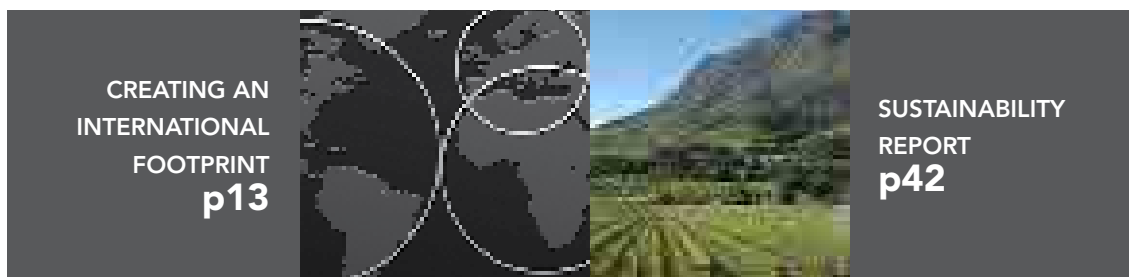
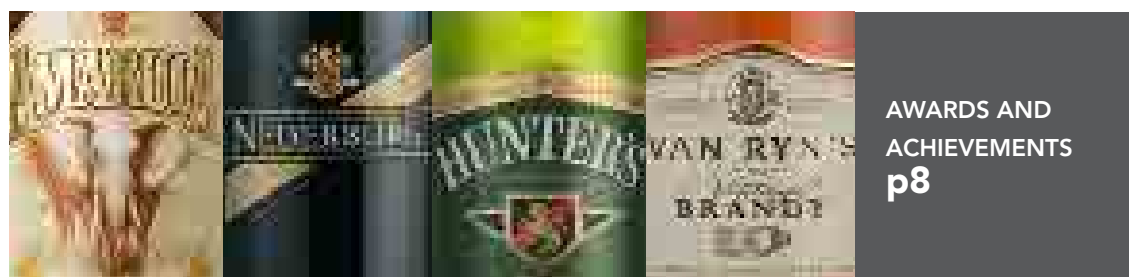
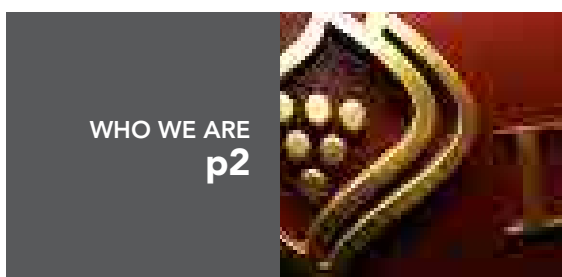


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All products mentioned in this annual report are not for sale to persons under the age of 18 years. Enjoy our products responsibly.

Seven-year compound growth % p.a.		2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 SA GAAP	2003 SA GAAP
PERFORMANCE PER SHARE (CENTS)								
Earnings								
attributable earnings basis	21,6	475,6	476,3	425,9	270,7	250,6	184,3	159,8
adjusted headline basis	23,2	475,2	471,0	391,5	305,6	250,6	183,3	130,1
cash equivalent basis	21,5	561,9	548,4	475,7	377,5	300,4	219,1	162,6
EBITDA basis	16,4	796,5	768,3	674,0	489,7	441,1	365,2	329,6
Dividends	20,3	256,0	236,0	196,0	153,0	123,0	97,0	75,0
Cash flow	14,1	283,9	184,8	407,8	340,5	242,1	257,3	55,9
Net asset value	12,0	2 403,6	2 220,5	1 972,7	1 666,6	1 466,6	1 309,9	1 208,3
LIQUIDITY AND SOLVENCY								
Financial gearing ratio		0,12	0,01	0,00	0,16	0,28	0,38	0,55
Total liabilities on total equity	Avg 0,7	0,55	0,45	0,52	0,65	0,75	0,88	1,00
Interest-free liabilities on total assets		0,23	0,25	0,26	0,23	0,21	0,21	0,17
Dividend cover (times)		1,9	2,0	2,0	2,0	2,0	1,9	1,7
Current ratio		2,56	2,50	2,24	2,12	1,98	2,10	1,71
Acid-test ratio		0,70	0,68	0,80	0,65	0,65	0,51	0,56
RETURNS (%)								
Trading income on turnover		13,0	14,2	13,6	12,9	11,8	9,9	8,8
Pre-tax return on equity	Avg 24,9	29,4	30,9	30,8	24,3	23,5	18,9	16,9
Effective tax rate		32,8	30,9	30,3	33,7	27,5	25,7	21,6
Return on equity	Avg 17,2	19,7	21,1	19,8	18,2	17,0	13,9	10,8
Attributable earnings on total assets		12,8	14,8	14,1	9,8	9,7	7,5	6,6
Attributable earnings turnover		8,8	10,1	10,3	7,8	8,1	6,3	6,1
Dividend yield		5,4	4,1	4,1	4,5	5,8	6,8	5,8
PRODUCTIVITY								
Cash value added (R million)	13,2	4 073,4	3 636,6	3 743,1	3 090,8	2 601,1	2 314,7	1 794,6
Net asset turn (times)		2,2	2,1	2,1	2,1	2,1	2,2	2,2
Net assets per employee (R'000)	12,7	1 079,4	1 025,9	926,3	800,8	693,7	614,7	544,3
Revenue per employee (R'000)	12,4	2 426,0	2 166,6	1 927,7	1 661,1	1 461,5	1 371,8	1 189,2
Number of employees		4 478	4 343	4 254	4 141	4 172	4 184	4 342
JSE								
Price per share (cents)								
highest during the year		6 000	6 500	5 500	4 000	2 600	1 725	1 500
lowest during the year		3 850	3 960	3 605	2 475	1 500	1 100	1 105
closing at year-end		5 500	4 595	5 415	3 900	2 600	1 500	1 201
weighted average		4 703	5 732	4 738	3 377	2 121	1 418	1 287
Price-earnings ratio		11,6	9,8	13,8	14,4	10,4	8,1	7,5
JSE Actuaries' price index at year-end (2002: 100 cents)								
Distell Group Limited		407	340	401	289	193	111	89
Closing price/net asset value per share		2,3	2,1	2,7	2,3	1,8	1,1	1,0
Weighted average number of shares in issue ('000)		200 667	199 974	199 079	197 414	196 194	195 626	195 580
Number of shares traded ('000)		10 079	4 190	6 575	4 692	5 099	3 533	2 784
Shares traded/shares in issue (%)		5,0	2,1	3,3	2,4	2,6	1,8	1,4
Value of shares traded (R'000)		474 024	240 224	311 556	158 440	108 145	50 114	35 833
Number of transactions		4 814	1 813	1 259	1 274	1 214	1 069	981
Number of shareholders		3 775	3 576	3 478	3 445	3 381	3 283	3 389
Market capitalisation (R million)		11 060	9 220	10 817	7 760	5 131	2 945	2 349
Net asset value/market capitalisation		0,44	0,48	0,36	0,43	0,56	0,87	1,01

Seven-year financial review

for the years ended 30 June

	Seven-year compound growth % p.a.	2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 SA GAAP	2003 SA GAAP
BALANCE SHEETS (R'000)								
ASSETS								
Non-current assets								
Property, plant and equipment		1 773 480	1 546 159	1 330 516	1 256 900	1 223 036	1 225 351	1 197 900
Biological assets		146 375	122 024	114 675	104 380	107 170	98 939	94 585
Financial assets and investments in associates		112 768	117 537	96 092	418 490	307 711	558 839	313 707
Intangible assets		244 685	39 373	34 060	11 211	14 501	–	–
Retirement benefit assets		58 150	114 588	187 052	48 795	–	–	–
Deferred income tax assets		24 861	21 870	28 762	36 770	44 118	36 431	19 402
Total non-current assets		2 360 319	1 961 551	1 791 157	1 876 546	1 696 536	1 919 560	1 625 594
Current assets								
Inventories		3 714 655	3 268 555	2 703 336	2 499 217	2 246 268	2 207 296	2 074 364
Trade and other receivables		1 155 381	954 036	809 024	617 097	552 542	513 414	529 192
Financial assets		–	–	361 152	254 640	309 249	–	324 106
Current income tax assets		74 381	62 968	–	–	51 636	33 230	31 864
Cash and cash equivalents		178 472	193 673	332 426	227 578	196 989	159 390	139 304
Total current assets		5 122 889	4 479 232	4 205 938	3 598 532	3 356 684	2 913 330	3 098 830
Total assets	8,0	7 483 208	6 440 783	5 997 095	5 475 078	5 053 220	4 832 890	4 724 424
EQUITY AND LIABILITIES								
Total shareholders' equity								
		4 833 526	4 455 666	3 940 680	3 316 048	2 894 248	2 572 091	2 363 184
Non-current liabilities								
Interest-bearing borrowings		422 386	2 938	2 629	330 646	329 014	754 601	424 130
Retirement benefit obligations		18 300	15 623	12 842	12 191	21 391	16 905	15 297
Deferred income tax liabilities		207 769	177 460	164 033	120 647	110 646	101 127	105 128
Total non-current liabilities		648 455	196 021	179 504	463 484	461 051	872 633	544 555
Current liabilities								
Trade payables and provisions		1 659 814	1 533 268	1 489 940	1 196 201	1 023 333	1 003 788	791 961
Interest-bearing borrowings		324 267	226 027	329 264	432 502	674 588	384 378	1 024 724
Current income tax liabilities		17 146	29 801	57 707	66 843	–	–	–
Total current liabilities		2 001 227	1 789 096	1 876 911	1 695 546	1 697 921	1 388 166	1 816 685
Total equity and liabilities		7 483 208	6 440 783	5 997 095	5 475 078	5 053 220	4 832 890	4 724 424
INCOME STATEMENTS (R'000)								
Revenue	12,1	10 863 728	9 409 597	8 200 559	6 878 490	6 097 515	5 739 669	5 163 319
Operating expenses		(9 453 995)	(8 074 774)	(7 085 826)	(5 989 095)	(5 375 208)	(5 169 828)	(4 710 316)
Trading income	16,6	1 409 733	1 334 823	1 114 733	889 395	722 307	569 841	453 003
Dividend income		1 552	1 503	1 284	1 497	1 210	949	922
Net financing costs		(23 224)	6 384	7 969	(27 363)	(53 071)	(95 702)	(119 056)
Share of profit of associates		30 058	23 523	14 255	9 856	9 316	10 674	12 723
Profit before exceptional items and taxation	19,5	1 418 119	1 366 233	1 138 241	873 385	679 762	485 762	347 592
Exceptional items		1 273	11 667	73 876	(67 241)	–	–	51 462
Profit before taxation		1 419 392	1 377 900	1 212 117	806 144	679 762	485 762	399 054
Taxation		(464 994)	(425 899)	(367 243)	(271 756)	(187 265)	(124 790)	(86 277)
Minority interest		–	453	2 979	–	(844)	(390)	(315)
Net profit attributable to equity holders	22,0	954 398	952 454	847 853	534 388	491 653	360 582	312 462
CASH FLOW STATEMENTS (R'000)								
Cash generated from operations	11,0	1 030 406	824 911	1 188 101	900 123	795 348	761 195	408 778
Dividend income		1 552	1 503	1 284	1 497	1 210	949	922
Net financing costs		(10 810)	(46 132)	(23 179)	(75 987)	(101 685)	(161 381)	(214 228)
Taxation paid		(451 523)	(476 654)	(365 380)	(153 388)	(219 980)	(143 915)	(91 015)
Dividends paid		(513 727)	(426 194)	(342 729)	(266 788)	(209 948)	(158 420)	(146 685)
Cash retained from normal operating activities		55 898	(122 566)	458 097	405 457	264 945	298 428	(42 228)
Exceptional items		–	65 934	11 006	–	–	46 500	4 962
Cash generated from operating activities		55 898	(56 632)	469 103	405 457	264 945	344 928	(37 266)
Cash outflow from investment activities		(591 749)	(6 551)	50 800	(164 364)	(92 486)	(19 265)	9 841
Proceeds from ordinary shares issued		12 221	13 787	11 542	18 406	8 406	5 708	–
Purchase of treasury shares		(8 127)	1 311	1 893	5 348	(7 981)	(1 480)	–
Minority interest		–	–	2 692	(1 417)	–	70	(315)
Proceeds from interest-bearing borrowings		419 386	(327 942)	(325 472)	(101 638)	(85 364)	(984)	41 240
Cash inflow from financing activities		423 480	(312 844)	(309 345)	(79 301)	(84 939)	3 314	40 925
Decrease in net cash and cash equivalents		(112 371)	(376 027)	210 558	161 792	87 520	328 977	13 500

Note: The figures for 2003 to 2004 have not been adjusted, except for reclassifications, for the adoption of IFRS.

Financial highlights

Salient features

- > Total sales volumes **grow 10,8%**
- > International revenue **up 36,9%**
- > Total revenue **increases 15,5%**
- > Annual dividend per share **increases 8,5%**
- > Operating profit **up 4,8%**
- > Headline earnings per share **up 0,9%**

FINANCIAL RESULTS (R'000)	% change	2009	2008
Revenue	15,5	10 863 728	9 409 597
Operating profit	4,8	1 411 006	1 346 490
Headline earnings	1,2	953 481	941 924
Total assets	16,2	7 483 208	6 440 783
SHARE PERFORMANCE (CENTS)			
Headline earnings	0,9	475,2	471,0
Basic earnings	(0,1)	475,6	476,3
Dividends	8,5	256,0	236,0
Net asset value	8,2	2 403,6	2 220,5
Cash flow from operating activities	53,6	283,9	184,8
Closing share price	19,7	5 500,0	4 595,0
FINANCIAL STATISTICS			
Return on equity		19,7	21,1
SEVEN-YEAR COMPOUND GROWTH PER ANNUM (%)			
Total return to shareholders		27,7	37,4
Distell share price index		22,2	30,1

Who we are

Distell Group Limited is Africa's leading producer and marketer of fine wines, spirits, ciders and ready-to-drinks.

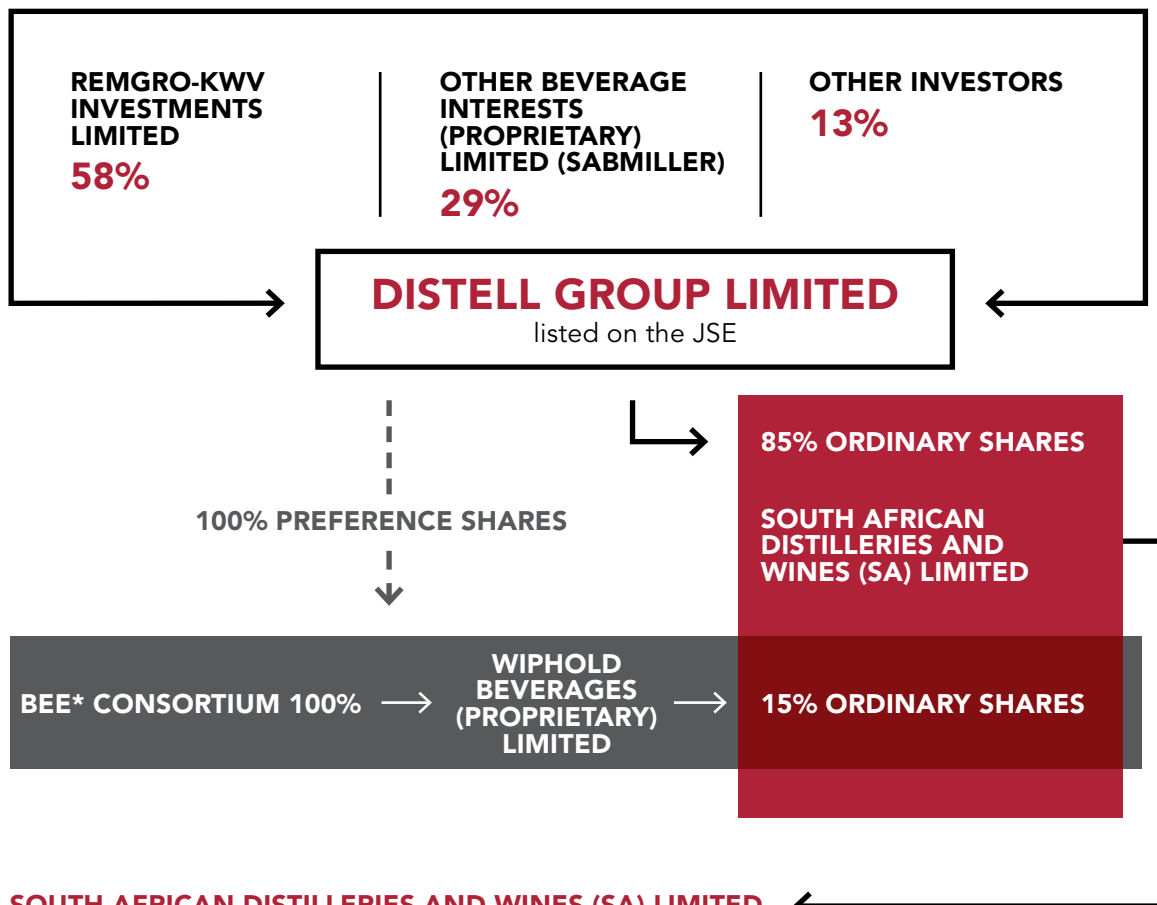
Distell employs over 4 000 people worldwide and has an annual turnover of R10,9 billion.



KEY STRENGTHS

- > LOCAL MARKET **LEADERSHIP** > HIGH **BRAND** AWARENESS LEVELS > AN EXTENSIVE **DISTRIBUTION** NETWORK > LOCAL MARKET **KNOWLEDGE** > STRONG TRADE **RELATIONSHIPS** > ESTABLISHED INTERNATIONAL **MARKETING AND AGENCY NETWORKS**
- > THE **STRUCTURAL CAPACITY** TO INTRODUCE NEW PRODUCTS RAPIDLY ACROSS CATEGORIES, CHANNELS AND GEOGRAPHIES

Group structure



SOUTH AFRICAN DISTILLERIES AND WINES (SA) LIMITED

SUBSIDIARIES

MANUFACTURERS AND DISTRIBUTORS OF BRANDED ALCOHOLIC BEVERAGES

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

MANUFACTURERS OF WINE

- > Durbanville Hills Wines (Proprietary) Limited (68%)
- > Nederburg Wines (Proprietary) Limited (100%)
- > Lomond Wine Estates (Proprietary) Limited (100%) (previously held 50%)

FARMING

- > Nederburg Wine Farms Limited (100%)

WHOLESALE DISTRIBUTORS OF BRANDED ALCOHOLIC AND OTHER BEVERAGES

- > Distell Botswana (Proprietary) Limited (100%)
- > Distell Namibia Limited (100%)
- > Distell Swaziland Limited (100%)
- > Distell Wine Masters Limited (Kenya) (100%)

SORTER AND WASHER OF SECOND-HAND BOTTLES

- > Ecowash (Proprietary) Limited (100%)

* Black economic empowerment

JOINT VENTURES AND ASSOCIATES

MANUFACTURER AND DISTRIBUTOR OF MATURATION VATS

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

MANUFACTURERS AND DISTRIBUTORS OF BRANDED ALCOHOLIC AND OTHER BEVERAGES (ASSOCIATES)

- > Grays Inc. Limited (26%)
- > Papkuilfontein Vineyards (Proprietary) Limited (49%)
- > Tanzania Distilleries Limited (35%)

MANUFACTURERS OF BRANDED ALCOHOLIC BEVERAGES (JOINT VENTURES)

- > Lusan Holdings (Proprietary) Limited (50%)
- > Scotch Whisky Sub-Sahara Limited Liability Partnership (50%)

How we became Distell

[1925 to 2009] from **Distillers Corporation** and **Stellenbosch Farmers' Winery** to **Distell**

The 1920s

- '25 William Charles Winshaw and Susanna Elizabeth Krige enter into a partnership to form The Stellenbosch Farmers' Winery (SFW). William Winshaw becomes the first chairman and managing director of SFW. Mellow-Wood brandy, launched in 1915, becomes part of SFW's portfolio.
- '29 Improved Grand Mousseux Vin Doux and Vin Sec sparkling wines are launched. Ship Sherry debuts.

The 1930s

- '32 Chateau Libertas, the grandfather of South African red blends, is launched. The wine goes on to win a gold medal in 1935 at the Brewer's Exhibition in London.
- '35 SFW is registered as a private company.
- '36 Tassenberg and La Gratitude wines are launched.
- '39 Klipdrift brandy is launched.

The 1940s

- '45 Dr AE Rupert and Mr DWR Hertzog founded Distillers Corporation with initial capital of R2m. Zonnebloem Cabernet Sauvignon is launched.
- '46 Oude Meester brandy is launched. The first modern laboratory for research and quality control is opened by Distillers Corporation.
- '47 The first estate wines are marketed – Theuniskraal Riesling and Alto Rouge. Oude Meester launches a liqueur brandy.
- '48 Monis Collector's Port is launched.

The 1950s

- '50 Distillers exceeds all South African competitors at the Half Century Empire Wine Show in London, scoring the highest marks and brings home six gold medals.
- '51 Grünberger Stein is launched.
- '52 Oom Tas is launched and soon becomes a South African favourite. Kupferberger Auslese is launched after the introduction of wine pressure tanks for the cold and controlled fermentation of white wines.
- '56 SFW is listed on the Johannesburg Stock Exchange.
- '57 Grünberger Stein competes with German wines at the Würzburg Wine Congress and receives the highest merit.
- '59 Lieberstein is launched and goes on to become the biggest selling table wine in the world in 1964.

The 1960s

- '62 Richelieu et Cie Ltd is formed, marketing brandy in South Africa.
- '64 Drostdy Co-operative Wine Cellars of Tulbagh (founded in 1906), producers of the Witzenberg range of wines, is acquired. The Plaisir de Merle wine estate is acquired.
- '66 Monis of Paarl (founded in 1921) is acquired, together with Nederburg, South Africa's premier wine producer.
- '67 The Bergkelder, a revolutionary concept in wine production and marketing, is launched, providing bottling and marketing expertise to leading wine estates.
- '69 South Africa's first botrytis wine, Nederburg Edelkeur, is produced.





The 1970s

'70 The Oude Meester Group is formed when Distillers Corporation merges with South African Distilleries, comprising Castle Wine and Brandy Company, E K Green and Company and Van Ryn Wine and Spirit Company and Henry C Collison. Well-known brands such as Klipdrift, Limosin and Viceroy are acquired. Sedgwick Tayler Ltd is acquired. Mainstay cane spirit and Old Buck gin are included in the transaction. The original Paarl Perlé wine is launched.

'71 5th Avenue Cold Duck sparkling wine is launched.

'73 With the introduction of South Africa's Wine of Origin legislation and the formalisation of wine estates, the Bergkelder enters into agreements with several leading estate wine producers to bottle, distribute and market their wines. Autumn Harvest wines are launched.

'75 The first Nederburg Auction.

'76 Henry C Collison is re-established in London as the export arm of the Oude Meester Group.

'77 Three Ships Whisky is launched. The Oude Libertas Centre is opened as an open-air theatre and a home for the performing arts.

'79 Cape Wine and Distillers Ltd is formed with SAB, KWV and Rembrandt each holding a 30% stake, with the remaining 10% held by the public. SFW, Oude Meester Group and Henry Tayler & Ries are wholly owned subsidiaries. Cellar Cask is launched and goes on to become the top-selling vat wine in South Africa.

The 1980s

'83 Graça is launched and goes on to become the biggest-selling premium wine in South Africa.

'84 South Africa's first flavoured wine, Monis Esprit, is launched.

'86 Flight of the Fish Eagle potstill brandy is launched.

'88 Hunter's Gold cider is launched, establishing South Africa's alcoholic fruit beverage (AFB) category. The business of Cape Wine and Distillers is restructured into two separate companies listed on the JSE as Stellenbosch Farmers' Winery Group Ltd and Distillers Corporation (SA) Ltd.

'89 Amarula liqueur debuts.



The 1990s

'93 Plaisir de Merle cellar is opened, 300 years to the day after the farm was granted to its first owner.

'95 A new canning and bottling plant is opened at Springs with the capacity to fill 60 000 cans per hour.

'96 Savanna Dry cider is launched.

'98 Papkuilsfontein Vineyards is established – a successful BEE venture which is jointly owned by Distell, a consortium of Gauteng entrepreneurs and a community trust. Durbanville Hills is established.

The new millennium

'00 Distell is formed through the merger of Stellenbosch Farmers' Winery Group Ltd and Distillers Corporation (SA) Ltd to become a South African champion in the global liquor arena.

'01 Distell's new corporate logo is unveiled in March.

'02 Klipdrift & Cola ready-to-drink (RTD) and Obikwa are launched.

'03 Klipdrift Gold and Hunter's Dry Lemon are launched.

'04 Nederburg Potstilled Solera Brandy is launched.

'05 Distell concludes a BEE deal that sells 15% of its holdings within South African Distilleries and Wines (SADW), a wholly owned subsidiary, to a consortium comprising Distell employees, a corporate social investment trust and WIPHOLD.



Brands launched include Nederburg Manor House, Lomond single-vineyard wines, Pincushion and Sugarbush Sauvignon Blanc and Drostdy-Hof Light.

'06 Hunter's Export and Savanna Chill Pack are launched.

'07 Collison's White Gold and Fleur du Cap Laszlo are launched.

'08 Burchell, J.C. Le Roux La Fleurette and Oude Meester Demant are launched.

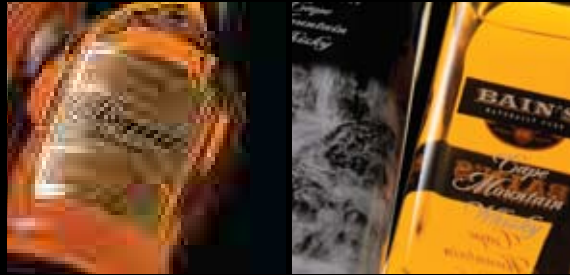
'09 Acquisition of the 200-year-old Bisquit cognac brand.

What we do

Distell creates **exceptional brands** with strong consumer franchise offering real value for money across the pricing continuum.

Our key products: **WINES, SPIRITS, CIDERS AND READY-TO-DRINKS**

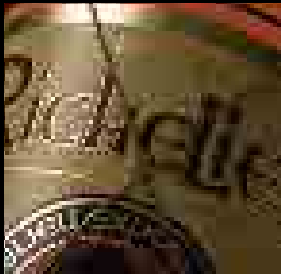
Distell made its first fully fledged international acquisition with the purchase of renowned brand **BISQUIT**, a top name in cognac. The deal gives us, as the world's fourth largest brandy producer, the Bisquit trademark, the inventories of its finished cognac, as well as stocks of eau-de-vie (cognac distillate) currently in maturation.



The idea that "all good things come to those who wait" was popularised by American poet Longfellow. It is a fitting sentiment with the release of the **ALTO 2006** port, the second from the award-winning Stellenbosch estate in nearly a decade.



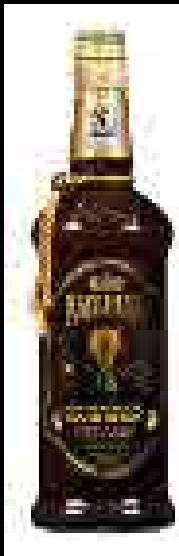
The growing thirst for specialist whisky in South Africa has prompted the creation of the first South African single-grain whisky and the establishment of a new subcategory to acknowledge the "indigenous" style. **BAIN'S** whiskey, created at the James Sedgwick Distillery on the foothills of the Bain's Kloof Pass on the banks of the Berg River in Wellington, is made from the finest quality South African grain and Cape mountain waters.



RICHELIEU has been outperforming the market over the past five years.



MONIS, highly acclaimed producer of South Africa's most awarded fortified wine, has added a new dimension of elegance and finesse to its range with the release of the 2006 Vintage Port.



FIFA HAS SIGNED AN AGREEMENT WITH DISTELL entitling us to market Amarula and a range of specially produced Nederburg wines for the 2010 FIFA World Cup™ in South Africa.

AMARULA is the country's most widely exported liquor brand and was judged the world's best cream liqueur on the International Wine & Spirit Competition last year.

NEDERBURG is South Africa's most awarded name in wine, having earned more international and local prizes than any other domestic winery. Cellarmaster, Razvan Macici, has developed a special-edition collection of three South African wines for next year's tournament, to be sold locally and internationally. The three limited-release Nederburg wines are the Cabernet Sauvignon, a Rosé, and a Sauvignon Blanc.



At Distell, we create brands quite literally from the ground up. Each brand starts as a tiny seed – or a germ of an idea – and is then crafted and nurtured to its final perfection through years of care and dedication. We harvest the raw materials from the earth, blend it with our own passion, and shape it into brands that have become icons of companionship, relaxation and celebration.

TWO OCEANS soared in Canada, Sweden and South Africa, its largest markets, with robust, double-digit increases in all three, while also posting good growth throughout the Scandinavian bloc, Germany, the Netherlands and Russia, not to mention New Zealand and Japan.



In Kenya, **VICEROY** has just reached sales of one million litres for the year.



DURBANVILLE HILLS winery is one of the first in the Western Cape to recover and purify wash water for irrigation on a sustainable basis. An environmentally friendly effluent water treatment plant was commissioned recently.



FLEUR DU CAP is synonymous with the performing arts through its sponsorship of the annual Fleur du Cap Theatre Awards, established in 1965. These prestigious awards give recognition to professional theatre in the Western Cape.

SAVANNA was introduced to the UK in 2006 and has built strong distribution through the Tesco and Asda chains. It is also sold in stylish bars and other licensed venues.



PONGRÁCZ, the distinctive Méthode Cap Classique inspired by the charismatic Hungarian nobleman, Desiderius Pongrácz, has just launched a new addition to the family – the charming and eminently sophisticated Pongrácz Rosé.



KLIPDRIFT is synonymous with generosity and hospitality. No matter where you are, when you open a bottle of Klipdrift the *kuier* starts right there.



VAN RYN'S has won the title Worldwide Best Brandy three times on the International Wine & Spirit Competition, including last year, when it also won the Best Brandy trophy on the International Spirits Challenge.



What we do | CONTINUED

Awards and achievements

2008 REST OF THE WORLD DISTILLER OF THE YEAR



For the second year in succession, Distell won one of the most coveted trophies at London's International Wine & Spirit Competition. The title of 2008 Rest of the World Distiller of the Year was achieved in a tightly contested battle against producers from the US, West Indies and Latin America.

NEDERBURG

2008 Veritas Awards

Double gold: 2005 Private Bin R163 Cabernet Sauvignon, Gold: 2006 Manor House Shiraz, 2008 Private Bin D234 Sauvignon Blanc, 2004 Private Bin R163 Cabernet Sauvignon, 2006 Private Bin R181 Merlot

2009 Old Mutual Trophy Wine Show

Fairbairn Capital Trophy for most successful producer
Trophy for Best Noble Late Harvest Dessert Wine: 2007 Winemaster's Reserve Noble Late Harvest
Trophy for best Natural Sweet Dessert Wine: 2008 Private Bin Eminence Muscadel Natural Sweet

2009 Syrah du Monde

Gold and highest scoring wine: 2006 Private Bin R121 Shiraz

2009 International Wine Challenge

International Late Harvest trophy, South African Late Harvest trophy: 2008 Winemaster's Reserve Noble Late Harvest

2009 Muscats du Monde

Gold, only South African winery and only New World contestant in the top 10: 2007 Private Bin Eminence

2009 Platter's South African Wine Guide

Five-star rating: 2007 Ingenuity White

FLEUR DU CAP

2008 Veritas Awards

Double gold: 2004 Laszlo, 2007 Unfiltered Chardonnay, 2007 Limited Release Unfiltered Viognier Chardonnay Semillon Sauvignon Blanc, Gold: 2007 Noble Late Harvest, 2007 Unfiltered Sauvignon Blanc

2009 Old Mutual Trophy Wine Show

Trophy for Best Wooded White Blend: 2007 Limited Release Unfiltered Viognier Chardonnay Semillon Sauvignon Blanc

2009 Platter's South African Wine Guide

Five-star rating: 2007 Noble Late Harvest

ALLESVERLOREN

2009 Vinordic Wine Challenge

Best Overall Value Fortified Wine, only South African fortified wine prize-winner for 2005 Fine Old Vintage

STELLENZICHT

2009 Berliner Wein Trophy

Berlin gold: 2005 Golden Triangle Shiraz, Premium gold: 2003 Golden Triangle Cabernet

2008 Absa Top 10 Pinotage Competition

Top 10: 2005 Cellarmaster's Release Pinotage (fifth inclusion)

MONIS

2009 Old Mutual Trophy Wine Show

Trophy for Best Fortified Dessert Wine (Red): 2001 Wood-matured Muscadel

2009 South African Muscadel Association

Platinum award: 2001 Wood-matured Muscadel

TUKULU

2008 Absa Top 10 Pinotage Competition

Top 10: 2006 Pinotage (fifth inclusion)

2009 SurePure Chenin Blanc Challenge

Top 15: 2008 Chenin Blanc

LOMOND

2009 International Wine Challenge

Cape Agulhas Trophy: 2007 Snowbush White Blend

2009 Old Mutual Trophy Wine Show

Trophy for Best Unwooded Sauvignon Blanc: 2007 Sugarbush Sauvignon Blanc

NEETHLINGSHOF

2008 SA Young Wine Show

Agri Expo Gold Trophy SA Champion Noble Late Harvest: 2006 Lord Neethling Noble Late Harvest

2009 Concours Mondial de Bruxelles

Gold: 2008 Gewürtztraminer

PONGRÁCZ

2009 Decanter World Wine Awards

South African Sparkling Wine over £10 Trophy: 2001 Desiderius Pongrácz

J.C. LE ROUX

2008 Wine Magazine Amorim Cork Cap Classique Challenge

Winner: 2006 Pinot Noir Rosé



AMARULA
2008 Overseas Living Luxury Lifestyle Awards Best Liqueur

VAN RYN'S
Tourism Grading Council of South Africa Five-star rating
2008 South African Tourism Welcome Awards National winner in meetings, exhibition and special events category
2009 Concours Mondial de Bruxelles Gold: 12 Year Old Distillers Reserve
2009 International Wine & Spirit Competition Gold and best-in-class: 12 Year Old Distillers Reserve 20 Year Old Collectors Reserve Gold: 10 Year Old Vintage Brandy
2009 International Spirits Challenge Gold: 12 Year Old Distillers Reserve, 15 Year Old Fine Cask Reserve

BUNNAHABHAIN
2009 International Wine & Spirit Competition Gold: 12 Year Old, 25 Year Old
2009 International Spirits Challenge Gold: 25 Year Old
2009 San Francisco World Spirits Competition Gold: 18 Year Old

OUDE MEESTER
2009 Concours Mondial de Bruxelles Gold: Oude Meester Demant

VICEROY
2009 International Wine & Spirit Competition Gold and best-in-class: 5 Year Old Brandy

EINE KLEINE NACHTMUZIK
2009 International Wine & Spirit Competition Gold and best-in-class

BISQUIT
2009 International Wine & Spirit Competition Gold and best-in-class: Bisquit VSOP

BLACK BOTTLE
2009 International Spirits Challenge Gold

SAA 2009 PREMIUM CLASS LISTINGS

- 2005 Stellenzicht Semillon Reserve
- 2007 Uitkyk Chardonnay
- 2008 Lomond Sugarbush Sauvignon Blanc
- 2006 Hill&Dale Pinotage
- 2006 Plaisir de Merle Merlot

CELEBRATIONS

This year marks the 350th anniversary of winemaking at the Cape. Some of our farms also celebrate special anniversaries of their own. The much lauded Plaisir de Merle celebrates its 15th birthday. Tukulu, one of the most successful BEE names in wine, celebrates its 10th anniversary. The story behind the award-winning Tukulu range began in 1998 with a group of Gauteng entrepreneurs, a community trust and Distell, who created Papkuilsfontein Vineyards. By developing a sustainable infrastructure to transfer skills in winegrowing, farm management, winemaking and wine marketing, it has been hailed as an important model in the advancement of transformation.



