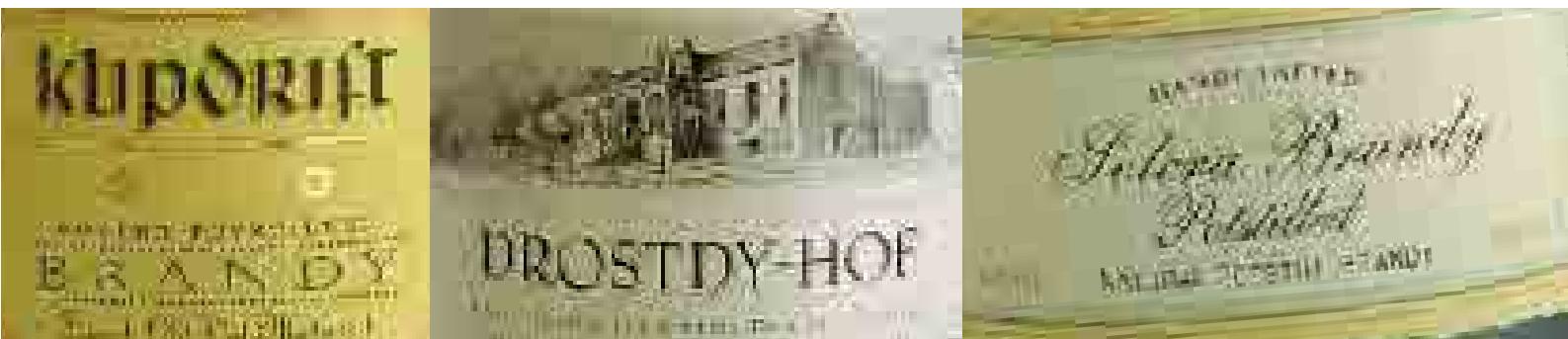
Proprietor of Swartz Properties (Pty) Ltd and Southern Pumps (Pty) Ltd, chairperson of Sunwest International (t/a Grandwest Casino and Entertainment Centre), deputy chairperson of New Clicks and also a director of Absa and Sun International.
Attended 6 of 6 board meetings; and 2 of 2 remuneration committee meetings.

Thys Visser

Chief executive officer of Remgro and also a director of Rainbow Chicken, Nampak, British American Tobacco, Unilever Bestfoods Robertsons.
Attended 6 of 6 board meetings; 4 of 4 audit committee meetings; and 2 of 2 remuneration committee meetings.

* Independent

Executive



Composition of the executive management

Executive management

Jan Scannell (54)

Managing director

BCom, LLB

Jan joined Distillers Corporation in 1979. He was appointed a director in 1988, and managing director in 1994. In December 2000, he was appointed managing director of Distell. Jan's role is to ensure the company delivers on its key objectives. He is also responsible for building a high-performance culture within the company.

Merwe Botha (52)

Financial director

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

Merwe joined Distillers Corporation in 1980. He was appointed financial director in 1997 and to his present position at Distell in December 2000. He is responsible for financial planning and control, information technology, statutory reporting and internal auditing.

Stoffel Cronjé (51)

Company secretary and services director

MA

Stoffel joined Distillers Corporation in 1980. He was appointed group company secretary and human resources director in 1990 and to his present position at Distell in December 2000. He performs all statutory company secretarial functions and is also responsible for the company's human resources, legal and corporate affairs divisions and the business process improvement office.

Smartie Genade (54)

Business director: Wine

BCom (Hons), MBA

Smartie joined Stellenbosch Farmers' Winery in 1972 where he was appointed director in 1988 and managing director in 2000. He was appointed operations director at Distell in December 2000 and to his present position in 2004. He is responsible for the profitability and sustainability of Distell's wine operations.

Hennie Heýl (59)

Primary production director

MSc Agric

Hennie joined Distillers Corporation in 1974. He was appointed technical director in 1988, production director in 1997 and to his present position at Distell in December 2000. He is responsible for our farms; grape, wine, brandy and other raw material procurement; distillation and winemaking and blending.

Gert Loubsér (57)

Quality management and research director

MSc, PhD

Gert joined Stellenbosch Farmers' Winery in 1974. He was appointed research and development director in 1994 and to his present position at Distell in December 2000. His role is to ensure total quality management is implemented throughout the group and that ongoing research leads to new products and processes.

Nantha Moodley (46)

Business director: RTDs

BA, NDip

Nantha joined Stellenbosch Farmers' Winery in 1989. He has over 15 years' experience in sales, training and distribution. He was appointed to his current position in November 2004. He is responsible for the profitability and sustainability of Distell's business in the ready-to-drink (RTD) category.

Malcolm Searle (45)

Marketing director

BCom (Hons)

Malcolm joined Distell as marketing director in January 2004. He has almost 20 years' experience in the FMCG business, and has worked as a marketing executive in several countries worldwide. He is responsible for building strong brand portfolios on market strategies that leverage consumer insights and drive innovation.

Caroline Snyman (30)

Business director: Spirits

BEng (Chemical), MSc, PhD, CWM

Caroline joined Distell in January 2000 as technical manager: spirits and was appointed to her current position in November 2004. Caroline is responsible for the profitability and sustainability of Distell's spirits interests.

Tim Tarr (47)

Sales director

Tim joined Distillers Corporation in 1979. He was appointed national sales director in 1995 and to his present position at Distell in December 2000. His role is to ensure we retain and improve our market leadership in South Africa, Botswana, Lesotho, Namibia and Swaziland and he oversees all our sales forces operating in these areas.

Valerio Toros (41)

Operations director

BEng (Mech), MBA

Valerio joined Distillers Corporation in 1991 as project engineer. After overseeing the SFW/Distillers merger, he was made group manager of business process improvement (BPI), and then appointed BPI director at the end of 2003. He took up his present position in November 2004. He oversees the operations of the group, including packaging, distribution, technical services, procurement and supply chain management.

Our brands at a glance

Wines



Global

(From left)

- Nederburg
- Two Oceans
- Durbanville Hills
- Drostdy-Hof
- Fleur du Cap
- Obikwa
- Oracle



Cape legends

(From left)

- Alto
- Flat Roof Manor
- Hill & Dale
- Le Bonheur
- Neethlingshof
- Plaisir de Merle
- Stellenzicht
- Tukulu
- Uitkyk



Domestic

(From left)

- Chateau Libertas
- Cellar Cask
- Graça
- Grünberger
- JC le Roux
- Paarl Perlé
- Sedgwick's Old Brown Sherry
- Zonnebloem

Ready-to-drink (RTDs)



(From left)

- Savanna
- Hunter's
- Esprit
- Klipdrift & Cola

Spirits



(Clockwise from left)

- Amarula
- Klipdrift
- Klipdrift Premium
- Klipdrift Gold
- Flight of the Fish Eagle
- Mellow-wood
- V.R
- Van Ryn range
- Nederburg Brandy
- Viceroy
- Richelieu
- Oude Meester
- Old Buck
- Mainstay
- Three Ships



Seven-year financial review

for the years ended 30 June

Seven-year compound growth % p.a.	2005	2004	2003	2002	2001	2000 Pro forma	1999 Pro forma
Balance sheets (R'000)							
ASSETS							
Non-current assets							
Property, plant and equipment	1 172 876	1 225 351	1 197 900	1 139 182	1 022 442	1 027 542	951 055
Biological assets	107 170	98 939	94 585	–	–	–	–
Investments and loans	300 859	552 261	306 755	557 904	654 551	576 224	495 899
Intangible assets	6 578	6 578	6 952	7 304	–	–	–
Deferred taxation	44 396	36 431	19 402	16 789	8 745	1 408	–
Total non-current assets	1 631 879	1 919 560	1 625 594	1 721 179	1 685 738	1 605 174	1 446 954
Current assets							
Inventories	2 244 129	2 207 296	2 074 364	1 651 076	1 600 341	1 620 413	1 577 403
Trade and other receivables	551 241	513 414	529 192	581 978	477 079	467 222	447 332
Short-term investments	309 249	–	324 106	195 452	–	–	–
Taxation prepaid	52 536	33 230	31 864	29 741	25 403	17 171	11 659
Cash and cash equivalents	196 316	159 390	139 304	185 221	178 227	104 923	70 660
Total current assets	3 353 471	2 913 330	3 098 830	2 643 468	2 281 050	2 209 729	2 107 054
Total assets	7,9 4 985 350	4 832 890	4 724 424	4 364 647	3 966 788	3 814 903	3 554 008
EQUITY AND LIABILITIES							
Total shareholders' equity	2 842 337	2 572 091	2 363 184	2 127 516	2 039 812	1 959 750	1 777 994
Non-current liabilities							
Non-current interest-bearing liabilities	329 014	754 601	424 130	598 791	791 347	782 360	788 049
Interest-free liabilities	21 391	16 905	15 297	15 297	15 592	15 297	36 313
Deferred taxation	95 191	101 127	105 128	80 959	47 275	73 181	48 648
Total non-current liabilities	445 596	872 633	544 555	695 047	854 214	870 838	873 010
Current liabilities							
Payables and provisions	1 022 829	1 003 788	791 961	673 844	562 324	435 876	419 411
Current interest-bearing liabilities	244 599	294 612	603 503	662 920	510 438	454 178	366 303
Short-term portion of non-current liabilities	429 989	89 766	421 221	205 320	–	13 061	33 814
Taxation	–	–	–	–	–	–	5 076
Shareholders for dividends	–	–	–	–	–	81 200	78 400
Total current liabilities	1 697 417	1 388 166	1 816 685	1 542 084	1 072 762	984 315	903 004
Total equity and liabilities	4 985 350	4 832 890	4 724 424	4 364 647	3 966 788	3 814 903	3 554 008

Note: The pro forma figures comprise the combined amounts of Distillers Corporation (SA) Limited and Stellenbosch Farmers' Winery Group Limited.

Seven-year compound growth % p.a.	2005	2004	2003	2002	2001	2000 Pro forma	1999 Pro forma
Income statements (R'000)							
Sales revenue	4,2	5 951 146	5 563 969	5 032 563	4 777 536	4 471 202	4 492 267
Operating expenses		(5 238 589)	(4 969 237)	(4 512 793)	(4 364 945)	(4 139 357)	(4 100 586)
Trading income	6,6	712 557	594 732	519 770	412 591	331 845	391 681
Dividend income		49 824	56 013	70 208	81 639	75 825	72 784
Financing costs		(102 098)	(150 766)	(188 342)	(169 303)	(152 181)	(149 972)
Foreign currency differences		(999)	(24 891)	(66 767)	68 188	10 284	4 083
Income from associates		13 554	10 674	12 723	13 387	5 731	4 347
Profit before exceptional items and taxation							
Exceptional items	6,3	672 838	485 762	347 592	406 502	271 504	322 923
Profit before taxation		672 838	485 762	399 054	333 327	125 902	364 763
Taxation		(190 267)	(124 790)	(86 277)	(96 575)	(10 862)	(97 629)
Minority interest		(394)	(390)	(315)	(266)	(283)	(266)
Net profit attributable to ordinary shareholders	7,9	482 177	360 582	312 462	236 486	114 757	266 868
							310 796

Cash flow statements (R'000)

Cash generated							
from operations	13,2	794 497	761 195	408 778	496 710	609 703	432 952
Dividend income		1 210	949	922	1 776	618	834
Net financing costs		(103 025)	(161 381)	(214 228)	(133 736)	(152 181)	(149 972)
Taxation paid		(219 236)	(143 915)	(91 015)	(71 292)	(50 600)	(83 831)
Dividends paid		(209 948)	(158 420)	(146 685)	(148 641)	(104 670)	(119 000)
Cash retained from normal operating activities							
Exceptional items		263 498	298 428	(42 228)	144 817	302 870	80 983
Cash retained by operating activities		263 498	344 928	(37 266)	71 642	157 268	100 983
Cash outflow from investment activities							
Ordinary shares issued		8 406	5 708	–	–	–	–
Treasury shares purchased		(7 981)	(1 480)	–	–	–	–
Minority interest		–	70	(315)	(266)	(270)	–
Decrease in interest-bearing liabilities		(85 364)	(984)	41 240	12 764	8 987	(5 458)
Cash outflow from financing activities		(84 939)	3 314	40 925	12 498	8 717	(5 458)
Decrease in net short-term borrowings		86 939	328 977	13 500	(145 488)	17 044	(64 649)
							(98 446)

Seven-year financial review

for the years ended 30 June

Seven-year compound growth % p.a.	2005	2004	2003	2002	2001	2000 Pro forma	1999 Pro forma
Performance per share (cents)							
Earnings							
attributable earnings basis	7,9	245,8	184,3	159,8	120,9	58,7	136,4
headline basis	8,4	245,8	183,3	130,1	110,4	106,1	116,5
cash equivalent basis	7,4	302,8	219,1	162,6	143,5	103,6	171,5
Dividends	8,5	123,0	97,0	75,0	70,0	53,0	62,3
Cash flow	20,0	241,3	257,3	55,9	112,6	133,9	112,5
Net asset value	8,6	1 440,3	1 309,9	1 208,3	1 087,8	1 043,0	1 002,0
Liquidity and solvency							
Financial gearing ratio		0,28	0,38	0,55	0,60	0,55	0,58
Total liabilities on							0,63
total equity	Avg 0,9	0,75	0,88	1,00	1,05	0,94	0,95
Interest-free liabilities on							1,00
total assets		0,21	0,21	0,17	0,16	0,15	0,14
Dividend cover (times)		2,0	1,9	1,7	1,6	2,0	1,9
Current ratio		1,98	2,10	1,71	1,71	2,13	2,24
Acid test ratio		0,65	0,51	0,56	0,64	0,63	0,60
Returns (%)							
Trading income on turnover		12,0	10,7	10,3	8,6	7,4	8,7
Pre-tax return on equity Avg 17,6		23,7	18,9	16,9	15,7	6,2	18,6
Effective tax rate		28,3	25,7	21,6	29,0	8,6	26,8
Return on equity Avg 12,5		17,0	13,9	10,8	10,2	10,2	11,6
Attributable earnings							
on total assets		9,7	7,5	6,6	5,4	2,9	7,0
Attributable earnings							
on turnover		8,1	6,5	6,2	4,9	2,6	5,9
Dividend yield		5,8	6,8	5,8	6,9	6,7	12,7
Productivity							
Cash value added (R million)	8,0	2 593,8	2 314,7	1 794,6	1 704,6	1 727,4	1 601,3
Net asset turn (times)		2,1	2,2	2,2	2,3	2,3	2,4
Net assets per							
employee (R'000)	16,3	681,3	614,7	544,3	468,6	401,7	333,9
Turnover per							
employee (R'000)	11,5	1 426,4	1 329,8	1 159,0	1 052,3	880,5	765,3
Number of employees		4 172	4 184	4 342	4 540	5 078	5 870
							6 124

Analysis of shareholders

at 30 June 2005

Ordinary shares	Number of holders	% of holders	Number of shares	% of issued shares
Distribution of shareholders				
Public shareholders	3 360	99,38	19 568 723	9,92
Non-public shareholders				
Major shareholders	2	0,06	176 022 000	89,19
Directors, including that of subsidiaries, and their associates	18	0,53	622 338	0,32
The Distell Group Share Trust	1	0,03	1 133 663	0,57
	3 381	100,00	197 346 724	100,00

Number of shares in issue

	2005	2004
Total number of shares in issue	197 346 724	196 356 636
Shares purchased by The Distell Group Share Trust and accounted for as treasury shares	(1 133 663)	(201 322)
	196 213 061	196 155 314
	196 193 601	195 625 710

Weighted number of shares

Major beneficial shareholders

The following shareholders have a holding of greater than 5% of the issued shares of the company:

	Number of shares	% of total
Remgro-KWV Investments Limited	117 348 000	59,46
Other Beverage Interests (Proprietary) Limited ("SABMiller")	58 674 000	29,73

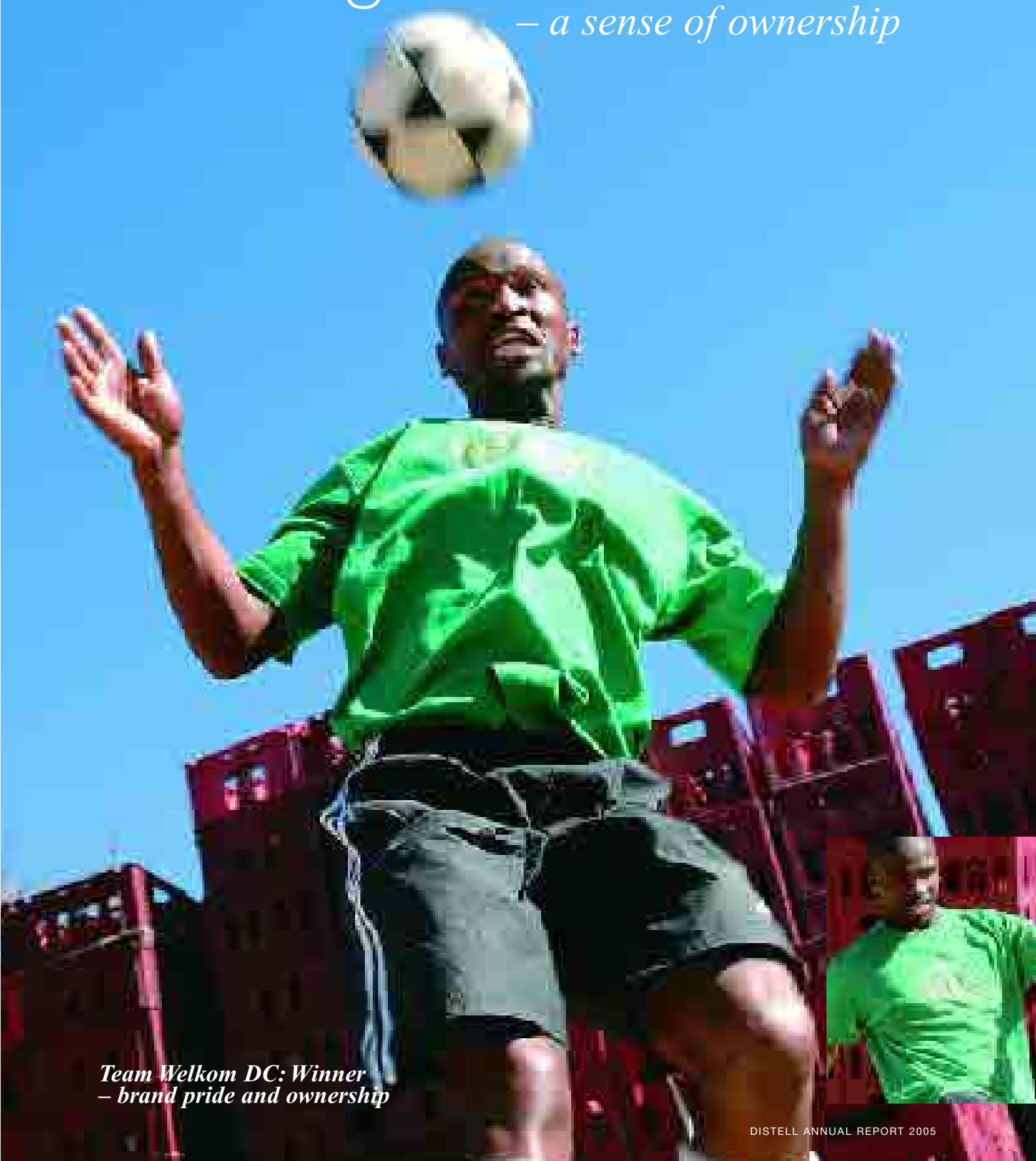
JSE Limited (previously JSE Securities Exchange South Africa)

	2005	2004	2003	2002	2001	2000	1999
Price per share (cents)							
highest during the year	2 600	1 725	1 500	1 500	1 000	1 050	810
lowest during the year	1 500	1 100	1 105	735	675	690	400
closing at year-end	2 600	1 500	1 201	1 350	730	870	810
weighted average	2 121	1 418	1 287	1 008	788	869	527
Price earnings ratio	10,6	8,1	7,5	11,2	12,4	6,0	6,0
JSE Actuaries' price index at year-end (1998: 100 cents)							
Distell Group Limited	371	214	172	193	104	124	116
Closing price/net asset value per share	1,8	1,1	1,0	1,2	0,7	1,2	1,3
Weighted average number of shares in issue ('000)	196 194	195 626	195 580	195 580	195 580	140 000	140 000
Number of shares traded ('000)	5 099	3 533	2 784	6 263	3 647	2 224	4 646
Shares traded/shares in issue (%)	2,6	1,8	1,4	3,2	1,9	1,6	3,3
Value of shares traded (R'000)	108 145	50 114	35 833	63 124	28 722	19 323	24 497
Number of transactions	1 214	1 069	981	1 386	1 220	749	1 197
Number of shareholders	3 381	3 283	3 389	1 738	2 268	2 042	2 131
Market capitalisation (R'million)	5 131	2 945	2 349	2 640	1 428	1 218	1 134
Net asset value/market capitalisation	0,55	0,87	1,01	0,81	1,43	0,86	0,79

Information for the period 1999 to 2000 refers to the listed shares of Distillers Corporation (SA) Limited.

Honing skills under the flag of our brands

– a sense of ownership



Team Welkom DC: Winner
– brand pride and ownership

Chairman's statement

Trading environment

The strength of the South African economy has been apparent all through the past year, with GDP growing at an annualised 4% in the quarter to 30 June 2005. This marks the 27th consecutive quarter of economic growth. Year-on-year retail sales grew 12% in real terms, with consumer confidence remaining high.

Interest rates remained finely balanced, straddling Government's initiatives to contain inflation, the prevailing strength of the currency and a strong local economy on one side and rising consumer debt levels and rising imports on the other.

Consumer discretionary spending increased during the period under review, with a focus on durables but a decline in the proportion spent on alcoholic beverages. It is our opinion that punitive excise increases in respect of wine and, to a lesser extent, spirits have changed consumer patterns. Instead of curbing consumption, these increases tend to drive sales underground, encouraging illicit trading.

Recorded growth in the South African sales of wine and spirits has again been muted at best, with wine sales rising 1% and spirits, 2%. The best performing categories have been ready-to-drink (RTD) alcoholic beverages, premium spirits, liqueurs and sparkling wines. In most instances, Distell's performance mirrored that of the market as a whole, save for fortified wines, where we outperformed the market.

The strength of the rand has made international markets progressively difficult for South African producers, although it has introduced much-needed business disciplines, particularly in the management of all points in the value chain. In addition, smarter wine farming practices are being widely introduced, growing wines for specific markets, planning them even before establishing the vineyards to ensure cultivation processes, and operating costs are better matched with the end product and its intended price point.

It has become increasingly apparent that the future of our industry lies not at the low-value end of the price spectrum but in the medium and higher-priced segments, where more needs to be made of the country's unique competitive advantages. In this respect, the Wines of South Africa (WOSA) initiative to maximise the implications of the abundant biodiversity of the country's wine-growing regions is to be welcomed. Co-ordination of efforts to highlight what sets South African products apart, among all industry players, including Government, is a pressing need.

The growth both in value and volume of South African wine exports and the penetration of new markets shows prices are better aligned with volume than ever before and this is reflected in our own performance. Greater international awareness of and respect for South African wines has helped to enhance sales of Distell wines across all price points. This has been despite a strong rand, once again validating our ongoing investment in brands.