SUPERBRAND STATUS

Distell's brands continue to achieve success, with six of them being awarded Superbrand status by the South African Superbrands Council. The six brands are Amarula, Hunter's, Klipdrift, J.C. Le Roux, Graça and Nederburg.



What we do | CONTINUED

Overview of our brands

Consumer branding is at the heart of everything we do and starts with our marketing strategies as the driver of business change. Our long-term success depends on our ability to continue to build and develop brands to satisfy consumer needs. Our approach is to improve our knowledge of market segmentation, enhance consumer understanding, refine brand positioning and apply appropriate investment decisions, backed by effective market execution and supported by measured trade implementation. Constant innovation underpins our new focus on marketing renewal in a programme that seeks to deliver new excitement and agility to our brands and marketing teams.

SPIRITS

Our spirit portfolio consists of super premium and premium brandies and cognacs, white spirits, whiskies and liqueurs.



- 1| Amarula 2| Bain's 3| Bisquit 4| Black Bottle
- 5| Bunnahabhain 6| Collison's White Gold 7| Commando
- 8| Count Pushkin 9| Flight of the Fish Eagle 10| Klipdrift
- 11| Mainstay 12| Mellow-Wood 13| Nederburg
- 14| Oude Meester 15| Richelieu 16| Three Ships
- 17| Uitkyk 18| Van Ryn's 19| Viceroy

CIDERS AND READY-TO-DRINKS (RTD)

Our cider and RTD portfolio includes a comprehensive range of low-alcohol (3% to 6% by volume) flavoured alcoholic beverage (FAB) products which include spirit coolers and ciders to suit all tastes and lifestyles.



- 1| Burchell
- 2| Hunter's
- 3| Klipdrift & Cola
- 4| Savanna
- 5| Vawter

WINES

Distell's wine portfolio boasts a wide spread of well-known brands. Our portfolio includes ultra/super premium wines, premium wines, wine apéritifs, basic wines, perlé wines, sparkling wine and Méthode Cap Classique wines.



- 1| Allesverloren 2| Alto 3| Autumn Harvest Crackling 4| Cellar Cask 5| Chateau Libertas 6| Drostdy-Hof
- 7| Durbanville Hills 8| Flat Roof Manor 9| Fleur du Cap 10| Graça 11| Grünberger 12| Hill&Dale
- 13| Jacobsdal 14| J.C. Le Roux 15| Le Bonheur 16| Lomond 17| Monis 18| Nederburg 19| Neethlingshof
- 20| Obikwa 21| Paarl Perlé 22| Plaisir de Merle 23| Pongrácz 24| Sedgwick's Old Brown Sherry
- 25| Stellenzicht 26| Tassenberg 27| Theuniskraal 28| Tukulu 29| Two Oceans 30| Uitkyk
- 31| Zonnebloem 32| 4th Street

Why we do it

Our vision

A great company rooted in South Africa, crafting leading liquor brands for people to enjoy responsibly at every occasion the world over.

Our strategy

We have a shared vision to create and maximise stakeholder value through commitment to innovation and leadership in the markets where we operate.

Crafting our values internally by focusing externally

- > A SENSE OF **OWNERSHIP**
- > **ENTREPRENEURIAL SPIRIT**
- > **PERFORMANCE-DRIVEN CULTURE**
- > **CUSTOMER SERVICE ORIENTATION**
- > **RESPECT FOR THE INDIVIDUAL**
- > A **GLOBAL MINDSET** RESPONSIVE TO CHANGE

Our aspirations

- > BUILDING ON OUR POSITION AS A PROFITABLE AND **LEADING SOUTH AFRICAN WINE EXPORTER**
- > CONSOLIDATING OUR POSITION AS A **DOMESTIC MARKET LEADER**
- > EXPANDING OUR **GLOBAL FOOTPRINT** THROUGH EXPLORING NEW MARKETS
- > CONTINUING ON OUR PATH AS A **RESPONSIBLE CORPORATE CITIZEN**
- > CREATING **SHAREHOLDER VALUE**
- > ACCELERATING **TRANSFORMATION**

Creating an international footprint

We have not remained unaffected by the economic crisis. However, our strong, appealing brands, and our capacity to trade across a spectrum of markets, enable us to pursue our strategic course.

Trading depots in South Africa total 17, with a further four in Namibia. There are 26 TradeXpress distribution outlets in South Africa and one in Swaziland and Botswana respectively. Furthermore, there are two independent distribution agents in South Africa.

Distribution in the rest of Africa consists of regional offices with staff in Kenya (Nairobi) and Tanzania (Dar es Salaam) and Distell employed sales staff in Angola, Mozambique, Ghana, Nigeria, Uganda, with agents in these and other African countries.

We have joint ventures and investments in Tanzania, Kenya, Zimbabwe and Mauritius and wholly owned subsidiary companies in Namibia, Botswana and Swaziland.

Outside of Africa, Distell has offices in Cognac, Frankfurt, London, New York, Sao Paulo and Singapore that provide support and direction to a network of agents in 78 countries.

Where we operate



We are creating an international footprint in key markets in **North** and **Latin America**, **Europe**, **Asia Pacific** and **Africa**.

INTERNATIONAL HIGHLIGHTS

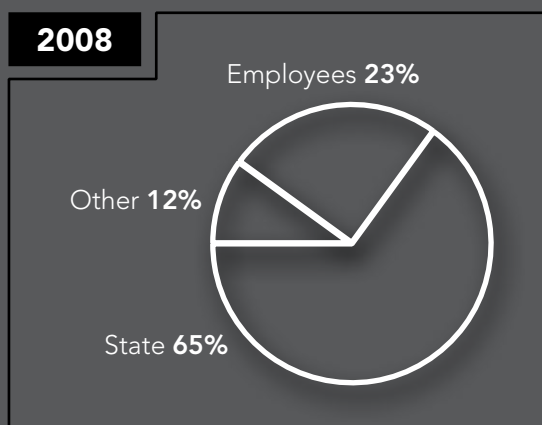
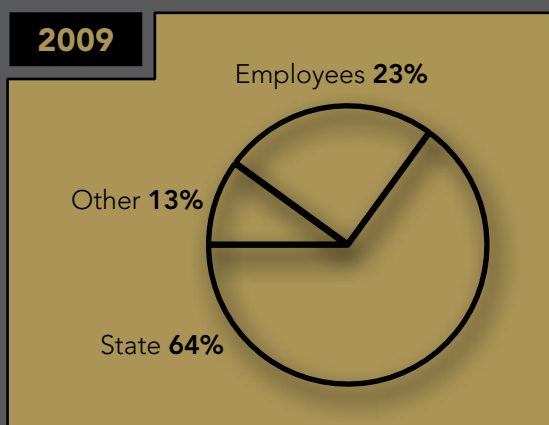
- > Spirit volumes **up 10,4%**
- > Wine volumes **up 20,6%**
- > Cider volumes **up 54,3%**
- > International revenue **grew 36,9%**
- > Sales volumes **up 31,6%**
- > International operations contribute **21,1%** to Group EBITDA

YEAR-ON-YEAR GROWTH

TREND	AMARULA	WINE
Europe		
Volume	+5%	+17%
Value	+30%	+20%
% OF TOTAL EXPORTS	24%	34%
North America		
Volume	+8%	+3%
Value	+19%	+11%
% OF TOTAL EXPORTS	15%	7%
Africa (including Botswana, Lesotho, Namibia and Swaziland)		
Volume	+28%	+21%
Value	+51%	+43%
% OF TOTAL EXPORTS	36%	47%
Latin America		
Volume	-7%	+10%
Value	+18%	+44%
% OF TOTAL EXPORTS	20%	1%
Asia Pacific		
Volume	-22%	+62%
Value	-4%	+66%
% OF TOTAL EXPORTS	4%	10%
Total exports		
Volume	+8%	+21%
Value	+30%	+31%
% OF TOTAL EXPORTS	6%	66%

How we performed

Cash value added statement for the years ended 30 June	GROUP	
	2009 R'000	2008 R'000
CASH GENERATED		
Cash derived from sales	10 662 383	9 264 585
Net financing costs paid	(10 810)	(46 132)
Income from investments	1 552	1 503
Cash value generated	10 653 125	9 219 956
Cash payments to suppliers of materials and services	(6 589 607)	(5 583 318)
Cash value added/wealth created	4 063 518	3 636 638
CASH UTILISED TO:		
Pay excise duty to the State	2 118 674	1 928 390
Pay tax on income to the State	451 523	476 654
Remunerate employees for their services	923 696	862 032
Provide shareholders with a return on the use of their risk capital	513 727	426 194
Cash disbursed among stakeholders	4 007 620	3 693 270
Net cash retained from operating activities	55 898	(56 632)
RECONCILIATION WITH CASH GENERATED		
Cash value added (above)	4 063 518	3 636 638
Less: Remuneration to employees for their services	(923 696)	(862 032)
Net financing costs paid	10 810	46 132
Payment of excise duty to the State	(2 118 674)	(1 928 390)
Cash generated from operating activities	1 031 958	892 348
STATE TAXES		
Excise duty	2 118 674	1 928 390
Tax on income	451 523	476 654
Value added tax	369 580	352 061
Employees' tax deducted from remuneration	111 771	112 948
Regional Services Council levies and property taxes	20 734	21 311
Channelled through the Group	3 072 282	2 891 364



Definitions and ratios

Acid-test ratio

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

Cash flow per ordinary share

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

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in interest-bearing borrowings under current liabilities.

Current ratio

Current assets divided by total current liabilities.

Dividend cover

Adjusted headline earnings per ordinary share divided by dividends per ordinary share.

Dividend yield

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

EBITDA

Earnings before interest, tax, depreciation and amortisation.

Earnings per ordinary share

Basic earnings basis

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

Headline basis

Earnings attributable to equity holders, after taking into account the adjustments explained in note 27.1, divided by the weighted average number of ordinary shares in issue.

Cash equivalent basis

Earnings attributable to equity holders, after taking into account the adjustments explained in note 27.1, divided by the weighted average number of ordinary shares in issue. This basis recognises the potential of the earnings stream to generate cash.

Earnings yield

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

Effective tax rate

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

Financial gearing ratio

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

Interest-free borrowings to total assets

Interest-free borrowings, excluding post-retirement medical liability, divided by

total assets (both excluding deferred income tax).

Net asset turn

Revenue divided by net assets at year-end.

Net asset value per ordinary share

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

Pretax return on equity

Profit before taxation as a percentage of closing equity.

Price-earnings ratio

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

Return on equity

Adjusted headline earnings divided by closing equity.

SoRIE

Statement of recognised income and expense.

Total return to shareholders

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

Accreditation and certification as at 30 June 2009

- ISO 9001:2000 certification at all our distilleries, wineries, secondary production sites, distribution centres and brand homes in the Republic of South Africa. Distell Namibia Windhoek, Walvis Bay and Keetmanshoop are also included in the ISO 9001:2000 certification. Distell's ISO 9001:2000 certification includes the corporate functions – quality management and research, group purchasing, logistics, technical services, export logistics and group human resource management.
- Hazard Analysis and Critical Control Points (HACCP) certification at secondary sites producing for the South African market (Port Elizabeth,

Springs, Wadeville). Worcester Distillery was the first distillery to be listed for HACCP.

- ISO 17025 accreditation of Distell's central laboratory at Adam Tas cellar.
- International Food Standards (IFS) higher-level certification at Adam Tas and Bergkelder.
- British Retail Consortium (BRC) food safety certification of Adam Tas, Bergkelder, J.C. Le Roux, Nederburg, Durbanville Hills, Plaisir de Merle and Stellenzicht wineries, as well as Paarl and Green Park.
- ISO 14001:2004 certification of Durbanville Hills, Nederburg, Plaisir de Merle and Bergkelder. Plans are

under way to have Green Park and Adam Tas included during the new financial year.

- Integrated Production of Wine (IPW) certification for all Distell and Lusan farms, the winemaking cellars, as well as all wine bottling facilities at Port Elizabeth, Wadeville and Green Park.
- Organic certification for certain vineyards at Papkuilsfontein and Plaisir de Merle. Nederburg cellar and Bergkelder have been certified to produce organic wines.
- GOST (a Russian food safety certification system) at Green Park.

ISO: International Standards Organisation

Distell directorate



DUIMPIE BAYLY

PETER BESTER

PIET BEYERS

MERWE BOTHA

JOHAN CARINUS

GUGU DINGAAN

SMARTIE GENADE

DR EDWIN DE LA H HERTZOG

BOARD OF DIRECTORS

Duimpie Bayly*

Director of Duimpie Bayly & Associates, technical consultant and adviser to the wine industry.

Peter Bester*

Director of Agrinet and Dorbyl, amongst others. He was formerly executive chairperson of Cadbury Schweppes (SA) until retiring in 2001.

Piet Beyers

Director of Remgro and Unilever South Africa.

Merwe Botha#

Financial director

Johan Carinus*

Wine farmer and director of Het Jan Marais Fund.

Gugu Dingaana*

Investment executive at WIPHOLD and non-executive board member and audit committee member of ABB SA, MCG Industries and Landis+Gyr.

Smartie Genade#

Business director: Wines

Dr Edwin de la H Hertzog

Chairperson of Medi-Clinic Corporation, non-executive deputy chairperson of Remgro, non-executive director of Total (SA) and Trans Hex Group.



JOE MADUNGANDABA

LOUISA MOJELA

DAVID NUREK

ANDRÉ PARKER

JAN SCANNELL

CATHARINA SEVILLANO-BARREDO

BEN VAN DER ROSS

THYS VISSER

Joe Madungandaba*

Group chief executive officer of Community Investment Holdings. Non-executive deputy chairperson of Jasco Electronic Holdings and non-executive director of Air Liquide Healthcare.

Louisa Mojela*

A founder and group chief executive officer of Women Investment Portfolio Holdings (WIPHOLD). Serves on the boards of Sun International, ABB SA and South African Airways, amongst others.

David Nurek*

Regional chairperson of Investec Western Cape, chairperson of Clicks Group, Lewis Group and Foschini, amongst others, and also a director of Aspen Pharmacare, Sun International and Trencor.

André Parker

Non-executive director and member of the remuneration and nominations committees of AECI and non-executive director and member of the audit and risk committee of Tiger Brands. Retired managing director of SABMiller Africa & Asia, served on several boards of SABMiller subsidiaries in these territories and was also an executive committee member of SABMiller plc.

Jan Scannell#

Managing director

Catharina Sevillano-Barredo*

Appointed 1 November 2008. Group finance executive of Universal Healthcare and director of Universal Healthcare, Status Medical Aid Administrators and QA Care Plus. Treasurer of the Johannesburg Chamber of Commerce.

Ben van der Ross*

Director of FirstRand, Momentum Group, Makalani Holdings, Naspers, Pick n Pay Stores and Lewis Stores, as well as several other non-listed companies. He is currently the chairperson of FirstRand's Financial Sector charter & transformation monitoring committee as well as serving on both the FirstRand and Momentum Group directors' affairs and audit committees.

Thys Visser

Chief executive officer of Remgro and also a director of Rainbow Chicken, Nampak, Medi-Clinic Corporation and Unilever South Africa.

* *Independent*

Executive

Distell executive team



JAN SCANNELL

MERWE BOTHA

STOFFEL CRONJÉ

DON GALLOW

SMARTIE GENADE

GERT LOUBSER

EXECUTIVE MANAGEMENT

Jan Scannell (58)

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 that the company delivers on its key objectives. He is also responsible for building a high-performance culture within the company.

Merwe Botha (56)

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 (55)

Company secretary and corporate development 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, corporate affairs and corporate strategy planning divisions.

Don Gallow (51)

International director

Don joined Distillers Corporation in 1986. He was appointed Distell's international director in 2005 and is responsible for the International and Africa business.

Smartie Genade (58)

Business director: Wines
BCom (Hons), MBA

Smartie joined Stellenbosch Farmers' Winery (SFW) in 1972, was appointed director of the company in 1988 and managing director in 2000. He was appointed operations director at Distell in December 2000, assuming his present position in November 2004. He is responsible for the profitability and sustainability of Distell's wine interests.

Gert Loubser (61)

Quality management and research director
MSc, PhD

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



NANTHA MOODLEY

KAY PILLAY

MALCOLM SEARLE

CAROLINE SNYMAN

VALERIO TOROS

JOHAN VENTER

Nantha Moodley (50)

Sales director
BA, NDip

Nantha joined SFW in 1989 and has over 15 years' experience in sales, training and distribution. He was appointed as sales director in May 2008. Nantha's role is to ensure that 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.

Kay Pillay (42)

Business director: Ciders and RTDs
Kay joined SFW in 1995 and has over 20 years' experience in sales and key account management. He was appointed to his current position in May 2008. Kay is responsible for the profitability and sustainability of Distell's business in the cider and ready-to-drink categories globally.

Malcolm Searle (49)

Marketing director
BCom (Hons)

Malcolm joined Distell as marketing director in January 2004 with almost 20 years' experience in fast-moving consumer goods, working as a marketing executive in several countries worldwide. He is responsible for building strong brand portfolios based on market strategies that leverage consumer insights and drive innovation.

Caroline Snyman (34)

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. She is responsible for the profitability and sustainability of Distell's spirits interests.

Valerio Toros (45)

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 and oversees the operations of the Group, including packaging, distribution, technical services, procurement and supply chain management.

Johan Venter (50)

Primary production director
MSc

Johan joined Distillers Corporation in 1990, was appointed head: spirits production in 1996 and in 2000 he became Group general manager: spirits at Distell. He took up his present position in January 2009. He is responsible for our farms; grapes, wine, brandy, and other raw material procurement; distillation, winemaking and blending.

Chairman's statement

DAVID NUREK
CHAIRMAN



South Africa
is no stranger
to economic
adversity.

TRADING ENVIRONMENT

South Africa is no stranger to economic adversity. Whether driven by economic isolation, the impact of socio-political transition or turbulence in global financial markets, we are conversant with economic volatility and often respond to it with flexibility and inventiveness.

It is often said that ours is a country in which one can expect the unexpected. There are many South Africans who have learned to manage tough times with resilience, vigour and creativity, and I have no doubt these same characteristics will see us through the current global crisis.

The country's new national administration has expressed a unity of purpose and has undertaken to make service delivery a priority. It has also indicated its intention to retain the strong financial regulations and prudent fiscal and monetary policies that have protected us in some measure from the severity of the slump.

However, we are certainly not escaping the turmoil of world markets unscathed. The contraction of the global economy is at its most marked since World War II, and consumer confidence in the UK and US is at its lowest ebb. We are also witnessing several major economies undergoing a prolonged period of recession, with a resultant decline in export demand.

Domestic

Domestic economic growth began to slow last year. Real GDP, after adjusting for inflation, showed a year-on-year rise of 3,1% in 2008, compared with the growth rates of around 5% over the previous three years, and the downward trend continues this year, as we experience our first recession in 17 years. Household consumption expenditure, the mainstay of the economy since 1994, succeeded in growing 5% per annum from 2000 to 2006, but has been slowing since 2007. Following years of aggressive debt accumulation, consumers are taking advantage of lower interest rates to repay debt and are eschewing expenditure, particularly on more expensive items. Fortunately, an expanded public works programme, a slower rate of food price increases and the moderation of debt payments to income have, to some extent, helped to sustain retail sales in some sectors.

Among the more critical macro-economic challenges we face are rising unemployment, worsened by the drop in demand for primary commodities, diminished availability

Two notable developments during the year under review have been our acquisition of renowned cognac brand, Bisquit, and the official licensed product status conferred on both Amarula and Nederburg for the 2010 FIFA World Cup™.

of capital financing and persistent underlying inflation. Moreover, the costs of doing business in South Africa are high, exacerbated by still high borrowing costs, despite the drop in interest rates, and high input costs, particularly telecommunications and transport. We can also expect to see a material rise in the cost of electricity as the country endeavours to increase its capacity.

South Africa has slipped marginally in its ranking in the World Economic Forum's Global Competitiveness Report to 45th position (out of 134) from last year's 44th place. The drop is more significant if viewed against the 35th place achieved two years ago. However, we remain the best-performing country in sub-Saharan Africa, acknowledged for our efficient and advanced financial infrastructure and the sophistication and innovation of our business sector. We scored well in terms of auditing standards, corporate governance and investor protection. We were also well rated for the focus we give to research and development and for the extensive collaboration between our academic institutions and the business sector, which makes ongoing innovation and progress possible.

South Africa's protection of intellectual property and the quality of our private institutions and goods also earned the country good marks, but what continues to hamper us are the rigidity of our labour legislation, the high rates of communicable diseases (including one of the highest rates of HIV/Aids infection in the world), the pervasive lack of security and a weak and incapacitated criminal justice system, as well as the failure of our tertiary education sector to produce the requisite skills for a growing modern economy.

According to the SA Institute of Race Relations (SAIRR), about half of the roughly one million learners who were in grade 10 in 2006, wrote their new Outcomes-Based Education matriculation examinations last year.

Of the original 2006 cohort a mere 30% passed. This perilous situation is echoed in the research findings of the University of Cape Town's academic development unit which found in a 2007 study that only 30% of students across all communities attending universities and technikons had succeeded in graduating within a period of five years, despite the fact that the vast majority of enrolments were for three- or four-year courses. The study also found that countrywide, just under 12% of black and coloured youth had enrolled for tertiary studies with fewer than 5% of the total acquiring a qualification.

We are relieved that the issue of potential curriculum reform is now a focus of Government for it is our contention that it is only through good public education, together with effective government and the promotion of the free flow of capital that poverty can be addressed. A much-needed review of our education model will help create a reservoir of technical and intellectual skills, while providing the foundation for meaningful employment equity. In tackling the country's skills deficiencies, we also hope that the new leaders in Government will work assiduously to facilitate employment opportunities for imported talent as well as for the many well-trained expatriate South Africans keen to return to this country to participate in its future.

Poverty and its inevitable partner, State dependency, are two areas to feature prominently in the SAIRR forecasts for the next decade. The Institute has found that currently three in ten African households receive their single largest source of income from the State, while a quarter of all South Africans are beneficiaries of social welfare. We can expect that, with rising unemployment, additional pressure will be placed on the country's already strained social spending budget.

Widespread job losses have certainly impacted on the growth of the middle class, and while the UCT Unilever Research Institute has suggested that black members of the middle class are not subject to the same level of debt as their white counterparts, there can be no doubt that the promise of the buying power of the so-called Black Diamonds has not been fully realised. Consequently, the assertion that 40% of the country's consumer spending power, worth some R250 billion a year, resides with this group, should be considered with some circumspection.

International

Looking at offshore markets, we note that for the first time in 18 years, wine sales in the UK are contracting in volume, although South Africa's position remains firm with a 10% volume share of the market. Last year, the South African wine category was the fastest-growing in the UK, still the country's biggest export destination, accounting for over a quarter of foreign wine sales volumes. It is gratifying to note that in a recent survey amongst the trade, when asked which of the wine-producing countries were expected to make the greatest impression in the UK over the coming year, South Africa was identified by 45% of respondents.

South Africa's world leadership in environmentally sustainable wine production is a typical example of how we are able to turn adversity to our advantage.

Thus far, the country's reputation for wine quality and value has meant South Africa has continued to grow sales volumes in major international markets, and Distell has been no exception. Given Africa's relatively insulated financial structures and low credit exposure, there are some countries on the continent that have not been as hard hit by the credit crisis as elsewhere and this too has proved favourable for Distell.

However, it is important to stress that a stronger rand is eroding profitability for many exporters as it impacts negatively on the country's price competitiveness abroad. This makes it all the more important to plan wines in the vineyard, aligning vineyard management protocols with the end prices envisaged, an approach that Distell follows and that we have encouraged our suppliers to pursue as well.

KEY DEVELOPMENTS

Two notable developments during the year under review have been our acquisition of renowned cognac brand Bisquit, and the official licensed product status conferred on both Amarula and Nederburg for the 2010 FIFA World Cup™.

The purchase of the 200-year-old cognac brand gives us the first wholly owned Distell brand produced outside Africa. The deal also takes us further into the mainstream international spirits market. In terms of our agreement with FIFA, we are entitled to feature the 2010 FIFA World Cup™ emblem on Amarula and the three Nederburg wines being released to mark South Africa's hosting of the tournament. These FIFA-branded products will be sold locally and in selected markets abroad.

We are enormously proud that six Distell brands have been awarded super-brand status in South Africa by the South African Superbrands Council. In addition to Amarula and Nederburg, they are Klipdrift, J.C. Le Roux, Hunter's and Graça, all acknowledged not only for their market dominance and their overall market acceptance, but also for their longevity and the goodwill and customer loyalty they engender. Household names, they are known to generations of South Africans.

DRINKING RESPONSIBLY

To further entrench a culture of responsible drinking throughout our society, Distell continues to engage with Government via the Industry Association for the Responsible Use of Alcohol (ARA). A not-for-profit organisation registered with the national Department of Social Development, it focuses on the prevention of the negative consequences of alcohol abuse. We play a leading role in this regard, with the ARA chairman, Michael Mokhoro, also Distell's manager of regulatory affairs.

We acknowledge that alcohol abuse is bound up with a complex interaction of physiological, socio-cultural and psychological factors in the environment, and that it requires a combination of self-regulation on the part of producers, support for existing laws governing sale and consumption, and customised intervention programmes.

The ARA works closely with international bodies on strategies to combat abuse and has access to international research, best practice and intervention strategies, which offer culturally sensitive, relevant and pragmatic ways to reach youth and other groups.

The organisation is part of a global initiative under the aegis of the World Health Organisation (WHO) to create an overarching strategy to reduce alcohol-related harm that will be adapted at a national level to accommodate localised circumstances. To this end, the ARA was involved in a submission on the African region to the WHO in Geneva last year. The organisation is also involved with the Global Alcohol Producers' Group, as well as the International Center for Alcohol Policy, for which it has prepared a case study on the South African retail system; and it continues to contribute to the body of international literature on the subject of responsible alcohol consumption.

The ARA believes governments should appropriately and effectively regulate all alcohol beverages sold. Our experience, shared by many developing and developed countries, is that by working as a unified force in co-operation with Government, educational bodies, public health organisations and health professionals, to develop targeted initiatives for early identification and in evolving educational and interventionist measures, we can collectively provide the strongest, most effective and cost-efficient basis for combating excessive, harmful and inappropriate consumption.

We have a broad-based ownership model in place through a share ownership transaction involving Distell employees, the corporate social investment trust and women's empowerment group WIPHOLD.

In our view, specifically tailored interventions offer the most efficient and enduring ways of changing harmful consumption patterns and promoting moderation. The ARA targets teens and their parents, binge drinkers, pregnant women, road users, farm workers and marginalised communities, while also educating and monitoring those who sell alcohol either off- or on-consumption. It also works with the relevant authorities and communities to increase access to information on alcohol and health and in promoting compliance with the law.

The organisation has worked with the National Liquor Authority to agree a code of practice for manufacturers and distributors, which has been submitted to the Ministry of Trade and Industry (dti) for endorsement.

The ARA continues to await the outcome of a report commissioned by the dti on the impact of advertising on liquor consumption.

We also note that the potential ban on outdoor liquor advertising where visible from a public road has been withdrawn by Government. Nevertheless, at Distell, we have made it a priority to stress the message of responsible consumption on all our billboards and to include the underage disclaimer.

SUSTAINABILITY

South Africa's world leadership in environmentally sustainable wine production is a typical example of how we are able to turn adversity to our advantage. A late entrant to global wine markets, beset by a lack of access to international best practice, the local wine industry did not take long to become a significant player during the 1990s, after years of isolation. Mindful of the scarcity of such resources as water and land appropriate to the cultivation of grapes, academics and members of the industry worked to establish parameters within which producers could operate while minimising their impact on the environment. Just four years after the advent of democracy, the country had developed the Integrated Production of Wine (IPW), an ecosustainability programme that is considered the most progressive of its kind in the world.

I am proud to say that we were involved in the programme from its inception, with pilot projects conducted at Nederburg. Today, IPW provides a critical benchmark for many other wine-producing nations,

while locally it enjoys the support of over 95% of winegrowers. All Distell wines are IPW-compliant, while all our supplier growers for wine and brandy subscribe to the programme.

South Africa has also been lauded internationally for the Biodiversity & Wine Initiative (BWI) that seeks to protect the abundant biodiversity of the Cape Floral Kingdom and set aside areas where indigenous habitat can be conserved or reintroduced. In the space of just four years, the industry has succeeded in committing to conservation more than the equivalent of the total national vineyard of just over 100 000 hectares. Several Distell wineries are members of this initiative, including Durbanville Hills; Lomond; Le Bonheur and Uitkyk (via the Greater Simonsberg Conservancy); Neethlingshof (via the Bottelary Hills Conservancy); Papkuilsfontein Vineyards (which supplies Nederburg and Tuku) and Plaisir de Merle.

Earlier this year we appointed Jacques Rossouw to the position of environmental manager. He was previously the manager of the IPW programme and comes with international expertise having worked in the Australian environmental regulatory industry. In his new capacity, Rossouw will remain on the steering committee of the recently launched co-operative project between the South African fruit and wine industries which is seeking to develop a comprehensive response to climate change.

Before joining us, he worked extensively with Distell on an international project to establish a globally accepted basis for wine producers to calculate their greenhouse gas emissions. Called the International Wine Industry Greenhouse Gas Accounting Protocol and Calculator, the system identifies and provides a universally accepted basis for quantifying carbon dioxide emissions throughout the grape-growing, wine production, packaging and transportation processes.

With the methodology for carbon footprint calculation now at our disposal, the industry can begin to record emissions and develop strategies for mitigation. As a company, we can also explore ways to modify the protocol and calculator to measure Distell's impact on the environment in other areas of production, such as that of spirits, ciders and ready-to-drinks (RTDs).

We always have made it our policy, irrespective of economic circumstances, to be mindful of delivering the very best value in all areas of our operation, continually raising performance to ensure we extract the maximum value from our assets.

TRANSFORMATION

The progress of broad-based black economic empowerment (BBBEE), particularly in the area of transfer of ownership, has been impeded by the current economic crisis. Ernst & Young's mergers and acquisitions review for 2008 showed a drop in the number and value of BEE deals last year compared with 2007. The 84 transactions worth R60,9 billion last year were a significant decrease on the 125 deals worth R96 billion the year before, and this year the appetite for risk is likely to be still further diminished. With most deals using the special-purpose vehicles that rely on increasing the value of a company's share price for repayment, it is understandable that initiatives will be placed on hold by many until confidence in the future has strengthened.

For our own part, we have always held that BEE, if it is to be meaningful and lasting, should involve substantially more than ownership and focus on socio-economic development in the widest sense. We have a broad-based ownership model in place through a share ownership transaction involving Distell employees, the corporate social investment trust and women's empowerment group WIPHOLD. This consortium has an effective 15% investment in the company, via the wholly owned subsidiary, South African Distilleries and Wines (SA) Limited. However, we are also very much engaged in a range of preferential procurement projects. Underpinned by skills transfer programmes, they enable many new suppliers to become a part of our network, including members of marginalised rural communities.

LEGISLATION

We are another year down the line and to date the Eastern Cape and Gauteng remain the only two provinces to have their liquor legislation in place, although it does appear that virtually all other provinces have reached the draft stage in the creation of their particular bills.

However, it is a matter of some concern that the Western Cape Liquor Act, meant to come into operation last year, has suffered so many setbacks and has now come to a virtual standstill. We hope the newly elected provincial government will give priority to achieving a speedy resolution on the matter and so give producers and purveyors the urgently needed guidance in conducting their businesses to ensure they remain within the law.

The Western Cape province recently engaged Dr Andrew Charman to conduct a study to assess the socio-economic impact on employment and livelihoods if the unlicensed trade (shebeens) is closed down. The study indicated that job losses would be widespread and that in all likelihood many taverners would be driven underground, making it increasingly difficult to monitor their activities, further encouraging criminality and precluding the collection of VAT. At the same time, the profusion of unlicensed outlets poses a challenge for licensing authorities and puts at risk the environments in which they operate, since they can and often do attract other illegal activities.

We urge Government to consider the development of specified liquor trading zones, which would make for far easier monitoring of transgressions and potential criminality and could well prove appropriate not only for the Western Cape but for the entire country. With the number of zones, their individual configurations and the spread of on- and off-consumption outlets in each reflecting the needs of the communities they would be intended to serve, both the demand for and the viability of illegal outlets would diminish greatly.

Should excise duties be raised above the rate of inflation, this will only serve as a further incentive for trading in illicit products. While Government's ongoing policy is to maintain a total tax burden (excise duty plus VAT) of 23% on wine products, 33% on beer and 43% on spirits, we were surprised that all increases this year were at the upper end of the spectrum. Given the current state of our economy, we had expected some form of cushioning from Government against deteriorating demand. Excise duties are now the biggest driver of spirits' shelf price increases, already beset with fast-rising input costs.

Ours is an industry with a long-term planning cycle, spanning anything from five to twenty years, depending on the product involved, and it is extremely difficult to accommodate such unexpected increases. Moreover, such a move on the part of Government sends a counter-investment signal.

PROSPECTS

We always have made it our policy, irrespective of economic circumstances, to be mindful of delivering the very best value in all areas of our operation,

We shall continue to focus on providing value in all our products so we remain the first choice of our customers and consumers, while building new markets amongst those seeking quality at fair prices.

continually raising performance to ensure we extract the maximum value from our assets. It is our practice to eschew excess and avoid wastage. This is a culture that has served us well in good times and our characteristic austerity will help us to endure the present financial turbulence.

It would be foolhardy to make predictions, given the volatility to which global markets are exposed, but we do believe we are fortified by a portfolio of excellent brands across a range of price points, affording consumers a broad spectrum of choice.

We have seen that when consumers are forced to spend judiciously, they tend to choose trusted, familiar products they can rely on and they know will give them genuine value. We have many such brands, backed by continued investment and top-level service.

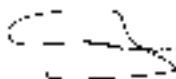
We shall continue to focus on providing value in all our products so we remain the first choice of our customers and consumers, while building new markets amongst those seeking quality at fair prices.

ACKNOWLEDGEMENTS

We welcome Catharina Sevillano-Barredo to the board, appointed last November. A chartered accountant, she is also chairperson of the audit and risk committee and comes with a wealth of experience in merchant banking, corporate consulting and manufacturing.

We continue to enjoy success on local and international competitions with many of our wines and brandies acknowledged for their excellence. Affirmation from respected palates and platforms, as well as the support from our customers and consumers worldwide, is the result of a collective effort, linked to the quality ethos that informs every area of our business.

Weathering difficult times with the hallmark excellence in service delivery for which we have become known, has taken a remarkable focus, resolution and dedication. I thank you all and look forward to your continued support as we navigate our way between risk and uncertainty in the times ahead.



DM Nurek
Chairman

Stellenbosch
26 August 2009

Managing director's report

JAN SCANNELL
MANAGING DIRECTOR



Our ability to produce sound financial results has created significant value.

CORPORATE OVERVIEW

Since Distell's establishment in 2000, our ability to produce sound financial results has created significant value for all our stakeholders. Our consistent success is premised on a clearly defined and articulated set of strategic priorities. The most important of these include:

- Growing Amarula's presence globally
- Strengthening our status as a profitable and leading South African exporter of wines
- Consolidating our strong position in the domestic market by offering a compelling suite of brands across a range of alcoholic beverage categories and price points that represent fair and reasonable value
- Expanding our global footprint by entrenching brand visibility and awareness in established markets as well as by exploring new markets, especially those in developing economies
- Creating value for shareholders and other key stakeholders, especially staff and suppliers, while contributing to national economic prosperity

In our previous report, we anticipated the unfavourable effect of a highly troubled global economy on the business environment. A significant curtailment in real disposable income, rising unemployment, as well as a tightening in credit availability, all impacted negatively on consumer spending. As a result of weakening consumer demand, global and local trading conditions have become increasingly difficult and competition has intensified.

Nevertheless, it is important to stress that the alcoholic beverage market remains a reasonably resilient consumer category, although it is by no means totally immune to the adverse economic environment.

Conditions have been very challenging but, even so, we have managed to deliver creditable results, growing sales volumes by 10,8%, raising revenue by 15,5% and improving our market share in several important markets. We are reaping the benefits of a well-balanced portfolio of brands with strong consumer loyalty across a range of segments and price points. It has afforded us the flexibility to adjust to changes in consumer spending patterns and to focus across a broad geographic reach and thus reduce our dependency on any one specific market. Consequently, revenue derived from countries outside South Africa

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now comprises 27,8% of total revenue (on a non-duty-paid basis).

We have raised EBITDA, excluding foreign currency translation differences, by 11,2%. A significant strengthening of the rand against most major currencies towards the end of the reporting period impacted substantially on earnings and has led to a reported EBITDA of R1,60 billion – up 4,0% on the previous year.

Headline earnings grew 1,2% to R953,5 million, to achieve compound annual growth of 23,6% over a seven-year period.

Thanks to our strong financial position we were able to continue to invest in the business and further pursue our strategic priorities, with capital expenditure and investment totalling R382,1 million for the year under review.

In April 2009, we made our first international acquisition, buying the 200-year-old cognac brand, Bisquit, to give us the first wholly owned Distell brand produced outside Africa. The €31 million transaction that included the trademark as well as inventories of packaging material, finished products and eau-de-vie (cognac distillate) takes us further into the mainstream international spirits market.

To avoid any disruption of Bisquit supply, we have maintained existing distribution agreements with previous agents in France, Switzerland and Belgium. Our priority now is to expand Bisquit's presence in Asia, North America, Eastern Europe and Africa.

We are very proud to include Bisquit in our portfolio as it enhances our range of brandies that already include several internationally acclaimed Cape potstills and brings us long-established traditional cognac expertise.

DOMESTIC MARKET

Real growth in consumer spend on non-durable goods declined sharply during 2008, from 5,5% growth in 2007 (year on year) to 1,3% in 2008 (year on year). This signalled an end to the consumer-led boom in the South African economy that lasted from 2004 to 2007. Since the beginning of 2008, higher inflation, interest rates and food and energy prices, as well as a tightening in credit availability and greater unemployment, have all impacted negatively on consumer spending. Even though there have been more recent declines in inflation, fuel prices

and interest rates, the high levels of household debt have not been sufficiently curbed and the impact of diminished disposable income continues. The pace of premiumisation has slowed and, in general, the market is trading down. Going forward, growth in real consumer spend on non-durable goods is forecasted by the Bureau for Economic Research to contract by 3,8% in 2009 and thereafter recover to growth of 2,6% in 2010.

For the period under review, beer, which saw a 2% drop in sales volumes, drove the decline in domestic sales of alcohol. Spirit volumes fell by 5% and wines by 1%. Only flavoured alcoholic beverages (FABs) were able to show a good growth of 5% thanks mainly to our own two cider brands, Hunter's and Savanna.

At the same time, cancelled wine export orders of some producers were redirected to the local market, forcing down prices.

While the market response to South Africa's curtailed consumer spend has been intensely competitive and discounting has been aggressive, our own response was to launch new brands and intensify our sales and marketing activities.

We succeeded in maintaining our more than 20% share of the market by value, due mainly to the depth and quality of our portfolio, timely innovation and sustained and strong brand investment to further grow brand awareness for drive brands in particular.

Domestically, our sales volumes increased by 7% and revenue by 12% which is a reflection of a less favourable sales mix in terms of profitability on a rand-per-litre basis. Whereas cider and ready-to-drink (RTD) brands continued their strong performance and wine recorded marginal growth, spirits brands showed volume declines.

Hunter's and Savanna premium cider brands experienced double-digit volume growth with performance enhanced by excellent communication campaigns that resonated extremely well with their consumers. Savanna's "Do you know your monkey stole my Savanna?" and Hunter's "The end of global warming" TV commercials proved especially popular. Our volume share of the FAB segment was further augmented by continued strong growth from RTDs, Klipdrift & Cola and Vawter, the spring water with vodka and lime that was launched in the previous financial year. Although Burchell is still a new player in the

In April 2009, we made our first international acquisition, buying the 200-year-old heritage cognac brand, Bisquit, to give us the first wholly owned Distell brand produced outside Africa.

market, it is fulfilling an important role in extending the cider category with its high-end offering. It is showing growth well in line with our expectations and we are committed to building its profile as a long-term strategy.

Spirits suffered most significantly as consumers began reducing their repertoire of brands and opting for lower-cost items such as beer and FABs, perlé wines and cut-price products. Nevertheless, strong performances were delivered by some of our brandies, such as Richelieu, Klipdrift and Viceroy, as well as by whiskies, most notably Scottish Leader and Three Ships, to offset share losses sustained by our white spirit brands.

Volumes across our wine portfolio grew 1%, with Two Oceans and Drostdy-Hof continuing to outperform the market and Paarl Perlé also doing exceptionally well. J.C. Le Roux also flourished. The growing appetite for rosé was evident in the success of J.C. Le Roux's newly launched La Fleurette rosé sparkling wine, while other wines to benefit from increased rosé consumption included Pongrácz, Autumn Harvest Crackling and Overmeer.

Investments in future growth opportunities and in maintaining a robust product portfolio to exploit market opportunities have long been priorities for Distell. In line with this strategy, we launched three new brands locally, Bain's whiskey, 4th Street, the easy-drinking rosé, and the Obikwa range of well-priced wines already popular in several export markets.

INTERNATIONAL MARKETS

Continued improvement in shareholder value depends on the progress we make in a number of strategic priorities, one of which is to increase the revenue and earnings contribution of our international business. The improvement in our geographic spread is already proving to be an advantage in that not all markets have been equally affected by the current global economic crisis.

To achieve organic growth in foreign markets, we have continued our focus on building a core portfolio of brands in key markets, including new destinations, particularly in developing markets. Our strategy of allocating significant resources to priority countries is yielding good results. This year, our international business once again delivered an exceptional performance, despite the turbulent global economic environment. Volumes increased by 27% and revenue by

37% to achieve compounded annual revenue growth of 12,5% over a seven-year period. Our international operations now contribute 21% to Group EBITDA, bringing us closer to our medium-term target of 30%. Our progress in this regard is impacted by substantial brand investment in newer markets.

What is particularly pleasing is that international volume growth, excluding Botswana, Lesotho, Namibia and Swaziland (BLNS), has been achieved across all important categories; spirits and wine sales volumes grew by 15% and 22% respectively. Our growth in wine exports has been significant and far outpaces that of the industry. RTD volumes increased by 186%, albeit off a smaller base.

Although the rand strengthened substantially against major currencies towards the end of the reporting period, it showed an average deterioration of 10,2% over the past financial year against the weighted basket of currencies in the markets where we trade. This partially compensated for a less favourable sales mix in terms of profit margins.

In addition to organic growth, we are exploring other opportunities for growth and, following the acquisition of Bisquit, our intention is to expand international business through investing in other operations to which we believe we can add value.

AFRICAN MARKETS (EXCLUDING BLNS)

Since 2000, real GDP growth in sub-Saharan Africa has averaged 6,0% per annum (source: IMF), fuelled mainly by strong global growth, increased capital flows, a buoyant commodity sector and improved stability in many countries.

To capitalise on the opportunities that have resulted from development in the region, we have made it a strategic priority to grow our business here by:

- Expanding our sales and marketing representation to better service the growing consumer demand
- Establishing excellent distributor relationships to extend our presence and ensure product availability and visibility
- Marketing a portfolio of brands across the pricing continuum to provide premium as well as more affordable offerings that are relevant to consumers in each market

Volumes increased by 27% and revenue by 37% to achieve compounded annual revenue growth of 12,5% over a seven-year period.

- Maintaining a clearly focused brand investment strategy
- Adopting a philosophy of partnering with local players in selected markets
- Establishing local production and supply facilities where appropriate to mitigate high import costs and government tariffs

Logistics remains a challenge in most parts of the African continent, but, together with our network of strong distribution partners in most of the markets where we operate, we have successfully implemented initiatives to ensure in-market stock availability of our drive brands. Our strategy to expand our own sales and marketing structures in certain markets, our investment in local production for a number of our brands with local joint-venture partners and a substantial increase in marketing investment for our drive brands have paid handsome dividends and positioned us well for continued growth in the year to come.

Although the global economic crisis resulted in a loss of momentum in several markets in the region during the latter half of the year, sub-Saharan Africa delivered another year of exceptional growth. Our sales volumes increased by 77% and revenue grew 81%.

With the exception of Kenya and Tanzania, where our premium wines and spirits have been affected by a severe downturn in the tourism industry, the performance in all key markets far exceeded our expectations, with Angola, Mozambique, Nigeria and Ghana doing particularly well.

Our spirits portfolio once again achieved very satisfying volume growth of 42%, with Amarula the star performer. Brandy produced in Kenya also saw another year of solid growth, and sales volumes are now at a level that reflects substantial acceptance by Kenyan consumers. We also recorded good growth in the volumes of Seven Seas produced and sold through our joint-venture partner, Grays, in Mauritius.

At the same time, our wine portfolio continued to show good growth, with volumes increasing by 25% and revenue by 51%, supported by increased brand investment in key markets such as Angola, Mozambique and Nigeria. While all drive brands performed well, we are especially pleased with the performances of J.C. Le Roux and Nederburg.

The growth of our RTD portfolio, led by Savanna and Hunter's, was impressive. Although they compete as imports at the premium end of the category, they have gained wide consumer acceptance in markets such as Angola, Ghana, Mozambique and Tanzania. We expect these trends to continue over the next year as we broaden distribution and increase our investment and marketing activities for these brands.

After a prolonged period of depressed trading conditions as a result of the political and economic crisis in Zimbabwe, we saw a very encouraging improvement in sales during the latter part of the year. We managed to maintain a presence in the market for our South African manufactured brands, as well as those produced locally by our joint-venture partner, African Distillers. This has placed us in an excellent position to take full advantage of the expected recovery of the Zimbabwean economy.

Strong growth for the region is expected to continue, albeit at a slower rate as Africa feels the effect of the worldwide economic downturn. Our observations across several countries where there is a high level of spirits consumption lead us to believe we have a well-balanced portfolio with the potential to capture a substantial share of the category in sub-Saharan markets. At the same time, our continued focus on and investment in premium wines have prepared us for additional opportunities across the continent.

BLNS COUNTRIES

We are realising the benefits of increased brand investment and dedicated marketing resources across these markets. Greater brand awareness and visibility, coupled with improved customer service from enhanced sales and distribution functions, saw sales volumes increase by 19% and revenue by 38%.

All countries in the region showed healthy growth, with the exception of Botswana, where sales were severely hampered by the 30% levy on alcoholic beverages introduced last November. Since the implementation of this levy, sales volumes of all product categories have reduced substantially, resulting in an overall volume decline of 19% for the full year. This situation has been compounded by the sharp drop in demand for minerals on which Botswana's economy is so heavily dependent.

In Canada Two Oceans remains South Africa's top-performing wine brand and continues to grow from an already well-established base.

OTHER MARKETS (OUTSIDE THE AFRICAN CONTINENT)

Europe

With Europe having been particularly vulnerable to the global economic crisis, our performance in this region is nothing short of remarkable and is evidence of our ability to deliver excellent quality at reasonable prices at a time when consumers have become even more demanding in their pursuit of value. Wine volumes rose 17% and major gains were achieved across three drive brands – Two Oceans, Drostdy-Hof and Nederburg. Amarula also recorded encouraging growth.

The greater number of wine listings in the key markets of the UK, the Netherlands, Sweden and Germany, where we have gained market share, are all contributing to increased brand visibility and strengthening our footprint on the continent.

The UK is the South African wine industry's single biggest market and has seen many producers focus exclusively on developing trade here. With our policy of trading across a spread of markets, we have never made the UK a singular focus but treated it as one of several important markets. Although higher wine duties, a continued discount culture and a weakening sterling have exacerbated trading conditions, it remains an important market. We anticipate a very challenging year ahead but shall continue to protect brand equity, follow profitable opportunities and maintain our reputation for providing excellent value at all price points.

In Germany, Amarula volumes grew by almost 13% and in the UK we succeeded in recovering volumes after a particularly difficult 2008. Nevertheless, the spirit market remains extremely tough in the UK, with the multiple grocers heavily discounting liqueurs during the festive season.

In the UK, Savanna has been making inroads in off-consumption, with satisfactory sales in supermarkets. The brand is also building on-consumption visibility, particularly in style bars.

Europe is expected to be a major source of visitors to next year's 2010 FIFA World Cup™ and we hope to benefit from the association with the tournament, given FIFA's agreement with Distell entitling us to associate Amarula and a range of specially produced Nederburg wines with the event.

Asia and Australasia

Our wines have shown good growth across these markets, particularly brands such as Two Oceans, Drostdy-Hof, Nederburg and Obikwa. We recorded a volume increase of 62% to raise contribution to total international revenues significantly. We performed well in both developed and developing markets, including Japan, Australia and New Zealand, as well as Korea and India.

The region's football enthusiasts, whether as visitors to South Africa next year or as spectators, could also play a role in strengthening the profile of both Nederburg and Amarula.

We are slowly building distribution in China, but this is a complex and slow process that we view as a longer-term objective.

Middle East

An increased presence in the Middle East through new distribution agreements sees us well positioned to capitalise on profitable growth opportunities, particularly when global economic conditions improve. Despite the current downturn, business and leisure tourism remains a cornerstone of the economies in several countries across the region and provides us with important outlets for our brands.

North America

United States

The US has in many respects borne the brunt of the global economic upheaval, but thanks to good distribution and focused marketing teams our wine business delivered volume growth at a time when the South African wine category as a whole showed a decline. Two Oceans and Nederburg are proving well positioned in style and pricing and we are confident of further growth in this market that is set to become the world's biggest, in terms of spend, within the next few years.

Amarula has also recovered with an increase of 8% and is once again in a strong growth phase with our agents, AV Brands, endeavouring to build the brand in the US.

Canada

Two Oceans remains South Africa's top-performing wine brand in the country and continues to grow from an already well-established base. Further distribution gains

To compete successfully in global markets necessitates a strongly market-orientated approach that places customers and consumers at the centre of our thinking.

in Quebec for the brand should see it entrench its dominance.

Latin America

The region did not escape the effects of the economic crisis. The impact of an excellent performance in the key market of Brazil, Amarula's largest market in the region, was diluted by a drop in sales in Paraguay, Argentina and Chile. Fortunately, Brazil is also offering good scope for the growth of our wine brands, with Two Oceans, Obikwa and Nederburg steadily building support.

Travel retail

Our travel retail business produced a volume growth of 4%. Wines recorded an 11% volume increase for the year and even in the difficult economic climate, Amarula was able to maintain its volume share of the liqueur category. Distribution levels through this channel continue to improve, boding well for growth once a positive economic environment is re-established.

We had a particularly positive year in Europe, with preferential listings achieved in the Baltic States, bringing excellent visibility to Nederburg.

Next year's football tournament is expected to bring an estimated 400 000 visitors to South Africa and this should impact positively on sales of Amarula and Nederburg in this environment.

Bisquit has a number of travel retail listings within Europe and we should see improved distribution in global travel retail channels.

OPERATIONS

Overview

To compete successfully in global markets necessitates a strongly market-orientated approach that places customers and consumers at the centre of our thinking. It demands that we deliver at competitive prices, superior products relevant to consumers in all the markets where we trade, underpinned by excellent customer service. It also requires us to keep on investing in measures to further improve product intrinsics and extrinsics such as packaging.

The ongoing international recognition earned by so many products in our portfolio is a reflection of our commitment to uncompromising quality standards and innovation. It is evident from the way that Nederburg

and Fleur du Cap excelled on both the Veritas and the Old Mutual Trophy Wine Show and in our brandies that have continued to earn international acclaim. Van Ryn's has brought home the trophy for Worldwide Best Brandy at the International Wine & Spirit Competition no fewer than three times, including last year, when it also won the Brandy Trophy at the International Spirits Challenge. Many of our other brandies, such as Oude Meester, Klipdrift and Nederburg, have also been highly rated on these two important spirits showcases, as well as on Concours Mondial de Bruxelles.

Sales volumes increased 10,8% while overhead expenses in production and distribution rose 16,1%, resulting in a 4,8% increase in unit cost.

Operational management continues to enhance efficiencies by taking an approach of continuous improvement and improvement projects. We identify specific areas for business improvement projects and set financial targets for each, with our enterprise project office facilitating, but each unit taking full ownership of its particular initiatives. This year, we were able to bring about savings in excess of our target of R117,0 million.

Secondary production

Our secondary production function, which involves the bottling, labelling and packaging of our brands, is reaping the benefits of our investment in an overall equipment efficiency process monitoring system. It enables us to identify inefficiencies and to significantly reduce lost production time. At the same time, we apply stringent quality measurement systems to monitor adherence to quality standards.

In the previous year we started to invest in systems to reduce electricity usage. Post-implementation results have shown that this initiative has delivered significant savings and a satisfactory return on our investment.

This year, we continued to focus on raising product quality, as well as on enhancing process efficiencies and on improving the utilisation of our assets to curtail expenditure on capacity expansion where appropriate. We also refurbished older equipment removed from production, to extend its use and then redeployed it to appropriate production sites.

In addition to ongoing skills training and improved plant maintenance, initiatives to promote quality improvement included new investment in automatic packaging equipment to handle complex packaging

Operational management continues to enhance efficiencies by taking an approach of continuous improvement and improvement projects. This year, we were able to bring about savings in excess of our target of R117 million.

configurations better and faster, to cut down on wastage and to reduce the risk of damage during packaging. We also reduced transport costs by assigning production to plants closest to the market and by adopting packaging configurations to suit the mode of transport being used. Furthermore, we were able to reduce waste by introducing changes in key processes.

The use of returnable bottles, where appropriate, provides a major opportunity to reduce costs and mitigate our impact on the environment. As mentioned in more detail in our environmental report, we partner with bottle-collecting merchants. We also apply stringent bottle-washing processes to ensure the optimal use of bottles within strict health and safety standards. The role of bottle-collecting merchants is crucial and, given the great potential that can still be exploited in this area, we are pursuing various initiatives to ensure their sustainability. To this end, we provide assistance by implementing suitable business models and incentive systems.

The exceptional growth in RTD sales, specifically our ciders, has necessitated additional investment to expand production capacity at our Springs production plant. The new line is expected to be commissioned in November 2009. We have also invested to further improve throughput on existing RTD bottling lines.

We expect further benefits as we continue to roll out our overall equipment efficiency process to other production plants. To date, six production plants have implemented the system, with a remaining two bottling plants and one bottle-washing plant to follow.

Primary production

We have introduced many efficiencies and cost-cutting measures without compromising on quality across primary production, which encompasses the manufacture of our spirits, wines and flavoured alcoholic beverages. These measures span grape-pressing, distillation, maturation and filtration processes, as well as the transport of our beverages.

Our advantage of producing beverages across the product spectrum and at various plants allows us to maximise the use of our assets in a variety of ways. For example, outside of the harvesting period, we can use fermentation capacity at some of our wine production

sites to ferment apple juice in the production of our ciders.

To meet growing demand, we have invested in additional sparkling-wine production capacity to increase production volumes and maintain the high quality standards that differentiate our brands in this category.

Our locally manufactured whisky brands have gained market share and have shown significant and consistent volume growth over a number of years. As a result, we have begun a three-year project to expand production capacity at our Wellington distillery. The benefits of this investment will only materialise in later years when matured spirits are released for bottling.

Distribution

We also have to ensure that our service offerings are aligned to customer needs in a changing environment. Based on extensive research, we continue to systematically implement initiatives aimed at meeting customer needs, exploiting market opportunities and closing gaps in our service model. This year, part of our focus was on opening an additional TradeXpress branch at Chloorkop, extending customer sales consultant capabilities and the availability of merchandising material. We also raised the performance of our distribution services in the BLNS countries by opening an additional TradeXpress branch in Botswana, establishing new distributor contracts and extending delivery services in rural areas.

Our international business continues to show exceptional growth and has become increasingly complex, placing pressure on our international logistics capability. By closely collaborating with our international customers, we have been able to introduce more cost-effective service delivery solutions. We have invested in additional staff training, expanded organisational capacity, revised service level agreements and implemented lot-tracking systems.

Procurement

In a highly competitive trading environment, efficient procurement and supply chain management are important business imperatives. It is crucial that we ensure continuous product availability, adhere to quality standards and implement ongoing cost reduction

Distell has established long-term relationships with grape and wine producers whose viability, financial stability and success are of critical importance to us, as well as to the rural communities they support.

measures through improved efficiencies throughout the value chain. We collaborate closely with our suppliers to ensure the sustainability of the supply chain at cost-competitive levels.

Supply of grapes and wine

It is anticipated that the demand for both red and white wine will exceed supply in the near future, mainly as a result of exceptional growth in exports, as well as a steady growth in domestic wine consumption. At the same time, the deterioration in the profitability of grape and wine production has led to a reduction in the area under vines, which will exacerbate projected shortages.

Fortunately, Distell has established long-term relationships with grape and wine producers whose viability, financial stability and success are of critical importance to us, as well as to the rural communities they support. We share information regarding market trends to help them improve efficiencies and quality while meeting growing demand. Together we trial new viticultural practices and experiment with newer cultivars and new clones. We identify new areas for higher-yielding grape production with lower input costs, such as in the Northern Cape where we are creating a source of grapes for some of our brandies, and we explore the potential of new winegrowing areas. Examples of our wide-ranging preferential procurement projects are highlighted in the corporate social investment section of the report.

Other input costs

During 2008, we experienced significant cost increases on a number of important raw material components used in the manufacture of our products. These were mostly driven by higher commodity prices and a weaker rand. The global economic crisis has put an end to this cycle and commodity prices have declined sharply due to depressed demand. Cutting or containing costs are top priorities and, working closely with our suppliers, we have already achieved cost reductions on a number of important materials, which will assist us in restoring margins on products affected by previous steep increases. We also expect to realise more savings in the immediate future as we have identified a range of initiatives aimed at further cost reductions, including more effective packaging design, waste reduction and production efficiencies.

FINANCIAL PERFORMANCE REVIEW

Revenue and volumes

This year's volumes reflect the weaker consumer demand evident in the major markets where we trade. This is mainly the result of the global economic downturn. Revenue grew 15,5% on a sales volume increase of 10,8%.

Domestically, sales volumes increased 6,4%, with growth slowing significantly during the second six months. Our cider and RTD brands continued their strong performance, albeit at a slower growth rate, to achieve a sales volume increase of 17,7%. The spirits market remained under severe pressure as consumers sought lower-priced alternatives in an acutely competitive trading environment. Distell's spirits volumes declined 8,0%. We did, however, succeed in maintaining our share of the category. Our wine business showed more resilience to the adverse economic conditions by achieving marginal volume gains of 0,3%.

International sales volumes, excluding Africa, increased 20,2%. International revenue, benefiting from a more favourable exchange rate for the most part of the review period, increased 25,2%. Spirit volumes grew 2,9%, thanks to continued growth in key markets. Natural wine volumes rose 20,5%, with strong growth recorded across all price points. Cider brands once again showed impressive growth of 57,6%, albeit from a relatively small base.

Revenue derived from African countries (including BLNS) grew 49,6% on a volume growth of 31,6%. African countries outside the BLNS region delivered impressive revenue growth of 80,8%.

Currency

The euro is the predominant currency in which our products are sold internationally, while imported material and products, as well as equipment, are mostly purchased in US dollars.

During the last quarter of the financial year, the rand strengthened substantially against all major currencies, reaching R11,03 to the euro at year-end. This compares with R12,48 at the start of the financial year. The weighted average rand/euro exchange rate, however, weakened by 15,7% to R12,35, compared to R10,67 in the prior year.

International sales volumes, excluding Africa, increased 20,2%. International revenue, benefiting from a more favourable exchange rate for the most part of the review period, increased 25,2%.

Operating profit

Operating profit rose 4,8%. This increase was the result of strong revenue growth, benefits derived from improved throughput and further advances made to enhance efficiencies across the Group. Over the past year, input cost pressures, including raw materials, had a significant impact on our total cost base. Total input costs rose by 9,6% per litre and were primarily driven by steep increases in excise duty, certain packaging material costs and cane spirit prices. Input costs of imported components were also unfavourably impacted by the strengthening of the US dollar.

Increases in input costs more than offset the benefits derived from improved throughput and efficiency gains, with the total cost of goods sold increasing by 17,1% compared to revenue growth of 15,5%. This exerted pressure on EBITDA margins.

Despite challenging trading conditions, the Group maintained its brand investment programme and continued to step up sales support and representation, as well as marketing activities in priority markets. Towards the close of the financial year, the rand strengthened substantially against most major currencies, giving rise to foreign currency translation losses of R46,6 million at year-end. This compares to foreign currency translation gains of R57,3 million the previous year.

Internally the Group also uses EBITDA as a key performance indicator. EBITDA rose 4,0%, which includes the impact of foreign currency translation losses, to R1,60 billion, resulting in a seven-year cumulative annual growth rate (CAGR) of 16,8%. Since its formation, the Group has demonstrated its ability to improve its EBITDA margin through growth and efficiency improvement. In the year under review, Group revenue growth and cost efficiencies were insufficient to fully offset the effect of significant increases in input cost and currency translation conversion losses. Consequently, the EBITDA margin was 1,6% lower than the previous year, at 14,7%.

Finance cost and cash flow

Net cash generated from operations before working capital movements, rose to R1,55 billion – up 5,1% on last year's R1,47 billion.

Additional investment in working capital resulted in a cash outflow of R515,7 million (2008: R580,4 million),

primarily due to a R441,9 million increase in inventory, without an equivalent increase in accounts payable. Inventory included R137,6 million in respect of eau-de-vie, procured for the Bisquit cognac brand.

As a result, cash generated from operations amounted to R1,03 billion – a 16,0% increase on the previous year's R890,8 million.

Taxation paid decreased by 5,3% to R451,5 million, reflecting differences in the timing of payments.

Fixed capital investment spend to maintain and expand operations amounted to R382,1 million, compared to R383,3 million last year. A further amount of R233,5 million was invested in the acquisition of the Bisquit trademark.

Cash outflow, before financing activities, amounted to R535,9 million (2008: R442,5 million). Cash outflow from existing operations (excluding the total cost of acquisitions) was R100,0 million.

As a result, the net financing cost amounted to R23,2 million compared to the previous year's finance income of R6,4 million.

Taxation

The effective tax rate increased from 30,9% to 32,8%, primarily due to a reduction in exempt dividend income and an increase in secondary tax on dividends.

Earnings

Headline earnings per share increased 0,9% to 475,2 cents, to achieve a CAGR of 23,2% over a seven-year period.

Dividend

The directors have resolved to declare dividend number 42 of 132 cents per share, bringing the total dividend for the year ended 30 June 2009 to 256 cents (2008: 236 cents) per share. The total dividend represents a dividend cover of 1,9 times by headline earnings, and is 8,5% higher than in the previous year.

Investment and funding

Total assets increased by R1,05 billion to R7,49 billion – an increase of 16,2% on the previous year. At the same time, net operating assets (i.e. fixed assets, intangible assets, inventory and receivables less payables) increased 22,2% to R5,38 billion, achieving compound

Despite challenging trading conditions, the Group maintained its brand investment programme and continued to step up sales support and representation, as well as marketing activities in priority markets.

annual growth of 10,3% over a seven-year period. This compared favourably with a 16,8% compound annual growth in EBITDA over the same period, demonstrating the Group's ability to continually extract a better performance from its assets.

Total capital expenditure amounted to R382,1 million, of which R100,0 million was spent on replacement of assets. R282,1 million was directed to capacity expansion, mainly to increase production capability at our cider and RTD facilities, our whisky production plants and our sparkling-wine cellars.

As mentioned earlier, in April 2009 the Group acquired heritage cognac brand Bisquit for R233,5 million and also secured sufficient inventory to meet longer-term demand.

Net working capital rose by R517,7 million, primarily as a result of an additional investment in inventory, which increased 13,6% to R3,71 billion, without an equivalent increase in accounts payable. Inventory secured to meet future demand for the newly acquired cognac brand amounted to R137,6 million. Investments in bulk stock in maturation, planned in accordance with the Group's longer-term view of consumer demand of our spirit brands, were re-evaluated in view of the recent decline in sales volumes. Distillation activities for the year were adjusted accordingly. Bottled stock and packaging material at year-end reflected an increase of 21,2% on the previous year. This increase was driven mainly by an increase in stock levels for RTDs and sparkling wine to ensure inventory availability during what will be a disruptive period early in the new financial year, when further plant capacity expansion is planned.

The Group remains in a strong financial position, with interest-bearing debt, net of cash and cash equivalents, at R568,2 million at year-end, and a debt-equity ratio of 11,8%. We are therefore well placed to take advantage of opportunities which may arise.

The Group finances its operations through cash generated by the business and a combination of short- and medium-term bank credit facilities, and seeks to mitigate the impact of currency exposures by borrowing in rand when deemed cost-effective.

Future funding flexibility is ensured by the existence of a R4,30 billion borrowing capacity.

STAKEHOLDER VALUE

The value that a company generates for its shareholders is best measured by total shareholder return (TSR), a combination of share price appreciation and dividends over the medium to long term. Since its formation, the Group has delivered a TSR of 27,7% per annum over a seven-year period, compared with the seven-year CAGR of 9,9% in the JSE Top 40 Index.

This year, Distell has contributed a total of R4,10 billion to the country's economy. R4,01 billion has been distributed in cash to stakeholders, the main beneficiaries being Government, who received 64% or R3,07 billion by way of taxes, and our employees, who were allocated 23% of the distribution by way of their emoluments. Shareholders received R513,7 million.

PROSPECTS

That South Africa had not escaped the impact of the global economic crisis became clearly evident, particularly over the second half of the reporting period. Although there have been early signs of a recovery, the persistent uncertainty in world markets makes it difficult to predict either the timing or the extent of the upturn.

However, our strong, appealing and diverse brands, our capacity to trade across a spectrum of markets and the security of our financial position mean we can continue to pursue our strategic course, and we intend to do so with energy, enterprise and resolve.

ACKNOWLEDGEMENT

I wish to thank all my colleagues for their dedication and support over the past year and their contribution during exacting times.



JJ Scannell
Managing director

Stellenbosch
26 August 2009

Corporate governance

Corporate governance is critically important to Distell's success as a business and in protecting the interests of its shareholders.

INTRODUCTION

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 committees. 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 formally documented Distell Management Operating System, intended to enhance shareholder value, incorporates the annual business cycles of strategic planning, target setting, business planning, budgeting and business review. Regular management business reviews in the form of regional management meetings or forums of all business areas and divisions are held locally and internationally.

Cross-functional teamwork is practised at all levels across the organisation and mission directed work teams play an important part in business improvement, which is key to the success of the organisation. It is here where organisational objectives manifest at all levels throughout the organisation, that a performance-driven culture is present and the values of ownership, respect for the individual, customer service and entrepreneurial spirit are nurtured.

CODES AND REGULATIONS

Compliance with applicable legislation, regulations, standards and codes remains an essential characteristic of group culture, monitored by the board by means of management reports. These include information on the outcomes of any significant interaction with key stakeholders such as the Group's various regulators.

The draft King III Code on Corporate Governance was published for public comment on 25 February 2009. The new code comes into effect on 1 March 2010.

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 King II Report and the JSE Limited Listings Requirements.

The new Companies Act (No. 71 of 2008) was signed by the State President on 9 April 2009 and published in the Government Gazette. The Act comes into operation on a date still to be fixed by the President.

Meanwhile, with the Corporate Laws Amendment Act that came into effect during December 2007, the possible impact for the 2009 financial year was reviewed and the board has found Distell to be fully compliant.

BOARD OF DIRECTORS

Board structure and composition

The board is chaired by independent, non-executive director David Nurek and comprises 13 non-executive directors (of whom nine 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. Details on the board members are set out on pages 16 to 18.

Appointment policy

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.

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 King II Report and the JSE Limited Listings Requirements.

At each annual general meeting of the company, at least a third of the directors (those longest in office since their last election) retires and, if available, are considered for reappointment.

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.

Induction and training

It is the role of the Group secretary to ensure the board remains cognisant of its duties and responsibilities.

In addition to providing the board with guidance on its responsibilities, the Group secretary keeps the board abreast of relevant changes in legislation and governance best practices. The Group secretary oversees the induction of new directors, including subsidiary directors, as well as the ongoing training of directors. All directors have access to the services of the Group secretary.

Independent professional advice is available to directors in appropriate circumstances at the company's expense. The company has purchased adequate "Directors and Officers" insurance cover to meet any material claims against directors and officers.

Directors' conduct

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 unpublished, price-sensitive information in relation to the company shares exists.

Board responsibilities

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

Board meetings

The board convenes at least every two months to review a formal schedule of matters for which its members are

Corporate governance | CONTINUED

fully briefed in advance. Effective chairing 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.

BOARD MEETINGS	6 meetings
FC Bayly	6
PM Bester	6
PE Beyers	6
MJ Botha	6
JG Carinus	5
GP Dingaen	6
SJ Genade	6
E de la H Hertzog	4
RL Lumb (resigned 2008/10/23)	2
MJ Madungandaba	4
LM Mojela	5
DM Nurek (Chairperson)	5
AC Parker	6
JJ Scannell	6
CE Sevillano-Barredo (appointed 2008/11/01)	4
BJ van der Ross	6
MH Visser	6

Delegation of authority

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.

Board committees

Board committees are established to assist the board in discharging its responsibilities. They operate in terms of board-approved mandates reviewed and approved by the board on an annual basis. The principal board committees are as follows:

The audit and risk committee

The audit and risk committee reviews the Group's financial position and makes recommendations to the board on all financial matters. It regularly evaluates the Group's exposure and responses to significant business, strategic, statutory and financial risks. The committee also ensures effective communication between directors, management and internal and external auditors. With the Corporate Laws Amendment Act taking effect during 2007, the committee's key terms of reference were amended to ensure compliance. They comprise various categories of responsibilities and include the following:

- Nomination for appointment as auditor of the company a registered auditor who, in the opinion of

the audit and risk committee, is independent of the company

- Determining the fees to be paid to the auditor and the auditor's terms of engagement
- Ensuring that the appointment of the auditor complies with the Corporate Laws Amendment Act and any other legislation relating to the appointment of auditors
- Determining the nature and extent of any non-audit services which the auditor may provide to the company
- Pre-approval of any proposed contract with the auditor for the provision of non-audit services to the company
- Receipts and appropriate management of any complaints (whether from inside or outside the company) relating either to the accounting practices and internal audit of the company or to the content or auditing of its financial statements, or to any related matter
- Performance of other functions determined by the board
- Reviewing the effectiveness of risk management processes; and the appropriateness and adequacy of the systems of internal financial and operational controls
- Reviewing and evaluating accounting policies and financial information issued to the public, to ensure appropriate standards of governance and reporting are maintained

The committee is chaired by an independent, non-executive director given that the chairperson of the board may not serve as chairperson of the audit and risk committee. The present incumbent is Catharina Sevillano-Barredo.

The audit and risk committee has considered the experience and expertise of the financial director and is satisfied that it is appropriate.

The committee meets at least four times a year. The internal and 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 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	4 meetings
DM Nurek	4
RL Lumb (Chairperson) (resigned 2008/10/23)	2
GP Dingaen	4
MH Visser	4
CE Sevillano-Barredo (Chairperson) (appointed 2008/11/01)	2

The Group has a formal policy on non-audit fees. The purpose of this policy is to ensure that neither the independence nor objectivity of the auditors is impaired in the conduct of the audit.

Audit 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 Group has a formal policy on non-audit fees. The purpose of this policy is to ensure that neither the independence nor objectivity of the auditors is impaired in the conduct of the audit. The committee monitored compliance with the policy during 2009. Non-audit services are generally pre-approved by the Group audit and risk committee.

The independence of the auditors and availability of alternative service providers are key factors in considering approval. The split between audit fees and fees for non-audit services is set out on page 108.