Transformation

Distell is currently seeking to structure a broad-based black economic empowerment (BEE) initiative intended to benefit staff, as well as the wider communities in which we are engaged and significant progress has been made in this regard. Details of this initiative will be reported as soon as they are finalised.

Looking specifically at the wine industry, there have sometimes been unrealistically high expectations of rapid transformation, particularly when it comes to the ownership of assets. It is a fact that land ownership transformation has been tardy. A University of Stellenbosch report recently released indicates that to date there have been no more than 120 wine-growing projects representing change in land ownership. Distell is involved in a number of these, for example our Papkuilfontein Vineyards and Uylenkraal ventures, as well as the Noord-Kaap/Vrystaat-Wingerdvestigingsmaatskappy, an empowerment project



Chairman's statement

initiated and structured by Distell that involves marginalised rural communities in the Northern Cape. More details are provided on this venture, in which several other wine industry players are also participating, including Winetech and SAWIT, on page 41 under the Sustainability Report.

While we continue to explore additional avenues of this nature, it should be borne in mind that high-value assets with low returns, compounded by a product that competes in an intensely competitive market, mean sustainable transformation is only really possible in an environment of strong growth and supported by development of human capital. It is for this very reason that all our empowerment projects, whether involving transfer of land or not, focus predominantly on building skills.

There has also been progress in the development of a Liquor Industry BEE Charter, in which Distell is taking a leadership role, as well as a Wine Industry Charter. Both processes are running in parallel, with co-ordination occurring between them. However, they can only be completed once the Department of Trade and Industry finalises the codes of good practice that will provide a benchmark of government expectations for BEE charters.

Legislation

Distell is well placed to discharge its obligations pertaining to the national Liquor Act, in place for almost a year, that requires manufacturers and distributors of alcoholic beverages to apply to the Minister of Trade and Industry for a review of their registrations to be considered in terms of competitive behaviour, commitment to BEE and commitment to combating alcohol abuse.

Provincial liquor legislation has not progressed at the speed required by the industry and currently only KwaZulu-Natal, the Eastern Cape and Gauteng have legislation in place. The

Gauteng legislation is fundamentally flawed in a number of respects. Both its drafting and its administration are totally removed from the realities of the liquor trade it is attempting to regulate. It generates confusion and encourages flouting of the law. As a consequence, a number of parties have had to institute legal proceedings in order to have the matters properly resolved.

Drinking responsibly

We believe that excess consumption of all alcoholic beverages and under-age drinking are better addressed through holistic measures that identify and target vulnerable groups with appropriate interventions such as education and life-skills programmes for consumers; training licensees in how to develop and entrench a culture of moderation among their patrons; counselling and rehabilitating abusers; and by adopting responsible advertising, packaging and promotion and sales. This is the route we have taken through our industry body, the Industry Association for the Responsible Use of Alcohol (ARA) of which we are a leading corporate member. The ARA forms the basis for our partnerships and execution of such strategies in our dealing with Government at local and national level. Details can be found in our Sustainability Report on page 37.

General

Regrettably, the initiative established two years ago to bring all the constituencies of the wine industry into a single co-ordinated body, the SA Wine & Brandy Company, has not met with the success envisaged and it is hoped that all stakeholders will find a better basis for consensus to allow improved co-ordination among all facets of the industry. Nevertheless, despite the lack of cohesion, the various industry bodies charged with specific tasks such as exports, research and data gathering and dissemination continue uninterrupted and their work remains critical in managing and directing the growth of the wine sector.



Prospects

On the domestic front, a memorandum of understanding involving the four major banks aims to facilitate the creation of adequate permanent housing structures for previously underserviced areas. This should accelerate economic growth and job creation and translate into heightened consumer spending.

Already, the size of South Africa's middle-income group is swelling. The South African Advertising Research Foundation has tracked how over two million people from the lower end of the income scale have progressed to LSM groups 5 and 6, spending R160 billion a year. Dubbed "bappies" (booming, aspirational and previously poor) they represent 37% of our population. They appear to be taking advantage of low inflation and new tax and subsidy breaks. Spending on household goods is rising substantially, with black consumers in particular becoming increasingly active in the marketplace. With our extensive portfolio of products, we are ready to capitalise on this increased spending.

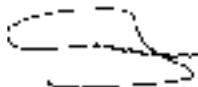
Internationally, trading will remain challenging with the continued oversupply in wine amongst traditional and New World countries continuing to put pressure on margins amongst all players seeking to maximise their visibility. With higher-priced wines and on-consumption opportunities offering more flexible

margins, it is expected that competition will escalate in these sectors where Distell is also increasing its activity, while continuing to protect brand equity. Moreover, the greater focus on the on-consumption channel will also be used to broaden the reach of other products in the portfolio.

The company will continue to trade across a wide geographic front, limiting its vulnerability to the vagaries of individual market changes.

Acknowledgement

That Distell succeeded in running such a tight ship during the year under review is evidence of the dedication and commitment of co-directors, management, staff and all other stakeholders to pursuing a path of excellence and innovation that is matched by strong financial disciplines, no matter how tough the weather. Never an easy balance to achieve, you have shown it is possible and I wish to extend my thanks to you all.

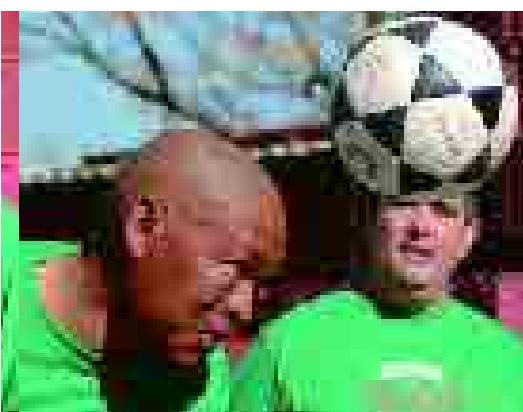


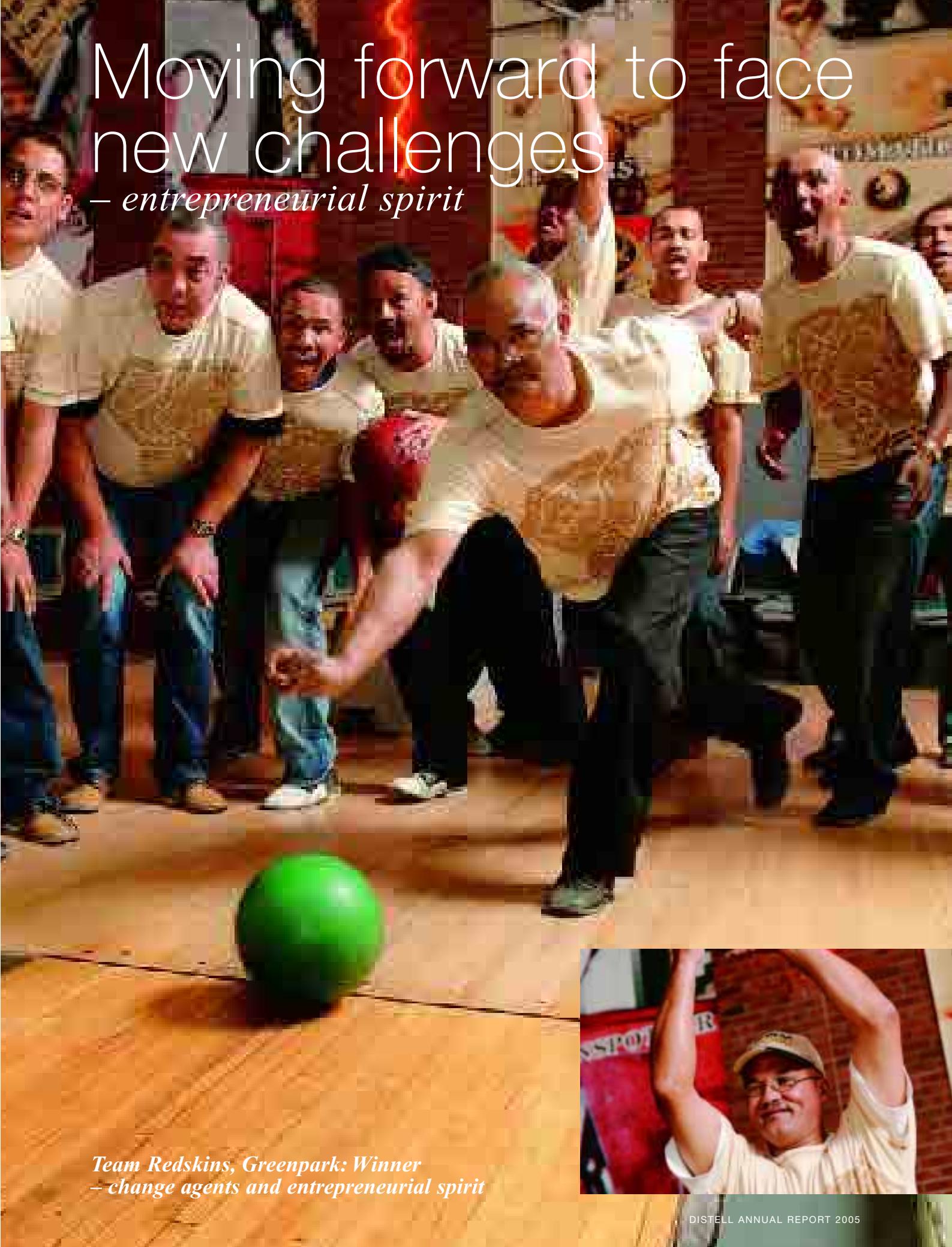
DM Nurek

Chairman

17 August 2005

This team has just made history,
achieving the highest risk audit rating
in the Southern Region,
with a group that includes not only permanent staff but contract
cleaners and security providers. Getting the goal comes from
everyone sharing the will, no matter what their role.





Moving forward to face
new challenges

– entrepreneurial spirit

*Team Redskins, Greenpark: Winner
– change agents and entrepreneurial spirit*

Managing director's report

Overview

Since the formation of Distell in 2001, we have managed to improve shareholder value through considerable growth in headline earnings, and by extracting better performance from all of our assets.

It has been another successful year for Distell. We have continued to improve on our operational and marketing skills and have achieved most of the goals we set ourselves at the beginning of the year. Headline earnings grew by 34,5%, achieving compound annual growth of 23,5% over a four-year period. Over the same period, net operating assets, being fixed assets, inventory and accounts receivable less accounts payable, reflected compound annual growth of 3,8%. As a result, the return on shareholders' funds improved from 10,2% in 2001 to 17,0% this year.

Although we can reflect on four years of continuous improvement, much still needs to be done to achieve our aspirations.

Sustainable improvement in shareholder value will have to come from profitable sales revenue growth. For this reason, during the year we implemented an enhanced management operating system to further sharpen business focus and improve organisational alignment, while creating a stronger market orientation, essential in achieving profitable market leadership.

The domestic market

As already mentioned by our chairman, growth in the domestic market for alcoholic beverages has been marginal. This is despite the upturn in consumer spending evident in other areas of the local economy. However, improved consumer confidence has fuelled the growth of premium product sales, where Distell

is well represented. In addition to wines and brandies, this has been particularly true of Amarula Cream, which showed a sales volume growth of 15%.

Although the South African alcoholic beverage market remains challenging as competition intensifies across all segments, consolidation among retailers increases and the oversupply of wine exerts downward pressure on wine prices and margins in all categories, we remain encouraged by the strength of our brands and the well-balanced nature of our portfolio that caters for the needs of all South Africans.

We significantly stepped up the resources necessary to enhance our market presence and the position of our trademarks. We restructured our marketing division, augmenting the capacity of our marketing team with new talent and strengthening existing capabilities with training and development. We also introduced a market activation programme to focus on customer and consumer relationships and extend brand visibility through stronger promotional initiatives. In addition, we applied the findings of expanded customer and consumer research to successfully develop new execution for advertising campaigns for several key brands such as Amarula, Klipdrift, Flight of the Fish Eagle, Hunter's, Savanna, Richelieu, Nederburg, Graça and JC le Roux. We are gratified by the results of still further market research that indicate greater brand awareness and recognition for these trademarks, stemming from these campaigns. The steps taken to renew our marketing capabilities also provided the catalyst for accelerated innovation, with several brand extensions and upgrades introduced to positive reception. They include additions to the Van Ryn's Collection Reserve luxury range of brandies, the launch of an Oude Meester Reserve brandy and several flavour rotations within the RTD profile, including Esprit



Managing director's report

Red Apple. These initiatives also motivated packaging upgrades, for Graça, Esprit and other brands.

An expanded sales force, better segmented to serve specific areas of the market, supported our marketing renewal programme. Moreover, sales force capabilities are also being enhanced by investment in automated systems to assist sales representatives in the field, raising productivity and service levels.

International market

After recording exceptional volume growth of 30,2% in the year to 30 June 2004, we consolidated increases with a further 7,0% growth in volume during the year under review.

Wines

Since 2001, our international wine sales have shown a compound annual growth rate of 19,4%. Notwithstanding significant retail consolidation and the increased power accorded the multiple grocers, as well as aggressive competitor discounting, exacerbated by a global oversupply, we have been able to achieve some notable successes in key markets.

- We concluded a distribution agreement with Brown-Forman Wines Europe to represent Durbanville Hills in the UK market, which should add significantly to the brand's reach. Subsequent to the year-end, we further strengthened ties with the mother company, Brown-Forman Corporation, which is now carrying Durbanville Hills on a national basis in the US. This is in addition to Amarula Cream, which it has been representing since 2002. In our view, the closer co-operation is indicative of our capacity to engage with major players within the international liquor industry. It also affords us a valuable springboard for greater penetration of the US, projected to become the world's biggest wine market in terms of consumer spend by 2008.

- We have significantly increased brand reach through the multiple grocer channel in the UK, with important new listings.
- We have restructured our wine business in Holland by bedding down a distribution agreement with Vinites, a key player in multiple grocer distribution.
- We achieved significant volume gains in Scandinavia, with major breakthroughs in Sweden and Denmark.
- Although we made good headway with our entry-level wines in the German market, Nederburg experienced stiff competition in an environment of very aggressive pricing but continued to enjoy consumer support. We remain resolute in our commitment to the protection of brand equity and have increased our investment in the trademark, which includes an ambitious media campaign, scheduled for launch in September 2005. We are confident this investment will result in a recovery of lost volumes.
- We continue to increase our market share in Canada, with brands such as Two Oceans and Obikwa.

Amarula Cream

The cream liqueur category remains one of the most competitive internationally, with over 20 new brands actively seeking to acquire a share of this lucrative segment of the market, many of them new players. We are pleased to report that Amarula has retained its second place, behind world leader Baileys Irish Cream. A compound annual growth rate of 5,7% achieved since 2001, underscores the equity we have in this great brand, which we continue to protect through marketing strategies tailored to specific markets.

Depletions in Germany, the UK and Brazil show continued consumer support for the brand. We are also investing heavily in the US, where distribution growth has now stabilised and we



are focusing on seven key states to raise brand awareness. The one disappointing market has been Canada, where a four-month long strike affecting the state-controlled retail liquor monopoly in Quebec coincided with peak end-of-year holiday trading. Ending in February, it resulted in a significant decrease in sales volumes but we are encouraged by the improvement in sales since then and we are recovering lost ground.

Moreover, a new global advertising campaign scheduled to be launched during the new year in Canada, as well as Germany, the UK and the US, will entrench Amarula's unique positioning.

We are also continuing to explore distribution partnerships as we extend Amarula's global reach, while strengthening ties with proven distribution partners.

Operations

Progress against cost leadership goals has been in line with targets, and the benefits flowing from improved efficiencies enabled us to reinvest in strategic areas of the business, which included the introduction of enhanced sales and marketing capabilities and a substantial increase in marketing expenditure on our key brands.

Since effective procurement practices provide the most important opportunity to reduce our overall cost base, they remain a top priority. By closely collaborating with key suppliers, we were able to enter certain markets that provide new opportunities from which all participants in the value chain will ultimately benefit.

A project to improve our demand forecasting systems and processes is well under way. Improved forecasting accuracy

should result in a further reduction in inventories without compromising excellent customer service levels, while enhancing collaborative planning with key suppliers. It should also result in reduced unit cost of production and waste.

During the year, we implemented SAP system functionality in our primary production environment, a first in the wine and spirits industry. With the completion of the project, most core operations in the group are now supported by a single enterprise resource system (ERP system) which will enhance integrated planning across business units, improve standard cost control and provide timely and accurate information for decision support.

The earlier implementation of the concept of "Mission Directed Teams" (MDT) in our operations environments has now started to show encouraging results. The concept provides a foundation for continuous improvement, a performance-driven and customer service culture, promoting the values of teamwork, ownership and innovation. It also provides a forum where employees can participate in company issues.

Our operations divisions produced several improvements in their key measurement criteria and have met all internal targets set at the beginning of the year. These include targets for inventory reduction, reductions in procurement costs, product availability and service levels, quality standards and waste and assets utilisation.

Accreditations and certifications

All but two of the company's 17 primary production sites have been ISO 9001:2000 accredited, as have all secondary production and distribution sites, as well as the majority of head office departments.



The Redskins know how to turn the impossible into a win. Passionately believing in themselves and Distell, they have exceeded expectations to an exceptional degree. The targeted truck loading time is 65 minutes.

Their time ... 35 minutes.

Celebrating our diversity in unison *– respect and dignity for all*



*Team Phezulu, New Germany: Winner
– celebrating diversity*

Managing director's report

The Adam Tas, Bergkelder, JC le Roux and Nederburg cellars and secondary production sites at Green Park, Port Elizabeth, Springs and Wadeville were Hazard Analysis and Critical Control Points (HACCP) certified.

The Adam Tas, Bergkelder, JC le Roux and Nederburg wineries and the Green Park and Port Elizabeth secondary production sites received British Retail Consortium accreditation.

The Adam Tas Cellar also received International Food Standard Certification.

Durbanville Hills and Nederburg achieved ISO 14001 certification.

To date the Worcester, Robertson and Goudini primary production plants have been Wine Industry Ethical Trade Association (WIETA) accredited and other primary sites are being audited.

Financial and operational performance

Sales revenue

Sales revenue grew 7,0% to R6,0 billion on a sales volume increase of 1,8%.

Locally, sales volumes showed growth of 1,0%, but reflected a more profitable product mix. Our trademarks in the spirit and ready-to-drink (RTD) categories continued to perform better than those in the wine category. Spirit volumes that include brandy, increased by 3,4%. RTD sales volumes grew 3,7% (2004: 0,2%) despite accelerated and even more aggressive competition.

Sales volumes of unfortified wine, however, remained under pressure, declining 2,6%. This was due mainly to increased

competition amongst local producers who, given the strong rand, began courting the domestic market.

International sales volumes, excluding Africa, increased 7,0%. Natural wines showed volume growth of 8,7%. Sales volumes of Amarula Cream, however, declined 3,2%. International sales revenue, largely as a result of a less profitable sales mix and a stronger rand, remained constant.

Sales revenue derived from African countries (including Botswana, Lesotho, Namibia and Swaziland) increased 3,3%.

Net operating profit

The increase of 19,8% in net operating profit was driven largely by increased sales revenue and an improved sales mix in the domestic market. The group also benefited from an improved throughput, further operational efficiencies and favourable procurement initiatives. This allowed us to step up brand investment and to establish capabilities within the group to support future revenue growth.

Net operating margin, a key performance indicator, improved from 10,4% to 12,0%.

Financing costs and cash flow

Cash generated from operating activities rose to R794,5 million from last year's R761,2 million.

Cash retained from operating activities amounted to R263,5 million (2004: R344,9 million).

The group substantially reduced fixed investment spend, with investment to maintain and expand operations amounting to R92,8 million (2004: R161,2 million).



Managing director's report

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REVIEWS

MANAGING DIRECTOR'S REPORT

The group generated net cash flow of R171,9 million, with an equivalent reduction in net interest-bearing liabilities and, as a result, net financing costs decreased by R42,5 million to R52,3 million.

Interest cover, which is net interest paid in relation to profit before interest and taxation, improved from 6,1 to 13,9 times.

Foreign currency movements

The group has transactional currency exposures, which arise primarily from sales in currencies other than the rand.

Any change in the rate of exchange between transaction date and settlement or period end date is disclosed separately in the income statement in terms of GAAP.

In the previous year, a loss of R24,9 million was reflected in this regard. During the year under review, exchange rates were less volatile and no losses arose as a result.

Taxation

The effective tax rate increased from 25,7% to 28,3%, mainly as a result of the increases incurred in secondary taxation on companies (STC).

Headline earnings

Headline earnings increased by 34,5% to R482,2 million.

This growth is largely attributable to growth in trading income of 19,8% and a substantial reduction in financing costs and foreign currency conversion losses.

Dividends

The directors have resolved to declare dividend number 34 of 67 cents per share, making a total dividend of 123 cents per share for the year ended 30 June 2005 (2004: 97 cents). This dividend represents a dividend cover of 2,0 times (2004: 1,9 times) by headline earnings.

Details regarding dividend payment dates and related information are disclosed in note 25 to the financial statements.

Investment and funding

Total assets increased by R152,5 million to R5,0 billion, an increase of 3,2% on the previous year.

Capital expenditure, focused primarily on replacement and efficiency improvement initiatives, amounted to R92,8 million (2004: R161,2 million).

Investment in working capital increased by 5,1% to R1,87 billion. Systems and process enhancement enabled management to further improve on overall stock duration (inventory in relation to cost of goods sold) without compromising customer service levels. Overall stock duration improved from 210 to 205 days.

Net interest-bearing liabilities were reduced from R485,9 million last year to R265,0 million at 30 June 2005. Net interest-bearing liabilities relative to net cash inflow from normal operating activities improved to 0,33 from a level of 0,64 at the prior year-end. The group's gearing, as measured by net interest-bearing debt relative to net assets, decreased at year-end to 9,3% from last year's 18,9%. The group has substantial unutilised borrowing facilities.



Prospects

During the year under review, economic conditions in South Africa were favourable, with lower inflation and interest rates leading to an increase in disposable income. These advantageous conditions are expected to continue in the year ahead. In addition, the global economic outlook remains positive.

However, we expect the trading environment to remain competitive, compounded by a worldwide overproduction of wine, which in turn will lead to increased marketing investment by industry players.

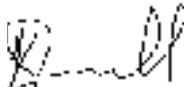
We believe our business is now appropriately structured, with a portfolio of reputable brands and an efficient cost base that will allow us to compete effectively, and to capture opportunities in domestic and foreign markets.

The group expects to continue to reflect growth in earnings.

Acknowledgement

We welcome Nantha Moodley and Caroline Snyman to executive management and look forward to their fresh insights in broadening our perspectives. We also bid farewell to André Steyn, who retired at year-end.

On behalf of the board, I express our appreciation to every member of Distell for their committed individual contributions and teamwork in delivering a very sturdy performance. Their wholehearted espousal of Distell's core values helped in overcoming many of the past year's tough trading conditions.



JJ Scannell

Managing director
Stellenbosch

17 August 2005

Team Phezulu takes its name from the Zulu word for being on top. Every member of the team gets there by recognising that together they can achieve more.

They are enriched by each other's differences and also by their common goals.

They laugh a lot and work a lot but always with the greatest mutual respect. And that's what makes it plain sailing.



Playing hard, working hard – *keeping the balance*



*Henry Taylor and Ries Sales Team, National: Winner
– performance-driven culture*

Corporate governance report

Adhering to the principles of sound corporate governance

Corporate governance, critically important to Distell's success as a business and in protecting the interests of its shareholders, is managed and monitored by the company's board of directors and several of its subcommittees. The directors are unreservedly committed to the principles of good governance and to this end accept full accountability to all their stakeholders in applying the necessary disciplines in maintaining the highest standards of professionalism, integrity, independence, fairness and social responsibility.

Transparency in the management process gives shareholders and other interest groups the assurance that the group is managed according to ethical norms and international best practice within the boundaries of prudently determined risk parameters.

The board is of the opinion that the group complies more than adequately with all the significant principles incorporated in the Code of Corporate Practices and Conduct, as set out in the second King Report (King II) and the JSE Limited Listings Requirements.

Board of directors

The board evaluates and reviews the strategic direction of the group, agrees on key performance indicators and identifies key risk areas and responses. Executive management is then charged with the detailed planning and implementation of these strategies in accordance with appropriate risk parameters.

The board holds management accountable for its activities, which are monitored and controlled through regular reports and discussions. In this way the board is able to:

- Retain full and effective control over the group, and monitor management's implementation of planning strategies
- Review the performance of executive management against business plans, budgets and industry standards
- Consider significant financial matters, including investment decisions

- Identify, consider, monitor and, if appropriate, approve financial and non-financial matters relevant to the business of the group
- Ensure a comprehensive system of policies, procedures and controls is in place and adhered to
- Ensure sound governance, including compliance with relevant laws and regulations, audit and accounting principles and the group's internal governing documents and codes of conduct
- Define levels of materiality, hold certain powers and delegate other matters with the necessary written authority and terms of reference to management or board committees
- Be aware of and commit to the underlying principles of good corporate governance, monitor and maintain compliance.

The board is chaired by independent, non-executive director DM Nurek and comprises 11 non-executive directors (of whom eight are independent) and three executive directors, including the managing director. The roles of the chairperson and managing director are separated with responsibilities divided between them. The chairperson has no executive functions.

Non-executive directors, appointed for their knowledge and experience of a wide range of businesses and business sectors, augment the skills and experience of the executive directors and management and contribute independent viewpoints to matters under consideration. All directors have the appropriate expertise to fulfil their duties and enjoy significant influence at meetings. This ensures a balance of authority and precludes any one director from exercising unfettered powers of decision-making.

Generally, directors have no fixed term of appointment but retire by rotation. At each annual general meeting of the company, a third of the directors (those longest in office since their last election) retire and, if available, are considered for reappointment.



Corporate governance report

Procedures for appointments to the board are formal and transparent and a matter for the full board's consideration. The board is always mindful of the need to maintain an infusion of fresh thinking and a relevant mix of skills and experience.

The effectiveness of the board composition and the performance of all its directors, including the chairperson, are assessed annually.

Non-executive directors receive neither share options nor material benefits from Distell, other than their directors' fees.

All board members are required to disclose the extent of their shareholdings in Distell, other directorships and any potential conflict of interest. It is incumbent on directors to act in the best interests of the company at all times. Where a potential conflict of interest does exist, they are expected to recuse themselves from relevant discussions and decisions.

Directors and other nominated employees are required to advise the chairperson and obtain his clearance before dealing in Distell shares. The chairperson withholds clearance during any closed period or where there exists unpublished, price-sensitive information in relation to the company shares.

The board convenes at least every two months to review a formal schedule of matters for which its members are fully briefed in advance. Effective chairmanship and a formal agenda ensure all issues requiring attention are raised and addressed. This enables directors to discharge their responsibilities in determining whether prescribed functions have been carried out according to set standards within the boundaries of prudent, predetermined risk levels and in line with international best practice.

The company purchased adequate "Directors and Officers" insurance cover to meet any material claims against directors and officers.

In addition, all directors have unlimited access to the advice of the company secretary, who acts as an adviser to the board and

its subcommittees on issues, including compliance with group rules and procedures, statutory regulations and with King II. Independent professional advice is available to directors in appropriate circumstances at the company's expense.

Board subcommittees

Specific responsibilities are delegated to board committees, with defined terms of reference from approved charters. All chairs of committees report orally on the proceedings of their committees at the subsequent board meeting and minutes of committee meetings are provided to the board.

The principal board committees are as follows:

The audit and risk committee

The audit and risk committee regularly evaluates the group's exposure and responses to significant business, strategic, statutory and financial risks. It also reviews:

- the effectiveness of risk management processes; and
- the appropriateness and adequacy of the systems of internal financial and operational controls.

In addition, the committee reviews and evaluates accounting policies and financial information issued to the public, to ensure appropriate standards of governance and reporting are maintained.

The audit and risk committee is responsible for recommending the appointment of the external auditors, determines their fees and assesses the performance of internal as well as external auditors. The committee also ensures effective communication between directors, management and internal and external auditors. The risk management workgroup assists the audit and risk committee with its risk management function.

The committee is chaired by an independent, non-executive director since the chairperson of the board may not serve as chairperson of the audit and risk committee. The present incumbent is D Prins.



The committee meets at least four times a year. The external auditors, the managing director, the financial director and the company secretary are in attendance at each meeting and other members of the management team, including internal audit representatives, attend as required. However, when issues are raised with the external auditors in which executive attendees have a vested interest, the latter are required to recuse themselves.

Audit and risk committee members, as well as the internal and external auditors, have unlimited access to whatever information they require in discharging their responsibilities. Moreover, the internal and external auditors have unlimited access to the chairperson.

The internal audit department reports directly to the audit and risk committee and is also responsible to the financial director on day-to-day matters. The managing director is copied on all significant reports which are then discussed with him.

The remuneration committee

The remuneration committee is responsible for the assessment and approval of a broad remuneration strategy for the group. It also determines the remuneration of non-executive directors, as well as the short and long-term incentive pay structures for executive management and senior management. Remuneration strategies are aimed at rewarding employees at market-related levels and in accordance with their contribution to the group's operating and financial performance, covering basic pay as well as short and long-term incentives. To promote identification with shareholders' interests, share incentives are considered a critical element of executive incentive pay.

The remuneration committee is also responsible for the identification, assessment and nomination of potential new directors. New directors are provided with suitable induction material designed to familiarise them with all aspects of the business.

The remuneration committee consists of three non-executive directors, and is chaired by DM Nurek.

In compliance with its charter, the committee met twice during the year.

Accountability and audit

Internal audit

The mandate of the group's internal audit function operates in terms of the audit and risk committee's approved charter to provide management with an independent, objective consulting and assurance service that reviews matters relating to control, risk management, corporate governance and operational efficiency.

The primary mandate of the group's internal auditors is to examine and evaluate the effectiveness of operational activities, the attendant business risks and the effectiveness of the system of internal operational and financial control to manage such risks and to bring material deficiencies, instances of non-compliance and development needs to the attention of management, the external auditors and the audit and risk committee for resolution.

In particular, the internal audit function assesses the relevance, reliability and integrity of management and financial information, the efficient and economic use of resources, the safeguarding of assets, compliance with relevant policies, procedures, laws and regulations and the prevention of waste, extravagance and fraud.

The group's exposure and responses to significant business, strategic, statutory and financial risks and reviews are regularly evaluated.

The function of the group's internal audit is also to provide a risk management facilitation role, ensuring the process of risk management is always accorded the highest priority, but without assuming responsibility for risk management itself, which remains the responsibility of relevant line management.

The internal auditors also conduct independent investigations into fraud or other irregularities.



Corporate governance report

The internal audit department functions under the direction of and reports to the audit and risk committee, but is responsible to the group financial director for day-to-day matters. It has unrestricted access to the chairperson of the audit and risk committee. The internal audit plan is presented in advance of audit and risk committee meetings and is based on an assessment of potential risk areas. All Distell business operations and support functions are subject to internal audit. The audit and risk committee approves the yearly audit schedule. Internal audits are conducted in accordance with the standards of the Institute of Internal Auditors.

Teams of appropriately qualified and experienced employees perform internal audits. From time to time, in the case of special assignments, independent external practitioners are engaged and accorded equivalent access to information.

Every audit assignment is followed by a detailed report to executive management, including recommendations on aspects requiring improvement. Material findings are reported to the audit and risk committee.

External audit

The external auditors express an independent opinion on the annual financial statements. The external audit function provides reasonable, but not absolute, assurance on the accuracy and reliability of financial disclosures. The external auditors' plan is reviewed by the audit and risk committee to ensure significant areas of concern are covered, without encroaching on the external auditors' independence and right to audit.

There is close co-operation between internal and external auditors with the aim of ensuring appropriate combined audit coverage and minimisation of duplicated effort.

Internal control

Systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against misstatement or loss.

While the board of directors is responsible for the internal control systems and for reviewing their effectiveness, responsibility for their actual implementation and maintenance rests with executive management.

The systems of internal control are based on established organisational structures, together with written policies and procedures, and provide for suitably qualified employees, segregation of duties, clearly defined lines of authority and accountability. They also include standard cost and budgeting controls, and comprehensive management reporting.

The group's treasury department is responsible for controlling and reducing exposure to interest rate, liquidity and currency transaction risks. Treasury functions and decisions are guided by written policies and procedures as well as by clearly defined levels of authority and risk assumption. While non-leveraged derivatives are purchased periodically to hedge specific interest rate or currency exposures, the group treasury does not undertake speculative financial transactions.

The effectiveness of and adherence to internal control systems are monitored continually through reviews and reports by senior management, through a process of control self-assessment, as well as through the internal and external audit processes. The process of control self-assessment by management itself, supplements the existing structures to evaluate the systems of internal control, and is designed to assess, maintain and improve controls on an ongoing basis. All divisions report on their assessments on a monthly basis.

During the year under review, none of these reviews indicated the occurrence of any significant lapse in the functioning of internal controls.

The directors are satisfied that control systems and procedures are suitably implemented, maintained and monitored on an ongoing basis by qualified personnel, with an appropriate segregation of authority, duties and reporting lines.



Risk management

The board is responsible for the total process of risk management. The audit and risk committee has specific responsibility for the system of risk management and reviews the risk reports of the group twice a year, reporting to the board on key risks facing the group and its associated risk mitigation responses.

A central risk manager, reporting to the audit and risk committee, is responsible for setting policies and procedures on risk management and risk financing. The workgroup supervises the activities of decentralised risk management and loss control departments. The management of operational risk, a line function, is conducted in compliance with set policies and standards. Performance is measured on a regular basis through independent risk audits carried out by a central risk management function, assisted by independent consultants.

The group has adopted a continuous, systematic and integrated enterprise-wide risk management process that

focuses on identifying, assessing, managing and monitoring all known forms of risks across the group. Management, assisted by external consultants, continued to further develop and enhance its comprehensive risk management framework and related controls. This included the implementation of integrated risk management software, training and communication, continuous control self-assessment by line management and comprehensive reporting. This year, the major emphasis was on developing a comprehensive framework for managing risks associated with information systems and related technologies.

Major risks are the subject of ongoing attention of the board of directors and are given particular consideration in the group's annual business plans, which they approve.

The most significant risks currently faced by the group include those pertaining to regulations, the supply chain, physical environment, skills and people, technology as well as currency and interest rates. These risks are included in the group's integrated risk management programme.

Getting ahead when you are having fun comes readily when you are guided by passion, your responses are quick and you are always alert to opportunity. With a **strong sense of comradeship** and a will to be the best, you never fail to stump the opposition.





Customer focused,
service driven
– *customer service culture*

Team IT Business Systems, Libertas: Winner
– *customer service culture*



Corporate responsibility

Environment

Waste management

The company is in the process of preparing its wineries to the ISO 14001 standard of environmental management. To date the Durbanville Hills cellar has been accredited and Nederburg is very close to accreditation. The management of effluent at these facilities and at Plaisir de Merle is being handled in association with the Department of Water Affairs. Similar projects are planned for Alto, Le Bonheur, Neethlingshof, Stellenzicht and Uitkyk wineries. At the same time, the company is liaising with the Department of Water Affairs on the treatment of effluent at its Goudini and Wellington distilleries and awaiting acceptance from the department of an effluent management plan for the Worcester distillery. Collaboration with the department is also under way in respect of the Robertson production site.

Distell is an active member of the Government-established Waste Minimisation Club in the Boland region, working with other producers in the area to promote water saving. The company also spearheaded the formation of the Eerste River Interest Group, an initiative involving the Department of Water Affairs, the Eerste River Irrigation Board, and the local municipality, as well as other Stellenbosch-based wineries and local companies that are collectively seeking ways of addressing and managing the pollution of the Plankenburch River.

Recycling

By-product recovery and recycling of solid waste includes tartrates, paper and glass. Waste from all the company's pressing cellars is recycled in conjunction with an independent chemical company for alcohol, tartrates and animal feed.

The company's Grow Returnables project has significantly boosted efforts to recycle packaging materials. The value of recycled bottles increased 5% on last year's already advanced growth on 2003. In addition, Distell runs a substantial returnable bottle operation, and of all Distell bottles eligible for recycling 53% were recycled in the past financial year. Purchasing contracts also specify the use of recycled and environmentally friendly materials.

Distell was recently a co-signatory to a Memorandum of Understanding together with glass manufacturers, the National Glass Recycling Forum and the Department of Environmental Affairs and Tourism, established to improve recycling levels and eradicate waste glass through public awareness and the greater provision of waste bins and recycling facilities. The intention is to increase industry glass recycling levels from the current 30% a year to 50% within the next five years, using new technology that allows for waste glass to be collected and delivered directly to the processing plant without first being cleaned or colour-sorted. This technology makes for wider participation and also ensures greater direct economic benefit to collectors. The initiative is being funded by a small environmental levy on all glass containers sold, as well as from signatories' membership fees. Key to its success is the formation of a not-for-profit company that will be responsible for managing funding, capacity building, education, job creation and logistics.

Integrated Production of Wine (IPW)

Distell is fully compliant with IPW, which promotes sustainable wine production and is rated one of the most progressive systems of its type worldwide. The company's Nederburg winery was the first producer to be evaluated in the pilot study that led to IPW's establishment in 1998. Distell continues to play a pioneering role in the conservation of the environment and works exclusively with IPW-registered suppliers.

Organic wine growing

The organically cultivated vineyards on the Distell farms Plaisir de Merle and Papkuilfontein have been accredited by Swiss-based Société Générale de Surveillance (SGS), the international body that monitors organically grown agricultural foodstuffs. Varietals cultivated on these blocks include Sauvignon Blanc, Chardonnay, Sangiovese and Pinotage.

Biodiversity and Wine Initiative (BWI)

The promulgation of the Biodiversity Act (10 of 2004), aimed at profiling and conserving threatened ecosystems, focuses on the need for the agri-industry to follow sustainable growing practices in ways that conserve indigenous natural habitat. The



Corporate responsibility

act also gives momentum to the Biodiversity and Wine Initiative that seeks to protect indigenous habitat, most particularly, the *renosterveld* and lowland *fynbos* ecosystems, while celebrating the rich variety of wines made possible in such a diversity of winegrowing conditions.

By highlighting the enormous variety of wine styles made possible as a result of the abundant biodiversity of the Cape Floral Kingdom, the smallest and richest on the planet, the BWI also gives South African wine producers a compelling competitive advantage on world wine markets, a feature that is being developed by Wines of South Africa in its international Brand South Africa campaign.

The Biodiversity Guidelines were adopted by the Integrated Production of Wine Guidelines in August 2004, as part of the BWI. Distell played an important role in drawing up these guidelines and is supporting the BWI, protecting indigenous flora and fauna, not only on its own farms but also working with its suppliers to do the same. Many of the company's practices have been in place for some time and include the removal of alien vegetation in concert with the Department of Forestry, the re-establishment of lowland *fynbos* and *renosterveld*, protecting ecologically sensitive wetlands and rare plant populations, participation in the Conservation Stewardship Programme, combating soil erosion and extensive cover cropping.

The project to clear several hundred hectares of alien vegetation on Plaisir de Merle, for example, has created conditions conducive to the re-establishment of *fynbos*, which is now flourishing on the farm. Similarly, some 150 hectares of *renosterveld* on Papkuilfontein are being conserved.

Distell is also engaged in a winemaking operation at Gansbaai. In a joint venture with a consortium, the company has a 99-year lease on a property, where 100 out of 400 hectares of arable land have been cultivated to a range of red and white grape wine varietals. Indigenous habitat is being conserved, alien vegetation cleared and *fynbos* re-established through this carefully structured programme.

The Nederburg Auction, hosted by Nederburg winery, a national heritage site, adopted the theme of biodiversity this year to highlight to the country's wine-producing fraternity, the wine trade and the media the importance of the BWI's conservation principles and the myriad marketing advantages it offers.

Amarula Elephant Research Programme

With elephants becoming increasingly restricted to small, fenced reserves, they pose unique problems to game reserve managers, given their large size, social nature and their vast consumption of vegetation. The Amarula Elephant Research Programme is a long-term research initiative that brings together expertise from a range of disciplines within the University of KwaZulu-Natal, as well as from other academic institutions both in South Africa and internationally. Using a team of full-time and part-time researchers, as well as PhD and MSc students, the programme involves Government conservation agencies and private game reserves, as well as ecologists, in generating elephant management plans based on data collected. Projects include introducing older male elephants to mentor adolescent orphans and stop the killing of rhino at the Pilansberg and Hluhluwe-Umfolozi parks; the introduction of elephants to St Lucia, a World Heritage Site; research into elephant stress levels brought on by tourism; and the development of conservation initiatives for parks and reserves.

WWF South Africa and Peace Parks Foundation

Distell's relationship, through its merged entities dates back to the inception of WWF South Africa in 1968. Involvement includes the protection of habitats, conservation of species and natural resources.

Distell also supports the Southern African Wildlife College, a joint initiative of WWF-SA and the Peace Parks Foundation. A training point for game rangers throughout the SADC region, it is located in the Kruger National Park. The company sponsors the prizes for the top certificate and diploma course students every year, many of whom go onto middle and senior management conservation positions in leading game parks on the African continent.



Kenya Wildlife Society

The company, via Amarula, provides support to this initiative of the Kenyan government to promote and communicate the importance of conservation and, in the last year alone, raised R80 000 for this purpose.

Sedgwick's Old Brown Sherry/Oceanographic Research/WWF-SA Fish Tagging Project

Sedgwick's Old Brown Sherry provides funding for one of the longest running and most successful marine conservation projects in South Africa that is administered by WWF-South Africa. Established in 1984, it has tagged and released over 191 425 line fish from some 347 species along the South African coastline. In addition, over 9 640 tagged fish have been recaptured and reported to the Oceanographic Research Institute.

A copper shark, for instance, tagged in March 1999 at Die Plaat, Struisbaai, measuring 820 mm, was recaptured in March 2005, 280 km away, when it measured 1 100 mm. The recapture is evidence of the slow growth rate of the species.

The project not only supplies information on the movement patterns of fish, but the rate at which they grow, population sizes and the impact of fishing on these populations, with data used by academics, the commercial and public sectors to better understand and manage species. In this way, the tagging project plays a key role in influencing policy and decision-making on linefish management in South Africa. As importantly, awareness of the project has helped to promote the importance of linefish conservation among the wider South African public.

Public health

Responsible drinking

Distell recognises the social and health benefits of moderate and responsible consumption of alcoholic beverages. It also acknowledges that targeting abuse is the collective responsibility of the alcoholic beverage industry, Government, national, provincial and local authorities and police services.

It is for this reason that the company co-operates very closely with the Industry Association for Responsible Alcohol Use (ARA) to promote and execute a constructive approach to alcohol use and to prevent alcohol abuse. ARA represents the industry in liaison with Government, the Advertising Standards Authority and law enforcement agencies and researches and funds a variety of initiatives into targeting and supporting those at risk. Projects include life-skills education for urban and rural children, youth and adult communities; the identification of alcohol-related health risks; intervention among vulnerable groups through counselling and rehabilitation; highlighting the dangers of drinking and driving through the Arrive Alive Campaign; running pedestrian-focused campaigns; providing training to licensees to develop and entrench a culture of moderation among patrons and to eliminate under-age drinking.

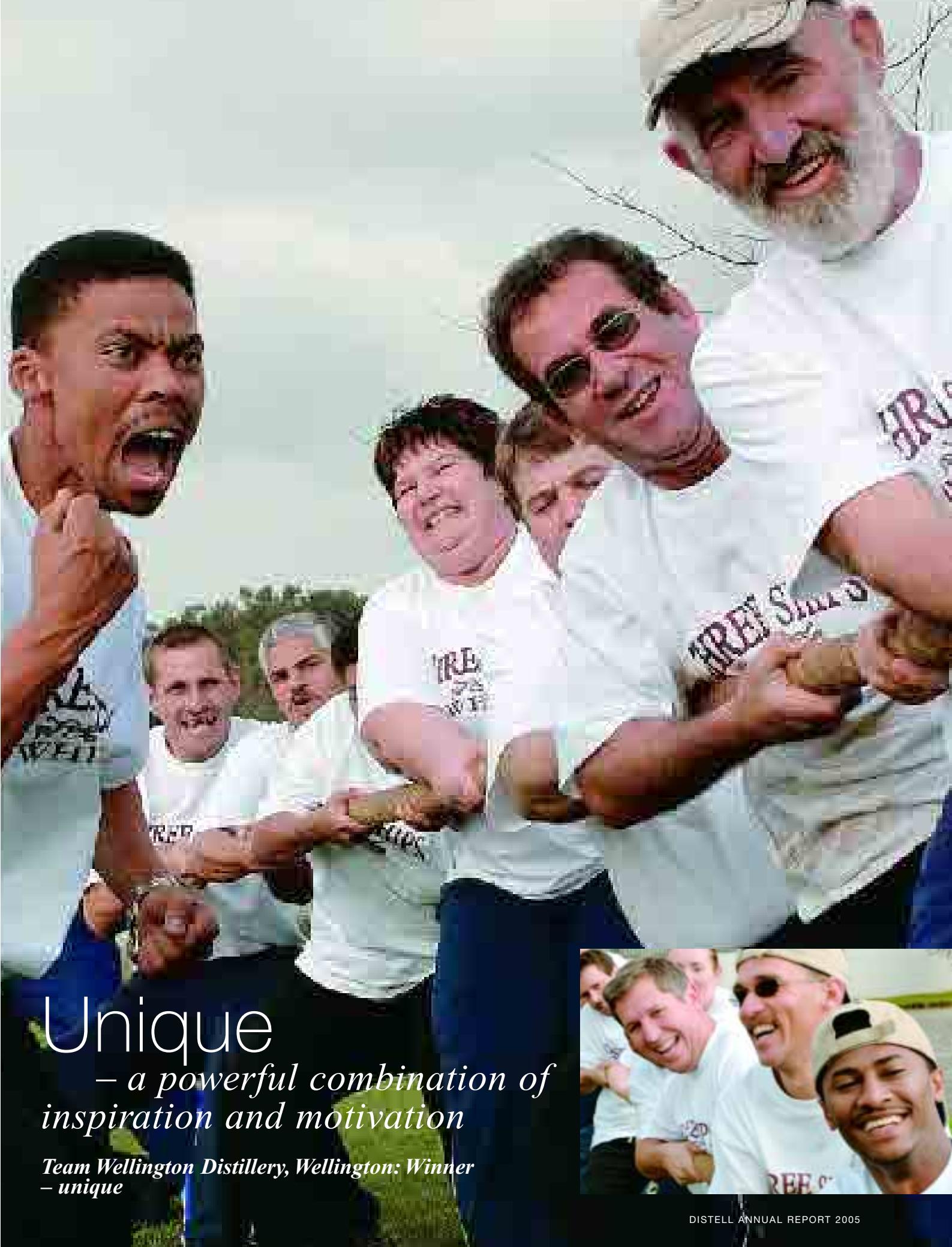
A major area of ARA's involvement is research into and creating awareness of the dangers of alcohol-related illnesses and to this end it was instrumental in establishing the Foundation for Alcohol-Related Research (FARR) in 1996. FARR, whose administration is funded by ARA, is based at the medical schools of both the University of Cape Town and the University of the Witwatersrand and is chaired by Human Genetics professor Denis Viljoen, who is also a specialist paediatrician and ranked as a world authority on foetal alcohol syndrome (FAS).