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 themselves with all aspects of the business. The remuneration committee consists of four non-executive directors and is chaired by David Nurek.

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

REMUNERATION COMMITTEE	2 meetings
DM Nurek (Chairperson)	2
PM Bester	2
LM Mojela	1
MH Visser	2

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 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 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 have independent investigations conducted into fraud or other irregularities. The internal audit department functions under the direction

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.

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 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 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 monitoring the total process of risk management which is established by 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 work group 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, continues to further develop and enhance its comprehensive risk management framework and related controls. This includes the training and communication, continuous control self-assessment by line management and comprehensive reporting. 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, brands, failure to achieve international objectives, the supply chain, physical environment, skills and people, technology as well as currency and interest rates. These risks and risk responses are included in the Group's integrated risk management programme.

Going concern

The board biannually reviews the Group's current financial position, budgets and cash flow projections and whether it has adequate resources to continue with operations in the foreseeable future.

Relationship with shareholders

As an indication of its fundamental responsibility to create shareholder value, effective and ongoing communication with shareholders is seen as essential. The Group chairman encourages shareholders to attend the annual general meeting where interaction is

welcomed. The chairs of the Group's audit and risk as well as remuneration committees are available at the meeting to respond to questions from shareholders. Voting at annual general meetings is conducted by way of a show of hands or a poll and the Group proposes separate resolutions on each significant issue. The results of voting and any issues raised at the meeting are released on SENS (the JSE's electronic news service).

Information sessions are held with the investor community following the publishing of financial results. Key board representatives as well as representatives from management attend these sessions.

Dealing in securities

In line with its commitment to conducting business professionally and ethically, the Group has policies to restrict the dealing in securities by directors and employees. A personal account trading policy and directors' dealing policy are in place to prohibit employees and directors from trading in securities during closed periods. Compliance with the policies is monitored on an ongoing basis. Certain nominated employees are prohibited from trading in Distell securities due to the price-sensitive information they may obtain by virtue of their positions.

Ethics and organisational integrity

Distell's code of ethics and conduct is designed around a set of principles and values of a sense of ownership, an entrepreneurial spirit, a performance-driven culture, a service-based philosophy, respect for the individual and a global mindset responsive to change.

The code also covers areas such as compliance with laws and regulations as well as ethical conduct principles. It also provides for an administrative process for communication and compliance.

At Distell, our values are supported by the belief that good conduct is essential to our business, its continuity and its growth. A toll-free Ethics Line was implemented and came into effect on 30 March 2009, operated by an independent third party, 24 hours a day every day, where unethical behaviour and irregularities can be reported anonymously and confidentially.

The toll-free number is 0800 00 48 22. Alternative contact details are: E-mail: distell@ethics-line.com; Free fax: 0800 00 77 88; Website: www.tip-offs.com; Free post: KZN 138, Umhlanga Rocks, 4320.



Distell as
a corporate
citizen



Sustainability report



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Distell's values are not confined to the workplace. They extend beyond our dealings with shareholders and customers to stakeholders from the broader environment in which we participate.

DISTELL AS A CORPORATE CITIZEN

Distell's values are not confined to the workplace. They extend beyond our dealings with shareholders and customers to stakeholders from the broader environment in which we participate, and they inform our conduct as a corporate citizen.

The sense of ownership we seek to instil amongst employees, for example, is underpinned by the principles of accountability and responsibility that must apply in managing our impact on society. Our performance-driven culture encourages us to keep raising the standards by which we measure our social responsibilities. In respecting diversity and individuality we also acknowledge our role in protecting the vulnerable, the disadvantaged and the marginalised within society at large. Our entrepreneurial spirit drives us to adopt creative, resourceful and targeted approaches to problem solving so that we continuously improve our initiatives in support of the greater good.

Distell's corporate citizenship approach rests on three pillars: social performance, social investment, and philanthropy. Our social performance initiatives are directed at minimising and mitigating the impact of our operations on society and on the physical environment. Through our social investments we engage with programmes and projects that enhance the quality of life of communities in which we operate; and through our philanthropic initiatives we lend our support either financially or through wine donations (used at fund-raising dinners, for example), or through staff volunteerism (where Distell staff volunteer their expertise and time).

SOCIAL PERFORMANCE

Environmental management is an important area of Distell's social performance. To this end we have established an environmental working group that identifies, plans, implements, reports on and reviews a range of initiatives intended to reduce our impact on the environment and promote best practice in terms of sustainable production, packaging and distribution.

Apart from complying with all relevant national, provincial and local environmental legislation that impacts on our areas of activity, as well as, where appropriate, with the requirements set by international bodies such as the International Standards Organisation (ISO), we have

made our engagement with the natural environment a centralised corporate focus and have established and embedded systems to measure and monitor our use of water and energy, as well as our generation of effluent and solid waste and air emissions. Underpinned by investment in appropriate technology and extensive training programmes in environmental awareness across the company and amongst our suppliers, these systems provide the basis from which we can set and meet reduction targets.

We have been developing environmental management systems for all our operations in line with ISO 14001 principles. These are overseen by our new environmental manager, who comes with international experience and was also previously the manager of the South African wine industry's Integrated Production of Wine (IPW) programme. We currently have four ISO 14001:2004-certified wineries – Durbanville Hills, Plaisir de Merle, Nederburg and Bergkelder, and are making preparations for the accreditation of our Adam Tas and Green Park production and bottling facilities.

At primary sites in particular, environmental monitoring forms part of our mission directed work teams (MDWTs). They track, on a monthly basis, the impact of waste water production and chemical oxygen demand, as an organic indicator in the waste water, serving as the basis from which to improve on processes and activities that can potentially improve waste water quality.

Our key environmental priorities during the year under review were:

Water management

We now have the resources and infrastructure to measure, monitor and curtail water usage at both our primary and secondary production sites for most of our operations. Monitoring is conducted continuously to track improvements.

Durbanville Hills continues to recover and purify waste water for irrigation. The full-scale effluent water treatment plant discharges waste into a receiver tank. A mechanical screen removes solids, such as pips and skins, and directs the effluent to a flow-balancing tank, where pH levels are adjusted, nutrients are added and the water is aerated in a single activated sludge bioreactor. The clean water is then pumped to the irrigation dam to supply water to one of the adjacent farms.

We are constantly exploring ways to become more energy-efficient and to find lower carbon energy solutions for the way we do business.

We have secured general authorisation from the Department of Water Affairs and Forestry to permit the controlled irrigation of cellar waste water at Alto, Le Bonheur, Nederburg, Neethlingshof, Stellenzicht, Plaisir de Merle and Uitkyk.

We use high-pressure cleaning equipment at all our operational sites, replacing open-plant cleaning and tank-rinsing procedures to curb water usage and effluent. We also work on an ongoing basis with the University of Stellenbosch and other research bodies, including Winetech, to optimise effluent treatment plants and to reduce and improve effluent. We have installed cross-flow filtration units at our three largest primary cellars, and, in one case, a centrifuge unit as well. This has cut down on water waste significantly and also reduced organic loading downstream.

We have made the necessary network infrastructural improvements to manage stormwater and have put steps in place to ensure only rainwater is discharged into river systems close to our operations.

Where possible, we recycle final bottle rinse water for gardening purposes.

Energy management

We are constantly exploring ways to become more energy-efficient and to find lower carbon energy solutions for the way we do business.

Central to any strategy designed to curtail greenhouse gas (GHG) emissions is the capacity to measure output. It is for this reason that Distell has been very closely involved at an industry level with an international project to establish a globally accepted basis for calculating GHG emissions. The system, known as the International Wine Industry Greenhouse Gas Accounting Protocol and Calculator, has been devised in association with the Australian, New Zealand and Californian wine industries. It identifies and provides the basis for quantifying carbon dioxide (CO₂) emissions that occur throughout the growing, production, packaging and transportation of wine. It has been tabled with the World Resource Institute, the body that sets GHG protocols for manufacturing industries worldwide, as well as with the Organisation Internationale de la Vigne et du Vin (OIV). The system has also been formally endorsed by the International Federation of Wine and Spirits (FIVS). Now linked to the IPW programme, South

African producers are ideally placed to effect the necessary changes in strategy, management and operations to minimise emissions.

Apart from recording emissions and developing strategies for mitigation in our own wine production at Distell, the system gives us a framework which we can adapt to measure our impact on the environment in other areas of our production, such as spirits, ciders and ready-to-drinks (RTDs).

Our environmental manager also serves on the steering committee of the recently launched co-operative project between the South African fruit and wine industries, entitled *Confronting climate changes – a South African Fruit and Wine Initiative*, to develop a comprehensive response to climate change. The current phase of the initiative, due for completion in August, will give local industries the parameters to benchmark themselves against international best practice.

We have also been capturing and reusing the CO₂ released during the production of apple ciders at our manufacturing plant in Paarl. The recovery facility harvests and purifies CO₂ to food grade quality. It is then used to carbonate our ciders and RTD beverages, enhancing our self-sufficiency while also contributing significantly towards reducing our carbon footprint. This capability has enabled us to reduce our carbon emissions by 6 000 tons per annum and has led to consideration of a second carbon recovery plant in Wellington.

In other, smaller, initiatives we are reducing carbon dioxide equivalence (CO₂e) emissions from boilers, given our application of best-practice boiler-water treatment and our controls to ensure optimal coal-to-steam generation.

In Worcester alone, our preheater technology that uses condensed steam to preheat boiler water at the plant is saving us around 600 tons of coal a year, equivalent to a reduction of 746 tons in CO₂e emissions.

We have had to develop ways of addressing the country's erratic power supply to ensure production and service delivery levels are not compromised. We have installed ElectroFlow systems at 11 of our primary and secondary sites countrywide to limit fluctuations in power quality in terms of voltage, current and harmonics to optimise equipment efficiencies, while significantly reducing electricity usage and CO₂e emissions.

Distell is fully compliant with Integrated Production of Wine, which promotes sustainable wine production and is rated by the international wine fraternity as one of the most progressive systems of its type worldwide.

We are also investigating methods to become more energy self-sufficient by using methane produced from anaerobic digestion of waste water for use as boiler fuel at our whisky distillation plant in Wellington.

At the same time, we have used power outages as the platform for promoting a culture of energy saving throughout the organisation. Spearheaded by our managing director, this initiative encourages self-auditing and keeps staff mindful of ways to use electricity and air-conditioning more judiciously.

Solid waste management

Primary-waste management, which includes all pomace, tartrate residues and filtration waste generated from the production of wine, is disposed of to minimise our impact on the environment. Methods include internal and external composting of pomace, selling tartrate residues for tartrate recovery, and controlled waste disposal of all filtration waste by a certified waste contractor. We also launched a project during the year at the Plaisir de Merle cellar to process all the cellar pomace into compost, which we plan to extend by using the facility as a central point to also process pomace from our other cellars.

Without impairing the quality or the image of our brands, we have also introduced a range of initiatives to reduce, recycle and reuse packaging material, switching where appropriate to materials that are more carbon friendly and that reduce landfill.

We have recently begun light-weighting our cider and RTD bottles as well as some wine bottles, effecting a saving of over 6 400 tons of glass to reduce CO₂e emissions by 14 000 tons. At the same time, we make use of returnable bottles where suited to specific products. Currently 80% of our ciders and RTDs are sold locally in returnable glass bottles that have the durability for reuse up to five times before being melted down. We partner with bottle collecting companies to ensure the optimal use of these bottles within stringent health and safety specifications.

We actively support the Glass Recycling Company, a not-for-profit initiative involving glass manufacturers and bottlers that has been endorsed by the Department of Environmental Affairs and Tourism. We serve on the board and provide a substantial portion of the funding

for the venture which aims to improve recycling levels and reduce waste glass through public awareness, capacity-building initiatives and the provision of infrastructure, such as glass banks, where people can take waste glass for recycling. Recycling rates have improved by 12%, with approximately 245 000 tons recycled during the period under review.

In a bid to cut down on the production of cardboard cartons, we have stepped up the employment of reusable plastic crates to transport goods, notably RTDs and entry-level wines. We have introduced 1,5-litre pouches for our Sediba wine range sold in Finland. Portable, versatile, convenient and ecofriendly, they are recyclable and, according to the manufacturers, they reduce packaging waste by as much as 90%. There is also an 80% lower carbon footprint associated with the pouch compared to standard glass bottles.

Other strategies include the use of environmentally friendly inks and lighter-weight labels on our bottles and the greater use of ecofriendly DIAM corks, which are free of cork taint and a range of other undesirable compounds. We have also reduced the mass of paper partition dividers used in wine cartons and employ recycled inner carton linings.

Transportation

By better matching production sites with product destination and by optimising our supply network, we have been able to move closer to our markets and reduce road and rail transportation considerably, while improving both business efficiencies and service delivery. We have cut down significantly on long-distance transport loads and thus fuel, and in the process realising a saving of more than R10 million.

Integrated Production of Wine (IPW)

Distell is fully compliant with IPW, which promotes sustainable wine production and is rated by the international wine fraternity as one of the most progressive systems of its type worldwide. It is only one of two universally to be independently audited. Distell's own farms, as well as those of its suppliers for wine and brandy products, subscribe to IPW principles.

Our environment manager, Jacques Rossouw, who comes with international expertise having worked in the Australian environmental regulatory industry, was

We produce two popular organic wines under the Tukulu label, a Sangiovese and a Chardonnay

previously the manager of the IPW programme. In this role, he worked extensively with Distell on an international project to establish a globally accepted basis for wine producers to calculate their GHG emissions. Called the International Wine Industry Greenhouse Gas Accounting Protocol and Calculator, the system identifies and provides a universally accepted basis for quantifying CO₂ emissions throughout the grape-growing, wine production, packaging and transportation processes.

The protocol and calculator provide an important basis from which we can continue to develop measures to minimise our impact on the planet while protecting non-renewable resources.

Our environmental manager will also continue to serve on the steering committee of the recently launched co-operative project between the fruit and wine industries intended to develop a comprehensive response to climate change. We are confident that his involvement at this level will enrich our approach to managing our environment.

Organic winegrowing

In accordance with the requirements of Switzerland-based Société Générale de Surveillance (SGS), one of the major international bodies that monitor organically grown agricultural foodstuffs, organic farming principles must be applied for three consecutive years before vines can be used in the production of wines labelled as organic. To acquire SGS certification, organic wine farming projects should co-exist with but not dominate natural systems. Biological cycles involving micro-organisms, soil, fauna and plants are to be encouraged. The projects should sustain or build soil fertility, making use of manure and vegetable waste and following sustainable production methods, while limiting the use of those agrichemicals permitted by the organisation. In addition, pollution and damage to the environment must be minimised, along with the use of renewable resources, and a practice of energy conservation must be followed.

SGS has accredited the organically cultivated vineyards on Plaisir de Merle and Papkuilsfontein Vineyards. In addition, our Nederburg and Bergkelder cellars have been accredited by SGS for the production of organic wines.

We produce two popular organic wines under the Tukulu label, a Sangiovese and a Chardonnay, with others scheduled to follow.

Following our initial success with the 20 ha of organically cultivated grapes on Papkuilsfontein, which is well suited to dryland organic cultivation, we are in the process of converting an additional 150 ha of the existing 375 ha on the farm planted to vine, to organic vineyards. The process takes at least three years. Varietals undergoing conversion to organic status include Cabernet Sauvignon, Pinotage, Shiraz, Chenin blanc, Sauvignon blanc, Viognier and Verdelho, amongst others.

Biodiversity and Wine Initiative (BWI)

The BWI is a pioneering partnership between the local wine industry and the conservation sector aimed at minimising any further loss to the highly threatened Cape Floral Kingdom (CFK), the smallest on the planet but home to as many as 9 600 plant species, more than found across the entire Northern Hemisphere. Some 90% of local wine production occurs within the CFK, which is also a World Heritage Site and a conservation hotspot.

To become a member of the BWI, producers have to incorporate biodiversity best practices in their farming operations, enhancing the suitability of vineyards as habitat for biodiversity through ecosensitive measures, and reducing the negative impact of farming practices on the surrounding natural habitat. Distell farms that are now BWI members include Durbanville Hills, which has set aside 230 ha for conservation, Lomond (200 ha), Papkuilsfontein (150 ha) and Plaisir de Merle (500 ha). Neethlingshof has also become a member through its involvement in the Bottelary Hills Conservancy and has set aside 116 ha for conservation, while both Le Bonheur and Uitkyk are now part of the Greater Simonsberg Conservancy.

Efficient use of resources

To further enhance cost and operational efficiencies, we also make integrated use of cellar capacity across the company, so we can press and vinify the harvest as grapes are delivered. This practice also makes for improved quality, as fruit is processed faster with better retention of flavour.

Distell remains an active member of the Industry Association for Responsible Alcohol Use to promote and execute a constructive, multidisciplinary approach to alcohol use and abuse.

Our viticulturists have given particular attention in our own vineyards, as well as those of our suppliers, to developing trellising systems and canopy management techniques that provide an optimal balance between effective leaf surface area, yield and quality. Results have been very encouraging, showing improved yields and quality, boosting both profitability and production standards. We have also introduced measures to combat the advent of climate change by bringing down ambient temperatures around grape bunches, which impact on colour, acid levels and grape flavours.

Another important area of research for us has been identifying new ways of determining the optimal time of harvesting for each of our vineyard blocks, in addition to the chemical analyses and tasting of grapes in the vineyard that we already undertake. The intention is to even better match flavour profile with intended wine styles. In this respect we are working closely with eminent French viticulturist Professor Alain Deloire, currently based at the University of Stellenbosch and who has extensive international experience in this area, as well as with Winetech.

As we plan for the longer term, our dedicated plant nursery at Ernita, near Wellington, is conducting development work to identify lesser-known and also newer cultivars, clones of well-established cultivars and alternative rootstocks suited to the new climatic conditions, while potential new winegrowing areas are also under observation. We also quarantine all plant material at Ernita, to ensure it is virus-free before distribution to our farms or those of our suppliers.

Responsible drinking

It cannot be denied that excessive or irresponsible consumption of alcohol very often results in negative personal, social or health consequences. For that reason, Distell uses every opportunity to promote responsible enjoyment of its products.

We acknowledge that meaningful targeting of abuse is the collective responsibility of the alcoholic beverage industry, Government, national, provincial and local authorities and police services. There exists much common ground amongst us all to provide for effective long-term partnerships. We are encouraged by the positive results produced locally and internationally by many targeted and customised interventions in

educating consumers and in changing behaviours, harmful both to individuals and vulnerable communities.

As our employees are our most important ambassadors, we have made the culture of moderation an essential focus of the Distell training and culture and ensure it is maintained at company events. We also run awareness campaigns as an integral feature of staff communication so our people are well supported to follow responsible drinking patterns in their own environments. Moreover, it is our policy to communicate to visitors the need for responsible consumption at all our venues, from tasting rooms to restaurants.

We recognise also that in any work environment, some employees are susceptible to alcohol abuse. The company views alcohol abuse as a treatable health problem and therefore recognises that it has to play a proactive role in assisting employees with alcohol problems. The company endeavours to assist any employee with alcohol problems who requests assistance, through liaison with the South African National Council on Alcohol and Drug Addiction (SANCA) and similar organisations, which provide the necessary assessment and treatment services. We also recognise the value of ongoing education and awareness regarding alcohol abuse and the implications thereof and therefore strive to ensure that there is a continuous awareness and focus on alcohol abuse.

Distell remains an active member of the Industry Association for Responsible Alcohol Use (ARA) to promote and execute a constructive, multidisciplinary approach to alcohol use and abuse. In its quest to raise awareness about the responsible use of alcohol and the nature and risks of alcohol abuse, the ARA represents the industry in liaison with Government, the Advertising Standards Authority and law enforcement agencies, and also researches and funds a variety of culturally sensitive initiatives that target and support those at risk, focusing on public education, social norms programmes and responsible hospitality.

Michael Mokhorro, Distell's manager of regulatory affairs, is now in his third year as chairman of the organisation. The ARA chairman devotes a significant portion of his time to the organisation's activities and issues, monitoring the international legislative landscape as far as alcohol consumption is concerned and maintains close links with Government and health organisations.

One of the initiatives of the Industry Association for Responsible Alcohol Use is targeting urban youth through the *Teenagers & Alcohol* guide piloted in the Cape and which is now distributed more widely.

He is currently working with the Department of Transport to effect changes to outdoor advertising that could potentially encourage inappropriate consumption. The ARA participated in Geneva in November 2008 to present data on consumption patterns in Africa to the World Health Organisation (WHO). The visit was to participate in the WHO global strategy being developed to reduce alcohol-related harm and scheduled for completion in 2010. The ARA is also currently engaged with the Global Alcohol Producers' Group, as well as the International Center for Alcohol Policy, in ongoing strategies and interventions to mitigate alcohol abuse and to promote responsible consumption.

On the domestic front, the ARA employs an effective system of self-regulation involving producers, distributors and retailers who are expected to comply with its Code of Commercial Communication & Conduct, reinforced through training initiatives. Its projects span a broad scope of projects from life-skills education for urban and rural children, youth and adult communities and pregnant women; the identification of alcohol-related health risks; intervention among vulnerable groups through counselling and rehabilitation; crime prevention programmes aimed at curbing family violence and alcohol abuse; running pedestrian-focused campaigns as well as those targeting drivers; targeting urban youth through the *Teenagers & Alcohol* guide piloted in the Cape and now distributed more widely; the revitalisation of the Buddy Campaign on selected university campuses to combat drunk driving; the Be Your Best Rock Challenge using rock music as a vehicle to raise awareness of responsible lifestyle habits; working with parents in combating under-age drinking; providing training to licensees to develop and entrench a culture of moderation among patrons and to eliminate under-age drinking. Currently, the organisation is addressing ways to ensure compliance with specific provincial legislation.

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

The organisation has a complaints line accessible to the public to augment efforts to monitor non-compliance, while its new website provides easy access to all

stakeholders and the broader public. Newsletters update the public on its wide-ranging projects.

A major area of the 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 1997. FARR, whose administration is funded by the ARA, is based at the medical schools of both the University of Cape Town and the University of the Witwatersrand. Last year R2 million was directed towards the establishment of a training academy involving NGOs and Government bodies, as a springboard to build public awareness on Fetal Alcohol Spectrum Disorder (FASD), its diagnosis and prevention management, as well as to tackle substance abuse.

FARR plays a significant role in studying the incidence of Fetal Alcohol Syndrome (FAS) amongst communities throughout the country and in exploring the relationship between the disease and patterns of alcohol consumption among pregnant women. Epidemiological research and prevention programmes are undertaken in high-risk communities. The organisation partners with research bodies internationally and also contributes academic papers on FASD in many parts of the world.

It has also established a series of FASD support centres and safe houses, in association with provincial authorities, in the Northern and the Western Cape.

Meanwhile, a Distell-funded play about FAS, *Liefdeskind/Love Child*, is now in its fourth year and has reached over 350 000 farm workers in the Western Cape. This drama and musical production is performed in a combination of English, isiXhosa and Afrikaans. The production was nominated for a Business Arts South Africa Award (BASA) last year and has been positively appraised by the Stellenbosch University Medical School for its capacity to raise awareness about the dangers of drinking during pregnancy.

The ARA's Code of Commercial Communication & Conduct provides the framework within which advertisers can operate. Recent focus has also been given to the issue of digital marketing and parameters for the industry to follow in the interests of responsible communication.

It is envisaged that adherence to the code will be a prerequisite for awarding liquor licences to

No conclusive evidence has been found to prove that advertising promotes specific drinking patterns. Nor has it been shown to increase overall alcohol consumption. It is our view that advertising influences choice amongst those who have decided to consume alcoholic beverages.

manufacturers and distributors. Meanwhile, the appointment of a code arbitrator, the former CEO of the Advertising Standards Authority, has facilitated interpretation of the code amongst all players.

Distell's advertising principles

No conclusive evidence has been found to prove that advertising promotes specific drinking patterns. Nor has it been shown to increase overall alcohol consumption. It is our view that advertising influences choice amongst those who have decided to consume alcoholic beverages. It therefore forms the platform for many of our marketing initiatives in which we compete for the attention of responsible consumers, of legal drinking age. However, we believe in responsible advertising as demonstrated in our advertising principles listed below. Alcohol is intended for adult enjoyment and should be consumed only by adults who are of legal drinking age and are not at risk.

Management assumes responsibility for compliance with these principles. Compliance with these principles is also a prerequisite when awarding business to our communication suppliers, including advertising and public relations agencies, events management, market research and media buying companies and consultancies.

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

1. All communication developed to promote the consumption of our products will be legal, decent, honest and truthful and conform to accepted principles of fair competition and good business practice. It will comply with all regulatory requirements and always be ethical and will be prepared with a due sense of social responsibility. It will be mindful to sensitivities relating to culture, gender, race and religion and will not impugn human dignity or integrity. It will be free of suggestion or encouragement of excessive or inappropriate consumption. Furthermore, no religion or religious themes will be employed in such communications.
2. Advertisements will not show or encourage irresponsible drinking. This applies, for example, to

the quantity of drink being consumed in any advertisement. Advertisements will also not induce people to prefer a drink because of its higher alcohol content or potentially intoxicating effects. In addition, abstinence or moderate consumption may not be presented in a negative light.

3. Advertisements will be directed towards brand selling with a view to establishing brand loyalty but will not set out to encourage a general increase in the consumption of alcohol or to change brands or the type of alcoholic beverage consumed.
4. 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.
5. Advertisements will not be placed in any medium aimed specifically at children. Nor will they be directed at those under age or be created to have special appeal to children. They will not employ characters or icons with special appeal to children. Moreover, advertisements will not be transmitted in the commercial breaks immediately before, during or immediately after children's programmes on television or radio.
6. No TV advertisement will be broadcast during programmes with a verifiable 30% or more viewership of people under the age of 18 (known as the 70/30 rule). Even in the case where liquor sponsorship of televised sporting events takes place, no flighting of advertisements will be permitted if at least 30% of viewers are under the age of 18. No flighting of any advertisement will take place on weekdays between 14:00 and 17:00 or on week-ends before 12:00.
7. The same 70/30 rule will apply in the case of radio programmes but for audiences below the age of 20 years. However, an 80/20 rule will apply in the case of audiences aged between 16 and 20 years. No liquor advertisements will be broadcast before 08:00 and between 14:00 and 17:00 on weekdays and, on week-ends, before 12:00.

All advertisements in print, television and cinema media will carry the message: "Not for sale to persons under the age of 18".

8. The 70/30 rule will apply in the case of advertisements shown in cinemas, with compliance achieved through contractual arrangements with cinema owners.
9. No liquor billboards will be placed within 200 metres of schools, community centres or places of worship and no building wraps or billboards larger than Super 96 size will be placed within 500 metres of schools, community centres or places of worship.
10. 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.
11. 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. Nor will such advertisements portray nudity or near nudity. They will also not be derogatory to either gender.
12. 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.
13. 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.
14. Advertisements will not depict pregnant women.
15. Alcoholic drinks will not be advertised in a context of aggressive or antisocial behaviour. Nor will they suggest any association with illicit drugs or drug culture.
16. 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:

1. Events and competitions directed at people below the age of 18 will not be linked to any of the company's alcoholic brand or sponsorship initiatives. Those under the age of 18 will not be eligible to participate in events and competitions aimed at promoting our alcoholic beverages and products.
2. All product launches or promotions will exclude activities which encourage excessive or irresponsible consumption. Consumers who attend such promotions will be encouraged to assume personal responsibility for their decision to drink or not drink and for the quantity they consume.
3. Appropriate snacks or meals will be available when promotions or tastings are held.
4. On-campus promotions will be arranged in a manner that meets with the approval of the authorities of the university or other tertiary institution involved and care will be taken to avoid serving alcoholic beverages to under-age consumers.
5. No promotions will be permitted that encourage increased consumption within a limited time period.
6. In accordance with the law, Distell will not deliver or sell to unlicensed outlets.

The following rules apply to the packaging of Distell products:

1. Products will be packaged attractively, making use of the highest-quality practical materials and may also be designed to improve the convenience of storage, transport and service.
2. The alcoholic strength of a product will not be used as the principal subject of any label. However, details of alcoholic strength will be provided, in accordance with legislation.
3. Packaging will not be designed expressly to appeal to people under the age of 18.

Distell is South Africa's major producer of wines. Our portfolio accounts for a third of the country's total still and sparkling wine production. We thus have an enormous impact on viticulture, winemaking and employment in the wine industry.

4. Labels will not convey any sexual innuendo.
5. Packaging will not be designed to encourage the impression that alcohol is a bulk commodity. Nor will degrading or colloquial terms such as "dop", "grog" or "booze" be used.

Distell sells exclusively to licensed traders and works closely with its customers to promote responsible consumption, by encouraging them to undergo training devised by the ARA and by ensuring the following:

1. Minors are not supplied with alcoholic beverages. Furthermore, we shall not supply to traders convicted of selling alcoholic beverages to minors or of employing staff under the age of 16. Nor shall we supply to traders convicted of supplying alcoholic beverages as an inducement to employment or in lieu of remuneration.
2. Alcohol is not supplied to anyone who is intoxicated. Rapid and/or excessive consumption of alcohol is discouraged and promotions with this objective are disallowed.
3. Traders do not allow for activities on their premises to result in undue offence, annoyance, disturbance, noise or inconvenience to people who reside, work or worship in the vicinity.

Broad-based black economic empowerment (BBBEE)

Distell initially implemented a BBBEE measurement system conforming to the Department of Trade and Industry's Codes of Good Practice, released in November 2005. Externally audited by the South African National Accreditation System's (SANAS) accredited rating agency, Empowerdex, the system accorded us an interim score rating of fair broad-based (BB) contributor, placing us at level 6 and enabling our customers to claim 60% of their expenditure on Distell for the purposes of their preferential procurement ratings.

Our latest certificate, audited by accredited verification agency National Empowerment Rating Agency (NERA), places us at level 8 compliance. Although somewhat disappointing, our revised rating is partially the result of the lack of certification by some of our suppliers. Ironically, this has impacted negatively on our preferential procurement score, an area in which we have long been actively engaged in building skills and capacity, as described later in this report. Moreover, as the new rules

governing the audit process were published after our last reporting period, our systems were not fully geared to report as required and this has also set us back. However, we have now aligned our systems to report on our BBBEE targets to ensure the scores we achieve in future will more accurately reflect our performance. We do anticipate an improvement in our next review, scheduled to take place at the expiry of the current certificate, which is valid until November 2009.

The year under review was focused predominantly on putting processes in place to achieve our transformation aspirations in future and in continuing to develop technical and leadership skills to ensure a more representative workforce. We accept that this is a long-term objective and may not have an immediate impact on employment equity but we are confident our investment in skills development will yield rewards in future. We are also giving ongoing attention to our enterprise development strategy to grow our supplier base and positively impact on the demographics of our raw materials suppliers, while always ensuring the integrity of our brands is maintained.

We have also submitted plans to the National Liquor Authority highlighting our strategic objective to become a level 4 contributing BBBEE business by 2017 by focusing on continued enterprise development, preferential procurement, and socio-economic development. The short- and medium-term progress against plan will be closely monitored by a steering committee that includes Distell board members and senior executives.

We performed exceptionally in respect of the ownership component of the BBBEE scorecard, thanks to the ownership deal concluded in 2005 with our employees and an empowerment partner, and which has realised significant shareholder value for all stakeholders.

Enterprise, skills development and skills transfer

Distell is South Africa's major producer of wines. Our portfolio accounts for a third of the country's total still and sparkling wine production. We thus have an enormous impact on viticulture, winemaking and employment in the wine industry. However, our impact is based on far more than the sheer volume of wine we produce and market. We are in regular liaison with Government, we play an active role on all the key wine

A critical area of wine production which we are driving and where we are striving to make a national impact is in planning wines in the vineyard to match their eventual price points.

industry research and professional bodies and many of our most senior specialists are represented on industry boards and on technical committees, helping to shape national policy and approaches to winegrowing, winemaking and wine marketing, while also liaising with industry and research organisations abroad. In addition, where it is appropriate, we make the findings of our own internal research available to the wider industry to enhance winegrowing and winemaking standards.

A critical area of wine production which we are driving and where we are striving to make a national impact is in planning wines in the vineyard to match their eventual price points. This approach has made us and our suppliers more cost-efficient, more competitive and better prepared to manage changing economic conditions both locally and abroad. We recognise that the sustainability of our brands protects the sustainability of our wide network of suppliers and their own employees.

We also believe it is incumbent on us to set an example to the industry in terms of labour practices on farms. All Distell-owned and Lusan-owned farms, in which Distell has a 50% stake, are unionised. Annual negotiations take place between the company and the relevant unions and a substantive agreement is reached for a 12-month period. Terms and conditions of employment for permanent farm workers set by these agreements mostly exceed the requirements of the Basic Conditions of Employment Act. Several of our farms have been singled out by the Rural Development Network (Rudnet) for their sound labour practices and the secure, enabling environments they provide. All workers are paid an annual bonus equal to a month's basic salary if they have worked a full calendar year. In addition, long-service awards are paid for 10, 25 and 35 years of service. Where applicable, housing is made available but is linked to employment. In some instances housing is made available rent-free, with water and electricity also provided at no cost. Free transport on some farms is offered to labourers to do their week-end shopping and to attend sports, school, religious and cultural events. Workers can join subsidised medical funds, while a mobile clinic service provides additional health support to labourers and their families. Functional literacy programmes, specialised agricultural training and crèche facilities are also available to workers across some of the farms.

Papkuilsfontein Vineyards

Papkuilsfontein Vineyards, a member of the BWI is jointly owned by Distell, a consortium of Gauteng entrepreneurs and a community trust and supplies grapes to Nederburg. It also produces its own range, the award-winning Tukulu label, which has received, Fairtrade accreditation for promoting sustainable development. A total of 375 ha is now under vine, of which currently 20 ha are farmed organically, accredited by the Société Générale de Surveillance. To date, all vineyards on the farm have been farmed without irrigation, thanks to suitable climatic conditions, soils with good water retention, and the planting of cover crops between vine rows. Given the success of the organic plantings, an additional 150 ha are being converted to organic cultivation.

The Papkuilsfontein venture, cited as a sustainable and successful example of enterprise development and skills transfer that is materially helping to transform the local wine industry, has once again been honoured by Rudnet, this time in its 2008 Farm Health Award Programme, earning a silver rating in its BEE category for "sound labour relations, social development and skills training".

Plaisir de Merle

The farm, stretching from the Simonsberg escarpment virtually to the Berg River down in the valley, was also acknowledged once again by Rudnet in its 2008 Farm Health Award Programme, achieving a silver rating for its "general labour relations and sound social conditions". A trout-farming venture has also been established here to broaden the skills of workers on the farm, expose them to business management training and increase their earning potential. It is connected to a larger initiative led by the Hands-on Fish Farmers Co-operative that provides a smoking service and also markets all the fish, fresh and smoked, to retailers and restaurants, on behalf of its members. The co-operative is being run in association with the University of Stellenbosch Department of Agriculture and Forestry Sciences, with funding supplied by the national Department of Science and Technology. Distell has provided some of the infrastructure necessary to establish the venture at no cost, including the use of the dams and water supply as well as all legal input. To date, the project has brought increased revenue to the 17 workers on the farm who are presently involved.

Distell has initiated and structured an empowerment initiative with several wine industry players to provide skills training and income to marginalised rural communities.

Durbanville Hills

Durbanville Hills, which recently became a member of the BWI, 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), while a portion of wine sales revenue is also devoted to the workers' trust.

Trustees include employee representatives appointed by the workers on the nine member farms of the Durbanville Hills venture who decide on the distribution of shares. To avoid any conflict of interest, trustees may not take up shares. Several initiatives, including an annual auction, help to generate income for the trust.

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 project. Some 5 ha of olive groves have been planted and are expected to start bearing a viable crop from 2010. The groves are being leased to a neighbouring farm with the rental revenue going to the workers' trust.

A dedicated co-ordinator has been appointed to oversee the provision of life skills, literacy and health education programmes for the approximately 170 workers and their families. The programme includes recreational and sporting initiatives.