The FARR has played a significant role in researching the incidence of FAS amongst communities throughout the country and in exploring the relationship between the disease and patterns of alcohol consumption among pregnant women.

Based on the findings of the research which has been ongoing since the mid-1990s, the FARR spearheaded the establishment of the country's first FAS support centre and safe house, in De Aar, Northern Cape, in 2004. The Joan Wertheim Centre is the joint project of the FARR and the Northern Cape government. In addition to providing help to those caring for children with FAS and their families, the centre also raises awareness amongst communities of the dangers of drinking



Proactive, professional and promoting a culture of customer service, they honour the needs of their colleagues, who have nothing but praise for them. They received 2 110 user support calls during the year under review, 1 289 development and other calls and still managed to go live with the new primary production system.



Unique

*– a powerful combination of
inspiration and motivation*

*Team Wellington Distillery, Wellington: Winner
– unique*

Corporate responsibility

among pregnant women and provides a place of refuge for women and their children. A second such facility in Upington has been partially completed and is scheduled to open formally in September, while plans for a third, in the Boland, are also under way.

In addition, ARA engages with community leaders to promote the development of stable social environments with adequate recourse to sporting and recreational facilities.

Distell's advertising principles

The following principles apply to all advertising, packaging and promotional material produced on behalf of the company:

- Advertisements will not show or encourage irresponsible drinking. This applies, for example, to the quantity of drink being consumed in any advertisement.
- Liquor advertising will not be directed at anyone under the age of 18 years. No-one associated with the act of drinking in an advertisement will be younger than 25. No-one under the age of 18 will be depicted in advertisements except where it would be usual for them to appear, such as in family scenes or in background crowds. They will not be shown drinking alcoholic beverages, nor may it be implied that they are. In addition, no characters or icons with special appeal to children will be featured.
- Advertisements will not be placed in any medium aimed specifically at children. Moreover, advertisements may not be transmitted in the commercial breaks immediately before, during or immediately after children's programmes on television or radio.
- Advertisements will not imply that alcoholic beverage consumption is essential to business and social success or acceptance, or that refusal is a sign of weakness. Nor will they be based on a dare or imply any failing in those who do not accept the challenge of a particular alcoholic beverage.

- Advertisements will not be suggestive of sexual indulgence or permissiveness or claim or suggest that alcoholic beverages can contribute directly to sexual success or seduction.
- Advertisements will not claim that alcohol has curative qualities, nor offer it expressly as a stimulant, sedative or tranquilliser. Advertisements may refer to the refreshing attributes of an alcoholic beverage, but will not imply that performance can be improved through the consumption of such a drink.
- Advertisements will not suggest consumption of liquor under circumstances which are generally regarded as inadvisable, improper or illegal, such as preceding or during any activity requiring sobriety, skill or precision. Examples of such activities are driving, work or sport requiring intense physical effort.
- Advertisements will not depict pregnant women.
- Alcoholic drinks will not be advertised in a context of aggressive or antisocial behaviour.
- All advertisements in print, television and cinema media will carry the message: "Not for sale to persons under the age of 18". The minimum specifications set for displaying this message are designed to ensure its clear visibility. Furthermore:
 - There must be no variation in the wording of the message line.
 - In the case of TV and cinema media, the message must be retained for the duration of the advertisement.

The following rules also apply in the case of all promotional events undertaken in the name of Distell:

- All product launches or promotions will exclude activities which encourage excessive or irresponsible consumption.



Corporate responsibility

- Appropriate snacks or meals should be available when promotions or tastings are held.
- On-campus promotions will be arranged in a manner that meets with the approval of the authorities of the university or other tertiary institutions and care will be taken to avoid serving alcoholic beverages to under-age consumers.
- No promotions will be permitted that encourage increased consumption within a limited time period.
- In accordance with the law, Distell will not deliver or sell to unlicensed outlets.

Hospice Palliative Care Association of South Africa

A central element of the annual Nederburg Auction is the charity auction of rare wines in aid of the Hospice Palliative Care Association of South Africa. For the past 15 years Nederburg has hosted this charity event and also donated many of the exceptional wines that fetch record prices, contributing well over R2 million to the association.

Organ Donor Foundation of Southern Africa

Nederburg Wines stages an annual post-Auction gala charity function in aid of the Organ Donor Foundation. The funds raised are used to further the foundation's awareness drive.

Mothers 2 Mothers (M2M)

Nederburg Wines has run three projects in support of this NGO that uses a mentoring system among HIV-positive women to provide health care, psychological and practical support, as well as job training. The first was a celebrity auction. The second involved wine media who created a white blend from the Nederburg cellars, sold on the 2004 Nederburg Auction, while in the third instance, a red blend, created by the same group of wine writers, was sold on the 2005 auction. Both called Nederburg *Amateur* (the French term for *enthusiast*), they excited widespread interest. To date almost R300 000 has been raised on behalf of M2M.

Skills transfer

Distell funds training in farm management at the Worcester Agricultural College for candidates from the communities where the company farms, and identifies and sponsors the training of candidates at a variety of tertiary institutions in the agricultural sciences. The company also contributes 50% towards two **Patrick Grubb Bursaries**, awarded annually to historically disadvantaged people with winemaking promise. The project enables each successful candidate to spend a harvest with a leading winery abroad. Funding is also provided to train the Gauteng entrepreneurs who are shareholders in Papkuilfontein Vineyards, Darling, in their fiduciary role and in **corporate governance**. Annually the top student in the faculty of Commerce at the University of Stellenbosch is awarded a cash prize and the **CGW Schumann medal**, named after the faculty's first dean. Amarula funds a scholarship programme for candidates to attend the School of Life and Environmental Studies at the University of Natal, Durban. Distell also contributes to the Business Trust that supports the Further Education and Training sector, at various tertiary institutions throughout the country, by sending students to academic centres abroad and establishing learner support tutorial programmes on campus.

Black economic empowerment

Liquor Industry Charter

Distell serves on the steering committee of the Liquor Industry Charter and is represented on all its working groups, reviewing the entire manufacturing and distribution chain, from ownership and management to employee equity and skills development, procurement practices and enterprise development.

BEE as a drive Distell focus

Distell has increased black representation on the board of directors to 21% from 18% in 2004. The company has also appointed its first representative of colour to the executive board, with the promotion of Nantha Moodley as director responsible for RTDs. The current level of black representation remains higher than the average both for companies listed on the JSE Ltd and the food and beverage sector. While the



company investment in skills development is significantly higher than the average for listed companies or the sector, black representation at senior management level remains insufficient, and measures are under way to remedy this situation, sourcing suitable candidates from within the group through Distell's Leadership Development Programme outlined below, as well as through external recruitment.

Preferential procurement

Distell advanced its policy of identifying and developing BEE suppliers during the year under review. A project is currently under way to analyse the entire supply chain with suppliers representing 55% of total supply spend already assessed. The company has evolved long-term partnerships with a substantial portion of its strategic suppliers, particularly those of raw materials and packaging with whom there is extensive joint investment in research, development and application, and, in the same spirit, Distell is working closely with them to enhance their BEE status, wherever this is necessary. In an important new development, all potential new vendors are required to comply with Distell's BEE requirements before relationships can be formalised.

Enterprise development, skills development and skills transfer

Papkuilfontein Vineyards

Papkuilfontein Vineyards, owned jointly by Distell, a consortium of Gauteng entrepreneurs and a community trust, supplies grapes to Nederburg and has its own range, the award-winning Tukulu label. When the farm was purchased in 1998, the plan was to develop 330 hectares to vineyards over a 10-year period, with much of the rest of the farm being earmarked for conservation. After extensive soil testing, it turned out that a further 40 hectares of vineyards could be planted, and with demand for grapes to supply Nederburg escalating, the planting programme was accelerated from the initial 25/30 hectares a year to roughly 50 hectares a year. The establishment of the vineyards should thus be completed by 2007.

Existing buildings on the farm have been upgraded to create a community hall and two-bedroomed, electrified homes that set

new standards in worker housing, for permanent farm workers and their families.

Tukulu's current winemaker is Adian Fry, a viticulturist and oenologist, who holds a BSc from the University of Stellenbosch and who grew up in Darling. Since his appointment in 2003, he has been working very closely with Nederburg's senior viticulturists and winemakers and is also being trained in business management and leadership.

Durbanville Hills

Durbanville Hills is one of Distell's drive wine brands, successfully established in South Africa. With distribution giant Brown-Forman Wines Europe now representing the trademark in the UK, and exports steadily increasing in key European and North American markets, Durbanville Hills is evolving an international presence. The venture includes a winegrowing and winemaking skills transfer initiative for farm workers and a share ownership component. A workers' trust has been allocated 50 000 shares (5% of the total). Trustees of the committee, appointed by the workers on the eight member farms of the Durbanville Hills venture, decide on the distribution of shares, as well as how dividends can be spent in a way that benefits the workers and their families. To avoid conflict of interest, trustees may not take up shares.

Apart from the wine operation which has a capacity to process 8 000 tons of grapes a year, Durbanville Hills has also established a small olive-growing venture. The approximately five hectares of olive groves, once in production, will be harvested and processed under contract with the revenue going to the workers' trust.

Empowerment of poor rural communities in the Northern Cape

Distell has initiated and structured an empowerment initiative with several wine industry players to provide skills training and income to marginalised rural communities in the Northern Cape, bringing them into the wine industry and opening up opportunities for land ownership.



Corporate responsibility

Parties involved with Distell include wine research body Winetech, the SA Wine Industry Trust, as well as Griekwaland-Wes Co-operative, Oranjerivier Wynkelders, Sentraal-Wes Co-operative and the Jacobsdal Bottling Company.

The low-tech, labour-intensive scheme has been conceived to ensure the company a cost-effective source of distilling wine. Using virgin land that does not require the grafting of vines onto rootstock and thus reducing input costs, applying low-cost trellising, as well as flood irrigation, the intention is to establish high-density vineyard plantings on some 700 hectares. Expected to yield an average of 45 tons per hectare, crops will be processed at existing distilling cellars with underutilised capacity.

Distell is guaranteeing the uptake of crops once in production to meet its needs. The company is also involved in providing management and technical infrastructure, as well as training to emergent farmers involved in the project.

The first phase, now completed, involved experimentation with various winegrowing techniques and varietals by a team of viticulturists at Winetech's research station in Upington, as well as by individual commercial farmers, keen to participate. The second phase, now under way, involves the establishment of small-scale vineyards, averaging 1,5 hectares in size, in Upington, Douglas, Hartswater and Jacobsdal that bring previously excluded farmers into the project. To this end, a manager is being appointed to co-ordinate all these localised farming initiatives under the aegis of a Section 21 company that is being established as the Noord-Kaap/Vrystaat-Wingerdvestigingsmaatskappy. Distell is represented as one of the seven members of this company, along with Winetech, SAWIT, the three co-operatives and the bottling company.

Land is being made available through a variety of measures, including land restitution, loans granted by farmers, land given or leased by farmers and the leasing of Government and municipal property, with plantings beginning this year and continuing into 2006. It is envisaged that a five-year commercial planting programme will begin in 2007.

Depending on the quality of the grapes, it is possible that some of the fruit could be distilled into potstill brandy. It is also possible that the project could be further extended to include plantings for grape concentrate and thus offer an additional source of revenue.

Lutouw, Olifants River

Distell is a major supporter of Lutouw Estates, the high-quality wine-farming venture at Lutzville situated along the Olifants River, some six kilometres from the sea. The company currently purchases premium grapes for its Fleur du Cap Unfiltered range as well as for other top-end brands. It plans to extend its relationship with this empowerment venture in which workers on the farm hold a 40% share and where viticultural services are provided on a contractual basis by self-employed workers first trained in agricultural and business skills for the purpose.

The venture was established in 2000 by two leading Lutzville wine farmers, Truter Lutz and Jan Louw, with the SA Wine Industry Trust (SAWIT) warehousing shares on behalf of workers. Lutz and Louw have also assisted the farm workers to establish specialised business units contracted to carry out work on the farm.

After planting 60 hectares of vineyards, Lutouw Estates approached Distell to assist in developing a further 37 hectares to white varietals, from which the company will source additional supplies. To date 15 hectares of the new vineyards have been planted, with the balance to be planted during 2005.

Uylenkraal, Gansbaai

Distell has acquired a 75-hectare farm adjacent to Lomond Vineyards in Gansbaai, which has been bought expressly for the purpose of establishing a BEE venture involving workers on the farm, as well as those from the neighbouring Lomond. The company's soil scientists and viticulturists are currently assessing the property to determine the ideal varietals for cultivation and plan to begin establishing the first vineyards before the end of the year. It is envisaged that some 45 hectares will be cultivated to vines.



Mirma

The marula fruit used to make Amarula Cream is harvested from January to March in a 500-km radius around Phalaborwa, as far south as Acornhoek and Thulamanhashe in Mpumalanga. While 2 000 tons are harvested annually during this three-month period, the remaining nine months of the year offer little economic activity to sustain the people in these marginalised rural communities. It is estimated that some 60 000 people are dependent on the income produced from the marula harvest. It was against this background that in 1998, Distillers' Corporation, together with tribal indunas representing the communities in these areas, established the Section 21 not-for-profit Mirma Product Development Company. In addition to managing the collection of marula fruit harvests from the relevant communities and transporting them to Distell's factory in Phalaborwa, the development company also conceives and initiates other revenue-producing projects within these communities and develops the infrastructure to enhance general quality of life.

Distell and the development company have jointly financed a crèche in Nhlangase in Khenya, as well as a clinic and community hall in Phalaborwa for the Edinburgh community. Distell has trained community members in brick-making and wire-fence construction. Most recently, those trained in fencing erected a fence around the new clinic.

Owner/driver scheme

In 1999 a pilot owner/driver scheme was established in which drivers, originally employed by the company, undertake deliveries on its behalf to retailers and on-consumption outlets. They were assisted in a two-phase programme to become self-employed. In the initial skills-transfer phase, a specialist mentor was appointed to assist each driver to establish his own, independent venture, providing training in business management and administration. At the same time, each driver

was guaranteed an income by being contracted to undertake deliveries. However, the vehicles remained in the possession of the company.

During the second phase, drivers were assisted by the business management mentor in accessing the necessary finance to acquire the vehicles they had been driving on behalf of the company, while continuing to service delivery needs as before. In addition, a technical mentor was appointed to provide training in vehicle upkeep and to arrange breakdown repairs at reasonable cost, as well as to train driving crew, where needed.

The scheme has been extended on a national basis and now involves 102 drivers servicing 18 of Distell's distribution centres, each of whom is guaranteed a steady monthly income. The company is projecting a spend of R50 million for the new financial year in respect of the owner/driver services. In addition, owner/drivers are free to undertake deliveries on behalf of other clients, provided there is no conflict of interest.

Distell continues to provide ongoing business, management and technical support to the owner/drivers through a structured liaison programme. Distell's technical adviser, also renders an advisory service to the owner/drivers.

South African Jewel

Through its support of Business Trust, Distell supports the Amara, Beads so Beautiful initiative that skills unemployed rural women in beading. The artefacts they produce are sold on a franchise basis, to tourists and corporations. They are also exhibited and sold abroad, including Dubai and the United States.



Corporate responsibility

Arts and culture

The association between alcoholic beverages and culture is a long-standing one worldwide. The company has a history of actively supporting the arts, particularly performance arts, literally providing a platform for established and new talent throughout the country.

Distell Foundation for the Performing Arts

The Foundation retained an active profile in six of South Africa's nine provinces, sponsoring the Annual Oude Libertas Amphitheatre Summer Season, arts festivals, community projects, classical music concerts, performances on the company's wine estates, as well as the prestigious Fleur du Cap Theatre Awards, presented for the 28th year. Many of the sponsored performances featured emergent talent, which Distell has made it a policy to nurture and promote.

The following festivals and projects were supported:

Eastern Cape

Grahamstown Art Festival

The final phase of the Bow Project, a four-year community development project to which many South African composers contributed, is based on the *uhadi* bow songs of singer and bow player Nofmishi Dywili, who performs with the acclaimed Sontonga Quartet, locally and in Europe.

University of Port Elizabeth

The Foundation co-sponsors various on-campus classical and jazz music concerts.

North West

Aardklop Art Festival, Potchefstroom

A range of classical music concerts were sponsored, as well as a new production, entitled *Imbumba*.

KwaZulu-Natal

Hilton Festival

The Foundation sponsored the classical music component of this three-day musical event in Durban featuring the KZN Philharmonic Orchestra. The focus on local music included a community choir, jazz with Indian pianist Melvyn Peters, Indian classical music and leading South African cellist Anzel Gerber, and also showcased new talent among students from the KwaZulu-Natal University Opera School.

Natal University

Sponsorship of classical and jazz concerts on campus included:

- *Piano Trio Recital* featuring pianist and newly appointed lecturer Dr Leizl-Maret Jacobs
- *Anthology of Zimology*, featuring the newly appointed lecturer in jazz, saxophonist Zim Ngqawana.

Free State

Volksbladfees Bloemfontein

This worthy development project creates opportunities for local talent, including drama teachers, Government workers and other enthusiasts from the Heidedal community. The Heidedal Dramatic Group's most recent production was *Dit laat mens dink, hè?*

Gauteng

University of Witwatersrand School of Music

Distell contributed to the following classical and jazz concerts on campus:

- *21st Century Saxophone*, featuring Nishlyn Ramanna and Clare Loveday performing their own compositions. Guest artists included Kevin Davidson (saxophone), Ceri Moelwyn-Hughes (saxophone), Cameron Upchurch (organ) and Gregory Mollentz (piano).
- *Klatzow @ 60 – a Composer Speaks*, a concert of works by internationally acclaimed South African composer Peter Klatzow in celebration of his 60th birthday.
- *The Chanticleer Singers*, conducted by Richard Cock, performed works that included *Prayers and Dances for Africa*.

Unisa Music Foundation

The Foundation sponsored the second Unisa Chamber Music Festival, which featured as guest artist, South African-born pianist Niel Immelman, now resident in London. He was accompanied by André Swanepoel (violin), Johanna Roos (violin), Elmarie van der Vyver (viola) and Berthine van Schoor (cello).

Western Cape

Suidoosterfees

The Cape Philharmonic Orchestra, collaborating with the top three choirs in the Cape *Rapport* Choir Competition 2005, performed in a Distell Foundation-sponsored event that also featured a guest appearance by the Cape Malay Choir.

Kalfiefees Hermanus

Two Kalfiefees productions were sponsored:

- *Viva L'Opera* included performances by Beverley Chiat (soprano) Fikila Mvinjelwa (baritone) Violina Anguelov (mezzo-soprano) and Nicola Cencherle (tenor). They were accompanied by Victor Tichart (piano) and Stanislav Anguelov (accordion).
- *El Tango in Africa* was danced by Mark Hoeben and Ina Wichterich. Musical accompaniment was provided by Stanislav Anguelov (accordion and bandoneon), Jacek Domagala (violin), Albert Combrinck (piano) and Charles Lazar (double bass).

Woordfees Stellenbosch

The Foundation sponsored three exciting productions:

- *Goue Stemme* with Jannie Moolman and Rina Hugo
- *Waterpockets*
- *Om die Vuur*

Youth Music Festival

Distell has been supporting this premier community arts project every year since 1971. The most recent event, presenting classical music and jazz, featured several young South African soloists, in collaboration with the Cape Philharmonic Orchestra and the Artscape Theatre.

University of Stellenbosch International Chamber Music Festival

The Foundation made it possible for 21 students from the Bochabela String Project in Bloemfontein and eight students from the Khongisa Youth Project in Empangeni to participate in this international event.

KKNK (Klein Karoo Nasionale Kunsteefees)

The Foundation sponsored the festival's Kanna Classical Music Prize, as well as:

- *Bloodwedding*, presented by La Rosa Spanish Dance Theatre and the Free Flight Dance Company, directed by acclaimed Geoffrey Hyland to new choreography by Adele Blank and Carolina Rosa
- *La Force du Silence* featuring John Jacobs
- *Lyf* starring Laura de Vries, Martin van Heerden, Louise Basson and dancers from the Kmad.com dance company

- *Ballet Theatre Afrikan* with Thoriso Magongwa, Kagiso Mabe, Yolandi Olckers, Kitty Phetla and Carmen Harris

Cederbergfees – Clanwilliam

The Foundation sponsored the festival productions of *Opera @ Cederbergfees*, presented by well-known opera singers, Sidwill Hartman and Virginia Davids, accompanied by pianist Franklin Larey; and *Drie Kaapse Tenore*, featuring Lara English of *Phantom of the Opera* fame.

Abaqondisi Brothers performed at Khayamandi

This all-male African group of singers and dancers from Khayamandi, who work in and around Stellenbosch, presented the *Isicathamiya Festival* at the Khayamandi Community Centre. Their performance, a song and dance interpretation of their dreams, fears and hopes, was presented to cross the divide between disparate South African communities and to promote greater harmony between them.

Ikhwezi Community Theatre Festival in conjunction with the Baxter Theatre Centre

The Foundation supported the Ikhwezi Community Festival, a three-week event staged by the Baxter Theatre, involving 15 rural groups from the Western Cape, who work-shopped their productions before performing them at the end of the festival.

Classical Music Concerts

The Foundation made it possible for the University of Cape Town's College of Music to present master classes by the Swiss-based Han Jonkers, a professor in classical guitar studies. Jonkers also gave a concert at Uitkyk, the Stellenbosch wine estate.

The Foundation provides annual sponsorship towards the Cape Philharmonic Orchestra Concert Series, as well as the annual Nederburg Chamber Music Concert Series held from June to October that hosted:

- US pianist Spencer Myer
- The Israeli Aviv Quartet
- A performance of Beethoven, Bartok and Dvorak, featuring Sergey Ostrovsky (first violin), Evgenia Epshtain (second violin), Shuli Waterman (viola) and Rachel Mercer (cello)
- The Lyric Trio, featuring Peter Martens (cello), Suzanne Martens (violin) and Elna van der Merwe (piano), playing Schostakovich, Beethoven and Dvorak
- *Collage*, a variety of Afro-orientated works by Onyeji, Hossein, Ibert, Ravel and Hofmeyr, performed by Sabina Mossolow (soprano), Marietjie Pauw (flute), Anmari van der Westhuizen (cello) and Bennie van Eden (piano)
- *Zomari*, featuring Bridget Rennie-Salonen (flute) and James Grace (classical guitar), in classical and romantic favourites from Bartok, Hofmeyr, Giuliani, Takemitsu, Brouwer en Pujol

Community Development in conjunction with Artscape Audience Development and Education projects

The Foundation supports the Rural Area Outreach Project that takes predominantly ballet and opera to rural audiences.

Fleur du Cap Theatre Awards

The 28th Fleur du Cap Theatre Awards were made possible by the Foundation, culminating in a glamorous presentation ceremony to spotlight actors, directors, and technical and design specialists involved in professional productions performed in the Western Cape. The event, held at the Theatre on the Bay, was extensively covered by the national media.

Oude Libertas Amphitheatre Summer Season (December 2004 – March 2005) productions

- *Mooiweer en Warm*, featuring Amanda Strydom, Bondina Osterhoff, Karen Meiring, Karen Wessels and a group of musicians under the direction of Janine Neethling
- *Messa da Boa Esperanza*. Literally a *Mass of Good Hope*, this work for large choir, soloists, speakers and an ensemble of unusual instruments celebrated ten years of democracy. The production was initiated by Gert-Jan Buitink, with music composed by Lungile Jacobs Ka-Nyamezele, and the Stellenbosch Libertas Choir conducted by Johan de Villiers
- *At twilight... Sharon Katz & the Peace Train*, a concert grounded in the traditions of Africa combined with American jazz and world music
- *Celebrating a Cape Christmas* with the Philharmonic Choir of Cape Town
- *Meeting Mitchell in Africa*, featuring Tutu Puoane back from the Netherlands and Dutch session players Mete Erker (saxophone), Fer van Duuren (percussion) and Ferhan Otay (guitar). The event was also supported by the Royal Dutch Embassy and Fonds voor de Podium Kunsten.
- *At twilight... Letareng*, an evening of jazz presented by University of Cape Town musicians
- *4X4 No Tracks*, a concert of Neapolitan classics and contemporary music, featuring Jannie Moolman
- *My Baby Just Cares for Me*, featuring Thembi Mtshali-Jones and Michèle Maxwell performing the music of Nina Simone
- *Symphonic Sensations*, featuring the Cape Philharmonic Orchestra under German maestro Alexander Kalajdzic, showcasing Magda de Vries as soloist in the *Ney Rosario Marimba Concerto*
- *Bloodwedding*, presented by La Rosa Spanish Dance Theatre and the Free Flight Dance Company, directed by Geoffrey Hylan
- *At twilight... Tribe*, an evening of improvised jazz
- *Black and Blue*, presented by the Fortune Cookie Theatre Company
- *Harlem Story*, featuring a host of soloists and the Harlem Club Big Band, conducted by Adolf Thele
- *At twilight... Tucan Tucan*, a kaleidoscope of music from Spanish to Sesotho
- *Janei*, a combination of dance, music, performance, circus and architecture from the Swiss Metzger/Zimmerman/DePerrot, with financial support from Pro Helvetia
- *Gloria Bosman: Tina Turner*, a tribute to the American super-star presented by Gloria Bosman
- *Tussen IN between*, featuring the talents of Gloria Bosman in concert with Lize Beekman
- *At twilight... Mas Que Nada*, a Brazilian-Portuguese evening featuring Abigail Petersen with Andrew Lilley, Charles Lazar, Kevin Gibson, Tony Paco and Gavin Minter making up the big-sound team
- *CDC Celebrating Ten*, featuring the Cape Dance Company in four choreographed pieces by Sean Bovim, Adele Blank, Michelle Reid and CDC director Debbie Turner
- *Twaalfde Nag*, a production of *Twelfth Night* in Afrikaans, translated by Uys Krige

Corporate responsibility

Heritage collection

Distell is the custodian of a collection of unique, priceless and important heritage assets, including the homesteads of Nederburg, Plaisir de Merle and the Oude Drostdy in Tulbagh and their contents. Together with Lusan Premium Wines, we maintain several other well-known national monuments, including the Uitkyk, Le Bonheur and Neethlingshof manor houses. These buildings, some dating back to the late 17th century, together with Distell's collection of antique Cape furniture from the 18th and 19th centuries are among the most significant assets to reflect the Cape's wine-related legacy.

The company also has an extensive collection of historical wine and brandy-related artefacts, displayed at our wine and brandy

cellars. These items are of great interest and educational value to local and overseas visitors.

Only authentic, traditional museum techniques are used to conserve and restore the antiques in the care of Distell, with all such activities overseen by a curator appointed for this purpose. A central register of antiques, implements and wine presses is maintained within Distell's archives, where books, photographs, video material, documents and information relating to the company's history, its people and products are also maintained, as well as research material on the wine and brandy industries.

To accomplish outstanding, world-class quality is an achievement in itself, but when you do so with unfailing regularity, even when the volumes increase, that certainly puts you in a league of your own. It comes from being accountable and pushing yourself that much harder. Or getting on a roll and staying ahead.



Our people

The inspiration of a truly great South African company

As a responsible employer Distell adheres to all labour legislation relevant to the countries where it operates. In South Africa, the company subscribes to, among others, the Labour Relations Act, the Employment Equity Act, the Skills Development Act and Levies Act, the Basic Conditions of Employment Act and the Occupational Health and Safety Act.

The function of the human resources department is to serve as a strategic partner to the business in all its operations, to be visible in the workplace and provide the mechanisms for a clear understanding of individual and broad business activities and principles.

Focus and highlights of the year

Distell's most inspirational teams

Every Distell employee belongs to a specific team within the organisation, with each team assigned a set of goals aligned with the company's core values. Employees across the company were asked to nominate the teams that best encapsulated a particular company value. The categories were:

- Having fun, being the best!
- Celebrating diversity
- Brand pride
- Change agents
- Customer focus
- Unique

The six winning teams are celebrated throughout this report.

Employee Performance Management System (EPMS)

The Employee Performance Management System is applied to all staff at supervisory, administrative and management levels. All those involved sign individually tailored performance scorecards and their performances are then evaluated against predetermined individual, team and company targets. Following on discussions with trade unions with a view to including bargaining unit employees in the performance management system with effect from 1 July 2005, the unions have indicated their members' acceptance.

Mission-Directed Teams (MDTs)

The Mission-Directed Work Team concept, originally launched at production plants, and then expanded to include all distribution sites, provides the basis for work teams to assess quality, speed, cost, morale and innovations pertaining to their work on a daily basis.

Rewards for Awards

Our wine and spirit teams, from viticulturists to winemakers and distillers, continue to achieve successes in major competitions, such as the International Wine & Spirit Competition based in London, the International Spirits Challenge, the international

WINE Magazine Challenge, the SA National Wine Show which awards Veritas medals, the Michelangelo International Awards, the Fairbairn Capital Wine Trophy Awards and others. The Rewards for Awards programme celebrates these achievements.

Leadership Development

Distell Leadership Development Programme (DLDP)

As part of a drive project to reward talent and build leadership skills, while closing skills gaps, Distell runs a leadership development programme in collaboration with the Gordon Institute of Business Science, rated one of the top 40 business schools worldwide. After a rigorous selection process, 69 candidates in 2004 and a further 43 in 2005, drawn from four levels – senior management, middle management, foundation management and specialists – were chosen to undergo leadership training. Of the 2004 group, 55% of candidates were from historically disadvantaged communities, while in 2005 this was raised to 86%.

Career development progress

An initiative to establish a library of core competencies required for each of the company's business areas has begun with a pilot programme at the Greenpark production site. The process provides the basis for determining appropriate training and development to support individual performance and has helped to articulate structured career development paths. Based on the success of the pilot programme, it has been decided to extend it to other secondary sites within the company.

HIV/Aids awareness

The HIV/Aids awareness and intervention programme started in 2002, continued during the year under review. To date, 3 519 or 82% of all employees have now been trained in how to manage the disease and in how to assist in creating a supportive and non-threatening working environment for those affected. Distell's HIV/Aids awareness campaign also includes the training of peer educators and the compilation and distribution of information on the illness. Voluntary testing is encouraged and positive cases are supported by our Employee Assistance Programme.

Industrial relations

Distell fully supports the right to freedom of association and collective bargaining. Recognition of substantive agreements, regulated by collective agreements and labour legislation, have been formalised with the following three unions:

- National Union of Food, Beverages, Wine, Spirits & Allied Workers
- Food & Allied Workers' Union
- Africa Wood & Allied Workers' Union

Our people

During the year under review, the company was not affected by any industrial action beyond the COSATU-affiliated mass action that took place nationwide in June. Moreover, all wage negotiations were concluded timeously.

Disciplinary practices

A Corrective Action Code, aligned to Distell's core values, provides the framework for line management and staff to operate in a principled and ethical environment. The code is communicated on an ongoing basis amongst Distell teams and in such a way that the implications of deviation are readily understood. Moreover, procedures for handling deviations from the code are also made explicit.

The code focuses on cultivating:

- A sense of ownership by passionately promoting Distell, its business reputation and products
- An entrepreneurial spirit by continually striving to stay ahead, learning on an ongoing basis, confronting problems constructively and encouraging innovation
- A performance-driven ethos by being accountable and striving to continually raise standards

- A climate of mutual respect and dignity, expressing care and sensitivity to colleagues, suppliers and all those encountered in the course of duty
- Health and safety in the workplace by upholding safety procedures and exercising responsibility
- A climate of service by proactively anticipating and meeting the needs of colleagues, customers and consumers

Responsible drinking

Training programmes on responsible alcohol use have reached 1 783 employees since January 2002. These programmes focus on lifestyle and health education and, where necessary, also provide intervention and support through the Employee Assistance Programme.

Health and safety

Risk audits are conducted twice a year at each of Distell's sites and trained first-aid teams are present at all the company's premises to handle emergencies or to seek immediate specialist medical help when required. In addition, health and safety committees, whose members are nominated by their peers, are appointed at every site to ensure safety standards, policies and procedures are maintained. They meet on a monthly basis.



Employee statistics

Employment equity

Distell recognises that the sustainability of the business relies on its ability to build an ever-improving reserve of intellectual capital by developing and retaining talent. The thrust of the company's leadership development has been focused on

historically disadvantaged staff. From 2002 to 2005 the number of historically disadvantaged individuals employed at management level has increased from 25% to 31,9%. Of the 255 employees promoted over the past fiscal year across all levels, 82% are from historically disadvantaged communities.

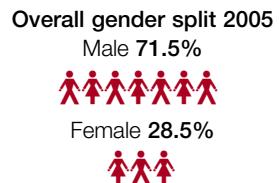
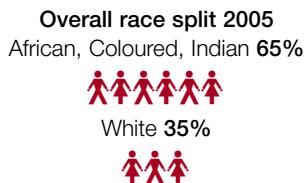
Employment equity

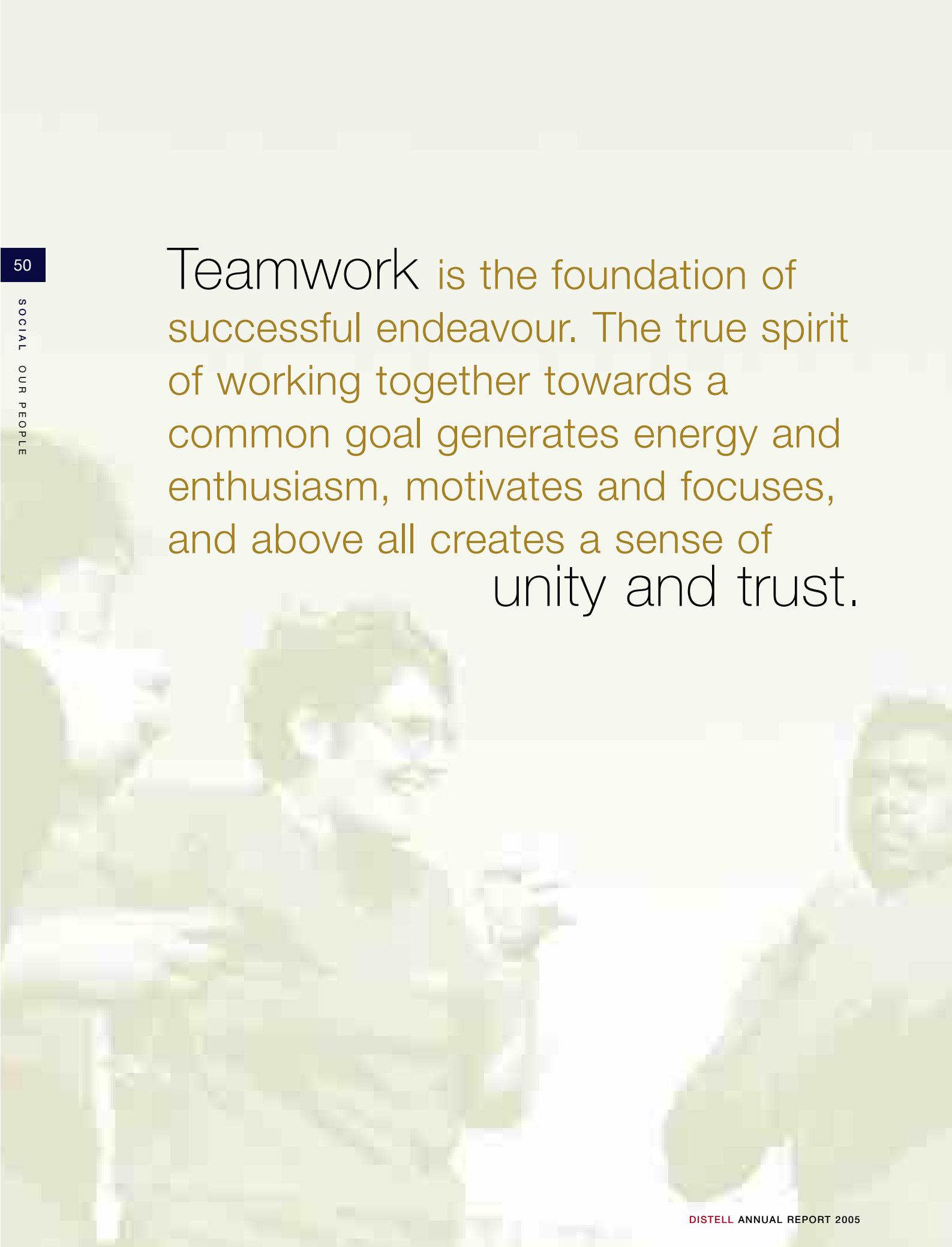
Percentage of staff appointments from historically disadvantaged communities

	Target	Actual
Appointments		
Supervisory, sales representative and administrative level	60	81
Management level	70	60
Promotions (all levels)	60	82

Employee numbers

	2005	2004
Number of permanent employees at beginning of year	4 184	4 342
Plus:		
Recruitments:	267	200
Less:		
Deaths	6	21
Dismissals	89	79
Inc incapacity – medical disability	12	10
Resignation	164	216
Retirements	8	6
Retrenchments	–	26
Total at the end of the year	4 172	4 184





Teamwork is the foundation of successful endeavour. The true spirit of working together towards a common goal generates energy and enthusiasm, motivates and focuses, and above all creates a sense of unity and trust.

Annual financial statements

– for the year ended 30 June 2005

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Currency of financial statements

The annual financial statements are expressed in South African rand (R).

The rand cost of a unit of the following major currencies at 30 June was:

	2005	2004
US dollar	6,68	6,31
British pound	12,09	11,41
Euro	8,06	7,65
Canadian dollar	5,42	4,66
Botswana pula	1,21	1,38
Australian dollar	5,09	4,38

Report of the independent auditors

to the members of Distell Group Limited

We have audited the annual financial statements and group annual financial statements set out on pages 53 to 93. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements;
- assessing the accounting policies used and significant estimates made by management; and
- evaluating the overall financial statements presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, these financial statements and group financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2005, and the results of their operations, changes in equity and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

Ernst & Young Inc.

PRICEWATERHOUSECOOPERS 

Registered Accountants and Auditors
Chartered Accountants (SA)

Stellenbosch

17 August 2005

Directors' responsibilities for financial reporting

The Companies Act, 1973, requires the directors to prepare financial statements for each financial year which fairly present the state of affairs of the company and the group and the profits or losses for the period. In preparing these financial statements, they must:

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

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company, to ensure the financial statements comply with the Companies Act, 1973. They have general responsibility for taking such steps as are reasonably accessible to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

These annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) and incorporate full and responsible disclosure in line with the accounting policies of the group, supported by reasonable and prudent judgements and estimates.

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

The directors have reviewed the group's budget and cash flow projections for the period to 30 June 2006. Based on these projections, and considering the group's current financial position and the financing facilities available to it, they are satisfied it has adequate resources to continue its operations in the foreseeable future. The annual financial statements were prepared on a going concern basis.

No event, material to the understanding of this report, has occurred between the financial year-end and the date of this report.

A copy of the financial statements of the group is placed on the company's website. The directors are responsible for the maintenance and integrity of statutory and audited information on the company's website.

The annual financial statements as set out on pages 53 to 93 have been approved by the board of directors and are signed on their behalf:



DM Nurek

Chairman



JJ Scannell

Managing director

Stellenbosch

17 August 2005

Certificate by group secretary

In my capacity as group secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 30 June 2005, the group has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



CJ Cronje

Group secretary

Stellenbosch

17 August 2005

Report of the board of directors

for the year ended 30 June 2005

The board has pleasure in reporting on the activities and financial results for the year under review:

Nature of activities

The company is an investment holding company with interests in liquor-related companies.

The group is South Africa's leading producer and marketer of wines, spirits and flavoured alcoholic beverages.

Group financial review

Results

Year ended 30 June:	2005 R'000	2004 R'000
Sales revenue	5 951 146	5 563 969
Trading profit	712 557	594 732
Attributable earnings	482 177	360 582
– Per share (cents)	245,8	184,3
Headline earnings	482 173	358 624
– Per share (cents)	245,8	183,3
Total assets	4 985 350	4 832 890
Total liabilities	(2 143 013)	(2 260 799)

The financial statements on pages 53 to 93 set out fully the financial position, results of operations and cash flows of the group for the financial year ended 30 June 2005.

Dividends

Total dividends for the year (R'000) *	242 182	190 109
– Per share (cents)	123,0	97,0

* The final dividend of 67 cents (2004: 51 cents) per share was declared after year-end and was therefore not provided for in the annual financial statements. Refer to note 25 to the financial statements for payment details.

Changes in accounting policy

The accounting policy of the group has been changed in order to adopt South African Statement of Generally Accepted Accounting Practice (GAAP) dealing with "Business Combinations" (AC 140/IFRS 3) and the revised statements dealing with "Intangible Assets" (AC 129/IAS 38) and "Impairment of Assets" (AC 128/

IAS 36). Comparative figures for the year ended 30 June 2004 have not been restated as the statements are effective prospectively from 1 July 2004.

Details of this change is contained in note 32 to the financial statements.

Subsidiary companies and investments

Particulars of subsidiary companies, associated companies and joint venture companies are disclosed in Annexures 1, 2 and 3 respectively.

Directors

The names of the directors, their attendance of meetings and their membership of board committees appear on page 8.

Directors' interests and emoluments

Particulars of the emoluments of directors and their interests in the issued share capital of the company and in contracts are disclosed in notes 33 to 35 to the financial statements.

Holding company

The holding company of the group is Remgro-KVV Investments Limited.

The group structure appears on page 2.

Secretary

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

Approval

The annual financial statements set out on pages 53 to 93 have been approved by the board.

Signed on behalf of the board of directors:

DM Nurek

Chairman

Stellenbosch

17 August 2005

JJ Scannell

Managing Director

Balance sheets

at 30 June

Notes	GROUP		COMPANY	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
Assets				
Non-current assets				
Property, plant and equipment	1	1 172 876	1 225 351	–
Biological assets	2	107 170	98 939	–
Investments and loans	3	291 138	543 166	818 773
Investment in associates	4	9 721	9 095	–
Intangible assets	5	6 578	6 578	–
Deferred taxation	14	44 396	36 431	18 255
Total non-current assets		1 631 879	1 919 560	837 028
				810 366
Current assets				
Inventories	6	2 244 129	2 207 296	–
Trade and other receivables	7	551 241	513 414	146 036
Short-term investments	8	309 249	–	–
Taxation prepaid		52 536	33 230	–
Cash and cash equivalents		196 316	159 390	–
Total current assets		3 353 471	2 913 330	146 036
Total assets		4 985 350	4 832 890	983 064
				810 366
Equity and liabilities				
Capital and reserves				
Share capital	9	1 974	1 964	1 974
Share premium	9	572 098	563 702	572 098
Treasury shares	9	(9 461)	(1 480)	–
Non-distributable and other reserves	10	57 382	60 184	15 435
Retained earnings	11	2 218 691	1 946 462	393 557
		2 840 684	2 570 832	983 064
Minority interest		1 653	1 259	–
Total equity		2 842 337	2 572 091	983 064
				810 366
Non-current liabilities				
Non-current interest-bearing liabilities	12	329 014	754 601	–
Post-retirement medical liability	13	21 391	16 905	–
Deferred taxation	14	95 191	101 127	–
Total non-current liabilities		445 596	872 633	–
Current liabilities				
Trade and other payables	15	929 352	944 618	–
Short-term portion of non-current liabilities	12	429 989	89 766	–
Provisions	16	93 477	59 170	–
Current interest-bearing liabilities	17	244 599	294 612	–
Total current liabilities		1 697 417	1 388 166	–
Total equity and liabilities		4 985 350	4 832 890	983 064
Net asset value per share (cents)		1 440,3	1 309,9	

Income statements

for the years ended 30 June

	Notes	GROUP		COMPANY	
		2005 R'000	2004 R'000	2005 R'000	2004 R'000
Sales volumes (litres '000)		316 445	310 966	–	–
Sales revenue	18	5 951 146	5 563 969	–	–
Operating expenses	19	(5 238 589)	(4 969 237)	–	–
Trading income		712 557	594 732	–	–
Dividend income	20	49 824	56 013	356 139	158 420
Finance costs	21	(102 098)	(150 766)	–	–
Foreign currency differences		(999)	(24 891)	–	–
Income from associates	22	13 554	10 674	–	–
Profit before taxation		672 838	485 762	356 139	158 420
Taxation	23	(190 267)	(124 790)	18 255	–
Minority interest		(394)	(390)	–	–
Net profit attributable to ordinary shareholders		482 177	360 582	374 394	158 420
Earnings per ordinary share (cents)	24				
attributable earnings basis		245,8	184,3		
headline basis		245,8	183,3		
cash equivalent earnings		302,1	219,1		
Dividends per ordinary share (cents)	25				
– interim		56,0	46,0		
– final		67,0	51,0		
		123,0	97,0		