Durbanville Hills is also a sponsor of the Durbanville Schools Foundation, providing infrastructure to schools serving the local community, as well as assisting with tuition and hostel accommodation fees. It recently donated 30 computers to a school in the vicinity that is attended by the children of farm workers.

Empowerment of poor rural communities in the Northern Cape

In a private-public partnership with Government, 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, while promoting enterprise development and speeding up land reform. The high-production, low-cost venture has been created mainly as a source of raw wine spirits for the country's fast-growing wine spirits industry. South Africa currently faces a shortage of raw wine spirits and has to partially import to meet market demand. The initiative will not only provide a profitable source of wine spirits but will make use of underutilised Northern Cape cellar capacity, while transferring skills to the area.

Conceived after a viability study conducted by Mohammed Karaan, former chairman of the Agricultural Marketing Board, the project has been established as the non-profit, Section 21 Northern Cape/Free State Vineyard Development Company. Its role is to co-ordinate and facilitate the efforts of all the players involved in the partnership and to liaise with the Northern Cape government.

In addition to Distell, membership includes industry bodies Winetech, VinPro and the SA Wine Industry Trust (SAWIT), as well as three local wineries, Griekwaland-Wes Co-operative, Oranjerivier Wynkelders and Sentraal-Wes Co-operative.

The Northern Cape government is supplying land and water, as well as technical expertise and finance, to the project. Winetech is providing research and technology transfer. VinPro is undertaking the financial analyses required and has assisted in drawing up the business plan for the venture, while SAWIT is delivering expertise in transformation and development. The three wineries will process the grapes and provide mentorship to workers in production processes. Distell has guaranteed to take up the products coming from the project.

The first phase of the project involved experimentation with various cultivars and winegrowing techniques and was conducted by a team of Agricultural Research Council viticulturists at the research station in Upington. It also sought to establish the viability of the high-production, low-input concept.

To reduce costs, ungrafted vines were used, low-cost trellising was applied, as well as flood irrigation. It was during this initial phase that success was achieved with the varietal Villard blanc, in some instances delivering yields as high as 40 tons per hectare. It is hoped to ultimately achieve a yield of 45 tons per hectare.

To field-test the concept of low input costs and high production levels, the second phase involved small-scale planting among commercial farmers, also using Villard blanc, with vineyards from 0,5 ha to 2,5 ha established in Upington, Douglas, Hartswater and Groblershoop.

Now in its third phase, the project is establishing larger commercial plantings at suitable sites with a view to ultimately cultivate some 600 ha. Land is being made available to emerging farmers through a variety of measures.

Our viticulturists are training Tanzanian farmers and extension officers in viticulture and low-tech vineyard management to improve the quality and yield of local vineyards.

With national legislation changed in May to permit the making of wine from non-*Vitis vinifera* grapes such as Villard blanc, the way has been paved to produce table wines and brandy distillate. Initial wine and grape concentrate production has proved very successful, delivering sound quality.

Now the members of the project are also considering extending plantings in the future for the production of grape concentrate as an additional source of revenue. The partnership has been structured to involve the Free State province and farmers in the area.

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 and where a dam has been built to irrigate arable land. The company currently purchases premium grapes for its Fleur du Cap Unfiltered range as well as for other top-end brands. Workers on the farm hold a 40% share in the venture in which viticultural services are provided on a contractual basis by self-employed workers first trained in agricultural and business skills for the purpose.

After initially planting 60 ha of vineyards, Lutouw Estates cultivated a further 37 ha to white varieties, with Distell providing surety to finance the new plantings.

Uylenkraal, Gansbaai

Distell has acquired a 75-ha farm adjacent to Lomond Vineyards in Gansbaai to establish a BEE venture involving workers on the farm, as well as those from the neighbouring Lomond. The company's soil scientists and viticulturalists have assessed the property to determine the ideal varieties for cultivation, and to date its Sauvignon blanc plantings are producing excellent quality grapes.

Dodoma, Tanzania

Distell is spearheading a viticultural initiative in Tanzania that should see wine farmers in the highlands of Dodoma double their crops within three to five years. In association with Tanzania Distilleries Limited (TDL), in which our company holds a 35% stake, we are lending our expertise at vineyards already in production. We have also donated 500 cuttings of the Villard blanc cultivar, propagated at our nursery, Ernita.

The intention is to provide an additional and much-needed source for making both brandy and popular

wines for the Tanzanian market, where TDL is the dominant player. In addition to increasing the local content in TDL's wine and brandy ranges and thus lowering import duties, the project will transfer skills, build capacity and increase job opportunities in an otherwise marginalised rural area.

Our viticulturists are training Tanzanian farmers and extension officers in viticulture and low-tech vineyard management to improve the quality and yield of local vineyards and have begun a series of trial plantings at the Makutopora Research and Training Centre near Dodoma.

Once the educational model and its execution have been refined, it may be possible to introduce similar initiatives to other sub-Saharan countries where there is a market for wines and in which Distell is involved, such as in Kenya, where we own Distell Wine Masters Limited, and in Zimbabwe, where we have a 31% stake in African Distillers.

Mirma

The marula fruit used to make Amarula is harvested from January to March in a 500 km radius around Phalaborwa, as far south as Acornhoek and Thulamahashe in Mpumalanga. While the fruit is 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. Thus, in 1998, Distillers' Corporation, together with tribal indunas representing the communities in these areas, established the Section 21 Mirma Product Development Company, now housed in the newly created Amarula Trust. 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 Hlangasi in Giyani in the Kheji district, as well as a clinic and community hall in Phalaborwa for the Edinburgh community, most recently funding equipment for the clinic and providing running water for the crèche. At present, negotiations are under way with the local authorities to obtain permission to

Distell recognises the pivotal role of culture and the creative arts in shaping the soul of the nation and thus provides ongoing support to a broad range of projects that build artistic talent, enhance quality of life and create jobs.

build another clinic in Dampthries, serving settlements as far as Thulamahashe.

Distell has also trained community members in brickmaking and wire-fence construction.

Owner/driver scheme

Our owner/driver scheme, established in 1999, made it possible for drivers, originally employed by the company, to establish their own enterprises and undertake deliveries on our behalf to retailers and on-consumption outlets. They have been trained in business management and administration, guaranteed an income by being contracted to undertake deliveries and given access to funding to acquire their vehicles. In addition, a technical mentor provides training in vehicle upkeep and arranges breakdown repairs at reasonable cost and, where required, trains driving crew.

We continue to provide ongoing business, management and technical support to the owner/drivers through a structured liaison programme. Moreover, every six months all the vehicles in the scheme are subjected to a full technical audit by Distell-appointed technical personnel to ensure the highest safety standards are maintained.

The national scheme currently involves 107 drivers, employing 374 assistants, to service all 17 of Distell's distribution centres in South Africa. At present, 88% of customer delivery volumes from these 17 distribution centres are handled by the owner/drivers, compared with 84% a year ago. The company budgeted a total of R78,5 million for their services during the year under review. In addition, to their steady monthly income derived from their participation in the project, owner/drivers are free to undertake deliveries on behalf of other clients, provided there is no conflict of interest.

SOCIAL INVESTMENT AND PHILANTHROPY

Engaging with the wider community

Distell engages with local communities across a wide front by donating funds, product, expertise and time to support charities, NGOs and other initiatives that help people or communities in need of money or resources. Half of Distell's social investment is in arts and culture, an area where Distell has been meaningfully involved for more than 40 years. Other social investments are directed towards skills training and job creation initiatives, community health, and conservation. At the

same time, we run individual brand initiatives intended to support a range of projects in these areas.

The company's Staff Volunteer Programme helps employees to make a meaningful contribution to the communities where they live and work. During the year under review, over 100 Distell employees volunteered to work at 13 community-based organisations, cleaning, gardening, painting and undertaking basic construction. Distell also matches the funds contributed by individual staff members, augmenting the support provided and inculcating a culture of community engagement.

We run a Crisis Welfare Programme, designed to respond rapidly to communities ravaged by natural disasters and fires. During the year, this programme assisted communities outside Durban and in Montagu.

Smaller ad hoc donations were made to a cross-spectrum of organisations, including St Giles' Association for the Physically Handicapped, Damietta Peace Foundation, Western Cape Firefighters' Association, Tough Love South Africa, Rehoboth Age Exchange, and several others.

Arts and culture

Distell recognises the pivotal role of culture and the creative arts in shaping the soul of the nation and thus provides ongoing support to a broad range of projects that build artistic talent, enhance quality of life and create jobs. This is achieved through:

- Awards – recognition for excellence in the creative arts
- Collaboration with art festivals and theatres
- Projects to develop and educate in the creative arts industry
- Developing jazz, classical and African music
- Developing new indigenous plays
- Staging an annual summer season of performing arts at our own Oude Libertas Amphitheatre

Awards

Established in 1965, the Fleur du Cap Theatre Awards honouring theatre excellence are amongst the most coveted within the South African performing arts fraternity. Some 90 productions were appraised in close to 30 different venues in and around Cape Town. Over and above the awards for acting, directing and staging, a new category has been introduced that

We promote cultural interaction, uplift and support developing artists through educational job creation programmes and create opportunities for self-development through the creative arts.

focuses on innovation in theatre. This new award is intended to acknowledge individuals, companies or organisations in the theatre industry for their consistently exceptional work.

In addition to the panel of judges, members of the public can cast their votes online for their favourite production of the year. Tickets to the awards ceremony are sold to the public and proceeds are donated to a development project in the performing arts.

To underscore the Fleur du Cap's "inspired by nature" brand positioning, emergent visual artists are given the chance to showcase their work produced from recycled and ecofriendly materials at the venue of the awards ceremony. This "Green Décor – Inspired by Nature" project also gives artists chosen for the exhibition the opportunity to show their works for a further two weeks. In another enabling project associated with the awards, students participating in the Culinary Arts Project are given on-the-job training at the awards ceremony banquet.

Distell also co-sponsors the Arts & Culture Trust (ACT) Awards of the annual Lifetime Achievement Award for Visual Arts/Craft at the trust's annual awards ceremony held in Gauteng. For ten years the ACT Awards have recognised and rewarded outstanding individuals who have contributed to education and training in the arts; created new audiences and markets for the arts; enhanced the quality of artistic productions through criticism; managed the arts efficiently; linked the arts to sustainable social and economic development; and devoted their lives to making the arts accessible to all South Africans.

We also annually sponsor the KKNK (Klein Karoo Nasionale Kunstefees) Kanna Awards, this year focusing on the festival's best debut work presented.

Collaborating with arts festivals and theatres
Indigenous plays, opera, ballet, contemporary and traditional dance productions, multimedia poetry projects and classical, jazz and African music concerts are supported in collaboration with various art organisations, theatres and art festivals throughout South Africa. Some of these festivals include the KKNK, Grahamstown, Aardklop, Volksblad and Hilton Arts festivals, as well as the Suidooster, Cederberg, Darling Voorkamerfest, Stellenbosch Woordfees, Ikaya and several other initiatives staged locally and abroad.

To enable disadvantaged audiences to attend these and other productions, Distell's outreach programmes cover the cost of tickets to attend theatrical or musical productions or the provision of transport from rural areas to metropolitan venues where these events are staged. In other instances, performances are taken to rural areas, where mentoring workshops are staged for talented youth.

Development and educational projects in the creative arts industry

We promote cultural interaction, uplift and support developing artists through educational job creation programmes and create opportunities for self-development through the creative arts. Some of the projects we present and support also receive grants from BASA. Projects in which we have been involved during the year under review include:

Love Child/Liefdeskind is an educational theatre production performed by TakeAWAY Theatre, an industrial theatre company that raises awareness of FAS and the need for responsible consumption of alcohol. The project is discussed in more detail under Health.

Kayamandi Arts Project is a community arts development initiative that presents workshops where young artists are trained in entrepreneurship, dancing, singing and drama. Artists are then given the opportunity to perform with professional artists.

Cape Classic Concerts is a programme in which German classical musicians voluntarily perform at various well-known venues in the Cape to generate funds for the Ikaya Centre in Kayamandi.

Jazzart Dance Theatre Young Adult Training and Job Creation Programme gives trainees the opportunity over a three-year period to participate in professional theatre productions, make television appearances and develop practical experience.

Magnet Theatre's Educational Outreach and Community Groups Intervention Internship mentors existing drama groups from Khayelitsha and develops skills in performance, leadership and management.

The unique Voorkamerfest in Darling, where performers appear in the *voorkamers* (living rooms) of Darling residents, creates the opportunity for members across the community to participate. They include residents

By investing in the arts we hope to contribute to raising standards and generating interest in and appreciation for South Africa's creative arts.

who host performances and taxi drivers transporting audiences to the various venues.

The Ikhwezi Community Festival is an outreach drama project presented by the Baxter Theatre. Young talent from Cape Town and the rural parts of the Western and Eastern Cape are trained to stage their own productions.

The Visual Arts Project, initiated by Distell's own arts and culture department, supports emerging new visual artists and crafters by hosting exhibitions at various venues in and around Cape Town. The project is run partially in association with the Cape Craft & Design Institute.

Developing jazz, classical and African music

We fund concerts performed by local and international musicians and presented by South African universities and the Cape Philharmonic Orchestra.

Chamber music concerts are also presented regularly at Nederburg and Uitkyk.

We provide funding to the Youth Classical & Jazz Music Festivals, presented by Artscape and the Cape Philharmonic Orchestra. Now in its 39th year, this initiative serves as an important launching pad for young musicians. The 2009 winner's prize will include a performance in the Nederburg Concert Series in 2010.

We are involved in the week-long Stellenbosch International Chamber Music Festival, funding tuition for music students in piano, strings, woodwind, brass and percussion instruments.

Developing new indigenous plays

Distell supports the development of indigenous new plays staged at various theatres throughout the country as well as through our own summer festival at the Oude Libertas Amphitheatre and by collaborating with local arts festivals. This past summer, we staged the debut run of *Jericho*, which has since gone on national tour.

Oude Libertas Amphitheatre Summer Festival

Our annual summer season plays a key role in launching the careers of many performing artists and continues to support those who are now well established. The past summer season showcased a variety of well-known local and overseas award-winning performers such as the Soweto Gospel Choir, Herman van Veen, Nataniël,

Amanda Strydom, Coenie de Villiers, Mathys Roets, Karen Zoid, Coda, Zanne Stapelberg, Sean Bovin Ballet, the Cape Philharmonic Orchestra, Wouter Kellerman and the young German pianist Florian Uhlig.

Mentoring

By investing in the arts we hope to contribute to raising standards and generating interest in and appreciation for South Africa's creative arts. We thus support a mentorship programme at Cape Town Opera which provides practical training for young adults working behind the scenes. Technical stage managers, assistant set designers, administrative project managers, fundraisers and arts marketing managers are trained through this programme.

Skills development and job creation

In response to the skills shortages and lack of representivity in certain areas of the wine industry, the Drostdy-Hof Bursary Scheme was established to help historically disadvantaged students, particularly those from the Tulbagh, Wolseley and Gouda communities, to further their studies in preparation for a career in wine. Bursary recipients are given the opportunity to gain practical experience working for Distell during their vacations and then on successful completion of their studies. The bursary, which covers tuition and books, has to date been awarded to chemical engineering students attending the University of Stellenbosch, a chemical engineering student at the University of Cape Town, and an agriculture student at the University of Stellenbosch.

To assist university students who show high potential to graduate but are forced to abandon or suspend their studies because of a lack of funds, Distell has made a substantial investment in the University of the Western Cape's Student Development and Support Programme.

We also provide financial support to AgriTrain, a Section 21 company that works in conjunction with the Department of Agriculture in the Western Cape, Elsenburg College of Agriculture and the University of Stellenbosch, to expose youth in their final years of school to career opportunities within the agricultural sector and to give disadvantaged matriculants access to tertiary training in viticulture and other agricultural courses. In addition, we fund bursaries of some first and second-year students attending the University of Stellenbosch and Elsenburg College. The initiative's

Another initiative to which Distell has given substantial support is the writing of *The Story of the Grape*, a still-to-be-published work aimed at documenting the role previously disadvantaged farm workers have played in the development of the wine industry in the Western Cape.

Window to the Future Programme is playing an important role in transforming the demographic profile of our staff.

Distell supports the Stellemploy Project that provides training for mainly unemployed young men in the Boland region, teaching skills in bricklaying, painting, welding, plumbing, electrical services and gardening. It also provides training in baking to rural women in the region. We have made a building available for training purposes.

The money we contributed to the Bergzicht Support Centre near our Bergkelder plant in Stellenbosch was used to present several home management training courses at six venues across the Western Cape, equipping women with the necessary skills to then find jobs.

Both Stellemploy and Bergzicht boast a job placement rate of over 90% for learners completing their programmes.

The Huistuintjies Food Gardens project in Montagu, not far from our Klipdrift Distillery, has been successful in teaching local residents about vegetable farming and in selling their produce.

Huis Horison, near our Adam Tas plant, not only provides physical care and accommodation for mentally disabled people, but also teaches them a range of work skills, including furniture repair; sorting paper for recycling; needlework and dressmaking; cooking; and domestic chores.

The Elsenburg Women's Clothing Project, opposite Uitkyk, teaches women skills in sewing and arts and crafts. The products they make are then sold for income. The project has been particularly helpful for families who are seasonally employed and who struggle to earn income at other times of the year.

Our investment in the Paul Roos Academy, which has been running for several years, enables learners from underprivileged areas around Stellenbosch to receive extra tuition in mathematics and physical science, and also acquire valuable life skills.

Beyond the school and university environment, Distell has supported the international leadership development organisation Common Purpose by sponsoring three participants on the Matrix Programme. The initiative is designed to offer insights into how various organisations are directed and managed, and significantly enhances leadership capability.

Another initiative to which Distell has given substantial support is the writing of *The Story of the Grape*, a still-to-be-published work aimed at documenting the role previously disadvantaged farm workers have played in the development of the wine industry in the Western Cape.

Health

Our ongoing role in promoting awareness of FAS was taken a step further through our sponsorship of TakeAWAY Industrial Theatre's multilingual play, *Love Child/Liefdeskind* that raises awareness of the condition. Originally staged on Distell farms, it has since been taken to a wider audience encompassing farm worker communities, rural schools and factories across the Cape winelands and was nominated for a BASA award for increasing access to the arts. The play's central message, that pregnant women should not consume alcohol, was readily understood by most audiences, according to follow-up evaluation. Moreover, audiences were debriefed following each performance, where a community leader or educator identified appropriate support or interventions available to those families with children affected by FAS.

We also invested in FASFacts, a well-established organisation in Worcester, where we also have production facilities. FASFact has been very effective in educating children and adults about FAS. In addition, we have also engaged a school psychologist at a farm school in Wellington to introduce a programme that promises to improve the intellectual capability of children born with FAS. The results of this pilot intervention will be available at the end of 2009.

In an effort to improve the lives of the disabled, Distell has invested in the Association for the Physically Disabled and the Turfhall Cheshire Homes, both based on the Cape Flats, where we have also contributed substantially to a fund-raising project directed towards the building of an Aids and TB centre at the Vanguard Community Health Centre.

We have not restricted ourselves to helping people who have suffered physical trauma. We are also supporting the Trauma Centre, which specialises in providing emotional and psychological support to victims of violence, torture and related trauma.

Our investment in the Soweto Hospice enabled the facility to maintain and expand its impressive Home-

The newly created Amarula Trust that focuses on conscious conservation and sustaining communities, now houses in one entity the formerly independently operated initiatives in which the brand has been engaged.

based Palliative Care Programme, administered by a specially trained group of community care workers.

The Nederburg Charity Trust provides an additional avenue of support to a range of health-related initiatives. The beneficiaries of the trust are the Hospice Palliative Care Association of South Africa, Organ Donor Foundation and an HIV/Aids-support NGO called Mothers2Mothers. At last year's Nederburg Auction just under R230 000 was raised for the Trust. Our investment in Groote Schuur Hospital (GSH) was specifically to enable GSH's neonatal unit to buy incubators used for prematurely born babies. In particular, we wanted to assist with treatment of new-born babies affected by FAS.

We have also gone beyond South Africa to a rural part of northern Mozambique. There we have invested in the MozMed project, which has developed a mobile clinic team to facilitate and aid in improving the quality of medical care of the rural inhabitants located far from medical facilities.

Conservation

The newly created Amarula Trust that focuses on conscious conservation and sustaining communities, now houses in one entity the formerly independently operated initiatives in which the brand has been engaged. It is run by Distell employees and has been structured as a stand-alone initiative that manages funds and projects pertaining exclusively to the brand. In addition to the socially sustainable Mirma project outlined earlier in the report, the trust sponsors field guide training and elephant conservation and provides support to Kenya's national parks.

Encompassing both social and environmental sustainability, the Amarula field guide scholarship programme trains promising candidates in field guiding to provide them with an opportunity to build careers and enhance their earning capacity, while supporting environmental protection measures. To date, ten people, working in lodges in the Delta and Chobe regions of Botswana, have completed the Southern African Wildlife College's month-long introductory level course accredited by the Field Guide Association of South Africa (FGASA). The trust funded their return transport to Hoedspruit and accommodation at the college, as well as their training, and continues to monitor their progress. It is also funding the next level

of training of the two students who scored the highest grades on the course. The intention is to expand the programme to involve South Africans and those from other neighbouring countries in future field guide training programmes.

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. Even in the larger reserves such as the Kruger National Park, steadily increasing numbers have raised a debate on the necessity of population control to protect biodiversity.

This issue is of focal importance to the Amarula Elephant Research Programme, established at the University of KwaZulu-Natal in 2002, and now a part of the Amarula Trust. Initially conceived as a five-year research initiative with a R3 million grant from Amarula, the project has now been extended by a further three years and given an additional R1 million in funding.

The programme 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 researchers, PhD and MSc students, it involves Government conservation agencies and private game reserves, as well as ecologists, in generating elephant management plans based on data collected through scientific research projects.

The programme, that includes elephant collaring, is directed by Professor Rob Slotow and is intended to contribute strategically to elephant conservation management. Recent activities have included the assessment of current conservation management programmes conducted in South Africa, as well as, more specifically, input in the strategies to be applied by Ezemvelo KZN Wildlife.

One important area of research has been the potential impact of elephants on large trees, such as the marula, found inter alia in the Kruger Park and which play a key role in the ecosystem as they provide both food and shelter for animals. Large trees also have very deep roots, allowing them to take up nutrients from deep in the soil and transporting them to the surface. As a result the soil under the trees becomes richer in nutrients than in open areas away from trees, benefiting other plants

Distell's relationship with the World Wide Fund for Nature in South Africa (WWF-SA) extends over 40 years. Involvement includes the protection of habitats, conservation of species and natural resources.

and the animals feeding on them. Conservation managers have been concerned that large trees have been declining in number in some areas. Professor Slotow's research group surveyed trees in 2006 and 2008 to understand this dynamic and found that although elephants killed about 5% of large trees surveyed, the impact of fire on such trees was equally significant. The group is now working with SANParks to integrate these results into an improved decision-making framework for elephant management.

A current PhD research project that also falls within the scope of the programme addresses elephant calves and the natural processes of population regulation. Areas being studied include the impact of natural climatic conditions and diet on calf survival, as well as how natural disasters such as fires impact on their well-being. On completion of this thesis, findings will be applied to update management plans. It is envisaged that insights will influence future water provision or burning strategies. It is also hoped that improved practices will allow natural processes to take their course, even in small reserves, obviating the need for interventions such as culling or relocation.

We have also invested in a research and training programme on elephant ecology and biology in the Addo Elephant National Park. Conducted by the Centre for African Conservation Ecology under the supervision of well-known scientist Professor Graham Kerley, it focuses not only on elephant ecology and biology, but encourages students to embark on a research career in this and related fields. Particular emphasis is given to attracting a demographically representative corps of students.

In Kenya, Amarula has supported the installation of street lighting and bus shelters at the headquarters of Kenya Wildlife Services, which serves as the gateway to the Nairobi National Park, the only game park anywhere in the world located within the environs of a city. Funds are also directed towards wildlife rehabilitation efforts and upgrading and maintaining picnic sites in the scenic Lake Nakuru National Park, home to the pink flamingo.

Leading brandy brand – Flight of the Fish Eagle – is sponsoring a three-year study, now in its third year, that is being undertaken jointly by conservation body Birds of Prey Working Group of the Endangered Wildlife Trust and the University of Cape Town. Its long-term goal is to develop a systematic chemical pollution profile for the

entire Breede River from source to mouth, and to determine how efficiently the African fish eagle (*Haliaeetus vocifer*) and other selected raptor species reflect that profile. Zones of particular concern, in terms of both pesticide concentrations and overall water quality, are being identified along the length of the river. Observation devices include small mirrors installed about 2,5 m above nests. These cause no disruption to the birds, provide a useful way to monitor the contents of nests and facilitate the selection of birds for blood and feather samples, which are then flown to the US for analysis. The results should facilitate the development of a more ecofriendly and sustainable approach to agriculture and water management within the river's catchment area. It is also envisaged that the study will ultimately serve to reduce pollution beyond the Breede River and the Western Cape as the findings are intended to inform national decision-makers of the relative impact of chemical pollution on South African water systems and agricultural landscapes.

Distell's relationship with the World Wide Fund for Nature in South Africa (WWF-SA) extends over 40 years. 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 (PPF). This training point of game rangers throughout the Southern African Development Community region 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 on to fill middle and senior management conservation positions in leading game parks on the African continent.

Heritage services

Distell is the custodian of a collection of unique and priceless heritage assets, including the homesteads of Nederburg and Plaisir de Merle. Together with Lusan Premium Wines, Distell maintains several other well-known national monuments, like 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 to reflect the Cape's wine-related history and culture.

Distell maintains several well-known national monuments, like the Uitkyk, Le Bonheur and Neethlingshof manor houses, some dating back to the late 17th century.

We also have 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 all the antiques, implements and winepresses is maintained at 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.

During the year under review, we focused on conserving the historic winepresses and winemaking implements on many of these properties, while protecting and maintaining the antique furniture housed across eight of our brand homes – the Oude Drostdy in Tulbagh and home of Drostdy-Hof; Nederburg in Paarl; Plaisir de Merle in Simondium, as well as Uitkyk, Le Bonheur, Neethlingshof, Bergkelder and Van Ryn's Distillery in Stellenbosch. These features form an integral part of the image of our brand homes and are a tangible expression of the rich history of the South African wine industry.

In addition to the routine conservation of our heritage buildings, we also had to undertake the urgent restoration of two heritage buildings because of last winter's heavy rainfall. The roofs of both the Nederburg and Plaisir de Merle manor houses were re-thatched. At Nederburg, where the manor house was completed in 1800, we also had to repair an original boundary wall and stoep bench, attend to structural cracks and repaint. Nederburg is our most prominent brand home with a well-established international presence. The farm was originally granted to Philippus Bernardus Wolvaart in 1791. The homestead, regarded as one of the finest examples of rural Cape Dutch domestic architecture, still has its original yellowwood beams and doors, and Batavian clay floor tiles.

Other projects included the restoration of the interior and exterior woodwork of the old coach house at the Oude Drostdy and the exterior woodwork of the 19th century Mon Repos homestead, which forms part of the Oude Libertas complex. We also restored the top floor

of the Uitkyk manor house. Erected in 1788, the Uitkyk manor house is thought to be the design of the famous architect, Louis Michel Thibault.

OUR PEOPLE

The overarching mandate of our human resources department is to find ways to align the development of the more than 4 000 people who work for Distell across all areas of operation with the strategic objectives of the company. Our role is to find, develop and retain the appropriate skills to sustain the company's growth, while at the same time accommodating employee career aspirations and advancing our representivity. We continuously explore opportunities to bridge the skills gap in critical areas to give us a competitive edge over our competitors and to develop competencies that make us world-class. We also seek avenues to build Distell's profile as a preferred employer so we have ongoing access to top-level talent. To retain talent, we run focused development programmes, ensure involvement in strategic projects and cross-functional exposure, as well as due recognition and rewards.

Highlights during the year included:

- Bringing all human resource procedures and policies in line with ISO requirements
- Competency profiling throughout the whole company and competency training, identifying skills gaps and matching recruitment and training with needed skills

Our competency model ensures fair selection processes, focused training interventions and serves as a basis for career guidance and improved performance. Continuous learning is encouraged to augment skills

- Integrating performance management assessments with competency profiling to maximise the potential of our people, giving them the appropriate skills where needed
- Our skills retention and career management drive that focuses on developing leaders and exceptional talent through our recently established Human Resource Forum

To date close on 200 key individuals within the company have been identified and strategies have been tailored to enhance their specific potential and competencies

During the year under review, 87% of all new appointments across the business involved people from previously disadvantaged communities, of whom 74% were historically disadvantaged.

- Focused training and development to address key business needs
- Advancing National Qualifications Framework (NQF) accreditation for appropriate skills within the organisation and ensuring future skills training in these areas will be NQF-aligned
- Expansion of our apprenticeship programmes to build skills
- Recruitment initiatives that target senior learners and students attending tertiary institutions

Mission directed work teams (MDWTs)

Our MDWTs provide a key communication tool to the business and are used at every level, from top management to operations. Focused on promoting a culture of quality and cost-efficiency, they are also designed to boost morale and commitment. They have helped to build an empowered and uplifted workforce which in turn encourages process innovations and improvements, and fosters sound industrial relationships. We now have 261 such MDWTs across the business and their establishment has served to enhance employee performance, encourage a sense of ownership and accountability in terms of responsibility, increase co-operation and foster a climate of mutual respect. In addition, conflict handling and problem solving has been greatly facilitated.

Training and career development programmes

We recognise that key to maintaining a competitive advantage is the development of functional expertise and leadership talent across all facets of our business. Over the last four years we have built leadership through development programmes at junior, middle and senior development levels.

We are now refining our Leadership Development Programme with a more focused approach to leadership training at black middle management level, where skills shortages currently exist.

The Human Resource Forum launched last year to enrich our intellectual capital, build additional skills, create exciting career opportunities and appropriate rewards, is helping to retain critical talent. It has become an important vehicle for identifying exceptional employees and helping us to advance our employment equity status. Through the Forum, we have earmarked a

number of employees who have shown exceptional aptitude and potential and cross-functional capabilities and who all espouse Distell's values. Each of these candidates is being individually groomed to enhance their skills base through relevant training, monitoring and opportunities to exercise their new-found capabilities.

Employment equity

We know that the sustainability of our business relies on prioritising the development of intellectual capital. We run a range of initiatives including leadership development interventions, focused recruitment, learnerships, skills development, internships and focused training, all of which focus on previously disadvantaged staff.

During the year under review, 87% of all new appointments across the business involved people from previously disadvantaged communities, of whom 74% were historically disadvantaged. Of the 312 promotions we made, 87% involved previously disadvantaged individuals, of whom 77% were historically disadvantaged.

Female members of staff now comprise 34% of management.

Self-awareness and behavioural training

At the same time, as we continue to provide the requisite technical training and development to staff across all areas of the business, we are now also playing a more active role in building behavioural skills.

At sub-managerial level we have been focusing in particular on training in self-management, enhancing self-awareness and the capacity to identify personal strengths and weaknesses, while also building team leadership skills.

Behavioural training at senior and middle management levels has concentrated on relationship building, thinking skills, leadership and emotional intelligence, as well as the ability to enhance action and focus. After a highly successful pilot of this initiative in the Western Cape, we shall be extending it to all other parts of the country.

Distell remains committed to developing a deeper and wider skills base in South Africa and we actively target universities, technikons and other specialist campuses in promoting Distell as an employer of choice.

Sales and marketing training

With sales and marketing functions forming the backbone of our organisation, our teams are intensively trained to fully understand the entire supply chain from the conception of a product or brand to its consumption and the context of that consumption. To ensure we provide highly competitive service levels, our training embraces not only successful selling and merchandising but also the development and management of customer relationships. To build skills and offer career advancement, we run ongoing programmes in advanced wine, spirits and RTD marketing, sales leadership development and regional sales management development. A major focus was the appointment of 35 super premium spirits representatives during the year who received intensive training in the products and their portfolios.

Internship programme

Distell remains committed to developing a deeper and wider skills base in South Africa and we actively target universities, technikons and other specialist campuses in promoting Distell as an employer of choice. While we work towards building skills across a variety of disciplines in implementing the National Skills Development Strategy, our focus on the food and beverage industry in particular earned us a Baobab Award from the Foodbev SETA. We were honoured for our excellent employment rate of unemployed learners on internships and for helping to place them in jobs.

This year we took in 43, all of whom were black. They were trained and given valuable experience in the fields of sales, marketing, quality assurance, logistics/supply chain, engineering, production management, operations management and human resources.

Learnerships and apprenticeships

Training and development of employees in the primary, secondary and distribution environments are ongoing and supported by learnerships and apprenticeships.

Distell has currently 81 learners who are participating in various learnerships, ie Wholesale & Retail Distribution NQF2; Manufacturing Management NQF5; and Packaging Operations NQF3.

Two learners of Distell have been selected by Thuthukile Skweyiya Steering Committee, the Western Cape

Department of the Premier, the Western Cape Department of Agriculture (CIAT: Elsenburg), and the Regional Council of Burgundy, France, to participate in the learnership programme for Viticulture and Oenology NQF2. These learners will be exposed to harvesting and viticulture training at Elsenburg and CFPPA wine school in Beaune, France.

In collaboration with the Foodbev SETA, Distell is participating in an initiative to train apprentices as part of its Critical and Scarce Skills Programme. Nine learners have successfully completed their trade test.

Adult basic education and training

A total of 28 employees were assisted to become functionally literate during the period under review.

Industrial relations

Distell fully supports the right to freedom of association and collective bargaining. Recognition, organisational rights and conditions of employment are regulated by collective agreements and labour legislation. Collective relationships have been formalised with the following three unions:

- National Union of Food, Beverages, Wine, Spirits & Allied Workers
- Food & Allied Workers' Union
- United Workers Front

During the year under review, we were not affected by any industrial action. Moreover, all wage negotiations were concluded timeously at company level.

Corrective action practices

The 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

When employees are healthy their emotional well-being is generally enhanced, along with their productivity. We believe in taking a proactive role and in the early identification of social problems.

- 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

Employee well-being

When employees are healthy their emotional well-being is generally enhanced, along with their productivity. We believe in taking a proactive role and in the early identification of social problems to increase the potential success of intervention programmes. We encourage confidential counselling and treatment through our support service. This is achieved through our network of on-site occupational health clinics, as well as an employee assistance programme that focuses on both medical and social issues. We also place great emphasis on on-duty safety and injury avoidance and handle the administration for Compensation for Occupational Injuries and Diseases Act (COIDA) on behalf of employees.

Our clinics received approximately 35 000 visits during the period under review. Our employee wellness programme provided confidential support to staff with problems of alcohol and drug addiction and chronic illness, as well as to those experiencing domestic violence, stress and other related illnesses. Specific training modules run during the year included HIV/Aids peer education, managing stress in the workplace and combating substance abuse.

Safety

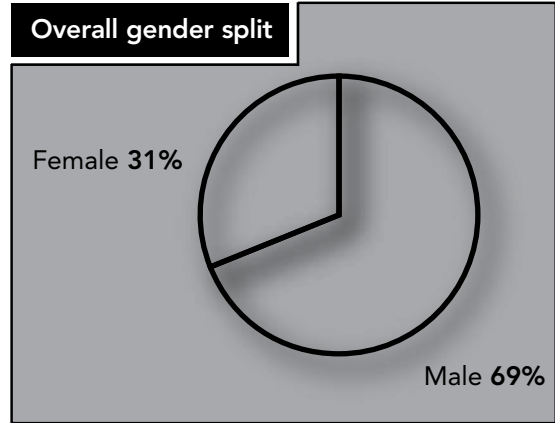
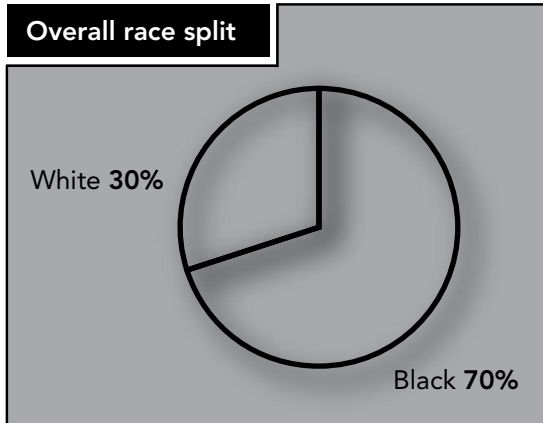
Distell has an effective risk control programme to address the risks arising from criminal activity, fire and occupational safety. All Distell sites undergo detailed compliance audits, conducted twice a year. Reports and their findings also influence employee management performance scores. Managers are required to meet minimum service levels, failing which, corrective action is taken.