Statements of changes in equity

for the years ended 30 June

	Notes	GROUP		COMPANY	
		2005 R'000	2004 R'000	2005 R'000	2004 R'000
Share capital	9	1 974	1 964	1 974	1 964
Opening balance		1 964	1 956	1 964	1 956
Issue of shares – share scheme		10	8	10	8
Share premium	9	572 098	563 702	572 098	563 702
Opening balance		563 702	558 002	563 702	558 002
Issue of shares – share scheme		8 396	5 700	8 396	5 700
Treasury shares	9	(9 461)	(1 480)	–	–
Opening balance		(1 480)	–	–	–
Issue of shares – share scheme		(8 406)	(5 708)	–	–
Shares paid and delivered – share scheme		425	4 228	–	–
Non-distributable and other reserves	10	57 382	60 184	15 435	15 435
Opening balance		60 184	58 127	15 435	15 435
Hedging reserve		(4 400)	1 932	–	–
Fair value adjustments		1 048	858	–	–
Foreign currency translations		550	(733)	–	–
Retained earnings	11	2 218 691	1 946 462	393 557	229 265
Opening balance		1 946 462	1 744 300	229 265	229 265
Net profit attributable to ordinary shareholders		482 177	360 582	374 394	158 420
Dividends declared	26.4	(210 102)	(158 420)	(210 102)	(158 420)
Dividends paid to The Distell Group Share Trust		154	–	–	–
Equity at the end of the year		2 840 684	2 570 832	983 064	810 366

Cash flow statements

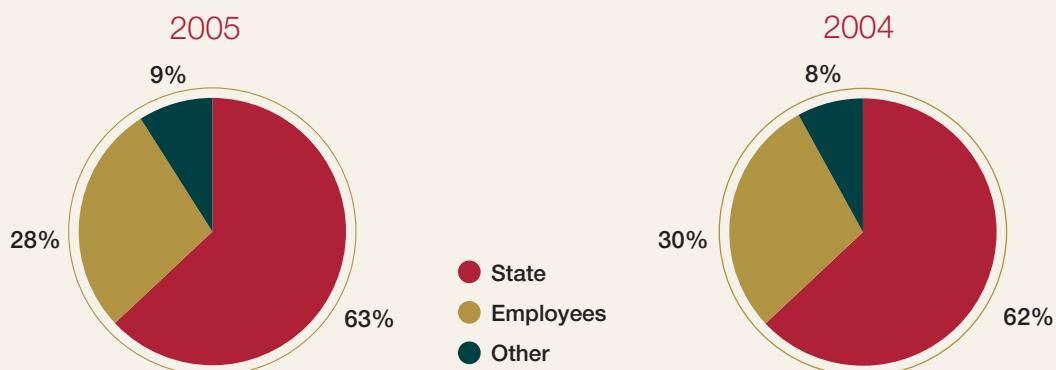
for the years ended 30 June

	Notes	GROUP		COMPANY	
		2005 R'000	2004 R'000	2005 R'000	2004 R'000
Cash flows from operating activities					
Trading income		712 557	594 732	–	–
Non-cash flow items	26.1	172 978	144 204	–	–
Cash flows from trading activities					
Working capital changes	26.2	885 535 (91 038)	738 936 22 259	– (146 036)	–
Cash generated from normal operating activities					
Dividend income		794 497 1 210	761 195 949	(146 036) 356 139	– 158 420
Foreign currency differences realised		(927)	(10 615)	–	–
Interest received		26 051	32 925	–	–
Interest paid		(128 149)	(183 691)	–	–
Taxation paid	26.3	(219 236)	(143 915)	–	–
Dividends paid	26.4	(209 948)	(158 420)	(210 102)	(158 420)
Exceptional items	26.5	–	46 500	–	–
Cash retained from operating activities		263 498	344 928	1	–
Cash flows from investment activities					
Investment to maintain operations	26.6	(59 546)	(79 385)	–	–
Investment to expand operations	26.7	(32 074)	(76 910)	–	–
Preference shares redeemed		–	137 030	–	–
Cash outflow from investment activities		(91 620)	(19 265)	–	–
Cash flows from financing activities					
Ordinary shares issued		8 406	5 708	8 406	5 708
Treasury shares purchased		(7 981)	(1 480)	–	–
Minority interest		–	70	–	–
Decrease in interest-bearing liabilities		(85 364)	(984)	–	–
Increase in intercompany loans		–	–	(8 407)	(5 708)
Cash outflow from financing activities		(84 939)	3 314	(1)	–
Decrease in net short-term borrowings					
Balance at the beginning of the year		135 222	464 199	–	–
Balance at the end of the year		(48 283)	(135 222)	–	–
Decrease in net short-term borrowings	26.8	86 939	328 977	–	–
Cash flow per share (cents) from operating activities		241,3	257,3		

Cash value added statement

for the years ended 30 June

	GROUP	
	2005 R'000	2004 R'000
Cash generated		
Cash derived from sales	5 913 319	5 561 411
Net financing costs paid	(102 098)	(150 766)
Income from investments	1 210	949
Cash value generated	5 812 431	5 411 594
Cash payments to suppliers of materials and services	(3 217 934)	(3 096 895)
Cash value added/wealth created	2 594 497	2 314 699
Cash utilised to:		
Pay excise duty to the State	1 242 819	1 074 036
Pay tax on income to the State	219 236	143 915
Remunerate employees for their services	658 996	593 400
Provide shareholders with a return on the use of their risk capital	209 948	158 420
Cash disbursed among stakeholders	2 330 999	1 969 771
Net cash retained from operating activities	263 498	344 928
Reconciliation with cash generated		
Cash value added (above)	2 594 497	2 314 699
Less: Remuneration to employees for their services	(658 996)	(593 400)
Net financing costs paid	102 098	150 766
Payment of excise duty to the State	(1 242 819)	(1 074 036)
Cash generated from operating activities	794 780	798 029
State taxes		
Excise duty	1 242 819	1 074 036
Tax on income	219 236	143 915
Value added tax	290 036	246 869
Employees' tax deducted from remuneration	74 096	66 464
Regional Services Council levies and property taxes	21 771	19 904
Channelled through the group	1 847 958	1 551 188



Accounting policies and definitions

1. Accounting policies

The principal accounting policies of the group conform to South African Statements of Generally Accepted Accounting Practice effective for the group's financial year. These policies are consistent, except for the amortisation of goodwill, with those applied in the previous year. Changes are dealt with in note 32.

The annual financial statements have been prepared in accordance with the historical cost convention, as modified by the restatement of biological assets and certain financial instruments to fair value.

1.1 Basis of consolidation

Subsidiaries

Subsidiary undertakings, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. The purchase method of accounting is used to account for the acquisition of subsidiaries. Subsidiaries are consolidated from the date on which effective control is transferred to the group and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the group. Separate disclosure is made of minority interests.

A listing of the group's principal subsidiaries is set out in annexure 1 to the annual financial statements.

Associate companies

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the group has between 20% and 50% of the voting rights, and over which the group exercises significant influence, but which it does not control. Equity accounting involves recognising in the income statement the group's share of the associate's profit or loss for the year. The group's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate. Goodwill arising on the group's investment in associates is disclosed separately. Provisions are recorded for long-term impairment in value.

A listing of the group's principal associated undertakings is set out in annexure 2 to the annual financial statements.

Joint ventures

The group's interest is accounted for by proportionate consolidation.

Under this method, the group includes its share of the joint ventures' individual income and expenses, assets and liabilities in the relevant components of the financial statements on a line-by-line basis.

Further details about the joint ventures are set out in annexure 3 to the annual financial statements.

1.2 Property, plant and equipment

Land and buildings are recorded at their historical costs. Buildings are depreciated on the straight-line method over their estimated useful lives. Improvements to leasehold properties are depreciated over the periods of the leases.

Machinery, equipment and vehicles are recorded at historic cost and depreciated on the straight-line method over their estimated useful lives.

Capitalised leased assets are assets leased in terms of finance lease agreements. It is capitalised at their equivalent cash consideration. Depreciation is provided on the straight-line method over their estimated useful lives. Finance charges are written off over the term of the lease in accordance with the effective interest rate method. Leases of assets in terms of which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are accounted for in normal income.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts which are taken into account in determining operating profit.

Software packages and the direct costs associated with the development and installation thereof are capitalised and depreciated on the straight-line method over their estimated useful lives from commencement of use.

Where the carrying amount of an asset is greater than its estimated recoverable amount, impairment losses are recognised and it is written down immediately to its recoverable amount.

Finance costs on borrowings to finance the construction of property, plant and equipment are recognised as an expense when incurred.

1.3 Biological assets

Biological assets consist of grape vines which are valued at fair value by discounting its net cash flows over the remaining lives thereof at an appropriate discount rate.

Accounting policies and definitions

Gains and losses arising from changes in fair value are accounted for in income in the period in which they arise.

1.4 Investments and loans

Non-current investments are initially measured at cost, which includes transaction costs on transaction date. Subsequent to initial recognition these instruments are measured as follows:

Held-to-maturity investments

Held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Held-for-trading and available-for-sale investments

Marketable securities are carried at fair value, which is calculated by reference to exchange quoted selling prices at the close of business on 30 June.

Non-listed investments are carried at fair value, which is determined by utilising accepted valuation techniques.

Other investments and loans

Other investments are carried at amortised cost.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited against income.

The investment of Distell Group Limited in South African Distilleries and Wines (SA) Limited is disclosed at cost in the company financial statements.

1.5 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiaries/associates at the date of acquisition. Goodwill on acquisitions occurring between 1 July 2000 and 31 March 2004 is reported in the balance sheet as an intangible asset and was amortised using the straight-line method over its estimated useful life until 30 June 2004. Goodwill on acquisitions that occurred prior to 1 July 2000 was charged in full to retained earnings; such goodwill has not been retroactively capitalised and amortised. Goodwill on acquisitions on or after 31 March 2004 is carried at cost.

The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed.

Trademarks

Expenditure on the acquisition of trademarks or brands are capitalised at the cost to the group. No value is placed on internally developed trademarks or brands.

The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary.

Expenditure to maintain trademarks and brands is accounted for against income as incurred.

1.6 Research and development

Research and development expenditure is accounted for against income as incurred.

1.7 Inventories

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

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

1.8 Taxation

Deferred taxation is provided at current rates using the liability method. Provision is made for all temporary differences between the taxation bases of the assets and liabilities and their balance sheet carrying values.

No deferred tax liability is recognised in those circumstances where the initial recognition at the date of acquisition of an asset or liability has no impact on accounting profit or taxable income.

Assets are not raised in respect of deferred taxation on assessed losses, unless it is probable that future taxable profits will be available against which the unused tax losses can be utilised in the foreseeable future.

Secondary taxation on companies (STC) is provided in respect of dividend payments, net of dividends received or receivable and is recognised as a taxation charge for the year in which the dividend is paid.

Deferred tax is provided on unutilised STC credits which will be utilised in the foreseeable future.

Non-resident shareholders' taxation is provided in respect of foreign dividends receivable only when the dividend is recognised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that it will not reverse in the foreseeable future.

1.9 Trade and other receivables

Trade and other receivables originated by the group are carried at cost less provision made for impairment. An estimate is made for impairment of receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

1.10 Cash and cash equivalents

Cash and cash equivalents are measured at cost and comprise cash on hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less. Bank overdrafts are included in current interest-bearing liabilities.

1.11 Treasury shares

Shares in the company held by The Distell Group Share Trust are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued number of shares and taken into account in the calculation of the weighted average number of shares. The cost price of the shares is deducted from the group's equity.

1.12 Provisions

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of resources that can be reliably estimated, will be required to settle the obligation.

1.13 Foreign entities

The assets and liabilities of foreign entities are translated into South African rand at exchange rates ruling at the financial year-end. Income and expenditure items are translated using average rates of exchange during the relevant accounting period. Differences arising on translation are reflected in non-distributable reserves.

1.14 Foreign currency transactions and balances

Transactions in foreign currencies are converted to South African rand at the spot rate on the date of the transactions. Monetary assets, liabilities and commitments in foreign currencies are translated to South African rand using rates of exchange ruling at the financial year-end. Forward exchange contracts are converted at the market-related forward rates at the financial year-end. Differences arising

on translation are reflected separately in the income statement.

1.15 Financial instruments

Financial instruments are initially measured at cost, which includes transaction costs. Financial instruments carried on the balance sheet consist of cash and bank balances, investments, receivables, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Derivatives

Derivative assets and liabilities, which are traded in an organised financial market, are remeasured at the current quoted market bid price for assets held or liabilities to be issued or the offer price for assets to be acquired or liabilities held.

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

Foreign currency forward contracts protect the group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Interest rate swap agreements protect the group from movements in interest rates. Any differential to be paid or received on an interest rate swap agreement is recognised as a component of interest revenue or expense over the period of the agreement. Gains and losses on early termination of interest rate swaps or on repayment of the borrowing are recognised in the income statement.

Gains and losses on subsequent measurement

Gains and losses on subsequent measurement are recognised as follows:

- Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss for the period in which they arise, except for available-for-sale financial assets, where the gains and losses are recognised directly in equity until the financial asset is disposed or a permanent devaluation occurs.
- Gains and losses arising from the subsequent measurement of fair value hedging instruments are recognised immediately in net profit or loss.
- Gains and losses arising from subsequent measurement of cash flow hedging instruments

Accounting policies and definitions

are initially recognised directly in equity. If the hedged firm commitment or forecasted transaction results in the recognition of an asset or liability, then the cumulative amount recognised in equity is adjusted against the initial measurement of the asset or the liability. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss in the period when the commitment or forecasted transaction affects profit or loss.

Offsetting

Where a current legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and where there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Disclosure about financial instruments to which the group is a party is provided in note 30 to the annual financial statements.

1.16 Employee benefits

Retirement funds

The group provides pension, retirement or provident fund benefits to all employees.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement to spread regular costs over the service lives of the employees. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability.

The net surplus or deficit of the benefit obligation is the difference between the present value of the funded obligations and the fair value of the plan assets.

All actuarial gains and losses are spread forward over the average remaining service lives of employees.

Contributions of the group to defined contribution pension plans are accounted for against income when the employees render the related services.

Medical funds

Medical aid costs are accounted for against income during the period when employees render services to the group.

The group provides for actuarially determined future medical benefits of employees who retire based on the

employee's remaining years in service up to retirement age and completing a minimum service period.

The expected costs of these benefits are accumulated over the period of employment, using methodology similar to that for defined pension plans. Valuation of these obligations is carried out by independent qualified actuaries.

Equity compensation benefits

The group operates a management share incentive scheme through The Distell Group Share Trust.

Share options are granted to management and key employees with more than three years of service. Options are granted at the market price of the shares on the date of the offer and are exercisable at that price. Options are exercisable within one year from the date of offer and are payable within ten years in three equal instalments of which the first instalment is only payable after three years. The proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium. The group does not make a charge to staff costs in connection with share options.

1.17 Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of value added taxes (VAT) and general sales taxes (GST) and discounts, and after eliminating sales within the group.

Other revenues earned by the group are recognised on the following basis:

- **Interest income:** as it accrues unless collectability is in doubt
- **Dividend income:** when the shareholder has an irrevocable right to receive payment.

1.18 Segment reporting

The group is a manufacturer, marketer and distributor of alcoholic beverages.

The only primary business segment identified is liquor.

On a secondary reporting format, significant geographic distribution regions have been defined (note 27).

Costs between the regions are allocated on an actual cost basis.

2. Definitions and ratios

2.1 Acid test ratio

Current assets, excluding inventories, divided by total current liabilities.

2.2 Cash flow per ordinary share

Cash flow from operating activities before dividends paid, divided by the number of ordinary shares in issue. This basis identifies the cash stream actually achieved in the period under review.

2.3 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 balance sheet, bank overdrafts are included in interest-bearing liabilities under current liabilities.

2.4 Current ratio

Current assets divided by total current liabilities.

2.5 Dividend cover

Headline earnings per ordinary share divided by dividends per ordinary share.

2.6 Dividend yield

Dividends per ordinary share divided by the weighted average price per share during the year.

2.7 Earnings per ordinary share

Attributable earnings basis

Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Headline basis

Earnings attributable to ordinary shareholders, after taking into account the adjustments explained in note 24.2, divided by the weighted average number of ordinary shares in issue.

Cash equivalent basis

Earnings attributable to ordinary shareholders, after taking into account the adjustments explained in note 24.3, divided by the weighted average number of ordinary shares in issue. This basis recognises the potential of the earnings stream to generate cash.

2.8 Earnings yield

Headline earnings per ordinary share divided by the closing share price at year-end on the JSE Limited (JSE).

2.9 Effective tax rate

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

2.10 Financial gearing ratio

The ratio of interest-bearing liabilities, net of cash and cash equivalents, to total equity.

2.11 Interest-free liabilities to total assets

Interest-free liabilities, excluding post-retirement medical liability, divided by total assets (both excluding deferred taxation).

2.12 Net asset turn

Sales revenue divided by net assets at year-end.

2.13 Net asset value per ordinary share

Total equity divided by the number of ordinary shares in issue.

2.14 Pre-tax return on equity

Profit before taxation as a percentage of closing equity.

2.15 Price earnings ratio

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

2.16 Return on equity

Headline earnings divided by closing equity.

2.17 Sales revenue

Revenue comprises income from sales in the ordinary course of business, net of VAT and GST, but inclusive of excise duty levied on domestic sales of wine and spirits.

2.18 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. The equivalent of the market price of a Distell ordinary share seven years ago is computed by dividing the total market capitalisation of both Distillers and SFW at that date by the number of ordinary shares in issue at 30 June 2005 (197,3 million shares).

Notes to the annual financial statements

for the years ended 30 June

	2005 R'000	2004 R'000
1. Property, plant and equipment		
1.1 Carrying value		
At cost		
properties	571 607	579 490
machinery, tanks and barrels	1 332 269	1 316 244
equipment and vehicles	88 514	118 870
systems development costs	15 598	15 598
	2 007 988	2 030 202
Accumulated depreciation		
properties	64 957	59 019
machinery, tanks and barrels	692 820	646 196
equipment and vehicles	61 737	85 279
systems development costs	15 598	14 357
	835 112	804 851
Carrying value	1 172 876	1 225 351
Composition of carrying value		
Properties	506 650	520 471
Machinery, tanks and barrels	639 449	670 048
Equipment and vehicles	26 777	33 591
Systems development costs	–	1 241
	1 172 876	1 225 351
1.2 Movement for the year		
Acquisitions	98 318	169 063
Disposals	(12 502)	(8 733)
Depreciation	(138 291)	(132 879)
Net movement for the year	(52 475)	27 451
Composition of acquisitions		
Properties	11 948	68 950
Machinery, tanks and barrels	80 742	76 122
Equipment and vehicles	5 628	23 991
	98 318	169 063
Composition of transfers		
Properties	(14 271)	–
Machinery, tanks and barrels	13 468	–
Equipment and vehicles	803	–
	–	–

	2005 R'000	2004 R'000
1. Property, plant and equipment (continued)		
Composition of disposals		
Properties	2 998	5 422
Machinery, tanks and barrels	6 402	2 602
Equipment and vehicles	3 102	709
	12 502	8 733

Included in equipment and vehicles are capitalised finance lease vehicles with a book value of R1,8 million (2004: R1,2 million) (see note 12).

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

The expected useful lives of property, plant and equipment are as follows:

buildings	60 years
stainless steel tanks	25 years
other machinery and barrels	3 – 25 years
equipment and vehicles	4 – 10 years
capitalised finance lease vehicles	4 years
systems development costs	5 years

2. Biological assets

The group owns bearer biological assets in the form of grape vines. The grapes produced from these vines are mainly used in the production of wines and spirits of the group's own brands and products. The vines are cultivated on land either owned or leased by the group.

The total area under grape vines on 30 June 2005 amounted to approximately 1 436 ha (2004: 1 425 ha), of which approximately 1 008 ha (2004: 948 ha) can be classified as mature vines. The total output of grapes harvested during the current year amounted to 9 158 tons (2004: 8 198 tons).

The fair value of the grapes harvested during the current financial year amounted to R38,1 million (2004: R41,9 million). The fair value was calculated with reference to arm's length prices paid in an active market less estimated point-of-sale costs.

The fair value of mature grape vines was calculated by discounting the net cash flows thereof over its remaining lives at a discount rate of 20%. The average productive life of grape vines are estimated at 23 years. Immature grape vines are shown at cost.

Carrying amount at the beginning of the year	98 939	94 585
Acquisitions	6 941	4 192
Disposals	–	–
Net change in fair value	1 290	162
– Decrease due to harvest	(38 131)	(41 900)
– Gain due to price, yield, maturity and cost changes	39 421	42 062
Carrying amount at the end of the year	107 170	98 939

An amount of R4,1 million (2004: R8,3 million) for vineyard development expenses is included in the total of capital commitments in note 28.

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for the years ended 30 June

2. Biological assets (continued)

The fair value of grape vines cultivated on land, of which the lease expires in 2018, amounts to R5,3 million (2004: R4,4 million).

Short-term insurance cover, as part of an overall risk management strategy, is utilised to protect the group against the replacement cost, and subsequent loss of income, of establishing new vineyards in the event of them being damaged by natural perils, such as fire and lightning.

3. Investments and loans

Group

Loans originated by the entity: Preference shares with a dividend rate of between 9,1% and 12,5%, redeemable in March 2006 and May 2007
Available-for-sale investments
Other loans originated by the entity

Less: Short-term portion of preference shares

Directors' valuation of investments and loans

Company

Investment in subsidiary (annexure 1)

All the investments are unlisted and details thereof are available at the registered office of the company.

4. Investment in associates

Investment in associates at cost (annexure 2)

Directors' valuation of investment in associates

5. Intangible assets

Goodwill

Carrying value

Cost

Accumulated impairment/amortisation

Reconciliation of carrying value

Balance at the beginning of the year

Additions

Impairment/Amortisation

Balance at the end of the year

	2005 R'000	2004 R'000
	542 297	493 683
Available-for-sale investments	30 257	22 633
Other loans originated by the entity	27 833	26 850
	600 387	543 166
Less: Short-term portion of preference shares	(309 249)	–
	291 138	543 166
	600 385	543 136
	818 773	810 366
All the investments are unlisted and details thereof are available at the registered office of the company.		
	9 721	9 095
	31 450	30 824
	7 654	7 654
Accumulated impairment/amortisation	(1 076)	(1 076)
	6 578	6 578
	6 578	6 952
	–	–
	–	(374)
	6 578	6 578

5. Intangible assets (continued)

Impairment testing of indefinite life goodwill

Goodwill acquired through the investment in Tanzania Distilleries Limited has been allocated to that cash-generating unit. The recoverable amount of the cash-generating unit has been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections is 10%. These calculations indicate that there was no impairment in the carrying value of the goodwill.

Key assumptions used for value-in-use calculation

Sales growth rates, growth margins and costs were based on historical performance and management's expectations of the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

Refer to note 32 for details about the change in accounting policy regarding the impairment and amortisation of goodwill.

	2005 R'000	2004 R'000
1 366 411	1 325 169	
524 231	534 550	
104 328	150 535	
249 159	197 042	
2 244 129	2 207 296	
65 776	25 918	
543 461	492 670	
(23 210)	(22 098)	
30 990	42 842	
551 241	513 414	
146 036	—	
309 249	—	

6. Inventories

Bulk wines, flavoured alcoholic beverages and spirits
Bottled wines, flavoured alcoholic beverages and spirits
Packaging material
Excise duty

7 Trade and other receivables

Trade Group

Group	Trade receivables	543 461	492 670
	Provision for impairment of receivables	(23 210)	(22 098)
	Other receivables	30 990	42 842

Company

Dividend receivable

8. Short-term investments

Preference shares redeemable within one year

All the investments are unlisted and details thereof are available at the registered office of the company.