Of the 251 occupational injuries reported to the Compensation Commissioner, 10 required reporting to the Department of Labour.

An overall average of 95,3% for health and safety was achieved across all sites, compared with last year's 94,4%. The number of man-days lost declined by 168 on the previous year.

While external criminal activity continues to require significant investment to mitigate risk, we are satisfied that for the most part we are protecting our assets appropriately. The number of motor vehicle accidents during the year reflected a 7% decline, with an increase of 8% in insurance claims.

EMPLOYEE STATISTICS

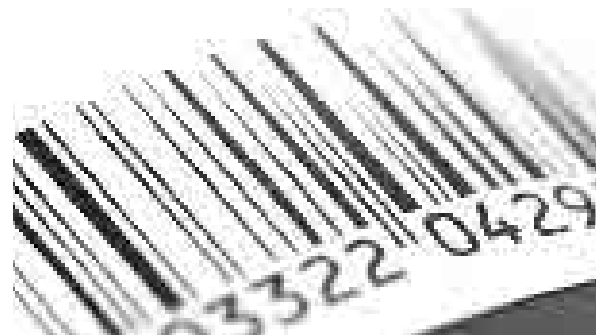


DISTELL WORKFORCE PROFILE 2008/2009

Occupational levels

	Male				Female				Grand total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management			2	16				4	22
Senior management	2	2		72		1		11	88
Professionally qualified and experienced specialists and mid management	21	16	8	226	5	14	1	96	387
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	220	169	31	394	45	116	11	300	1 286
Semi-skilled and discretionary decision making	548	534	13	41	82	174	11	193	1 596
Unskilled and defined decision making	445	333	8	11	93	209			1 099
Total – permanent	1 236	1 054	62	760	225	514	23	604	4 478

Consolidated annual financial statements



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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:

	2009	2008
US dollar	7,82	7,91
British pound	13,00	15,76
Euro	11,03	12,48
Canadian dollar	6,77	7,83
Botswana pula	1,15	1,21
Australian dollar	6,33	7,61

Directors' responsibilities for financial reporting

The South African Companies Act 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 Act. They have general responsibility for taking such steps as are reasonably accessible to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

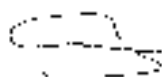
The board of directors approves any change in accounting policy, with their effects fully explained in the annual financial statements.

The directors have reviewed the Group's budget and cash flow projections for the period to 30 June 2010. 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 available on the company's website. The directors are responsible for the maintenance and integrity of statutory and audited information on the company's website.

The annual financial statements as set out on pages 69 to 128 have been approved by the board of directors and are signed on their behalf:



DM Nurek
Chairman



JJ Scannell
Managing director

Stellenbosch
26 August 2009

Certificate by the company secretary

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, that for the year ended 30 June 2009, 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.

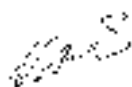


CJ Cronjé
Company secretary

Stellenbosch
26 August 2009

Audit and risk committee report TO THE MEMBERS OF DISTELL GROUP LIMITED

The audit and risk committee has pleasure in submitting this report, as required in terms of the Companies Act (No. 61 of 1973), as amended (Companies Act). The audit and risk committee consists of four non-executive directors who act independently as described in section 269A of the Companies Act. During the year under review four meetings were held and the committee members attended all the meetings. At the meetings the members fulfilled all their functions as prescribed by the Companies Act. A detailed list of the functions of the audit and risk committee is contained in the corporate governance report. The audit and risk committee has satisfied itself that the auditors are independent of the company and are thereby able to conduct their audit functions without any influence from the company.



Catharina Sevillano-Barredo
Chairperson of audit and risk committee

Stellenbosch
26 August 2009

Report of the independent auditor TO THE MEMBERS OF DISTELL GROUP LIMITED

We have audited the annual financial statements and Group annual financial statements of Distell Group Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2009, the income statement and the consolidated income statement, the statement of recognised income and expense and the consolidated statement of recognised income and expense, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 69 to 128.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the Group as of 30 June 2009, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PRICEWATERHOUSECOOPERS INC.

Director: A Wentzel
Registered Auditor

Stellenbosch
26 August 2009

Report of the board of directors FOR THE YEAR ENDED 30 JUNE 2009

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:	2009 R'000	2008 R'000
Revenue	10 863 728	9 409 597
Operating profit	1 411 006	1 346 490
Attributable earnings	954 398	952 454
– Per share (cents)	475,6	476,3
Headline earnings	953 481	941 924
– Per share (cents)	475,2	471,0
Total assets	7 483 208	6 440 783
Total liabilities	(2 649 682)	(1 985 117)

The annual financial statements on pages 69 to 128 set out fully the financial position, results of operations and cash flows of the Group for the financial year ended 30 June 2009.

Dividends

Total dividends for the year (R'000)*	514 795	473 558
– Per share (cents)	256,0	236,0

* The final dividend of 132 cents (2008: 132 cents) per share was declared after year-end and was therefore not provided for in the annual financial statements. Refer to note 28 to the annual financial statements for payment details.

Subsidiary companies and investments

The Group acquired an interest in the following subsidiaries and joint ventures during the current financial year:

New companies

- Bisquit Dubouché et Cie (France) (100%)
- Distell Angola Limitada (Angola) (51%)
- Solamoyo Processing Company (Proprietary) Limited (40%)

Business combination (note 35)

- Lomond Wine Estates (Proprietary) Limited (100%) (previously held 50%)

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 pages 16 to 18, 38 and 39.

Robert Lumb resigned as director during the course of the year and we thank him for his valuable contributions. Catharina Sevillano-Barredo was appointed to the board of directors with effect from 1 November 2008.

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 37 to 39 to the annual financial statements.

Events subsequent to balance sheet date

The directors are not aware of any matter or circumstance arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

Holding company

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

The Group structure appears on page 3.

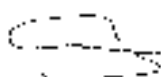
Secretary

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

Approval

The annual financial statements set out on pages 69 to 128 have been approved by the board.

Signed on behalf of the board of directors:



DM Nurek
Chairman



JJ Scannell
Managing director

Stellenbosch
26 August 2009

Balance sheets

AT 30 JUNE

	Notes	GROUP		COMPANY	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	2	1 773 480	1 546 159	–	–
Biological assets	3	146 375	122 024	–	–
Financial assets	4	74 281	85 901	–	–
Investments in subsidiaries	5	–	–	2 035 766	1 906 597
Investments in associates	5	38 487	31 636	–	–
Intangible assets	6	244 685	39 373	–	–
Retirement benefit assets	14	58 150	114 588	–	–
Deferred income tax assets	15	24 861	21 870	–	–
Total non-current assets		2 360 319	1 961 551	2 035 766	1 906 597
Current assets					
Inventories	7	3 714 655	3 268 555	–	–
Trade and other receivables	8	1 155 381	954 036	–	–
Current income tax assets		74 381	62 968	–	–
Cash and cash equivalents		178 472	193 673	–	–
Total current assets		5 122 889	4 479 232	–	–
Total assets		7 483 208	6 440 783	2 035 766	1 906 597
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	10	620 992	616 898	630 029	617 807
Non-distributable and other reserves	11	203 135	270 040	110 184	103 307
Retained earnings	12	4 007 374	3 566 703	1 295 553	1 185 483
Attributable to equity holders of the company		4 831 501	4 453 641	2 035 766	1 906 597
Minority interest		2 025	2 025	–	–
Total equity		4 833 526	4 455 666	2 035 766	1 906 597
Non-current liabilities					
Interest-bearing borrowings	13	422 386	2 938	–	–
Retirement benefit obligations	14	18 300	15 623	–	–
Deferred income tax liabilities	15	207 769	177 460	–	–
Total non-current liabilities		648 455	196 021	–	–
Current liabilities					
Trade and other payables	16	1 650 532	1 483 691	–	–
Interest-bearing borrowings	13	324 267	226 027	–	–
Provisions	17	9 282	49 577	–	–
Current income tax liabilities		17 146	29 801	–	–
Total current liabilities		2 001 227	1 789 096	–	–
Total equity and liabilities		7 483 208	6 440 783	2 035 766	1 906 597

Income statements

FOR THE YEARS ENDED 30 JUNE

	Notes	GROUP		COMPANY	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
Revenue	18	10 863 728	9 409 597	437 583	363 275
Operating expenses	19	(9 453 995)	(8 074 774)	–	–
Costs of goods sold		(7 273 020)	(6 124 859)	–	–
Sales and marketing expenses		(1 293 616)	(1 154 963)	–	–
Distribution costs		(652 208)	(546 897)	–	–
Administration and other costs		(235 151)	(248 055)	–	–
Other gains	21	1 273	11 667	–	–
Operating profit		1 411 006	1 346 490	437 583	363 275
Dividend income	22	1 552	1 503	–	–
Finance income	23	30 938	52 448	187 283	154 762
Finance costs	24	(54 162)	(46 064)	–	–
Share of profit of associates	25	30 058	23 523	–	–
Profit before taxation		1 419 392	1 377 900	624 866	518 037
Taxation	26	(464 994)	(425 899)	–	–
Profit for the year		954 398	952 001	624 866	518 037
Attributable to:					
Equity holders of the company		954 398	952 454	624 866	518 037
Minority interest		–	(453)	–	–
		954 398	952 001	624 866	518 037
Earnings per ordinary share (cents)	27				
Basic		475,6	476,3		
Diluted		455,8	447,1		
Dividends per ordinary share (cents)	28				
Interim		124,0	104,0		
Final		132,0	132,0		
		256,0	236,0		

Statements of recognised income and expense

FOR THE YEARS ENDED 30 JUNE

	Notes	2009 R'000	2008 R'000
Group			
Fair value adjustments (net of tax):			
– available-for-sale investments	11	3 419	1 697
Currency translation differences	11	(56 848)	4 300
Actuarial gains and losses	11	(28 215)	(45 301)
Net loss recognised directly in equity		(81 644)	(39 304)
Profit for the year		954 398	952 001
Total recognised income for the year		872 754	912 697
Attributable to:			
Equity holders of the company		872 754	913 150
Minority interest		–	(453)
		872 754	912 697
Company			
Profit for the year		624 866	518 037
Total recognised income for the year		624 866	518 037

Cash flow statements

FOR THE YEARS ENDED 30 JUNE

	Notes	GROUP		COMPANY	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
Cash flows from operating activities					
Operating profit		1 411 006	1 346 490	437 583	363 275
Non-cash flow items	29.1	135 065	124 785	–	–
Working capital changes	29.2	(515 665)	(580 430)	–	–
Cash generated from operations		1 030 406	890 845	437 583	363 275
Dividend income		1 552	1 503	–	–
Finance income		30 938	34 281	77 213	64 091
Finance costs		(41 748)	(80 413)	–	–
Taxation paid	29.3	(451 523)	(476 654)	–	–
Dividends paid	29.4	(513 727)	(426 194)	(514 796)	(427 366)
Net cash generated from operating activities		55 898	(56 632)	–	–
Cash flows from investment activities					
Purchases of property, plant and equipment (PPE) to maintain operations	29.5	(99 966)	(176 845)	–	–
Purchases of PPE to expand operations	29.6	(282 142)	(206 486)	–	–
Proceeds from sale of PPE		5 279	12 724	–	–
Proceeds from financial assets disposed		27 475	3 283	–	–
Proceeds from preference shares redeemed		–	379 319	–	–
Purchases of intangible assets		(242 395)	(18 546)	–	–
Cash outflow from investment activities		(591 749)	(6 551)	–	–
Cash flows from financing activities					
Proceeds from ordinary shares issued		12 221	13 787	12 221	13 787
Purchase of treasury shares		(8 127)	1 311	–	–
Proceeds from interest-bearing borrowings		419 386	(327 942)	–	–
Repayments of intercompany borrowings		–	–	(12 221)	(13 787)
Cash inflow from financing activities		423 480	(312 844)	–	–
Decrease in net cash, cash equivalents and bank overdrafts					
Balance at the beginning of the year		31 341	(332 426)	–	–
Exchange gains on cash, cash equivalents and bank overdrafts		1 132	(12 260)	–	–
Balance at the end of the year		(144 844)	(31 341)	–	–
Decrease in net cash, cash equivalents and bank overdrafts	29.7	(112 371)	(376 027)	–	–

Notes to the annual financial statements

FOR THE YEARS ENDED 30 JUNE

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The annual financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the South African Companies Act (No. 61 of 1973), as amended. The annual financial statements are prepared on the historical cost convention, as modified by the revaluation of certain financial instruments and biological assets to fair value.

These annual financial statements incorporate accounting policies that have been consistently applied to both years presented, with the exception of the implementation of the following new standards, interpretations and amendments to published standards that became effective during the current financial year:

- Amendment to IAS 39 – Financial Instruments: Recognition and Measurement and amendment to IFRS 7 – Financial Instruments: Disclosures – Reclassification of Financial Assets (effective 1 July 2008) *
- IFRIC Interpretation 12 – Service Concession Arrangements (effective 1 January 2008) *
- IFRIC Interpretation 13 – Customer Loyalty Programmes (effective 1 January 2008) *
- IFRIC Interpretation 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008) *

* *The relevance of these standards, interpretations and amendments to published standards has been assessed with respect to the Group's operations and it was concluded that, other than the additional presentational disclosures required, they did not have a material impact on the Group.*

Standards, interpretations and amendments to published standards that are not yet effective

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 30 June 2009, but not yet effective on that date. The standards that are applicable to the Group, but that were not implemented early, are the following:

• IFRIC 15: Agreements for the Construction of Real Estate (effective 1 January 2009)

This interpretation addresses diversity in accounting for real estate sales. IFRIC 15 clarifies how to determine whether an agreement is within the scope of IAS 11: *Construction contracts* or IAS 18: *Revenue* and when revenue from construction should be recognised. The guidance replaces example 9 in the appendix to IAS 18.

• IFRIC 16: Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

This interpretation provides guidance on identifying the foreign currency risks that qualify as a hedged risk (in the hedge of a net investment in a foreign operation). It secondly provides guidance on where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. Thirdly, it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

• IFRIC 17: Distributions of Non-cash Assets to Owners (effective 1 July 2009)

This interpretation provides guidance on how an entity should account for and measure distributions of non-cash assets to its owners as well as distributions that give owners a choice of receiving either cash or another asset. An entity should measure the dividend payable at the fair value of the net assets to be distributed. The difference between the dividend paid and the carrying amount of the net assets distributed should be accounted for in profit or loss.

• IFRIC 18: Transfers of Assets from Customers (effective 1 July 2009)

IFRIC 18 clarifies the accounting treatment for transfers of property, plant and equipment received from customers. This interpretation applies to agreements with customers in which the entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services, or to do both.

• Revised IFRS 3: Business Combinations (effective 1 July 2009)

The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.

• IFRS 8: Operating Segments (effective 1 January 2009)

IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance

of its operating segments. The standard sets out requirements for disclosure of information about and entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

- **Revised IAS 23: Borrowing Costs**
(effective 1 January 2009)

The revised IAS 23 removes the option of immediately recognising borrowing costs that relate to assets that necessarily take a substantial period of time to get ready for its intended use or sale, as an expense.

- **Revised IAS 27: Consolidated and Separate Financial Statements** (effective 1 July 2009)

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

- **Amendment to IFRS 1: First-time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate** (effective 1 January 2009)

The amendment allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor. The revised IFRS 1 standard (effective 1 July 2009) also has an improved structure but does not contain any technical changes.

- **Amendment to IFRS 2: Share-based Payment: Vesting Conditions and Cancellations** (effective 1 January 2009)

The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by

the entity or by other parties, should receive the same accounting treatment.

- **Amendment to IFRS 2: Group Cash-settled Share-based Payment Transactions**
(effective 1 January 2010)

The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.

- **Amendment to IFRS 7: Financial Instruments Disclosures: Improving Disclosures about Financial Instruments** (effective 1 January 2009)

The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities.

- **Amendment to IAS 1: Presentation of Financial Statements** (effective 1 January 2009)

The changes made to IAS 1 are to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles are not mandatory for use in financial statements.

- **Amendment to IAS 32: Financial Instruments – Presentation and IAS 1: Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation** (effective 1 January 2009)

The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet

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specific conditions: a) puttable financial instruments (for example, some shares issued by co-operative entities); b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities). Additional disclosures are required about the instruments affected by the amendments.

- **Amendment to IAS 39: Financial Instruments – Recognition and Measurement: Eligible Hedged Items** (effective 1 July 2009)

The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

- **Amendment to IFRIC 9: Reassessment of Embedded Derivatives and IAS 39: Financial Instruments – Recognition and Measurement** (effective 1 July 2009)

The amendments clarify that if an asset is reclassified under the amendment to IAS 39 and IFRS 7 it must be assessed for embedded derivatives at the date of reclassification. In addition, a contract that includes an embedded derivative that cannot be separately measured, is prohibited from being reclassified out of the 'at fair value through profit or loss' category.

- **AC 504: IAS 19 (AC 116) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment** (effective 1 April 2009)

The interpretation provides guidance on the application of IFRIC 14 (AC 447) in South Africa in relation to defined benefit pension obligations (governed by the Pension Funds Act, 1956) within the scope of IAS 19 (AC 116).

- **Revised AC 503 – Accounting for Black Economic Empowerment Transactions** (effective 1 January 2009)

The Accounting Practices Committee has revisited AC 503 in light of the amendments to IFRS 2. As a result of these amendments, paragraphs 18 to 25 and the related Illustrative Examples and Basis for Conclusions of AC 503 have been revised to take into account the amended definition of vesting conditions and the accounting treatment of non-vesting conditions.

- **IASB First Annual Improvements Project**

The IASB concluded its first annual improvements project, amending various accounting standards. These changes become effective for periods commencing on or after 1 January 2009, unless specified otherwise in the transitional provision for each amendment.

The application of the above mentioned standards, interpretations and amendments to IFRS in future financial reporting periods is not expected to have a significant effect on the Group's financial results, financial position or cash flow. Certain of these standards, interpretations and amendments to IFRS may however require additional disclosures to the financial statements for future financial reporting periods.

1.2 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows.

a) *Estimated impairment of goodwill and intangible assets*

The Group tests annually whether goodwill and intangible assets with an indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in note 1.9. The recoverable amounts of cash generating units have been determined based on value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates. Further details are provided in note 6.

b) *Income taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made.

c) Retirement benefits

The cost of pension benefits and post-retirement medical liability plans is determined using actuarial valuations. The actuarial valuations depends on a number of assumptions which include discount rates, inflation rate, annual increase in health cost, expected retirement age, expected membership continuance at retirement, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are provided in note 14.

d) Share-based compensation to employees

The Group uses the actuarial binomial option pricing model to calculate the IFRS 2 expense for share-based compensation to employees. This valuation model require a number of assumptions to be made, which include expected volatility of share price, expected option life, risk-free interest rate, employee turnover and dividend yields. Further details are provided in note 10.

e) Biological assets

The Group owns bearer biological assets in the form of grape vines and certain assumptions and estimates are used to calculate the fair value of mature grape vines. Further details regarding assumptions and estimates are provided in note 1.7 and note 3.

Details of these estimates and assumptions are set out in the relevant notes to the annual financial statements.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) which are, directly or indirectly, controlled by the Group. Control is established where the Group has power to govern the financial and operating policies of an entity, generally accompanying a shareholding of more than one half of the voting rights, so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which effective control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the

date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. 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.

The investment of Distell Group Limited in the ordinary shares of its subsidiary, South African Distilleries and Wines (SA) Limited is carried at cost less impairment losses in the company financial statements.

Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

Associates

Associates 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. Investments in associated undertakings are accounted for by using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 1.9 for the impairment of non-financial assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition

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movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

Dilution gains and losses arising in investment in associates are recognised in equity.

Joint ventures

Joint ventures are those entities over which the Group exercises joint control in terms of a contractual agreement. The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

1.4 Foreign currency translation

Functional and presentation currency

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

Foreign Group entities

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement presented are translated at the average exchange rates for the period presented (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- All resulting exchange rate translation differences are recognised as a separate component of equity in the foreign currency translation reserve (FCTR).

When the foreign entities' functional currency is the currency of a hyperinflationary economy the financial statements of these entities are restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current at the balance sheet date. All the line items in these inflation adjusted financial statements are translated to the Group's presentation currency at the closing rate. The comparative amounts are those that were included in the Group's results in the previous year. The resulting exchange rate differences are recognised in the income statement.

On consolidation, exchange rate differences arising from the translation of the net investment in foreign operations, and of borrowings, if applicable, are also taken to the FCTR. When a foreign operation is partially disposed of or sold, all related exchange rate differences in the FCTR are recognised in the income statement as part of the profit or loss on sale. The Group's net investment in a subsidiary or joint venture is equal to the equity investment plus all monetary items that are receivable from or payable to the subsidiary or joint venture, for which settlement is neither planned nor likely to occur in the foreseeable future.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign

currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair-value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair-value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

1.5 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Segment revenue is all revenue directly attributable to the segment, excluding investment income and including joint-venture revenue.

Segment result is segment revenue less segment expenses. Segment expenses are all directly attributable expenses resulting from the operating activities of a segment as well as any relevant portion of an expense that can be allocated to the segment on a reasonable basis. This allocation is done on a line-by-line basis considering the driver for each type of expense, e.g. sales of merchandise or employee costs. Segment result comprises trading profit plus exchange rate differences less investment income.

1.6 Property, plant and equipment

Property, plant and equipment are tangible assets held by the Group for use in manufacturing and distribution of its products and are expected to

be used during more than one period. All property, plant and equipment are stated at their historical costs less subsequent depreciation and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the property, plant and equipment and is depreciated on a straight line basis, from the date that assets are available for use, at rates appropriate to the various classes of assets involved, taking into account the estimated useful life and residual values of the individual items. Land is not depreciated, as it is deemed to have an unlimited useful life. Improvements to leasehold properties are recognised as property, plant and equipment when it is probable that future economic benefits will flow to the company. Improvements to leasehold properties are shown at cost and written off over the remaining period of the lease.

Management determines the estimated useful lives and the related depreciation charges at acquisition.

Useful lives:

Buildings	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

Property, plant and equipment's residual values and useful lives are reviewed at each balance sheet date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, to the extent that it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Also refer note 1.9 for impairment of non-financial assets.

Gains and losses on disposal or scrapping of property, plant and equipment, being the difference between the net proceeds on disposals or scrappings and the carrying amount are recognised in the income statement within 'other (losses)/gains'.

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1.7 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.

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

Grapes harvested from the Group's biological assets are measured at its fair value less estimated point-of-sale costs at the point of harvest.

The determination of fair value of biological assets requires significant management judgement and, amongst others, the following factors are considered: the discount rate, productive life of grape vines, rental value of farm land and expected sales prices.

Immature grape vines are shown at cost.

1.8 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 identifiable assets of the acquired subsidiaries, joint ventures and associates at the date of acquisition. Goodwill on acquisition of subsidiaries and joint ventures is included in 'intangible assets'. Goodwill on acquisition of associates is included in 'investment in associates' and is tested for impairment as part of the overall balance. Goodwill denominated in a foreign currency is translated at closing rates. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The gain or loss on disposal of an entity includes the carrying amount of goodwill relating to the entity disposed.

Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks that have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives. Trademarks are deemed as having an indefinite useful life when there are no foreseeable limit on the time the trademarks are expected to provide future cash flow. Trademarks

that are deemed to have an indefinite useful life are carried at cost less accumulated impairment losses.

Research and development expenditure

Research and development expenditure relating to internally generated brands and trademarks are recognised as an expense in the income statement as incurred.

Computer software

Acquired computer software (which are not an integral part of computer hardware) and software licences and the direct costs associated with the development and installation thereof are capitalised.

Costs associated with developing or maintaining software are recognised as an expense when incurred. Costs that are directly associated with the development of identifiable and unique software controlled by the Group, and that will probably generate future economic benefits beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software is depreciated on the straight-line method over their estimated useful lives (three to five years) when available for use.

1.9 Impairment of non-financial assets

Assets that have an indefinite life are not subject to amortisation and are tested for impairment at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. The determination of whether an asset is permanently impaired requires significant management judgement and, amongst others, the following factors will be considered: duration and extent to which the fair value of the assets is less than its cost; industry, geographical and sector performance; changes in regional economies and operational and financing cash flows.

Where the carrying value of an asset exceeds its estimated recoverable amount, the carrying value is impaired and the asset is written down to its recoverable amount. The recoverable amount is calculated as the higher of the asset's fair value less cost to sell and the value in use. These calculations are prepared based on management's assumptions and estimates such as forecasted cash flows; management budgets and industry, regional and geographical, operational and financial outlooks. For the purpose of impairment testing the assets are

allocated to cash-generating units (CGUs). CGUs are the lowest levels for which separately identifiable cash flows can be determined. The related impairment expense is charged to the income statement to the extent that it is not a reversal of a previous revaluation included in non-distributable reserves.

Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.10 Financial assets

The Group classifies its financial assets in the following categories:

- Held-to-maturity investments
- Financial assets at fair value through profit and loss
- Loans and receivables
- Available-for-sale investments

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category would be tainted and reclassified as available for sale. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within 'operating expenses' in the period in which they arise. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences in monetary securities are recognised in profit or loss, and translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

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The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities and other investments classified as available-for-sale, a significant or prolonged decline in the fair value of the asset below its cost is considered as an indicator that the asset is impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using cash flow models.

1.11 Derivative financial instruments and hedging activities

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or (2) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or (3) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes and the movements on the hedging reserve in shareholders' equity are disclosed in the relevant notes to the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining hedge item is more than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed-rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'operating expenses'. Changes in the fair value of the hedged fixed-rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'finance costs'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'revenue'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example,

inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity.

Derivatives accounted for at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within 'finance costs'.

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.

Financial guarantee contracts are recognised initially at fair value and subsequently at the higher of the amount in accordance with IAS 37 and the amount initially recorded, less appropriate cumulative amortisation recognised in accordance with IAS 18.

1.12 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full at currently enacted or substantially enacted tax rates using the liability method. Provision is made for all temporary

differences arising between the taxation bases of assets and liabilities and their balance sheet carrying values.

No deferred income tax is accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Management applies judgement to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as profit history, forecasted cash flows and budgets.

South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax (called STC), on distributed income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in the income statement in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the Group will declare future dividends to utilise such STC credits.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the

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timing of the reversal of the temporary difference can be controlled by the Group and it is probable that it will not reverse in the foreseeable future.

1.13 Leases

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

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

1.14 Inventories

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

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

Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of raw materials.

1.15 Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Fair value is the estimated future cash flows discounted at a market related interest rate.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'operating expenses'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating costs' in the income statement.

1.16 Cash and cash equivalents

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

1.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds, net of tax.

Where entities controlled by the Group purchase the company's shares, the consideration paid, including attributable transaction costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are sold or cancelled. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders. Dividends received on treasury shares are eliminated on consolidation.

1.18 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

All borrowing costs are expensed when incurred.

1.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

1.21 Employee benefits

Retirement funds

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

The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined-contribution and defined-benefit plans.

A defined-contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to defined-contribution plans in respect of services rendered in a particular period are recognised as an expense in that period. Additional contributions are recognised as an expense in the period during which the associated services are rendered by employees.

A defined-benefit plan is a plan that is not a defined-contribution plan. This plan defines an amount of pension benefit an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined-benefit pension plans is the present value of the defined-benefit obligation at the balance sheet date less the fair value of plan assets together with adjustments to unrecognised past service costs. The defined-benefit obligation is actuarially valued every three years and reviewed every year by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Current service costs are recognised immediately in income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised outside profit or loss in the period in which they occur and are presented in the statement of recognised income and expense.

Past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Post-retirement medical benefits

The Group provides for actuarially determined future medical benefits of employees who remained in service up to retirement age and completing a minimum service period. The expected costs of these benefits are accrued over the period of employment based on past services. This post-retirement medical benefit obligation is measured as the present value of the estimated future cash outflows based on a number of assumptions. These assumptions include, amongst others, healthcare cost inflation, discount rates, salary inflation and promotions and experience increases, expected retirement age and continuation at retirement. Valuations of this obligation are carried out every year by independent qualified actuaries, in respect

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of past service liabilities and actuarial gains or losses are recognised outside profit or loss in the period in which they occur and are presented in the statement of recognised income and expense. The projected unit credit method is used to determine the present value of the post-retirement medical benefit obligation.

Share-based compensation

The Group operates an equity-settled share incentive scheme through The Distell Group Share Trust.

Scheme shares are granted to executive directors and management. Shares are granted at the market price of the shares on the date of the offer and are exercisable at that price. Scheme shares are exercisable within one year from the date of offer and are payable within seven years in three equal instalments of which the first instalment is only payable after three years.

The fair value of the services received is recognised as an expense over the vesting period. The fair value is determined at grant date with reference to the fair value of the scheme shares granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of scheme shares that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of scheme shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the scheme shares are exercised.

Long-service awards

Long-service awards are provided to employees who achieve certain predetermined milestones of service within the Group. The Group's obligation is valued by independent qualified professionals at year-end and the corresponding liability is raised. Costs incurred are set off against the liability. Movements in the liability, including notional interest, resulting from the valuation are charged against the income statement upon valuation. The projected unit credit method is used to determine the present value of the long-service awards obligation.

Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable

to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities, including excise duty, but net of value added tax (VAT), general sales taxes (GST), rebates and discounts, and after eliminating sales within the Group.

Excise is not directly related to sales, unlike value added tax. It is not recognised as a separate item on invoices, increases in excise are not always directly passed on to customers and the Group cannot reclaim the excise where customers do not pay for products received. The Group considers excise as a cost to the Group and reflect it in 'cost of goods sold' and consequently any excise that is recovered in the sales price is included in revenue.

Revenue is recognised as follows:

- **Cash sales of goods** are recognised upon delivery of products and customer acceptance and collectability of the related receivable is reasonably assured.
- **Sales of services** are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- **Interest income** is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.
- **Dividend income** is recognised when the shareholder has an irrevocable right to receive payment.

1.23 BEE transactions

BEE transactions where the Group receives or acquires goods or services as consideration for the issue of equity instruments of the Group are treated as share-based payment transactions.

BEE transactions where employees are involved are measured and accounted for on the same basis as share-based compensation in note 1.21.

Transactions, in which share-based payments are made to parties other than employees, are measured by reference to the fair value of equity instruments granted if no specific goods or services are received. Vesting of the equity instrument granted occurs immediately and an expense and a related increase in equity are recognised on the date that the instrument is granted. No further measurement or adjustments are required as it is presumed that the BEE credentials are received upfront.

1.24 Earnings per share

Earnings, headline earnings and adjusted headline earnings per share are calculated by dividing the net profit attributable to shareholders, headline earnings and adjusted headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the Group as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all ordinary shares with dilutive potential. Scheme shares, issued in terms of the share incentive scheme, have dilutive potential. For the scheme shares a calculation is done to determine the number of shares that could have been acquired, at the closing market price, based on the monetary value of subscription rights

attached to outstanding scheme shares in order to determine the 'bonus' element; the 'bonus' shares are added to the ordinary shares in issue. No adjustment is made to net profit, as the scheme shares have no income statement effect.

1.25 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

1.26 Non-current assets held for sale

Non-current assets held for sale are classified as assets held for sale and are stated at the lower of the carrying amount and fair value, less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continued use.

1.27 Related parties

Individuals or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as all directors of Distell Limited, the main operating company of the Group.

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2. PROPERTY, PLANT AND EQUIPMENT

	Properties R'000	Machinery, tanks and barrels R'000	Equipment and vehicles R'000	Assets under construction R'000	Total R'000
2008					
Opening balance	643 618	637 329	49 569	–	1 330 516
Additions	81 676	278 302	19 746	–	379 724
Disposals	(6 018)	(1 596)	(4 812)	–	(12 426)
Transfers	5 780	(5 999)	219	–	–
Depreciation	(1 861)	(138 564)	(11 230)	–	(151 655)
	723 195	769 472	53 492	–	1 546 159
At cost	748 293	1 739 728	126 928	–	2 614 949
Accumulated depreciation	(25 098)	(970 256)	(73 436)	–	(1 068 790)
Net carrying value	723 195	769 472	53 492	–	1 546 159
2009					
Opening balance	723 195	769 472	53 492	–	1 546 159
Additions	24 990	250 086	20 474	79 857	375 407
Disposals	(502)	(880)	(2 624)	–	(4 006)
Transfers	1 100	(1 218)	118	–	–
Depreciation	(2 181)	(130 124)	(11 775)	–	(144 080)
	746 602	887 336	59 685	79 857	1 773 480
At cost	773 781	1 971 102	138 727	79 857	2 963 467
Accumulated depreciation	(27 179)	(1 083 766)	(79 042)	–	(1 189 987)
Net carrying value	746 602	887 336	59 685	79 857	1 773 480

Included in additions for 2009 is an amount of R0,4 million, relating to property, plant and equipment obtained in a business combination (note 35).

Included in equipment and vehicles are capitalised finance lease vehicles with a net carrying value of R3,2 million (2008: R3,7 million) (note 13).

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

3. 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 2009 amounted to approximately 1 466 ha (2008: 1 485 ha), of which approximately 1 264 ha (2008: 1 214 ha) can be classified as mature vines. The total output of grapes harvested during the current year amounted to 11 397 tons (2008: 11 008 tons).

The fair value of the grapes harvested during the current financial year amounted to R52,9 million (2008: R46,1 million). The fair value was calculated with reference to arm's length prices paid in an active market less estimated point-of-sale costs.

3. BIOLOGICAL ASSETS *(continued)*

The fair value of mature grape vines was calculated by discounting the net cash flows thereof over their remaining lives at a discount rate of 18,5% (2008: 20%). The net cash flows were calculated with reference to grape varieties, expected yields based on the past three years' experience, estimated future sales prices and estimated future production costs.

The average productive life of grape vines are estimated at 23 years (2008: 23 years).

	2009 R'000	2008 R'000
Carrying amount		
Opening balance	122 024	114 675
Acquisitions	6 701	3 607
Acquisition of subsidiary (note 35)	6 589	–
Net change in fair value	11 061	3 742
– Decrease due to harvest	(52 859)	(46 096)
– Gain due to price, yield, maturity and cost changes	63 920	49 838
Balance at the end of the year	146 375	122 024

An amount of R6,9 million (2008: R6,7 million) for vineyard development expenses is included in the total of capital commitments in note 31.

The fair value of grape vines cultivated on land, of which the operating lease expires in 2018, amounts to R2,1 million (2008: R4,2 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.

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	2009 R'000	2008 R'000
4. FINANCIAL ASSETS		
Loans and receivables		
– Loans to producers and other unrelated parties, denominated in rand, at market-related interest rates and secured by bonds over properties where applicable	23 092	30 060
Available-for-sale investments		
– Unlisted equities, denominated in the following currencies:	51 189	55 841
Rand	19 039	22 269
Canadian dollar	9 085	9 496
British pound	23 065	24 076
	74 281	85 901
Opening balance	85 901	72 822
Additions	4 702	9 710
Repayments	(11 454)	(2 352)
Exchange differences	(905)	2 845
Net gains transferred to equity (note 11)	4 019	1 997
Acquisition of subsidiary (note 35)	(10 034)	–
Finance income	2 052	879
Balance at the end of the year	74 281	85 901
Directors' valuation of financial assets	74 281	85 901

The fair value estimation of unlisted equities are indicated in note 34.2.

The maximum exposure to credit risk at the reporting date is the carrying value of the loans and receivables. None of these financial assets are past due or impaired.

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

	2009 R'000	2008 R'000
5. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES		
Company		
Investments in subsidiaries (annexure 1)	2 035 766	1 906 597
Group		
Investments in associates (annexure 2)		
Opening balance	31 636	23 270
Share of profit	30 058	23 523
Dividends received	(20 825)	(17 126)
Exchange differences	(2 382)	1 969
Balance at the end of the year	38 487	31 636
Made up as follows:		
Cost and share of profits	29 411	22 560
Goodwill	9 076	9 076
	38 487	31 636
Summary of goodwill		
Opening balance	9 076	9 076
Additions	-	-
Balance at the end of the year	9 076	9 076
Directors' valuation of investments in associates	304 785	187 806

Impairment tests of investments in associates

The investments in Tanzania Distilleries Limited and Grays Inc. Limited have been allocated to those cash-generating units and are each tested for impairment as a single asset, including goodwill. The recoverable amounts of the cash-generating units have been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections is between 10% and 16%. 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 (7% – 14%), gross margins (24% – 61%) and cost increases (5% – 12%) 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.

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6. INTANGIBLE ASSETS

	Capitalised software R'000	Goodwill R'000	Trademarks R'000	Total R'000
2008				
Opening balance	19 757	–	14 303	34 060
Additions	13 926	1 919	2 701	18 546
Amortisation	(13 233)	–	–	(13 233)
Balance at the end of the year	20 450	1 919	17 004	39 373
Cost	73 983	1 919	17 004	92 906
Accumulated amortisation and impairment	(53 533)	–	–	(53 533)
Net carrying value	20 450	1 919	17 004	39 373
2009				
Opening balance	20 450	1 919	17 004	39 373
Additions	8 861	5 510	233 534	247 905
Exchange differences	–	–	(30 930)	(30 930)
Amortisation	(11 663)	–	–	(11 663)
Balance at the end of the year	17 648	7 429	219 608	244 685
Cost	82 845	7 429	219 608	309 882
Accumulated amortisation and impairment	(65 197)	–	–	(65 197)
Net carrying value	17 648	7 429	219 608	244 685

Amortisation is included in 'Administration and other costs' in the income statement.

The addition to goodwill in 2009 relates to the acquisition of additional shares in Lomond Wine Estate (Proprietary) Limited (note 35).

The addition to trademarks in 2009 relates to the acquisition of the 200-year-old Bisquit cognac trademark.

Management regards the trademarks as having an indefinite useful life as there are no foreseeable limits on the time the trademarks are expected to provide future cash flows. The trademarks are protected in all the major markets where they are sold and there is not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands.

Impairment tests for goodwill

The goodwill acquired through the investments in Distell Wine Masters Limited (Kenya) and Lomond Wine Estates (Proprietary) Limited was allocated to those cash-generating units and are tested for impairment on an annual basis. The recoverable amounts of the cash-generating units have been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections is between 12,3% and 16%. These calculations indicate that no impairment was necessary in the carrying value of the goodwill.

Key assumptions used for value-in-use calculation

Sales growth rates (5% – 20%), gross margins (22% – 50%) and cost increases (6% – 12%) 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.

6. INTANGIBLE ASSETS *(continued)*

Impairment tests for trademarks

The recoverable amount of the Bisquit trademark was determined by management based on fair value less cost to sell by utilising the Market Approach. This approach entails calculating the effective enterprise value (EV) to earnings before interest, tax, depreciation and amortisation (EBITDA) multiple (EV/EBITDA multiple) and comparing it to international transaction multiples of the same nature. The EBITDA calculation was based on historic income statement figures, adjusted for the average industry advertising and promotional expenditure of comparable companies and brands. Management concluded that the fair value less costs to sell is higher than the purchase price and that no impairment is required as the multiple paid for the Bisquit brand is less than the comparable industry multiples of between 8,0 and 25,2.

The other trademarks were allocated to their respective cash-generating units and are tested for impairment on an annual basis. The recoverable amounts of the cash-generating units have been based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five year period. The discount rate applied to the cash flow projections is between 10% and 16%. These calculations indicate that no impairment was necessary in the carrying value of the trademarks.

Key assumptions used for value-in-use calculation

Sales growth rates (15% – 32%), gross margins (22% – 35%) and cost increases (6% – 12%) 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.

	2009 R'000	2008 R'000
7. INVENTORIES		
Bulk wines, flavoured alcoholic beverages and spirits	2 022 581	1 807 197
Bottled wines, flavoured alcoholic beverages and spirits	871 558	740 719
Packaging material	404 817	312 748
Excise duty	415 699	407 891
	3 714 655	3 268 555
The cost of inventories recognised as an expense and included in 'costs of goods sold' amounted to R6 574,8 million (2008: R5 633,4 million).		
No previous write-down was reversed during the year (2008: none).		
8. TRADE AND OTHER RECEIVABLES		
Trade receivables	998 104	870 441
Provision for impairment of receivables	(10 693)	(7 442)
Trade receivables – net	987 411	862 999
Insurance claims	1 037	11 993
Prepayments	77 871	47 000
Other receivables	39 308	32 044
Value added tax	49 754	–
	1 155 381	954 036

Included in the Group's trade receivables are debtors with carrying amounts of R34,3 million (2008: R27,9 million) which are past due at the reporting date but not impaired.

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	2009 R'000	2008 R'000
8. TRADE AND OTHER RECEIVABLES <i>(continued)</i>		
These relate to a number of independent customers where there have not been any history of payment default or significant changes in credit quality and the amounts are still considered recoverable. The Group holds no collateral for these past due receivables. The ageing analysis of these receivables is as follows:		
Ageing of past due but not impaired trade and other receivables		
30 to 60 days overdue	31 212	24 380
Past 60 days overdue	3 118	3 474
	34 330	27 854
At 30 June 2009, trade receivables of R10,7 million (2008: R7,4 million) were impaired and provided for. The individually impaired receivables mainly relate to customers who are in financial difficulty and where there are indications that the Group may not recover the full amount.		
In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. Concentration of credit risk is limited because of the large number of customers and their dispersion across geographical areas.		
The analysis of trade receivables that are individually determined to be impaired are as follows:		
Ageing of impaired trade and other receivables		
60 to 120 days overdue	2 972	4 092
Past 120 days overdue	7 721	3 350
Total	10 693	7 442
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:		
South African rand	746 674	607 448
US dollar	66 463	62 738
Euro	195 902	157 896
British pound	34 594	17 882
Canadian dollar	45 517	40 558
Other currencies	66 231	67 514
	1 155 381	954 036
The movement of the Group's provision for impairment of trade receivables are as follows:		
Opening balance	7 442	10 757
Provision for receivable impairment	8 845	5 609
Receivables written off during the year as uncollectable	(107)	(141)
Unused amounts reversed	(5 487)	(8 783)
Balance at the end of the year	10 693	7 442

8. TRADE AND OTHER RECEIVABLES *(continued)*

The creation and release of provision for impaired receivables have been included in 'sales and marketing expenses' and 'distribution costs' in the income statement (note 19.1). The other classes within trade and other receivables do not contain impaired assets.

Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as mentioned above. The fair values of trade and other receivables approximate their book values as shown above due to the short-term maturities of these assets. The Group does not hold any collateral as security.

None of the payment terms of trade and other receivables that are fully performing or overdue have been renegotiated during the year.

	2009 R'000	2008 R'000
9. DERIVATIVE FINANCIAL INSTRUMENTS		
The following amounts are included in 'other receivables' (note 8) and 'accrued expenses' (note 16):		
Current assets		
Forward foreign exchange contracts – held-for-trading	1 013	52
Current liabilities		
Forward foreign exchange contracts – held-for-trading	(1 213)	(224)
Total	(200)	(172)

Refer to note 34.2 for the fair value estimation of forward foreign exchange contracts.

Interest rate swaps

In order to hedge specific exposures in the interest rate repricing profile of existing borrowings, the Group may use interest rate derivatives to generate the desired interest profile.

No borrowings of the Group were hedged by interest rate derivatives at 30 June 2009 and 30 June 2008.

Forward foreign exchange contracts

Material forward foreign exchange contracts as at 30 June 2009 and 30 June 2008 are summarised as follows:

Forward foreign exchange contracts – anticipated transactions

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

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9. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Foreign currency	Foreign currency amount '000	Rand amount R'000	Fair value gain/(loss) R'000
2009			
Forward foreign exchange sales			
Australian dollar	50	316	(1)
Canadian dollar	1 100	7 573	99
New Zealand dollar	130	660	(3)
Euro	1 500	17 150	882
		<u>25 699</u>	<u>977</u>
Forward foreign exchange purchases			
US dollar	700	5 508	32
British pound	300	3 960	(47)
Euro	3 000	34 395	(1 162)
		<u>43 863</u>	<u>(1 177)</u>
		<u>69 562</u>	<u>(200)</u>
2008			
Forward foreign exchange sales			
Canadian dollar	1 050	8 312	52
Euro	3 800	45 948	(224)
		<u>54 260</u>	<u>(172)</u>
Forward foreign exchange purchases			
Euro	–	–	–
		<u>54 260</u>	<u>(172)</u>

The net uncovered trade proceeds at 30 June 2009 amounted to R304,3 million (2008: R244,6 million) and net uncovered trade purchases at 30 June 2009 amounted to R16,5 million (2008: R60,1 million).

	2009 Number '000	2008 Number '000
10. SHARE CAPITAL		
Shares authorised		
Ordinary shares of 1 cent each	<u>250 000</u>	250 000
Shares issued		
Opening balance	200 660	199 760
Issue of shares – share scheme	432	900
Ordinary shares of 1 cent each issued and fully paid	<u>201 092</u>	200 660
Treasury shares		
Opening balance	62	152
Issue of shares – share scheme	432	900
Shares paid and delivered – share scheme	(170)	(990)
Shares held by The Distell Group Share Trust	<u>324</u>	62

	Company Ordinary shares R'000	Company Share premium R'000	Treasury shares R'000	Group Total R'000
10. SHARE CAPITAL (continued)				
2008				
Opening balance	1 998	602 022	(2 220)	601 800
Issue of shares – share scheme	9	13 778	(13 787)	–
Shares paid and delivered – share scheme	–	–	15 098	15 098
Balance at the end of the year	2 007	615 800	(909)	616 898
2009				
Opening balance	2 007	615 800	(909)	616 898
Issue of shares – share scheme	4	12 217	(12 221)	–
Shares paid and delivered – share scheme	–	–	4 094	4 094
Balance at the end of the year	2 011	628 017	(9 036)	620 992

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

Share scheme

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 9 156 476 (2008: 9 588 382).

The details of the offer are as follows:

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 after the offer date.

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

Date	Participants	Offer price per share (Rand)	Number of shares offered	Number of shares accepted at 30 June 2009	Number of shares paid and delivered at 30 June 2009
19 March 2001	Executive directors	7,35	1 127 780	1 127 780	1 127 780
19 March 2001	Other participants	7,35	1 202 127	1 202 127	1 202 126
15 October 2002	Other participants	13,21	47 779	47 779	47 779
13 December 2002	Executive directors	14,60	953 320	953 320	953 320
13 December 2002	Other participants	14,60	1 639 069	1 639 069	1 576 828
3 June 2004	Other participants	15,05	219 570	219 570	146 380
25 October 2005	Executive directors	31,00	62 743	62 743	–
25 October 2005	Other participants	31,00	1 028 115	1 028 115	133 386
7 November 2006	Executive directors	40,00	227 233	227 233	–
7 November 2006	Other participants	40,00	294 048	294 048	–
8 October 2007	Executive directors	60,50	116 784	116 784	–
8 October 2007	Other participants	60,50	251 927	251 927	–
23 October 2008	Executive directors	45,50	164 086	164 086	–
23 October 2008	Other participants	45,50	603 997	603 997	–
			7 938 578	7 938 578	5 187 599

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	2009		2008	
	Average offer price per share (Rand)	Number of shares	Average offer price per share (Rand)	Number of shares
10. SHARE CAPITAL <i>(continued)</i>				
<i>The current status of the scheme is as follows:</i>				
Ordinary shares due to participants				
Previous financial years	36,62	2 204 973	26,15	2 866 456
Offered and accepted in current financial year	45,50	768 083	60,50	395 942
Shares paid for and delivered	24,12	(169 723)	15,24	(990 446)
Resignations and other	34,36	(52 354)	45,88	(66 979)
Outstanding at the end of the year	39,91	2 750 979	36,62	2 204 973

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

	Exercise price per share (Rand)	2009 Number of shares	2008 Number of shares
Shares offered, not issued, not paid for and not delivered (Share Trust)	27,85	324 425	62 242
June 2008	15,05	–	73 190
October 2008	31,00	–	366 796
June 2009	15,05	73 190	73 190
October 2009	31,00	347 646	366 796
November 2009	40,00	173 762	173 762
October 2010	31,00	347 643	366 797
November 2010	40,00	173 762	173 762
October 2011	60,50	122 904	124 894
October 2011	45,50	256 028	–
November 2011	40,00	173 757	173 757
October 2012	60,50	122 904	124 894
October 2012	45,50	256 028	–
October 2013	60,50	122 903	124 893
October 2013	45,50	256 027	–
		2 750 979	2 204 973

The fair value of shares granted after 7 November 2002 was valued at each grant date by using an actuarial binomial option pricing model. The model is an extension of the binomial model, incorporating employee behaviour.

The significant inputs into the model were:

share price at the grant date	R14,60 to R60,50
exercise price	shown above
expected volatility	28,47% to 35,90%
dividend yield	3,50% to 6,34%
option life	shown above
annual risk-free interest rate	7,81% to 10,43%

The expected lifetime of each grant are estimated by considering separately each of the tranches within that grant. The risk-free rate was estimated by using the implied yield on an SA zero-coupon government bond and the yield curve over the expected contract lifetimes of five, six and seven years from the offer date.

10. SHARE CAPITAL *(continued)*

Share price volatility of ordinary shares in Distell Group Limited was determined with reference to movements in the share price on the JSE taking into consideration the expected lifetimes of each tranche of all grants over the vesting period.

Dividend yield was calculated using the two-year moving average dividend yield at each offer date.

The total expense recognised in the income statement in 'employee benefit expense' (note 19.4) relating to above equity-settled share-based payments was R7,9 million (2008: R6,5 million).

	2009 R'000	2008 R'000
11. NON-DISTRIBUTABLE AND OTHER RESERVES		
Group		
Reserves at formation of a previous holding company	15 199	15 199
Capital reduction	236	236
Transfer of share capital on cancellation of shares	13 226	13 226
Transfer of share premium	15 873	15 873
Capital redemption reserve fund	400	400
Reclassification of pallets to deposit value	5 773	5 773
Foreign currency translations	(59 292)	(2 444)
Opening balance	(2 444)	(6 744)
Currency translation differences for the year	(56 848)	4 300
Fair value adjustments	17 697	14 278
Opening balance	14 278	12 581
Fair value adjustments of available-for-sale investments	4 019	1 997
Deferred income tax on fair value adjustments	(600)	(300)
BEE share-based payment option reserve	94 749	87 872
Opening balance	87 872	80 995
BEE share-based payment for the year	6 877	6 877
Employee share scheme reserve	31 225	23 363
Opening balance	23 363	16 855
Employee share-based payment for the year	7 862	6 508
Actuarial gains and losses reserve	68 049	96 264
Opening balance	96 264	141 565
Actuarial gains and losses for the year	(39 090)	(65 401)
Income tax on actuarial gains and losses	(124)	2 622
Deferred income tax on actuarial gains and losses	10 999	17 478
	203 135	270 040
Company		
BEE share-based payment option reserve	94 749	87 872
Opening balance	87 872	80 995
BEE share-based payment for the year	6 877	6 877
Reserves at formation of a previous holding company	15 199	15 199
Capital reduction	236	236
	110 184	103 307

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	2009 R'000	2008 R'000
12. RETAINED EARNINGS		
Group		
Company	1 295 553	1 185 483
Consolidated subsidiaries	2 652 091	2 333 336
Joint ventures	41 544	36 549
Associated companies	18 186	11 335
	4 007 374	3 566 703
Opening balance	3 566 703	3 040 443
Profit for the year	954 398	952 454
Dividends paid	(513 727)	(426 194)
Balance at the end of the year	4 007 374	3 566 703
Company		
Opening balance	1 185 483	1 094 812
Profit for the year	624 866	518 037
Dividends paid	(514 796)	(427 366)
Balance at the end of the year	1 295 553	1 185 483

Any future dividends declared from the distributable reserves of the company or its subsidiaries, which are not wholly owned subsidiaries of the company and are incorporated in South Africa, may be subject to secondary taxation on companies (STC), currently at a rate of 10,0% (2008: 10,0%) of the dividends declared.

Dividends received by Group companies during their various dividend cycles can be carried forward as unutilised STC credits. These STC credits can then be utilised to reduce any STC payable on future dividends declared by Group companies.

Changes in legislation relating to STC is currently being contemplated by the revenue authorities.

The Group had unutilised STC credits of R0,3 million at 30 June 2009 (2008: Rnil).

	2009 R'000	2008 R'000
13. INTEREST-BEARING BORROWINGS		
Non-current		
Unsecured rand loan, bearing interest at a fixed rate of 11,21% per annum, repayable in quarterly instalments of R18,8 million from July 2012, with a final redemption on 26 March 2014	420 000	–
Secured rand loans on capitalised finance lease vehicles (note 2), bearing interest at a variable rate of 1,8% below prime per annum, payable monthly in arrears in instalments of R100 480 (2008: R122 028) for 48 months (note 31)	3 337	3 951
	423 337	3 951
Less: Portion of loans repayable within one year, included in current liabilities	(951)	(1 013)
	422 386	2 938
Current		
Unsecured rand call accounts and bank overdrafts	323 316	225 014
Short-term portion of non-current borrowings	951	1 013
	324 267	226 027
Total interest-bearing borrowings	746 653	228 965

	% of Total	2009 R'000	2008 R'000	% of Total
13. INTEREST-BEARING BORROWINGS				
<i>(continued)</i>				
The interest rate repricing profile at 30 June 2009 and 30 June 2008 is summarised as follows:				
Fixed rate (unsecured loans)	56,3	420 000	–	–
Floating rate (secured loans)	0,4	3 337	3 951	1,7
Floating call rate (2009: 8,5%, 2008: 13,7%)	43,3	323 316	225 014	98,3
Total interest-bearing borrowings	100,0	746 653	228 965	100,0

The maturity profile of the interest-bearing borrowings is indicated in note 34.1(c).

The fair value and carrying amounts of non-current borrowings are as follows:

	Fair value		Carrying amount	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Interest-bearing borrowings				
Bank borrowings	382 064	–	420 000	–
Finance lease liabilities	2 386	2 938	2 386	2 938
	384 450	2 938	422 386	2 938

The fair value of non-current borrowings is calculated using cash flows discounted at a rate based on the borrowings rate of 11,21%.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

	2009 R'000	2008 R'000
The Group's unutilised banking facilities and reserve borrowing capacity are as follows:		
Unutilised banking facilities		
Total floating rate banking facilities expiring within one year	1 161 000	1 469 000
Less: Current interest-bearing borrowings	(323 316)	(225 014)
Unutilised banking facilities	837 684	1 243 986
Banking facilities are renewed annually and are subject to review at various dates during the next year.		
Unutilised borrowing capacity		
In terms of the company's articles of association the aggregate amount of the Group's year-end interest-bearing borrowings is limited to 100% of total equity of the Group.		
Maximum permissible year-end interest-bearing borrowings	4 833 526	4 455 666
Total interest-bearing borrowings	(746 653)	(228 965)
Unutilised borrowing capacity	4 086 873	4 226 701
Cash and cash equivalents	178 472	193 673
Unutilised borrowing capacity and cash and cash equivalents	4 265 345	4 420 374

No assets of the Group, other than vehicles under finance lease agreements (note 2), were encumbered as at 30 June 2009.

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	2009 R'000	2008 R'000
14. RETIREMENT BENEFITS		
Balance sheet assets for:		
Pension benefits	(7 267)	(21 448)
Post-retirement medical liability	(50 883)	(93 140)
	(58 150)	(114 588)
Balance sheet obligations for:		
Post-retirement medical liability	18 300	15 623
	18 300	15 623
Net retirement benefit asset	(39 850)	(98 965)
Income statement charge for:		
Pension benefits	(10 194)	(7 621)
Post-retirement medical liability	14 716	7 832
	4 522	211
Actuarial gains and losses		
Actuarial losses recognised in the SoRIE	(39 090)	(65 401)
Cumulative actuarial gains recognised in the SoRIE	94 569	133 659

14.1 Pension benefits

Defined-benefit pension funds

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

The defined-benefit pension funds are actuarially valued every three years and reviewed every year using the projected unit credit method. The latest full actuarial valuation was performed on 31 May 2006 and indicated that the plans are in a sound financial position. A full actuarial valuation on 31 March 2008 is currently being done.

	2009 R'000	2008 R'000
Balance sheet		
Amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	184 906	170 148
Fair value of plan assets	(228 304)	(274 987)
Funded position	(43 398)	(104 839)
Asset not recognised in terms of IAS 19, paragraph 58 limit *	36 131	83 391
Net asset in balance sheet	(7 267)	(21 448)

* The 'IAS 19, paragraph 58 limit' ensures that the asset to be recognised in the Group's balance sheet is subject to a maximum of the sum of any unrecognised actuarial losses, past-service costs and the present value of any economic benefits available to the Group in the form of refunds or reductions in future contributions.

	2009 R'000	2008 R'000
14. RETIREMENT BENEFITS <i>(continued)</i>		
14.1 Pension benefits <i>(continued)</i>		
Balance sheet		
The movement in the defined-benefit obligation over the year is as follows:		
Opening balance	170 148	173 301
Current service cost	937	934
Interest cost	17 057	13 097
Contributions	295	270
Curtailment cost	–	(38)
Actuarial losses	6 111	629
Risk premiums	(184)	(149)
Benefits paid	(9 680)	(17 896)
Past service cost	222	–
Balance at the end of the year	184 906	170 148
The movement in the fair value of plan assets over the year is as follows:		
Opening balance	274 987	290 824
Expected return on plan assets	28 410	21 614
Utilised for reductions in contributions	(16 227)	(10 139)
Actuarial losses	(49 718)	(9 875)
Employer contributions	421	338
Employee contributions	295	270
Risk premiums	(184)	(149)
Benefits paid	(9 680)	(17 896)
Balance at the end of the year	228 304	274 987
Income statement		
Amounts recognised in 'employee benefit expense' in the income statement (note 19.4) are as follows:		
Current service cost	937	934
Interest on liability	17 057	13 097
Expected return on plan assets	(28 410)	(21 614)
Curtailment cost	–	(38)
Past service cost	222	–
Total income	(10 194)	(7 621)
Actual return on plan assets	(21 308)	(11 739)
Principal actuarial assumptions on balance sheet date		
Discount rate	9,3%	10,3%
Expected rate of return on plan assets	6,3% – 10,3%	7,3% – 11,3%
Future salary increases	7,0%	8,3%
Future pension increases	6,0%	7,3%
Inflation rate	6,0%	7,3%

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	2009 R'000	2008 R'000
14. RETIREMENT BENEFITS <i>(continued)</i>		
14.2 Post-retirement medical liability		
Balance sheet		
Amounts recognised in the balance sheet are as follows:		
Present value of funded obligation	528 432	503 385
Fair value of plan assets	(561 015)	(580 902)
Net asset in balance sheet	(32 583)	(77 517)
The movement in the defined-benefit obligation over the year is as follows:		
Opening balance	503 385	441 128
Current service cost	27 678	22 628
Interest cost	47 434	33 611
Actuarial gain	(38 359)	16 191
Benefits paid	(11 706)	(10 173)
Balance at the end of the year	528 432	503 385
The movement in the fair value of plan assets over the year is as follows:		
Opening balance	580 902	569 487
Expected return on plan assets	60 396	48 407
Actuarial losses	(68 880)	(26 988)
Employer contributions	303	169
Benefits paid	(11 706)	(10 173)
Balance at the end of the year	561 015	580 902
Income statement		
Amounts recognised in 'employee benefit expense' in the income statement (note 19.4) are as follows:		
Current service cost	27 678	22 628
Interest on liability	47 434	33 611
Expected return on plan assets	(60 396)	(48 407)
Total expense	14 716	7 832
Actual return on plan assets	(7 831)	(22 420)
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%	9,5%
Expected rate of return on assets	10,5%	10,5%
Future salary increases	7,0%	8,3%
Annual increases in health cost	8,0%	8,5%
Expected membership continuation at retirement	100,0%	100,0%
Expected retirement age	60	60
	Decrease	Increase
The effect of a 1% movement in the assumed health cost trend rate is as follows:		
Effect on the aggregate of the current service cost and interest cost	15 337	20 729
Effect on the defined-benefit obligation	89 920	117 942

	2009 R'000	%	2008 R'000	%
14. RETIREMENT BENEFITS <i>(continued)</i>				
14.3 Retirement benefits (pension and medical)				
Composition of plan assets:				
Cash	141 487	17,9	123 971	14,5
Bonds	36 709	4,7	28 928	3,4
Equity instruments	537 909	68,2	651 775	76,1
Property	17 613	2,2	7 502	0,9
International equities and cash	55 601	7,0	43 713	5,1
	789 319	100,0	855 889	100,0

Investments are diversified, with the largest proportion of assets invested in South African equities, although the Group also invests in property, bonds, cash and international investment instruments. The Group believes that equities offer the best returns over the long term with an acceptable level of risk.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets. Expected yields on interest investments are based on gross redemption yields.

Expected contributions to post-employment defined-benefit plans for the year to 30 June 2010 are R0,8 million.

15. DEFERRED INCOME TAX

Deferred income tax assets and deferred income tax liabilities are offset when there is a legally enforceable right of offset and when the deferred income tax relate to the same fiscal authority.

	2009 R'000	2008 R'000
The amounts disclosed on the balance sheet are as follows:		
Companies in the Group with net deferred income tax assets		
Deferred tax asset to be recovered after more than 12 months	(19 054)	(20 979)
Deferred tax asset to be recovered within 12 months	(5 807)	(891)
	(24 861)	(21 870)
Companies in the Group with net deferred income tax liabilities		
Deferred tax liability to be recovered after more than 12 months	179 022	170 737
Deferred tax liability to be recovered within 12 months	28 747	6 723
	207 769	177 460
Net deferred income tax liability	182 908	155 590
The net movement on the deferred income tax account is as follows:		
Opening balance	155 590	135 271
Income statement charge (note 26)		
Tax rate adjustment	–	(4 665)
Provision for the year	38 111	42 162
Acquisition of subsidiary (note 35)	(394)	–
Charged to equity (note 11)	(10 399)	(17 178)
Balance at the end of the year	182 908	155 590

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15. DEFERRED INCOME TAX *(continued)*

The gross movement in deferred income tax assets and liabilities during the year, without taking offsetting into account, is as follows:

Deferred income tax liabilities	Allowances on fixed assets R'000	Biological assets R'000	Retirement benefits R'000	Total R'000
2008				
Opening balance	141 162	22 028	47 790	210 980
Charged to the income statement	13 616	(3 603)	–	10 013
Charged to equity	–	–	(17 478)	(17 478)
Balance at the end of the year	154 778	18 425	30 312	203 515

2009

Opening balance	154 778	18 425	30 312	203 515
Charged to the income statement	20 208	17 120	(9 026)	28 302
Charged to equity	–	–	(10 999)	(10 999)
Acquisition of subsidiary (note 35)	72	(445)	–	(373)
Balance at the end of the year	175 058	35 100	10 287	220 445

Deferred income tax assets	Impairment of receivables R'000	Assessed losses R'000	Unutilised STC credits R'000	Leave and bonus accruals R'000	Other R'000	Total R'000
2008						
Opening balance	(3 120)	(20 532)	(3 202)	(41 721)	(7 134)	(75 709)
Charged to the income statement	1 036	8 418	3 202	15 194	(366)	27 484
Charged to equity	–	–	–	–	300	300
Balance at the end of the year	(2 084)	(12 114)	–	(26 527)	(7 200)	(47 925)

2009

Opening balance	(2 084)	(12 114)	–	(26 527)	(7 200)	(47 925)
Charged to the income statement	(1 641)	9 365	(24)	9 389	(7 280)	9 809
Charged to equity	–	–	–	–	600	600
Acquisition of subsidiary (note 35)	–	(21)	–	–	–	(21)
Balance at the end of the year	(3 725)	(2 770)	(24)	(17 138)	(13 880)	(37 537)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of R22,9 million (2008: R21,7 million) in respect of losses amounting to R81,8 million (2008: R77,7 million) that can be carried forward against future taxable income.

Refer to note 26 for taxation losses and capital improvements available for offset against future taxable income.

	2009 R'000	2008 R'000
16. TRADE AND OTHER PAYABLES		
Trade payables	952 619	886 322
Accrued expenses	54 671	27 489
Accrued leave pay	52 625	45 163
Excise duty	576 106	517 233
Value added tax	14 511	7 484
	1 650 532	1 483 691
17. PROVISIONS		
Bonuses		
Opening balance	49 577	103 539
Charged to the income statement		
Additional provisions	10 206	51 740
Unused amounts – reversed	(4 595)	(2 339)
Interest cost	173	196
Utilised during the year	(46 079)	(103 559)
Balance at the end of the year	9 282	49 577
Performance and other bonuses	7 016	47 428
Long-service bonuses	2 266	2 149
	9 282	49 577

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

The Group pays long-service bonuses to employees after 10, 25 and 35 years of service respectively. An actuarial calculation is done to determine the Group's liability under this practice using the projected unit credit method. The calculation is based on a discount rate of 8,7% (2008: 10,5%) and an attrition rate of 7% (2008: 7%).

	2009 R'000	2008 R'000
18. REVENUE		
Group		
Sales	8 716 056	7 457 181
Excise duty	2 147 672	1 952 416
	10 863 728	9 409 597
Sales volumes (litres '000)	464 119	419 059
Company		
Dividends received		
Ordinary shares: South African Distilleries and Wines (SA) Limited	437 583	363 275
	437 583	363 275

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	2009 R'000	2008 R'000
19. OPERATING EXPENSES		
19.1 Costs classified by function		
Costs of goods sold	7 273 020	6 124 859
Sales and marketing expenses	1 293 616	1 154 963
Distribution costs	652 208	546 897
Administration and other costs	235 151	248 055
	9 453 995	8 074 774
19.2 Costs classified by nature		
Group		
Administrative and managerial fees	12 574	7 132
Advertising costs and promotions	942 214	821 369
Amortisation of intangible assets (note 6)	11 663	13 233
Auditors' remuneration (note 19.3)	5 952	4 536
BEE share-based payment relating to employees	6 877	6 877
Depreciation (note 2)	144 080	151 655
Employee benefit expense (note 19.4)	923 696	862 032
Impairment of trade and other receivables	14 042	4 112
Maintenance and repairs	108 774	85 858
Net fair value adjustment of biological assets (note 3)	(11 061)	(3 742)
Net foreign exchange losses	46 566	(57 264)
Operating lease expenses (notes 19.5 and 31)	105 646	86 230
Raw materials and consumables used	6 574 785	5 633 423
Research and development expenditure: trademarks and brands	5 953	5 617
Transportation costs	179 981	155 332
Other expenses	382 253	298 374
	9 453 995	8 074 774
19.3 Auditors' remuneration		
Audit fees	4 315	3 763
Audit fees in respect of previous year	(23)	75
Fees for other services		
Taxation	1 476	500
Other	78	134
Expenses	106	64
	5 952	4 536
19.4 Employee benefit expense		
Salaries and wages	814 678	770 297
Scheme shares granted to directors and employees	7 862	6 508
Pension costs – defined-contribution plans	56 333	50 212
Medical aid contributions	40 301	34 804
Pension benefits (note 14.1)	(10 194)	(7 621)
Post-retirement medical benefits (note 14.2)	14 716	7 832
	923 696	862 032
19.5 Operating lease expenses		
Properties	43 138	34 431
Vehicles	34 935	27 582
Equipment	12 880	11 742
Machinery	14 693	12 475
	105 646	86 230

	2009 R'000	2008 R'000
20. BEE SHARE-BASED PAYMENT		
Employee portion – recurring	6 877	6 877
	6 877	6 877
Refer to note 36 for details about the BEE transaction.		
21. OTHER GAINS		
Net insurance proceeds received for fire damage to production site	–	10 668
Profit on disposal of property, plant and equipment	1 273	999
	1 273	11 667
Taxation	(356)	(1 137)
	917	10 530
22. DIVIDEND INCOME		
Dividend income derived from unlisted investments	1 552	1 503
	1 552	1 503
23. FINANCE INCOME		
Group		
Interest received		
Cash and cash equivalents	26 162	29 908
Other	4 776	4 373
Dividends received on preference shares	–	18 167
	30 938	52 448
Company		
Dividends received on preference shares	187 283	154 762
	187 283	154 762
24. FINANCE COSTS		
Interest paid		
Borrowings	(47 144)	(45 721)
Other	(7 018)	(343)
	(54 162)	(46 064)
25. SHARE OF PROFIT OF ASSOCIATES		
Share of profit before taxation	42 270	32 756
Share of taxation	(12 212)	(9 233)
Share of profit for the year	30 058	23 523
Dividends received	(20 825)	(17 126)
	9 233	6 397

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	2009 R'000	2008 R'000
26. TAXATION		
26.1 Normal company taxation		
Group		
Current taxation		
current year	423 246	390 842
previous year	3 637	(2 440)
Deferred taxation	38 111	37 497
	464 994	425 899
 <i>Composition</i>		
Normal South African taxation	372 934	342 095
Foreign taxation	40 562	41 108
Secondary taxation on companies (STC)	51 498	42 696
	464 994	425 899
 The income tax charged to equity during the year is as follows:		
Current taxation		
actuarial gains and losses	124	(2 622)
Deferred taxation		
fair value adjustments of available-for-sale investments	600	300
actuarial gains and losses	(10 999)	(17 478)
	(10 275)	(19 800)
 26.2 Reconciliation of rate of taxation (%)		
Standard rate for companies	28,0	28,0
Differences arising from normal activities:		
non-taxable income	(0,3)	(1,5)
non-deductible expenses	0,8	0,4
tax rate adjustment	–	(0,2)
foreign tax rate differential and withholding taxes	0,7	0,9
	29,2	27,6
Secondary taxation on companies	3,6	3,1
Unutilised STC credits	–	0,2
Effective rate	32,8	30,9
 The standard rate of tax for companies in South Africa changed from 29% to 28% in 2008.		
 26.3 Taxation losses		
Calculated taxation losses and capital improvements available for offset against future taxable income	32 436	48 264
Applied to reduce deferred income tax	(27 327)	(43 263)
	5 109	5 001

The taxation losses have no expiry dates.

	2009 R'000	2008 R'000
27. EARNINGS PER ORDINARY SHARE		
27.1 Basic, headline and cash equivalent earnings per share		
The calculation of earnings per ordinary share is based on earnings as detailed below and on the weighted average number of ordinary shares in issue.		
Weighted average number of ordinary shares in issue ('000)	200 667	199 974
<i>Earnings reconciliation</i>		
Profit attributable to equity holders	954 398	952 454
Adjusted for (net of taxation):		
net other capital gains (note 21)	(917)	(10 530)
Headline earnings	953 481	941 924
Basic earnings per share (cents)	475,6	476,3
Headline earnings per share (cents)	475,2	471,0
Cash equivalent earnings		
Profit attributable to equity holders	954 398	952 454
Adjusted for:		
deferred income tax (note 26.1)	38 111	37 497
dividend from preference shares (note 23)	–	(18 167)
non-cash flow items (note 29.1)	135 065	124 785
Total cash equivalent earnings	1 127 574	1 096 569
Cash equivalent earnings per share (cents)	561,9	548,4

27.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: shares offered, but not paid and delivered, to participants in the share scheme (note 10) and the call option granted to the consortium participating in the BEE transaction (note 36).