Notes to the annual financial statements

for the years ended 30 June

	2005	2004
	Number '000	Number '000
9. Share capital and share premium		
Shares authorised		
Ordinary shares of 1 cent each	250 000	250 000
Shares issued		
Balance at the beginning of the year	196 357	195 580
Issue of shares – share scheme	990	777
Ordinary shares of 1 cent each issued and fully paid	197 347	196 357
Treasury shares		
Shares held by The Distell Group Share Trust	1 134	201
	R'000	R'000
Share capital		
Balance at the beginning of the year	1 964	1 956
Issue of shares – share scheme	10	8
Balance at the end of the year	1 974	1 964
Share premium		
Balance at the beginning of the year	563 702	558 002
Issue of shares – share scheme	8 396	5 700
Balance at the end of the year	572 098	563 702
Treasury shares		
Balance at the beginning of the year	(1 480)	–
Issue of shares – share scheme	(8 406)	(5 708)
Shares paid and delivered – share scheme	425	4 228
Balance at the end of the year	(9 461)	(1 480)

Ten percent of the unissued share capital is under the control of the board of directors until the next annual general meeting.

9. Share capital and share premium *(continued)*

The trustees of The Distell Group Share Trust (the "scheme") offered to participants unissued ordinary shares which were reserved for the scheme. The total number of unissued shares reserved for the scheme is 12 901 776 (2004: 13 891 864). The details of the offer are as follows:

Date	Participants	Offer price (Rand)	Number of shares offered	Number of shares accepted as at 30 June 2005	Number of shares paid and delivered as at 30 June 2005
19 March 2001	Executive directors	7,35	1 127 780	1 127 780	375 926
19 March 2001	Other participants	7,35	1 202 125	1 202 125	257 135
15 October 2002	Other participants	13,21	143 337	143 337	—
13 December 2002	Executive directors	14,60	953 320	953 320	—
13 December 2002	Other participants	14,60	1 769 000	1 769 000	—
3 June 2004	Other participants	15,05	219 570	219 570	—
			5 415 132	5 415 132	633 061
The current status of the scheme is as follows:				Average offer price (Rand)	Number of shares
Ordinary shares due to participants				11,95	4 839 818
Previous financial years				—	—
Offered and accepted in current financial year				7,35	(57 747)
Shares paid for and delivered					—
Resignations and other					
				12,01	4 782 071

The offer is open for acceptance for one year from the date of the offer. The scheme is a deferred purchase scheme and payment is made in three equal annual instalments of which the first instalment is only payable after three years.

Participants have no right to delivery, voting or dividends on shares before payment has been made. Participants may choose to pay on a later date with the resultant deferment of rights. Payment must, however, be made within ten years.

Notes to the annual financial statements

for the years ended 30 June

	2005 R'000	2004 R'000
10. Non-distributable and other reserves		
Group		
Reserves at formation of a previous holding company	15 199	15 199
Capital reduction	236	236
Transfer of share capital on cancellation of shares	13 226	13 226
Transfer of share premium	15 873	15 873
Capital redemption reserve fund	400	400
Reclassification of pallets to deposit value	5 773	5 773
Foreign currency translations	2 453	1 903
Balance at the beginning of the year	1 903	2 636
Foreign currency translations for the year	550	(733)
Hedging reserve	(2 689)	1 711
Balance at the beginning of the year	1 711	(221)
Fair value adjustments of cash flow hedges	(3 301)	1 184
Hedging reserve realised to income	(1 099)	748
Fair value adjustments	6 911	5 863
Balance at the beginning of the year	5 863	5 005
Fair value adjustments of available-for-sale investments	1 272	858
Deferred tax on fair value adjustments	(224)	–
	57 382	60 184
Company		
Reserves at formation	15 199	15 199
Capital reduction	236	236
	15 435	15 435
11. Retained earnings		
Company	393 557	229 265
Consolidated subsidiaries	1 807 489	1 700 428
Joint ventures	15 440	15 190
Associated companies	2 205	1 579
	2 218 691	1 946 462

	2005 R'000	2004 R'000
12. Non-current interest-bearing liabilities		
Unsecured loan, bearing interest at a fixed rate of 14,08% per annum, payable six-monthly in arrears, with a final redemption on 2 March 2006	378 599	422 244
Unsecured loan, bearing interest at a fixed rate of 10,71% per annum, payable six-monthly in arrears, with a final redemption on 17 May 2007	378 113	420 644
Secured loans on capitalised finance lease vehicles (see note 1), bearing interest at a variable rate of 2,6% below prime per annum, payable monthly in arrears in instalments of R58 738 (2004: R43 580) for 48 months	2 291	1 479
<i>Less: Portion of loans repayable within one year, included in current liabilities</i>	759 003	844 367
	(429 989)	(89 766)
	329 014	754 601
13. Post-retirement medical liability		
Balance at the beginning of the year	16 905	15 297
Provision for the year	4 486	1 608
Balance at the end of the year (note 31)	21 391	16 905
14. Deferred taxation		
The movement on the deferred tax account is as follows:		
Balance at the beginning of the year	64 696	85 726
Tax rate adjustment	(2 157)	–
Provision for the year	(11 744)	(21 030)
Balance at the end of the year	50 795	64 696
Deferred tax liabilities		
Allowances on fixed assets	113 697	107 349
Biological assets	20 691	21 307
Interest receivable	–	240
	134 388	128 896
Deferred tax assets		
Provision for impairment of receivables	(6 731)	(6 629)
Assessed losses	(25 340)	(24 229)
Unutilised STC credits	(18 255)	(11 563)
Provisions	(27 108)	(17 751)
Other	(6 159)	(4 028)
	(83 593)	(64 200)
Net deferred tax	50 795	64 696

Notes to the annual financial statements

for the years ended 30 June

	2005 R'000	2004 R'000	
14. Deferred taxation (continued)			
Companies in the group with net deferred tax assets	(44 396)	(36 431)	
Companies in the group with net deferred tax liabilities	95 191	101 127	
Net deferred tax	50 795	64 696	
15. Trade and other payables			
Trade payables	530 792	604 378	
Other payables	49 372	54 339	
Excise duty	326 350	277 399	
Value added tax	22 838	8 502	
	929 352	944 618	
16. Provisions			
	Leave pay R'000	Bonuses R'000	Total R'000
Balance at the beginning of the year	32 682	26 488	59 170
Additional provisions	2 232	63 869	66 101
Unused amounts – reversed	–	(469)	(469)
Utilised during the year	(1 870)	(29 455)	(31 325)
Balance at the end of the year	33 044	60 433	93 477
Leave pay			
Employee entitlements to leave are recognised when they accrue to the employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.			
Bonuses			
The majority of employees in service of the company participate in a performance-based incentive scheme and a provision is made for the estimated liability in terms of set performance criteria.			
The remainder of employees receive an annual bonus in December equal to their basic monthly remuneration. A pro rata bonus provision is made for employees in service at balance sheet date.			
	2005 R'000	2004 R'000	
17. Current interest-bearing liabilities			
Unsecured call accounts	244 599	294 612	

	2005 R'000	2004 R'000
18. Sales revenue		
Sales	4 677 600	4 463 906
Excise duty	1 273 546	1 100 063
	5 951 146	5 563 969
19. Operating expenses		
19.1 Costs classified by function		
Costs of goods sold	4 012 424	3 863 944
Sales and marketing expenses	623 103	559 022
Distribution costs	366 616	344 879
Administration and other costs	236 446	201 392
	5 238 589	4 969 237
19.2 Depreciation		
Machinery, tanks and barrels	118 407	112 846
Equipment and vehicles	10 143	11 349
Properties	8 500	7 077
Systems development costs	1 241	1 607
	138 291	132 879
19.3 Research and development expenditure: trademarks and brands	9 067	7 127
19.4 Administrative and managerial fees	6 011	5 830
19.5 Operating lease expenses		
Properties	19 784	19 780
Vehicles	19 677	18 669
Equipment	7 122	5 230
Machinery	7 677	7 499
	54 260	51 178
19.6 Profit on disposal of property, plant and equipment		
Properties	1 046	181
Machinery, tanks and barrels	487	771
Equipment and vehicles	(1 527)	2 380
	6	3 332
19.7 Net fair value adjustment of biological assets (note 2)	(1 290)	(162)
19.8 Amortisation of goodwill	–	374

Notes to the annual financial statements

for the years ended 30 June

	2005 R'000	2004 R'000
19. Operating expenses (continued)		
19.9 Auditors' remuneration		
Audit fees	2 541	2 043
Audit fees in respect of previous year	28	75
Fees for other services	1 101	280
Expenses	112	62
	3 782	2 460
19.10 Staff costs		
Salaries and wages	596 607	534 918
Retirement benefit costs	37 232	37 051
Medical aid contributions	25 157	21 431
	658 996	593 400
Number of employees at year-end	4 172	4 184
20. Dividend income		
Group		
Preference shares	48 614	55 064
Other	1 210	949
	49 824	56 013
Company		
Subsidiary	356 139	158 420
Dividend income is derived from unlisted investments.		
21. Finance costs		
Interest received	26 051	32 925
Interest paid	(128 149)	(183 691)
	(102 098)	(150 766)
22. Income from associates		
Share of profit before taxation	13 554	10 674
Share of taxation	(4 238)	(3 271)
Dividends received	9 316	7 403
Share of profit for the year	(8 690)	(6 816)
	626	587

	2005 R'000	2004 R'000
23. Taxation		
23.1 Normal company taxation		
Group		
Current taxation		
current year	199 230	141 587
previous year	700	962
Share of taxation of associates (note 22)	4 238	3 271
Deferred taxation	(13 901)	(21 030)
	190 267	124 790
Composition		
Normal South African taxation	145 535	94 853
Foreign taxation	27 042	29 256
Secondary taxation on companies (STC)	17 690	681
	190 267	124 790
Company		
Deferred taxation		
current year	(18 255)	–
23.2 Reconciliation of rate of taxation (%)		
Standard rate for companies	29,0	30,0
Differences arising from normal activities:		
non-taxable income	(3,0)	(3,4)
non-deductible expenses	0,7	1,2
taxation losses utilised	–	(1,2)
tax rate adjustment	(0,4)	–
foreign tax rate differential and withholding taxes	0,4	1,4
	26,7	28,0
Secondary taxation on companies	2,6	0,1
Unutilised STC credits	(1,0)	(2,4)
	28,3	25,7
23.3 Taxation losses		
Calculated taxation losses and capital improvements available for future taxable income	97 820	91 466
Applied to reduce deferred taxation	(87 380)	(80 764)
	10 440	10 702

Notes to the annual financial statements

for the years ended 30 June

	2005 R'000	2004 R'000
24. Earnings per ordinary share		
The calculation of earnings per ordinary share is based on earnings as detailed below and on 196,2 million (2004: 195,6 million) weighted average number of ordinary shares in issue.		
The potential dilutive effect of the shares offered, but not paid and delivered, to participants in the share scheme has not been taken into account as the effect on earnings is negligible.		
24.1 Attributable earnings	482 177	360 582
24.2 Headline earnings	482 177	360 582
Attributable earnings	482 177	360 582
Adjusted for (net of taxation):		
profit on disposal of property, plant and equipment	(4)	(2 332)
goodwill impairment/amortisation	-	374
	482 173	358 624
24.3 Cash equivalent earnings	482 177	360 582
Attributable earnings	482 177	360 582
Adjusted for:		
deferred taxation (note 23.1)	(13 901)	(21 030)
dividend from preference shares (note 20)	(48 614)	(55 064)
non-cash flow items (note 26.1)	172 978	144 204
	592 640	428 692
25. Dividends		
Paid: 56,0 cents (2004: 46,0 cents)	109 960	89 967
Declared: 67,0 cents (2004: 51,0 cents)	132 222	100 142
Total: 123,0 cents (2004: 97,0 cents)	242 182	190 109

A final dividend of 67 cents per share was declared for the financial year ended 30 June 2005. The dividend will be paid on Monday, 12 September 2005. The last date to trade ("cum" the dividend) in order to participate in the dividend will be Friday, 2 September 2005. The share of Distell will commence trading "ex" the dividend from the commencement of business on Monday, 5 September 2005, and the record date will be Friday, 9 September 2005.

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

	2005 R'000	2004 R'000
26. Cash flow information		
26.1 Non-cash flow items		
Depreciation	138 291	132 879
Net fair value adjustment of biological assets	(1 290)	(162)
Goodwill impairment/amortisation	–	374
Profit on disposal of property, plant and equipment	(6)	(3 332)
Provision for impairment of receivables	1 112	896
Provision for retirement benefits	4 486	1 608
Provision for leave and bonuses	34 307	25 018
Foreign currency differences unrealised and other	(3 922)	(13 077)
	172 978	144 204
26.2 Working capital changes		
Group		
Increase in inventories	(36 833)	(132 932)
Increase in trade and other receivables	(38 939)	(31 618)
Decrease in trade and other payables	(15 266)	186 809
	(91 038)	22 259
Company		
Increase in other receivables	(146 036)	–
26.3 Taxation paid		
Prepaid at the beginning of the year	33 230	31 864
Current provision for taxation	(199 930)	(142 549)
Prepaid at the end of the year	(52 536)	(33 230)
	(219 236)	(143 915)
26.4 Dividends paid		
Group		
Unpaid at the beginning of the year	–	–
Dividends declared	(210 102)	(158 420)
Dividends paid to The Distell Group Share Trust	154	–
Unpaid at the end of the year	–	–
	(209 948)	(158 420)
Company		
Unpaid at the beginning of the year	–	–
Dividends declared	(210 102)	(158 420)
Unpaid at the end of the year	–	–
	(210 102)	(158 420)

Notes to the annual financial statements

for the years ended 30 June

		2005 R'000	2004 R'000
26. Cash flow information (continued)			
26.5 Exceptional items			
Compensation for cancellation of exclusive distribution rights		–	46 500
		–	46 500
26.6 Investment to maintain operations			
Properties and vineyards		(3 540)	(45 748)
Machinery, tanks and barrels		(63 436)	(26 447)
Equipment and vehicles		(5 078)	(19 255)
Proceeds on disposal of property, plant and equipment		12 508	12 065
		(59 546)	(79 385)
26.7 Investment to expand operations			
Properties and vineyards		(15 349)	(27 394)
Machinery, tanks and barrels		(17 306)	(49 675)
Equipment and vehicles		(550)	(4 736)
Net investments disposed		1 131	4 895
		(32 074)	(76 910)
26.8 Decrease in net short-term borrowings			
Balance at the beginning of the year		135 222	464 199
Balance at the end of the year			
– cash and cash equivalents		196 316	159 390
– current interest-bearing liabilities		(244 599)	(294 612)
		86 939	328 977
27. Segment reporting			
Primary reporting format – business segment			
The group is engaged in the manufacturing, marketing and distribution of alcoholic beverages. As these activities comprise an integrated operation, the group regards this as a single primary business segment, on which all information is disclosed in the annual financial statements.			
Secondary reporting format – geographic distribution regions			
Regional sales revenue			
– Republic of South Africa		4 907 139	4 539 548
– Sub-Saharan Africa		521 319	501 044
– International		522 688	523 377
		5 951 146	5 563 969
Regional assets			
– Republic of South Africa		4 755 513	4 630 868
– Sub-Saharan Africa		141 804	130 620
– International		88 033	71 402
		4 985 350	4 832 890

	2005 R'000	2004 R'000
27. Segment reporting (continued)		
Capital expenditure on property, plant and equipment		
– Republic of South Africa	95 466	165 399
– Sub-Saharan Africa	2 393	3 225
– International	459	439
	98 318	169 063
Regional sales revenue excludes sales between group companies.		
Regional assets include operating assets and investments in associates, but exclude intercompany balances.		
28. Commitments		
Capital commitments		
Outstanding amounts on capital expenditure	46 808	23 227
Capital expenditure authorised by the directors, not yet contracted	175 842	119 454
	222 650	142 681
Composition of capital commitments		
Subsidiaries	217 576	137 297
Joint ventures	5 074	5 384
	222 650	142 681
These commitments will be incurred in the coming year and will be financed by own and borrowed funds, comfortably contained within established gearing constraints.		
Operating lease commitments		
The group leases various warehouses, machinery, equipment and vehicles under non-cancellable operating lease agreements. The leases have varying terms, renewal rights and escalation clauses. The majority of escalation clauses are linked to the CPIX inflation rate.		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	37 776	42 277
Later than 1 year and not later than 5 years	74 290	85 596
	112 066	127 873

Notes to the annual financial statements

for the years ended 30 June

28. Commitments *(continued)*

Finance lease commitments

The group entered into finance lease agreements with financial institutions for the lease of vehicles for a period between 48 and 60 months. In terms of the lease agreements, instalments are payable at the end of each month. Ownership of the vehicles is transferred to employees of the group at the end of the lease agreements. The agreements have no contingent rents.

	Not later than 1 year R'000	Later than 1 year and not later than 5 years R'000	2005		2004	
			Total R'000		Total R'000	
			2005 R'000	2004 R'000	2005 R'000	2004 R'000
Minimum lease payments		710	1 980	2 690	1 725	
Finance costs		(159)	(240)	(399)	(246)	
		551	1 740	2 291	1 479	
Present value of minimum lease payments		680	1 608	2 288	1 475	

29. Contingencies

29.1 Staff housing loan guarantees

3 995 3 898

29.2 Vineyard development loan guarantees

50 120

The guarantees for the vineyard development loans are secured by mortgage bonds over farming properties with a market value of R79,4 million.

29.3 In prior years the group received compensation for relinquishing its distribution rights to certain whisky trade marks. The South African Revenue Service has issued revised assessments to the value of R29,5 million in terms of which the proceeds of R67 million have been subjected to income tax and value added tax. The group has lodged an appeal against these assessments and the matter will be heard in the Special Income Tax Court during October 2005.

29.4 Bank loans of certain associates and subsidiaries are guaranteed by holding companies in the group.

30. Financial risk management

30.1 Treasury risk management

The group adopts a prudent, but flexible, approach towards the use of derivative instruments aimed at reducing or eliminating foreign currency and interest rate risks, using the most cost-effective means available. Senior executives and advisors meet on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts. Group policies are reviewed annually by the board of directors.

30.2 Foreign currency risk management

The group has transactional currency exposures, which principally arise from sales and purchases, in currencies other than SA rand. In order to manage this risk, the group may enter into transactions in terms of approved policies and limits which make use of financial instruments that include foreign currency forward exchange contracts.

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

30. Financial risk management (continued)

30.2 Foreign currency risk management (continued)

Material forward exchange contracts as at 30 June 2005 and 30 June 2004 are summarised as follows:

Forward exchange contracts – anticipated transactions

These forward exchange contracts do not relate to specific items on the balance sheet, but were entered into to cover export proceeds not yet receivable. The forward exchange contracts will be utilised for the purposes of trade within the first three months of the following year.

Foreign currency	Foreign currency amount '000	Rand amount R'000	Fair value gain/(loss) R'000
2005			
Forward foreign currency sales			
US dollar	250	684	(85)
Canadian dollar	1 000	5 197	(275)
Euro	2 575	24 027	526
	29 908	166	
2004			
Forward foreign currency sales			
Euro	1 300	10 046	260

The net uncovered trade proceeds at 30 June 2005 amounted to R109,5 million (2004: R111,8 million).

30.3 Interest rate risk management

Interest rate risk arises from the repricing of forward cover and floating rate debt as well as incremental funding/new borrowings and the rollover of maturing debt/refinancing of existing borrowings. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are revised on an ongoing basis.

The interest rate repricing profile at 30 June 2005 and 30 June 2004 is summarised as follows:

Interest-bearing liabilities	% of total	2005 R'000	2004 R'000	% of total
Floating call rate (2005: 7,2%, 2004: 8,2%)	24,4	244 599	294 612	25,9
Fixed rate (note 12)	75,6	759 003	844 367	74,1
Total interest-bearing liabilities	100,0	1 003 602	1 138 979	100,0

Notes to the annual financial statements

for the years ended 30 June

30. Financial risk management (*continued*)

30.3 Interest rate risk management (*continued*)

In order to hedge specific exposures in the interest rate repricing profile of existing borrowings, the group uses interest rate derivatives to generate the desired interest profile. The value of borrowings hedged by interest rate derivatives, and the rates applicable to these contracts at 30 June 2005 and 30 June 2004, were as follows:

	Borrowings hedged R'000	Interest payable	Interest receivable	Fair value gain/(loss) R'000
2005				
Interest rate swaps (1 – 2 years)	154 931	3M Jibar +1,2%	9,7% fixed	1 614
Interest rate swaps (1 – 2 years)	154 931	10,1% fixed	3M Jibar +1,2%	(3 301)
2004				
Interest rate swaps (2 – 3 years)	221 992	3M Jibar +1,2%	9,7% fixed	(2 425)
Interest rate swaps (2 – 3 years)	221 992	10,1% fixed	3M Jibar +1,2%	1 184

The interest rate swap agreements reset every six months on 17 March and 17 September, with the final reset on 17 May 2007.

30.4 Credit risk management

Potential concentrations of credit risk principally exist for trade debtors, cash and cash equivalents, derivatives and investments. The group only deposits cash with banks with high credit ratings. Trade debtors comprise a large, widespread customer base and the group performs ongoing credit evaluations of the financial condition of these customers. The granting of credit is controlled by application and the assumptions applied therein are reviewed and updated on an ongoing basis.

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

At 30 June 2005, the group did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

30. Financial risk management (continued)

30.5 Liquidity risk management

The group manages liquidity risk through the compilation and monitoring of cash flow forecasts, as well as ensuring that adequate borrowing facilities are maintained.

The maturity profile of the group's financial instruments are summarised as follows (derivative instruments reflect their contract amounts):

	0 – 12 months R'000	1 – 2 years R'000	3 – 5 years R'000	Beyond 5 years R'000	2005 Total R'000	2004 Total R'000
Financial assets						
Derivative instruments	2 140	–	–	–	2 140	1 444
Trade and other receivables	549 101	–	–	–	549 101	511 970
Cash and cash equivalents	196 316	–	–	–	196 316	159 390
Other financial assets	361 785	233 048	–	67 811	662 644	585 491
Financial liabilities						
Derivative instruments	3 661	–	–	–	3 661	2 425
Trade and other payables	1 019 168	–	–	–	1 019 168	1 001 363
Interest-bearing liabilities	674 588	329 014	–	–	1 003 602	1 138 979
The group's unutilised banking facilities and reserve borrowing capacity are as follows:						
Unutilised banking facilities						
Total banking facilities					1 597 000	1 266 000
Less: Current interest-bearing liabilities (note 17)					244 599	294 612
Unutilised banking facilities					1 352 401	971 388
Banking facilities are renewed annually.						
Reserve borrowing capacity						
In terms of the company's articles of association the aggregate amount of the group's year-end interest-bearing liabilities is limited to 100% of total equity of the group.						
Maximum permissible year-end interest-bearing liabilities					2 842 337	2 572 091
Interest-bearing liabilities (notes 12 and 17)					(1 003 602)	(1 138 979)
Cash and cash equivalents					1 838 735	1 433 112
Unutilised borrowing capacity					196 316	159 390
					2 035 051	1 592 502

No assets of the group, other than vehicles under finance lease agreements, were encumbered as at 30 June 2005.