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

For the BEE transaction, a calculation is done to determine the additional number of shares that could have been issued at fair value (determined as the average market share price of the company's shares) based on the value of WIPHOLD Beverages (Proprietary) Limited at year-end.

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	2009 R'000	2008 R'000
27. EARNINGS PER ORDINARY SHARE <i>(continued)</i>		
27.2 Diluted earnings per share <i>(continued)</i>		
Weighted average number of ordinary shares in issue ('000)	200 667	199 974
Adjusted for:		
share scheme	729	663
BEE transaction	8 011	12 372
Weighted average number of ordinary shares for diluted earnings ('000)	209 407	213 009
Diluted earnings per share (cents)	455,8	447,1
Diluted headline earnings per share (cents)	455,3	442,2
Diluted cash equivalent earnings per share (cents)	538,5	514,8
28. DIVIDENDS		
Paid: 124,0 cents (2008: 104,0 cents)	249 354	208 687
Declared: 132,0 cents (2008: 132,0 cents)	265 441	264 871
Total: 256,0 cents (2008: 236,0 cents)	514 795	473 558
<p>A final dividend of 132,0 cents per share was declared for the financial year ended 30 June 2009. The dividend will be paid on Monday, 21 September 2009. The last date to trade cum dividend will be Friday, 11 September 2009.</p> <p>The share of Distell will commence trading ex dividend from the commencement of business on Monday, 14 September 2009, and the record date will be Friday, 18 September 2009.</p> <p>Since the final dividend was declared subsequent to year-end, it has not been provided for in the annual financial statements.</p>		
29. CASH FLOW INFORMATION		
29.1 Non-cash flow items		
Depreciation	144 080	151 655
Net fair-value adjustment of biological assets	(11 061)	(3 742)
Intangible assets amortisation	11 663	13 233
Profit on disposal of property, plant and equipment	(1 273)	(298)
Provision for impairment of receivables	3 251	(3 315)
Provision for retirement benefits	20 025	9 844
Provision for leave and bonuses	(34 749)	(49 127)
Other	3 129	6 535
	135 065	124 785
29.2 Working capital changes		
Increase in inventories	(441 923)	(567 537)
Increase in trade and other receivables	(224 453)	(136 887)
Increase in trade and other payables	150 711	123 994
	(515 665)	(580 430)

The increase in trade and other debtors for 2008 is R54,6 million less than previously reported as 'other gains' are not reported separately in the cash flow statement in these financial statements.

	2009 R'000	2008 R'000
29. CASH FLOW INFORMATION <i>(continued)</i>		
29.3 Taxation paid		
Prepaid at the beginning of the year	33 167	(57 707)
Acquisition of subsidiary (note 35)	(448)	–
Current provision for taxation	(426 883)	(388 402)
Current provision for taxation in equity	(124)	2 622
Prepaid at the end of the year	(57 235)	(33 167)
	(451 523)	(476 654)
29.4 Dividends paid		
Group		
Dividends declared	(514 796)	(427 366)
Dividends paid to The Distell Group Share Trust	1 069	1 172
Unpaid at the end of the year	–	–
	(513 727)	(426 194)
Company		
Dividends declared	(514 796)	(427 366)
Unpaid at the end of the year	–	–
	(514 796)	(427 366)
29.5 Purchases of property, plant and equipment (PPE) to maintain operations		
Properties	(13 523)	(56 551)
Machinery, tanks and barrels	(74 691)	(106 647)
Equipment and vehicles	(11 752)	(13 647)
	(99 966)	(176 845)
29.6 Purchases of PPE to expand operations		
Properties	(11 467)	(25 125)
Biological assets	(6 701)	(3 607)
Machinery, tanks and barrels	(175 395)	(171 655)
Equipment and vehicles	(8 722)	(6 099)
Assets under construction	(79 857)	–
	(282 142)	(206 486)
29.7 Decrease in net cash, cash equivalents and bank overdrafts		
Balance at the beginning of the year	31 341	(332 426)
Exchange losses on cash and cash equivalents	1 132	(12 260)
Balance at the end of the year		
Cash and cash equivalents	178 472	193 673
Call accounts and bank overdrafts	(323 316)	(225 014)
	(112 371)	(376 027)

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	2009 R'000	2008 R'000
30. 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 revenue		
Republic of South Africa	8 290 934	7 530 373
Sub-Saharan Africa	1 348 581	901 717
International	1 224 213	977 507
	10 863 728	9 409 597
Regional assets		
Republic of South Africa	6 887 302	6 116 518
Sub-Saharan Africa	167 528	159 341
International	428 378	164 924
	7 483 208	6 440 783
Capital expenditure on property, plant and equipment		
Republic of South Africa	367 220	375 244
Sub-Saharan Africa	3 980	2 755
International	4 207	1 725
	375 407	379 724
Regional revenue excludes sales between Group companies.		
Regional assets include operating assets and investments in associates but exclude intercompany balances.		
31. COMMITMENTS		
Capital commitments		
Capital expenditure contracted, not yet incurred	254 836	85 138
Capital expenditure authorised by the directors, not yet contracted	551 567	472 940
	806 403	558 078
Composition of capital commitments		
Subsidiaries	798 707	550 301
Joint ventures	7 696	7 777
	806 403	558 078

These commitments will be incurred in the coming year and will be financed by own and borrowed funds, comfortably contained within established gearing constraints.

	2009 R'000	2008 R'000
31. COMMITMENTS <i>(continued)</i>		
Operating lease commitments		
The Group leases various farming land, warehouses, machinery, equipment and vehicles under non-cancellable operating lease agreements. The leases have varying terms, renewal rights and escalation clauses. The majority of escalation clauses are linked to the CPI or equivalent inflation rate.		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	68 013	49 913
Later than 1 year and not later than 5 years	151 512	109 989
	219 525	159 902

Finance lease commitments

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

	Not later than 1 year R'000	Later than 1 year and not later than 5 years R'000	2009 Total R'000	2008 Total R'000
Minimum lease payments	1 199	2 705	3 904	5 009
Finance costs	(248)	(319)	(567)	(1 058)
Present value of minimum lease payments	951	2 386	3 337	3 951

32. CONTINGENCIES

In prior years the Group received compensation for relinquishing its distribution rights to certain whisky trademarks. 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.

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33. FINANCIAL INSTRUMENTS BY CATEGORY

Financial instruments disclosed in the balance sheet include interest-bearing borrowings, financial assets, cash and cash equivalents, trade and other receivables and trade and other payables.

The following is a summary of financial instrument categories applicable to the Group:

Group	Loans and receivables R'000	Assets at fair value through profit and loss R'000	Available- for-sale R'000	Liabilities at fair value through profit and loss R'000	Other financial liabilities at amortised cost R'000	Total R'000
As at 30 June 2009						
Available-for-sale investments (note 4)	-	-	51 189	-	-	51 189
Other loans and receivables (note 4)	23 092	-	-	-	-	23 092
Cash and cash equivalents	178 472	-	-	-	-	178 472
Trade and other receivables (note 8)	1 026 743	-	-	-	-	1 026 743
Derivative financial instruments (note 9)	-	1 013	-	(1 213)	-	(200)
Interest-bearing borrowings (note 13)	-	-	-	-	(746 653)	(746 653)
Trade and other payables (note 16)	-	-	-	-	(1 006 077)	(1 006 077)
	1 228 307	1 013	51 189	(1 213)	(1 752 730)	(473 434)
As at 30 June 2008						
Available-for-sale investments (note 4)	-	-	55 841	-	-	55 841
Other loans and receivables (note 4)	30 060	-	-	-	-	30 060
Cash and cash equivalents	193 673	-	-	-	-	193 673
Trade and other receivables (note 8)	953 984	-	-	-	-	953 984
Derivative financial instruments (note 9)	-	52	-	(224)	-	(172)
Interest-bearing borrowings (note 13)	-	-	-	-	(228 965)	(228 965)
Trade and other payables (note 16)	-	-	-	-	(913 587)	(913 587)
	1 177 717	52	55 841	(224)	(1 142 552)	90 834

34. FINANCIAL RISK MANAGEMENT

34.1 Financial risk factors

The board of directors oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by management. Group Internal Audit provides independent assurance on the entire risk management and internal control system. Regional and subsidiary company management are responsible for managing performance, underlying risks and effectiveness of operations, within the rules set by the board, supported and supervised by Group departments. The audit and risk committee reviews the internal control environment and risk management systems within the Group and it reports its activities to the board. The board members receive a monthly report on treasury activities, including confirmation of compliance with treasury risk management policies.

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

The Group's Corporate Treasury department is responsible for controlling and reducing exposure to interest rate, liquidity and currency transaction risks. Senior executives and 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, covering specific areas such as foreign exchange risk, interest rate risk, credit risks, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity, are reviewed annually by the board. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities. The Group Treasury department does not undertake speculative financial transactions.

34.1(a) Market risk

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

(i) Foreign currency risk management

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

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

The Group is primarily exposed to the currency of the US dollar and Euro. If the Rand had weakened/strengthened by 10% against the USD on 30 June 2009, with all other variables remaining constant, the post-tax profit for the year would have been R10,6 million (2008: R7,3 million) lower / higher, mainly as result of translating outstanding foreign currency denominated monetary items.

Similarly, had the rand at 30 June 2009 weakened/strengthened by 10% against the Euro, with all other variables remaining constant, post-tax profit for the year would have been R16,4 million (2008: R13,8 million) lower/higher.

It is management's opinion that the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year-end exposure does not reflect the exposure during the year.

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34. FINANCIAL RISK MANAGEMENT *(continued)*

34.1 Financial risk factors *(continued)*

34.1(a) Market risk *(continued)*

(ii) Interest rate risk management

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

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

The management of the actual debt and investment portfolios is done by adjusting the reprising and maturity profiles of the debt and/or investment portfolios from time-to-time, relative to that of the benchmark portfolios as well as using derivative instruments to alter the reprising profiles of the actual portfolios relative to the benchmark portfolios. Refer to note 9 of the financial statements for detailed disclosure regarding the use of derivative financial instruments.

As at 30 June 2009, if the floating interest rates had been 100 basis points higher/lower and all other variables held constant, the Group's post-tax profit for the year would have increased/decreased as a result of interest received/paid on cash and cash equivalents and borrowings by R0,5 million (2008: R0,4 million).

The other financial instruments in the Group's balance sheet are not exposed to interest rate risk.

34.1(b) Credit risk management

Potential concentrations of credit risk principally exist for trade and other receivables, cash and cash equivalents and derivative financial instruments. The Group only deposits cash with banks with high credit ratings. Trade receivables comprise a large, widespread customer base and the Group performs ongoing credit evaluations of the financial condition of these customers. The type of customers range from wholesalers and distributors to smaller retailers. The granting of credit is controlled by application and the credit limits assigned to each individual customer are reviewed and updated on an ongoing basis taking into consideration its financial position, past experience and other factors. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

At year-end the Group's cash was invested at financial institutions with the following Moody's short-term credit rating:

	2009 R'000	2008 R'000
P-1	89 647	88 441
P-2	86 438	104 304
Cash	2 387	928
	178 472	193 673

34. FINANCIAL RISK MANAGEMENT *(continued)*

34.1 Financial risk factors *(continued)*

34.1(b) Credit risk management *(continued)*

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.

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

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial guarantee contracts relating to vineyard development loans to certain farmers of R47,4 million (2008: R47,4 million) and staff housing loans of R2,5 million (2008: R2,7 million). The guarantees relating to vineyard development loans are secured by mortgage bonds over farming property with a market value in excess of the loan obligations. The Group continually monitors its positions and limits its exposure with any one party.

At 30 June 2009, the Group did not consider there to be a significant concentration of credit risk which had not been adequately provided for.

34.1(c) Liquidity risk management

The Group manages liquidity risk through the compilation and monitoring of cash flow forecasts, as well as ensuring that adequate borrowing facilities are maintained. Refer to note 13 regarding the Group's unutilised banking facilities and reserve borrowing capacities. Banking facilities are renewed annually and are subject to review at various dates during the next year.

The table below analyse the Group's financial liabilities and derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to contract maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	0 – 12 months R'000	1 – 2 years R'000	3 – 5 years R'000	Beyond 5 years R'000	2009 Total R'000	2008 Total R'000
Financial liabilities						
Forward exchange contracts held for trading						
– Outflow	69 762	–	–	–	69 762	54 432
– Inflow	69 562	–	–	–	69 562	54 260
Trade and other payables	1 006 077	–	–	–	1 006 077	1 533 044
Interest-bearing borrowings	373 835	48 160	546 736	–	968 731	228 965

34.2 Fair value estimation

The estimated fair values, at 30 June 2009, have been determined using available market information and appropriate valuation methodologies, as detailed below.

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 due to the short-term maturities of these amounts.

Notes to the annual financial statements

FOR THE YEARS ENDED 30 JUNE

34. FINANCIAL RISK MANAGEMENT *(continued)*

34.2 Fair value estimation *(continued)*

Available-for-sale investments: The fair value is based on quoted bid prices at the balance sheet date. The fair value of financial instruments that are not trading in an active market is determined by using various valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at balance sheet date.

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

Interest rate swaps: The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

34.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The board reviews the capital structure on an annual basis. As part of this review, it considers the Group's commitments, availability of funding and the risks associated with each class of capital.

There were no major changes in the Group's approach to capital management during the year and the board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business and acquisitions. Capital is herein defined as equity attributable to equity holders of the Group.

35. BUSINESS COMBINATIONS

With effect from 1 June 2009, the Group acquired the remaining 50% of the share capital of Lomond Wine Estates (Proprietary) Limited (Lomond), thereby increasing its total shareholding to 100%. Lomond is a wine producer in South Africa. The acquired business contributed a net loss of R0,2 million for the month to 30 June 2009. If the additional share capital was acquired on 1 July 2008, the company would have contributed R4,7 million to Group profit for the year.

	2009 R'000
Details of the net assets acquired and goodwill are as follows:	
Purchase consideration	10 034
Fair value of net assets acquired	(4 524)
Goodwill (note 6)	5 510

The goodwill is attributable to the potential profitability of the acquired business, and the synergies expected to be derived from the incorporation of the entity's activities to that of the Group.

35. BUSINESS COMBINATIONS *(continued)*

The carrying amount and fair value of assets and liabilities arising from the acquisition is as follows:

	Carrying amount R'000	Fair value R'000	Fair value acquired R'000
Property, plant and equipment	838	838	419
Biological assets	13 178	13 178	6 589
Deferred income tax asset	788	788	394
Cash and cash equivalents	634	634	317
Trade and other receivables	17 030	17 030	8 515
Shareholder's loan	(21 740)	(21 740)	(10 034)
Trade and other payables	(2 457)	(2 457)	(1 228)
Income tax liability	(895)	(895)	(448)
Net assets	7 376	7 376	4 524
Group's interest in net assets acquired			4 524
Purchase consideration settled in cash		-	
Cash and cash equivalents obtained on acquisition		317	
Cash inflow on acquisition		317	

36. BEE TRANSACTION

In October 2005 the Group entered into a broad-based black economic empowerment (BEE) transaction with a consortium that includes investment group WIPHOLD Distilleries and Wines Investments (Proprietary) Limited, all Distell's employees and a corporate social investment trust.

The consortium acquired an effective 15% investment in South African Distilleries and Wines (SA) Limited (SADW), the company in which all of Distell's operations are held, for an amount of R869,4 million through WIPHOLD Beverages (Proprietary) Limited (WIP Beverages).

WIP Beverages settled the purchase price by issuing variable rate (consumer price inflation index, excluding owner's equivalent rent (CPI) plus 7%) cumulative redeemable preference shares in WIP Beverages to Distell Group Limited (Distell Group).

After an initial eight-year term, which can be extended by two years, WIP Beverages has a call option whereby it can exchange its shares in SADW for shares in Distell Group.

The preference shares do not have voting rights, except in respect of certain resolutions such as those affecting the rights of the preference shares, the disposal of any part of the undertaking or any asset of the company, the encumbrance of any part of the business or variation of ordinary shareholders' rights. As a consequence Distell Group has power to govern certain activities of the company and WIP Beverages is therefore regarded as a subsidiary of Distell Group.

The cost of this transaction to Distell's shareholders, calculated by using a binomial option pricing model, equates to R122,3 million or R4,13 per share.

In terms of IFRS 2 *Share-based Payments*, the non-employee portion of the BEE transaction was expensed immediately and the employee portion is spread over a vesting period of eight years. Also see accounting policy note 1.23.

Notes to the annual financial statements

FOR THE YEARS ENDED 30 JUNE

	2009			2008		
	Executive R'000	Non- executive R'000	Total R'000	Executive R'000	Non- executive R'000	Total R'000
37. DIRECTORS' EMOLUMENTS						
Salaries and fees	4 563	1 961	6 524	3 961	1 715	5 676
Incentive bonuses	586	–	586	1 916	–	1 916
Retirement fund contributions	947	–	947	822	–	822
Medical aid contributions	57	–	57	54	–	54
Vehicle benefits	686	–	686	635	–	635
Paid by subsidiaries	6 839	1 961	8 800	7 388	1 715	9 103

	Retirement fund contributions					2009 Total R'000	2008 Total R'000
	Salaries R'000	Incentive bonuses R'000	contri- butions R'000	Medical aid contri- butions R'000	Vehicle benefits R'000		
Executive							
JJ Scannell	2 308	314	479	19	250	3 370	3 743
SJ Genade	1 090	133	226	19	219	1 687	1 795
MJ Botha	1 165	139	242	19	217	1 782	1 850
Subtotal	4 563	586	947	57	686	6 839	7 388

	Retirement fund contributions					2009 Total R'000	2008 Total R'000
	Fees R'000	Incentive bonuses R'000	contri- butions R'000	Medical aid contri- butions R'000	Vehicle benefits R'000		
Non-executive							
FC Bayly	109	–	–	–	–	109	100
PM Bester ⁽¹⁾	136	–	–	–	–	136	125
PE Beyers	109	–	–	–	–	109	100
JG Carinus	109	–	–	–	–	109	100
GP Dingaan ⁽²⁾	157	–	–	–	–	157	145
GJ Gerwel	–	–	–	–	–	–	25
E de la H Hertzog	109	–	–	–	–	109	100
RL Lumb	68	–	–	–	–	68	190
MJ Madungandaba	109	–	–	–	–	109	100
LM Mojela ⁽³⁾	136	–	–	–	–	136	125
DM Nurek ⁽⁴⁾	382	–	–	–	–	382	352
AC Parker	108	–	–	–	–	108	–
CE Sevillano- Barredo ⁽⁵⁾	137	–	–	–	–	137	–
PEI Swartz	–	–	–	–	–	–	83
BJ van der Ross	108	–	–	–	–	108	–
MH Visser ⁽⁶⁾	184	–	–	–	–	184	170
Subtotal	1 961	–	–	–	–	1 961	1 715
Total	6 524	586	947	57	686	8 800	9 103

1. Mr PM Bester is a member of the remuneration committee.

2. Ms GP Dingaan is a member of the audit and risk committee.

3. Ms LM Mojela is a member of the remuneration committee.

4. Mr DM Nurek is chairman of the board, a member of the audit and risk committee and chairman of the remuneration committee.

5. Ms CE Sevillano-Barredo is chairperson of the audit and risk committee.

6. Mr MH Visser is a member of the audit and risk committee and the remuneration committee.

38. INTEREST OF DIRECTORS IN SHARE CAPITAL AND CONTRACTS

On 30 June 2009 and on 30 June 2008, 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		2009 Total	2008 Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
FC Bayly	–	–	1 949	–	1 949	1 949
MJ Botha	348 278	–	–	–	348 278	348 278
SJ Genade	383 221	2 992	–	–	386 213	386 213
E de la H Hertzog	25 200	–	–	11 000	36 200	36 200
RL Lumb	–	–	–	–	–	3 000
DM Nurek	–	–	15 000	–	15 000	15 000
JJ Scannell	1 039 629	820	–	1 100	1 041 549	1 041 379
	1 796 328	3 812	16 949	12 100	1 829 189	1 832 019

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.

39. DISTELL SHARE SCHEME

In the financial year ended 30 June 2009 an additional 164 086 shares (2008: 116 784) were offered to directors.

Current status

Participant	Shares accepted prior to 30 June 2008	Shares accepted in the year to 30 June 2009	Offer price (Rand)	Number of shares paid and delivered prior to 30 June 2008	Number of shares paid and delivered in the year to 30 June 2009	Share price on date of payment and delivery (Rand)	Increase in value* R'000	Balance of shares accepted as at 30 June 2009
Executive								
JJ Scannell	589 823		7,35	589 823				–
JJ Scannell	537 605		14,60	537 605				–
JJ Scannell	59 494		31,00					59 494
JJ Scannell	129 515		40,00					129 515
JJ Scannell	70 869		60,50					70 869
JJ Scannell		96 967	45,50					96 967
SJ Genade	275 995		7,35	275 995				–
SJ Genade	210 254		14,60	210 254				–
SJ Genade	48 506		40,00					48 506
SJ Genade	22 494		60,50					22 494
SJ Genade		32 280	45,50					32 280
MJ Botha	261 962		7,35	261 962				–
MJ Botha	205 461		14,60	205 461				–
MJ Botha	3 249		31,00					3 249
MJ Botha	49 212		40,00					49 212
MJ Botha	23 421		60,50					23 421
MJ Botha		34 839	45,50					34 839
Total	2 487 860	164 086		2 081 100				570 846

* 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 current financial year. The scheme is a deferred purchase scheme (note 10).

Notes to the annual financial statements

FOR THE YEARS ENDED 30 JUNE

	2009 R'000	2008 R'000
40. RELATED-PARTY TRANSACTIONS		
Distell Group Limited is controlled by Remgro-KWV Investments Limited which owns 58% of the company's shares.		
Related-party relationships exist between the Group, associates, joint ventures and the shareholders of the company.		
The following transactions were carried out with subsidiaries of our major shareholders:		
Purchases of goods and services		
KWV Group Limited (inventory used in production)	–	64 847
M&I Group Services Limited (management services)	7 364	6 513
M&I Group Services Limited (interest on loans)	13 484	3 656
	20 848	75 016
Year-end balances arising from purchases of goods and services		
M&I Group Services Limited (including VAT)	1 500	1 477
M&I Group Services Limited (call accounts)	266 000	78 000
	267 500	79 477
The Group has access to loan funds from M&I Group Services Limited. A limited amount can be borrowed at a market-related rate and is repayable on demand. The amount is included in current interest-bearing liabilities.		
Key management compensation		
Directors of Distell Limited, the main operating company in the Group	19 809	21 551

Also refer to notes 37 and 38 and annexures 2 and 3.

Annexure 1

INTEREST IN SUBSIDIARIES

	2009 R'000	2008 R'000
The total profits/(losses) after taxation of consolidated subsidiaries for the year are as follows:		
Profits	948 504	942 290
Losses	(5 290)	(3 397)
Net consolidated profit after taxation	943 214	938 893
The company's direct interests in its subsidiaries are as follows:		
South African Distilleries and Wines (SA) Limited (85%) – Unlisted	850 392	831 294
Long-term loan – interest-free and repayable on demand	755 642	743 421
Share-based payment contribution	94 749	87 872
Shares	1	1
WIPHOLD Beverages (Proprietary) Limited	1 185 374	1 075 303
Variable rate cumulative redeemable preference shares (note 36)	869 411	869 411
Cumulative arrear preference shares dividend	315 963	205 892
Investments in subsidiaries	2 035 766	1 906 597

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

Manufacturers and distributors	Issued share capital	
	Interest %	R
Bisquit Dubouché et Cie (France)	100	405 036 148
Devon Road Property Limited	100	100
Distell Botswana (Proprietary) Limited (Botswana)	100	3
Distell International Limited (Mauritius)	100	430 272 739
Distell Limited	100	1 000
Distell Namibia Limited (Namibia)	100	4 000
Distell Swaziland Limited (Swaziland)	100	10 000
Durbanville Hills Wines (Proprietary) Limited	68	981 700
Ecowash (Proprietary) Limited	100	100
Expo Liquor Limited	100	4 066 625
Lomond Development Company Limited	100	100
Lomond Wine Estates (Proprietary) Limited (previously held 50%)	100	2 000
Namibia Wines & Spirits Limited (Namibia)	100	100 000
Nederburg Wine Farms Limited	100	200
Nederburg Wines (Proprietary) Limited	100	218 870
SFW Financing Company Limited	100	70 000
SFW Holdings Limited	100	200
Stellenbosch Farmers' Winery Limited	100	7
Other		
Henry C Collison & Sons Limited (United Kingdom)	100	82 792

Notes:

- Information is only disclosed in respect of those subsidiaries of which the financial position or results are significant.
- All subsidiaries are incorporated in South Africa, unless otherwise stated.
- Cumulative arrear dividends relating to the preference shares in WIPHOLD Beverages on 30 June 2009 amounted to R316,0 million (2008: R205,9 million). The preference shares have a dividend rate of CPI (excluding owner's equivalent rent) plus 7%.

Annexure 2

INTEREST IN UNLISTED ASSOCIATES

	2009 R'000	2008 R'000
The Group's interest in associates is as follows:		
Tanzania Distilleries Limited (Tanzania) (35%)	26 391	20 650
Cost price	13 352	13 352
Equity-accounted retained earnings	13 039	7 298
Grays Inc. Limited (Mauritius) (26%)	11 827	10 693
Cost price	6 949	6 949
Equity-accounted retained earnings	4 878	3 744
Papkuilsfontein Vineyards (Proprietary) Limited (49%)	269	293
Cost price	–	–
Equity-accounted retained earnings	269	293
Investments in associates	38 487	31 636
Share in net assets of associates	29 411	22 560
Goodwill	9 076	9 076
	38 487	31 636
The aggregate balance sheets of associates are summarised as follows:		
Property, plant and equipment	47 355	39 674
Financial and intangible assets	13 504	14 525
Current assets	131 336	142 301
Total assets	192 195	196 500
Interest-free liabilities	74 948	72 286
Interest-bearing liabilities	16 669	16 775
Total liabilities	91 617	89 061
Equity	100 578	107 439
Minority interest	(71 167)	(84 879)
Group's share in equity	29 411	22 560
Loans to associates	5 130	6 347
Group's share in net assets of associates	34 541	28 907
Tanzania Distilleries Limited (35%)	19 813	14 072
Grays Inc. Limited (26%)	9 329	8 195
Papkuilsfontein Vineyards (Proprietary) Limited (49%)	269	293
	29 411	22 560
The Group's interest in the revenue and profit of the associates is as follows:		
Revenue	157 719	156 225
Profit for the year	30 058	23 523

Notes:

1. All associates are incorporated in South Africa, unless otherwise stated.
2. The interest in Grays Inc. Limited was acquired on 1 January 2006.
3. The statutory year-ends of Tanzania Distilleries Limited (31 March) and Grays Inc. Limited (31 December) are different to those of the rest of the Group. The unaudited results of these companies to 30 June 2008 and 30 June 2009, subsequent to their respective year-ends, have been included based on information prepared by management where applicable.
4. The cost price of Tanzania Distilleries Limited represents the purchase price less goodwill written off.

Annexure 3

INTEREST IN JOINT VENTURES

	2009 R'000	2008 R'000
The Group's interest in joint ventures is as follows:		
Total equity		
Afdis Holdings (Private) Limited (Zimbabwe) (50%)	6	6
Distell Angola Limitada (Angola) (51%)	808	–
Les Domaines de Mauricia Limitee (Mauritius) (50%)	106	–
Lomond Wine Estates (Proprietary) Limited (previously held 50%)	–	(1 098)
Lusan Holdings (Proprietary) Limited (50%)	33 931	31 579
Mirma Products (Proprietary) Limited (45%)	1 954	1 511
Scotch Whisky Sub-Sahara Limited Liability Partnership (United Kingdom) (50%)	14 313	14 309
Solamoyo Processing Company (Proprietary) Limited (40%)	3	–
Tonnellerie Radoux (SA) (Proprietary) Limited (50%)	9 509	7 868
Proportional interest in joint ventures	60 630	54 175
The Group's interest in the assets and liabilities of the joint ventures is as follows:		
Property, plant and equipment	162 606	167 252
Intangible assets	14 303	14 303
Current assets	61 274	68 495
Total assets	238 183	250 050
Non-current liabilities	171 203	190 615
Current liabilities	6 350	5 260
Total liabilities	177 553	195 875
Net assets	60 630	54 175
Net interest consolidated	60 630	54 175
The Group's interest in the income and expenditure of the joint ventures is as follows:		
Revenue	49 338	45 827
Profit before taxation	7 160	7 066
Profit for the year	3 864	3 574
The Group's interest in the cash flow statements of the joint ventures is as follows:		
Cash retained from operating activities	7 474	4 481
Cash outflow from investment activities	(8 714)	(9 930)
Net cash flow	(1 240)	(5 449)

Notes:

1. All joint ventures are incorporated in South Africa, unless otherwise stated.
2. During the year the Group acquired a controlling interest in Lomond Wine Estates (Proprietary) Limited (note 35).

Annexure 4

ANALYSIS OF SHAREHOLDERS AT 30 JUNE 2009

<i>Ordinary shares</i>	Number of holders	% of holders	Number of shares	% of issued shares
Distribution of shareholders				
Public shareholders	3 753	99,42	22 179 517	11,03
Non-public shareholders				
Major beneficial shareholders	2	0,05	176 022 000	87,53
Directors, including those of subsidiaries, and their associates	19	0,50	2 566 082	1,28
The Distell Group Share Trust	1	0,03	324 425	0,16
	3 775	100,00	201 092 024	100,00

	2009	2008
Number of shares in issue		
Total number of shares in issue	201 092 024	200 660 118
Shares purchased by The Distell Group Share Trust and accounted for as treasury shares	(324 425)	(62 242)
	200 767 599	200 597 876
Weighted number of shares	200 667 416	199 973 888

	Number of shares	% of total
Major beneficial shareholders		
The following shareholders have a holding of greater than 5% of the issued shares of the company:		
Remgro-KVV Investments Limited	117 348 000	58,36
Other Beverage Interests (Proprietary) Limited (SABMiller)	58 674 000	29,18

Notice to shareholders

Notice is hereby given that the next annual general meeting of Distell Group Limited ("the company") will be held at 12:30 on Wednesday, 21 October 2009, at 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 2009, be accepted and approved.

2. APPOINTMENT OF AUDITORS

Ordinary resolution number 2

Resolved that PricewaterhouseCoopers Inc. be reappointed as auditors of the company and Mr A Wentzel be appointed as the individual designated auditor for the 2009/2010 financial year.

3. APPROVAL OF NON-EXECUTIVE DIRECTORS' REMUNERATION: 2010

Ordinary resolution number 3

Resolved that the remuneration of non-executive directors for the financial year ending 30 June 2010 be as follows:

Chairperson – R330 500

Non-executive directors – R117 200

Chairperson: Audit and Risk Committee – R105 500

Member: Audit Committee – R52 700

Member: Remuneration Committee – R29 300

4. ELECTION OF DIRECTOR

Ordinary resolution number 4

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.

5. ELECTION OF DIRECTOR

Ordinary resolution number 5

Resolved that Mr MJ Botha, 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 Ms GP Dingaan, who retires in accordance with the company's articles of association and who has offered herself for re-election, be hereby re-elected as a director of the company.

7. ELECTION OF DIRECTOR

Ordinary resolution number 7

Resolved that Dr E de la H Hertzog, 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.

8. ELECTION OF DIRECTOR

Ordinary resolution number 8

Resolved that Ms LM Mojela, who retires in accordance with the company's articles of association and who has offered herself for re-election, be hereby re-elected as a director of the company.

9. ELECTION OF DIRECTOR

Ordinary resolution number 9

Resolved that Ms CE Sevillano-Barredo, who retires in accordance with the company's articles of association and who has offered herself 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 pages 16 to 18.

Notice to shareholders | CONTINUED

10. AUTHORITY TO PLACE UNISSUED SHARES UNDER THE CONTROL OF THE DIRECTORS

Ordinary resolution number 10

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 Act), who are hereby authorised to allot, issue and otherwise dispose of such shares in the company upon such terms and conditions as the directors in their sole discretion deem fit, subject to the provisions of the 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

Shareholders 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 shareholder of the company.

Proxy forms must be forwarded to reach the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001, or posted to the transfer secretaries at PO Box 61051, Marshalltown 2107, by 12:30 (South African time) on Monday, 19 October 2009.

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

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

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own name' registration, must contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- to furnish their CSDP or broker with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so with a letter of representation in terms of the custody agreement. Such letter of representation must be lodged with the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001, or posted to the transfer secretaries at PO Box 61051, Marshalltown 2107, by 12:30 (South African time) on Monday, 19 October 2009.

By order of the board of directors.



CJ Cronjé
Company secretary

Stellenbosch
26 August 2009

Form of proxy



DISTELL

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

THIS FORM OF PROXY IS ONLY FOR USE BY:

- 1. REGISTERED SHAREHOLDERS WHO HAVE NOT YET DEMATERIALISED THEIR DISTELL GROUP LIMITED ORDINARY SHARES; AND**
- 2. REGISTERED SHAREHOLDERS 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 shareholders who hold ordinary shares of the company and who are unable to attend the 2009 annual general meeting of the company to be held at 12:30 on Wednesday, 21 October 2009, at the Visitors' Centre of Durbanville Hills Wine Cellar, Durbanville Road (M13), Durbanville, Western Cape ("the annual general meeting").

I/We (name) _____

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 Chairperson 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)		
	In favour of	Against	Abstain
Ordinary resolution 1: Approval of annual financial statements			
Ordinary resolution 2: Appointment of PricewaterhouseCoopers Inc. as auditors of the company and Mr A Wentzel as individual designated auditor for the 2009/2010 financial year			
Ordinary resolution 3: Approval of non-executive directors' remuneration: 2010			
Ordinary resolution 4: Election of director – Mr PE Beyers			
Ordinary resolution 5: Election of director – Mr MJ Botha			
Ordinary resolution 6: Election of director – Ms GP Dingaen			
Ordinary resolution 7: Election of director – Dr E de la H Hertzog			
Ordinary resolution 8: Election of director – Ms LM Mojela			
Ordinary resolution 9: Election of director – Ms CE Sevillano-Barredo			
Ordinary resolution 10: Authority to place unissued shares under the control of the directors			

Signed at _____ on _____ 2009

Signature/s _____

Assisted by me _____
 (where applicable)

Please read the notes and instructions overleaf.

Form of proxy | CONTINUED

Notes:

1. A shareholder 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 shareholder of the company.
2. Every shareholder 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 shareholder holds. In the event of a poll, every shareholder 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 shareholder bears to the aggregate amount of the nominal value of all the shares issued by the company.
3. Shareholders registered in their own names are shareholders who elected not to participate in the Issuer-Sponsored Nominee Programme and who appointed Computershare as their CSDP with the express instruction that their uncertificated shares are to be registered in the electronic subregister of shareholders in their own names.

Instructions on signing and lodging the form of proxy:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided overleaf, with or without deleting "the Chairperson of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the proxy will be exercised by the Chairperson 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 shareholder's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by that shareholder, 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 shareholder's exercisable votes. A shareholder 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 shareholder 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 (Proprietary) Limited at Ground Floor, 70 Marshall Street, Johannesburg 2001, 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, 19 October 2009, at 12:30 (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 Chairperson of the annual general meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder 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 shareholder 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 Chairperson 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 shareholder wishes to vote.

Dates of importance to shareholders

Annual general meeting	October 2009
Financial report	
Interim report	February 2010
Preliminary announcement of annual results	August 2010
Annual financial statements	September 2010
Ordinary dividends	
<i>Interim dividends</i>	
– declaration	February 2010
– payable	March 2010
<i>Final dividends</i>	
– declaration	August 2010
– payable	September 2010

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

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

Transfer secretaries

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

Auditors

PricewaterhouseCoopers Inc.
Stellenbosch

Listing

JSE Limited

Sector: Consumer goods – Food and
Beverage – Beverages

Sponsor

Rand Merchant Bank (a division of
FirstRand Bank Limited)

Website

www.distell.co.za