Notes to the annual financial statements

for the years ended 30 June

30. Financial risk management (continued)

30.6 Fair value of financial instruments

The estimated net fair values, at 30 June 2005, have been determined using available market information and appropriate valuation methodologies, as detailed below, but are not necessarily indicative of the amounts that the group could realise in the normal course of business.

The following methods and assumptions were used by the group in establishing fair values:

Cash and cash equivalents, trade and other receivables and loans: The carrying amounts reported in the balance sheet approximate fair values.

Interest-bearing liabilities and trade and other payables: The carrying amounts reported in the balance sheet approximate fair values (note 30.3).

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

31. Retirement benefits

31.1 Defined benefit pension funds

The group operates two defined benefit pension funds and three defined contribution provident funds. All permanent employees have access to these funds. These schemes are regulated by the Pension Funds Act, 1956, as amended, and are managed by trustees and administered by independent administrators. Fund assets are held independently of the group's finances.

The defined benefit pension funds are actuarially valued every three years and reviewed every year using the projected unit credit method. The latest full actuarial valuation was performed on 1 March 2004 and indicated that the plan was in a sound financial position.

	2005 R'000	2004 R'000
Balance sheet		
Amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	(85 460)	(82 407)
Fair value of plan assets	305 162	271 053
Funded position	219 702	188 646
Unrecognised actuarial gains	(31 420)	(9 686)
Asset not recognised at balance sheet date *	(188 282)	(178 960)
Net asset in balance sheet	-	-

* No asset is recognised in respect of the surplus as the apportionment of the surplus still needs to be approved by the Registrar of Pension Funds in terms of the Pension Funds Second Amendment Act, 39 of 2001.

	2005 R'000	2004 R'000
31. Retirement benefits (continued)		
31.1 Defined benefit pension funds (continued)		
Income statement		
Amounts recognised in the income statement are as follows:		
Current service cost	313	288
Interest on liability	7 483	7 812
Expected return on plan assets	(28 058)	(22 093)
Net actuarial gains recognised during the year	(1 220)	559
<hr/>		
Total income	(21 482)	(13 434)
Asset not recognised at balance sheet date	21 482	13 434
<hr/>		
	-	-
<hr/>		
Actual return on plan assets	(53 842)	(53 739)
<hr/>		
Principal actuarial assumptions on balance sheet date		
	%	%
Discount rate	9,5	10,0
Expected rate of return on plan assets	9,5	10,0
Future salary increases	6,5	6,5
Future pension increases	4,3	4,8
Inflation rate	5,0	5,0
<hr/>		
31.2 Post-retirement medical liability		
Balance sheet		
Amounts recognised in the balance sheet are as follows:		
Present value of funded obligation	(312 008)	(254 310)
Fair value of plan assets	290 617	237 405
<hr/>		
Unfunded position	(21 391)	(16 905)
Unrecognised actuarial gains	-	-
<hr/>		
Net liability in balance sheet	(21 391)	(16 905)
<hr/>		
Income statement		
Amounts recognised in the income statement are as follows:		
Current service cost	9 372	7 953
Interest on liability	23 696	22 154
Expected return on plan assets	(24 415)	(15 560)
Net actuarial gains recognised during the year	(4 167)	(5 983)
Curtailment cost of transfer from other funds	-	(6 956)
<hr/>		
Total expense	4 486	1 608
<hr/>		

Notes to the annual financial statements

for the years ended 30 June

	2005	2004
31. Retirement benefits (continued)		
31.2 Post-retirement medical liability (continued)		
The post-retirement medical liability is actuarially valued every year, using the projected unit credit method. Plan assets are valued at current market value.		
Principal actuarial assumptions on balance sheet date	%	%
Discount rate	9,5	10,0
Expected rate of return on assets	9,5	10,0
Future salary increases	6,5	6,5
Annual increases in health cost	7,5	7,5
32. Changes in accounting policies and comparative figures		
32.1 Accounting policies		
The group changed its accounting policy on 1 July 2004 to comply with the new South African Statement of Generally Accepted Accounting Practice (GAAP) dealing with "Business Combinations" (AC 140/IFRS 3) and the revised statements dealing with "Intangible Assets" (AC 129/IAS 38) and "Impairment of Assets" (AC 128/IAS 36). The change is as follows:		
Amortisation of goodwill		
The combined effect of these new statements is that amortisation of goodwill was discontinued prospectively from 1 July 2004. The carrying value of goodwill is reassessed annually for impairment.		
Comparative figures for the year ended 30 June 2004 were not restated.		
The effect of this change in accounting policy is as follows:		
	2005	2004
	R'000	
Increase/(Decrease)		
Amortisation of goodwill	(374)	
Trading income	374	
Taxation	–	
Net profit attributable to ordinary shareholders	374	
Headline earnings	374	
Attributable earnings per share (cents)	0,2	
Headline earnings per share (cents)	0,2	
		374
Balance sheet		
Intangible assets		374
Cash flow statement		
Trading income	374	
Non-cash flow items	(374)	

32. Changes in accounting policies and comparative figures (continued)

32.2 Comparative figures

Restatement of sales volumes and sales revenue

Sales volumes have been restated to exclude contract packaging litres done on behalf of unrelated third parties, and sales revenue have been restated by deducting discounts and rebates previously included in operating expenses.

Comparative figures for the year ended 30 June 2004 were restated.

The effect of these changes on the results of 30 June 2004 are as follows:

	Currently reported R'000	Previously reported R'000	Adjustment R'000
Increase/(Decrease)			
Sales volumes (litres '000)	310 966	315 588	(4 622)
Sales revenue			
Sales revenue	5 563 969	5 743 808	(179 839)
Operating expenses			
Costs of goods sold	3 863 944	3 945 819	(81 875)
Sales and marketing expenses	559 022	656 986	(97 964)
Distribution costs	344 879	344 879	–
Administration and other costs	201 392	201 392	–
	4 969 237	5 149 076	(179 839)
Trading income	594 732	594 732	–

Notes to the annual financial statements

for the years ended 30 June

33. Directors' emoluments

	2005			2004		
	Non-		Total R'000	Non-		Total R'000
	Executive R'000	non- executive R'000		Executive R'000	non- executive R'000	
Salaries and fees	2 933	927	3 860	2 397	759	3 156
Incentive bonuses	530		530	410		410
Retirement fund contributions	621		621	507		507
Medical aid contributions	105		105	80		80
Vehicle benefits	546		546	446		446
Paid by subsidiaries	4 735	927	5 662	3 840	759	4 599
	Salaries R'000	Incentive bonuses R'000	Retirement fund R'000	Medical aid contributions R'000	Vehicle benefits R'000	2005 Total R'000
	1 391	286	293	37	198	2 205
Executive						
JJ Scannell	768	122	164	35	175	1 264
SJ Genade	774	122	164	33	173	1 266
MJ Botha						632
Subtotal	2 933	530	621	105	546	4 735
						3 840
	Fees R'000	Incentive bonuses R'000	Retirement fund R'000	Medical aid contributions R'000	Vehicle benefits R'000	2005 Total R'000
	66	–	–	–	–	66
Non-executive						
FC Bayly	66	–	–	–	–	61
PM Bester	66	–	–	–	–	15
PE Beyers	66	–	–	–	–	61
JG Carinus	66	–	–	–	–	61
GJ Gerwel	66	–	–	–	–	15
E de la H Hertzog	66	–	–	–	–	61
MJ Madungandaba	66	–	–	–	–	61
DM Nurek ⁽¹⁾	179	–	–	–	–	163
D Prins ⁽²⁾	100	–	–	–	–	91
PEI Swartz ⁽³⁾	83	–	–	–	–	76
MH Visser ⁽⁴⁾	103	–	–	–	–	94
Subtotal	927	–	–	–	–	759
Total	3 860	530	621	105	546	4 599

1. Mr DM Nurek is chairman of the board, a member of the audit committee and chairman of the remuneration committee.
2. Mr D Prins is chairman of the audit committee.
3. Mr PEI Swartz is a member of the remuneration committee.
4. Mr MH Visser is a member of the audit committee and the remuneration committee.

34. Interest of directors in share capital and contracts

On 30 June 2005 and on 30 June 2004, as well as on the date of this report, the directors of the company held in total less than 1% of the company's issued share capital.

Interests of the directors in the number of shares issued:

Ordinary shares	Direct		Indirect		2005 Total	2004 Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
FC Bayly	–	–	1 949	–	1 949	1 949
MJ Botha	127 976	–	–	–	127 976	127 976
SJ Genade	107 670	2 992	–	–	110 662	110 662
E de la H Hertzog	25 200	–	–	21 000	46 200	56 300
DM Nurek	15 000	–	–	–	15 000	–
JJ Scannell	304 451	600	–	1 100	306 151	306 151
	580 297	3 592	1 949	22 100	607 938	603 038

The other directors of the company have no interest in the issued capital of the company. There was no change in these interests since the financial year-end.

The directors of the company have each certified that they did not have any interest in any contract of significance to the company or any of its subsidiaries which would have given rise to a related conflict of interest during the year.

35. Distell share scheme

No additional shares were offered to directors in the financial year ending 30 June 2005 (2004: Nil).

Participant	Current status					
	Ordinary shares		Number of shares		Share price on date of payment and delivery	
	Shares accepted prior to 30 June 2004	Offer price (Rand)	Offer paid and delivered to 30 June 2004	(Rand)	Increase in value *	Balance of shares accepted as at 30 June 2005
Executive						
JJ Scannell	589 823	7,35	196 607	16,05	1 710	393 216
JJ Scannell	537 605	14,60	none			537 605
SJ Genade	275 995	7,35	91 998	15,20	722	183 997
SJ Genade	210 254	14,60	none			210 254
MJ Botha	261 962	7,35	87 321	15,25	690	174 641
MJ Botha	205 461	14,60	none			205 461
Total	2 081 100		375 926		3 122	1 705 174

* Refers to the increase in value of the scheme shares of the indicated participants from the offer date to the date of payment and delivery during the previous financial year. The scheme is a deferred purchase scheme (see note 9).

Notes to the annual financial statements

for the years ended 30 June

36. Related-party transactions

Related-party relationships exist between the group, associates and the shareholders of the company. All purchasing and selling transactions were concluded on a market-related arm's length basis.

The group has access to loan funds from Remgro Finance Corporation Limited (RFC). A limited amount can be borrowed at a market-related rate and is repayable on demand. Interest paid on these loans amounted to R13,3 million (2004: R25,6 million). The amount owed to RFC on 30 June 2005 was R265 million at 7,06% (2004: R272 million at 8,24%). The amount is included in current interest-bearing liabilities.

Management services supplied by Remgro Finance and Services Limited amounted to R5,4 million (2004: R4,9 million).

Inventory to the value of R175,2 million (2004: R83,7 million) was purchased from the KVV Group Limited for use in normal production. Outstanding balances (including VAT) of R0,2 million (2004: R95,3 million) as a result of these purchases are included in trade and other payables (note 15).

Annexure 1

interest in subsidiaries

	2005 R'000	2004 R'000
The total profits/(losses) after taxation of consolidated subsidiaries for the year are as follows:		
Profits	494 034	318 148
Losses	(12 787)	(24 154)
Net consolidated profit after taxation	481 247	293 994
The company's direct interest in its subsidiary is as follows:		
South African Distilleries and Wines (SA) Limited (100%) – Unlisted		
Long-term loan	818 772	810 365
Shares	1	1
Investment in subsidiary	818 773	810 366

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

	Issued share capital	
	Interest %	R
Manufacturers and distributors		
Distell Limited	100	1 000
Distell Namibia Limited (Namibia)	100	4 000
Distillers Corporation International Limited (Mauritius)	100	12
Distillers Corporation (Botswana) (Proprietary) Limited (Botswana)	100	3
House of JC le Roux Limited	100	100
Devon Road Property Limited	90	90
Durbanville Hills Wines (Proprietary) Limited	66	835 400
Ecowash (Proprietary) Limited	100	100
Expo Liquor Limited	100	4 066 625
Nederburg Wines (Proprietary) Limited	100	218 870
Nederburg Wine Farms Limited	100	200
Namibia Wines & Spirits Limited (Namibia)	100	100 000
SFW Holdings Limited	100	200
SFW Financing Company Limited	100	70 000
Stellenbosch Farmers' Winery Limited	100	7
Swaziland Liquor Distributors Limited (Swaziland)	100	390 401
Other		
Henry C. Collison & Sons Limited (United Kingdom)	100	82 792

Afdis Holdings (Private) Limited (50%)

Afdis Holdings (Private) Limited, a company registered in Zimbabwe, is not consolidated due to severe currency and long-term restrictions which significantly impair its ability to transfer funds to its shareholders. This investment is carried at a nominal value of R1.

Notes:

Information is only disclosed in respect of those subsidiaries of which the financial position or results are material. All subsidiaries are incorporated in South Africa, unless otherwise stated.

Annexure 2

interest in unlisted associates

	2005 R'000	2004 R'000
The group's interest in associates is as follows:		
Tanzania Distilleries Limited (Tanzania) (35%)	7 998	7 666
Cost price	20 849	20 849
Goodwill written off	(14 075)	(14 075)
Equity-accounted retained earnings	1 224	892
Drinks and Beverages Co Limited (Mauritius) (40%)	1 477	1 257
Cost price	742	742
Equity-accounted retained earnings	735	515
Papkuilfontein Vineyards (Proprietary) Limited (49%)	246	172
Cost price	–	–
Equity-accounted retained earnings	246	172
Investment in associates	9 721	9 095
The aggregate balance sheets of associates are summarised as follows:		
Property, plant and equipment	22 378	21 032
Current assets	34 790	29 901
Total assets	57 168	50 933
Interest-free liabilities	27 098	19 190
Interest-bearing liabilities	17 129	20 389
Total liabilities	44 227	39 579
Equity	12 941	11 354
Minority interest	(3 220)	(2 259)
Group's share in equity	9 721	9 095
Loans to associates	–	–
Group's share in net assets of associates	9 721	9 095
Tanzania Distilleries Limited (35%)	7 998	7 666
Drinks and Beverages Co Limited (40%)	1 477	1 257
Papkuilfontein Vineyards (Proprietary) Limited (49%)	246	172
9 721	9 095	

Notes:

1. All associates are incorporated in South Africa, unless otherwise stated.
2. The statutory year-ends of Tanzania Distilleries Limited and Drinks and Beverages Co Limited are different to that of the rest of the group. The results of these companies to 30 June 2004 and 30 June 2005, subsequent to their respective year-ends, have been included based on information prepared by management where applicable.

Annexure 3

interest in joint ventures

	2005 R'000	2004 R'000
The group's interest in the joint ventures is as follows:		
Total equity		
Tonnellerie Radoux (SA) (Proprietary) Limited (50%)	7 070	6 852
Mirma Products (Proprietary) Limited (45%)	797	506
Lusan Holdings (Proprietary) Limited (50%)	8 153	8 378
Proportional interest in joint ventures	16 020	15 736
The group's interest in the assets and liabilities of the joint ventures is as follows:		
Property, plant and equipment	156 007	155 450
Current assets	49 140	52 451
Total assets	205 147	207 901
Non-current liabilities	184 658	186 998
Current liabilities	4 469	5 167
Total liabilities	189 127	192 165
Net assets	16 020	15 736
Net interest consolidated	16 020	15 736
The group's interest in the income and expenditure of the joint ventures is as follows:		
Sales revenue	40 078	40 150
Profit before taxation	1 406	9 911
Net profit after taxation	802	9 042
The group's interest in the cash flow statements of the joint ventures is as follows:		
Cash retained from operating activities	6 892	8 317
Cash utilised in investment activities	(6 689)	(5 959)
Net cash flow	203	2 358

Notes:

All joint ventures are incorporated in South Africa.

Notice to shareholders

Notice is hereby given that the next annual general meeting of the company will be held on Wednesday, 12 October 2005, at 12:00 in the Visitors Centre of Durbanville Hills Wine Cellar, Durbanville Road (M13), Durbanville, Western Cape, to pass the following resolutions with or without modification:

1. Approval of annual financial statements

Ordinary resolution number 1

Resolved that the audited annual financial statements for the year ended 30 June 2005 be accepted and approved.

2. Approval of directors' remuneration

Ordinary resolution number 2

Resolved that the remuneration of the non-executive directors for the financial year ended 30 June 2005 be approved.

3. Election of director

Ordinary resolution number 3

Resolved that Mr PE Beyers, who retires in accordance with the company's articles of association and who has offered himself for re-election, be hereby re-elected as a director of the company.

4. Election of director

Ordinary resolution number 4

Resolved that Mr JG Carinus, who retires in accordance with the company's articles of association and who has offered himself for re-election, be hereby re-elected as a director of the company.

5. Election of director

Ordinary resolution number 5

Resolved that Mr SJ Genade, who has a service contract and who retires in accordance with the company's articles of association and who has offered himself for re-election, be hereby re-elected as a director of the company.

6. Election of director

Ordinary resolution number 6

Resolved that Mr DM Nurek, who retires in accordance with the company's articles of

association and who has offered himself for re-election, be hereby re-elected as a director of the company.

7. Election of director

Ordinary resolution number 7

Resolved that Mr PEI Swartz, who retires in accordance with the company's articles of association and who has offered himself for re-election, be hereby re-elected as a director of the company.

Biographical details of all the directors standing for re-election can be found on page 96.

8. Authority to place unissued shares under the control of the directors

Ordinary resolution number 8

Resolved that 10% (ten per centum) of the authorised but unissued shares in the company be hereby placed under the control of the directors as a general authority in terms of section 221(2) of the Companies Act (Act 61 of 1973), as amended ("the Companies Act"), who are hereby authorised to allot and issue shares in the company upon such terms and conditions as the directors in their sole discretion deem fit, subject to the provisions of the Companies Act, the company's articles of association and the Listings Requirements of the JSE Limited ("JSE"), when applicable.

And to transact any other business that may be transacted at an annual general meeting.

Voting and proxies

Members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member of the company.

Proxy forms must be forwarded to reach the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, or posted to the transfer secretaries at PO Box 61051, Marshalltown 2107, by 12:00 (South African time) on Monday, 10 October 2005.

Proxy forms must only be completed by members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

On show of hands, every member of the company present in person or represented by proxy shall have one vote only. On poll, every member of the company shall have one vote for every share held in the company by such member.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with "own name" registration, must contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

By order of the board of directors.



CJ Cronjé

Group secretary

Stellenbosch

17 August 2005

Notice to shareholders

PE BEYERS

Piet Beyers (55), BCom LLB (University of Stellenbosch), MBA (University of Cape Town)

He has extensive experience in marketing and general management in the food, liquor, tobacco and advertising industries. He is currently a director of Remgro, VenFin, Richemont Société Anonyme, British American Tobacco and Unilever Bestfoods Robertsons.

JG CARINUS

Johan Carinus (56) BCom (University of Stellenbosch)

He is a grape farmer from Stellenbosch and served on the board of Stellenbosch Farmers' Winery from 1994 until 2000. Johan also serves on the board of Het Jan Marais Fund.

SJ GENADE

Smartie Genade (54), BCom Hons, MBA (University of Stellenbosch)

He joined Stellenbosch Farmers' Winery in 1972 and developed extensive experience in corporate planning, sales and marketing, operations and supply chain management. He is currently an executive director of Distell responsible for the wine segment.

DM NUREK

David Nurek (55), Diploma in Law, Graduate Diploma in Advanced Company Law (University of Cape Town), He has also attended programmes at Harvard Law School and Harvard Business School

He practised for over 30 years as a commercial attorney at one of the leading law firms in Cape Town, ultimately serving as chairperson. In 2000 he moved to Investec, where he is now regional chairperson of all Investec businesses in the Western Cape. David is also chairperson of New Clicks and Lewis Group, deputy chairperson of Foschini and Business Connexion Group, and, amongst others, also a director of Pick 'n Pay, Aspen Pharmacare, Sun International and Trenkor.

PEI SWARTZ

Peter Swartz (63), HOD

He is the proprietor of Swartz Properties (Pty) Ltd and Southern Pumps (Pty) Ltd. He is chairperson of Sunwest International (Pty) Ltd t/a Grandwest Casino & Entertainment Centre, deputy chairperson of New Clicks and serves on the boards of Absa and Sun International.



DISTELL

Distell Group Limited

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

Form of proxy

THIS FORM OF PROXY IS ONLY FOR USE BY:

1. REGISTERED MEMBERS WHO HAVE NOT YET DEMATERIALISED THEIR DISTELL GROUP LIMITED ORDINARY SHARES; AND
2. REGISTERED MEMBERS WHO HAVE ALREADY DEMATERIALISED THEIR DISTELL GROUP LIMITED ORDINARY SHARES AND ARE REGISTERED IN THEIR OWN NAMES IN THE COMPANY'S SUBREGISTER.*

* See explanatory note 3 overleaf.

For completion by the aforesaid registered members who hold ordinary shares of the company ("member") and who are unable to attend the 2005 annual general meeting of the company to be held on Wednesday, 12 October 2005 at 12:00 in the Visitors Centre of Durbanville Hills Wine Cellar, Durbanville Road (M13), Durbanville ("the annual general meeting").

I/We _____

of (address) _____

being the holder/s of _____ ordinary shares in the company, hereby appoint
(see instruction 1 overleaf)

1. _____ or failing him/her,
2. _____ or failing him/her,

3. the chairman of the annual general meeting, as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the annual general meeting of the company and at any adjournment thereof, as follows (see note 2 and instruction 2 overleaf):

	Insert an "X" or the number of votes exercisable (one vote per ordinary share)		
Ordinary resolution	In favour of	Against	Abstain
1. Approval of annual financial statements			
2. Approval of directors' remuneration			
3. Election of director – Mr PE Beyers			
4. Election of director – Mr JG Carinus			
5. Election of director – Mr SJ Genade			
6. Election of director – Mr DM Nurek			
7. Election of director – Mr PEI Swartz			
8. Authority to place unissued shares under the control of the directors			

Signed at _____ on _____ 2005

Signature/s _____

Assisted by me _____
(where applicable)

Please read the notes and instructions overleaf.

Form of proxy

Notes:

1. A member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a registered member of the company.
2. Every member present in person or by proxy and entitled to vote at the annual general meeting of the company shall, on a show of hands, have one vote only, irrespective of the number of shares such member holds. In the event of a poll, every member shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by such member bears to the aggregate amount of the nominal value of all the shares issued by the company.
3. Members registered in their own names are members who elected not to participate in the Issuer Sponsored Nominee Programme and who appointed Computershare as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertificated shares are to be registered in the electronic subregister of members **in their own names**.

Instructions on signing and lodging the form of proxy:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the member. Should this space be left blank, the proxy will be exercised by the chairman of the annual general meeting. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by that member, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting, as he/she thinks fit in respect of all the member's exercisable votes. A member or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the member or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid, the completed forms of proxy must be lodged with the transfer secretaries of the company, Computershare Investor Services 2004 (Proprietary) Limited at Ground Floor, 70 Marshall Street, Johannesburg, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown 2107, South Africa, to be received by them not later than Monday, 10 October 2005, at 12:00 (South African time).
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. The chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a member wishes to vote.