

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.

Our values

- > A sense of ownership
- > Entrepreneurial spirit
- > Performance-driven culture
- > Customer service orientation
- > Respect for the individual
- > A global mindset responsive to change

Aspirations

- > Continuously 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
- > Creating shareholder value
- > Accelerating transformation
- > Continuing on our path as a responsible corporate citizen

Key strengths

Our key strengths are local market leadership, high brand awareness levels, an extensive distribution network, local market knowledge, strong trade relationships and the structural capacity to rapidly introduce new products across categories and channels.

Who we are

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

Distell employs over 4 000 people worldwide and has an annual turnover of R11,8 billion.

What we do

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

Our key products

Spirits, wines, ciders and ready-to-drinks

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Seven-year financial review

for the years ended 30 June

Seven-year compound growth % p.a.	2010 IFRS	2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 SA GAAP
STATEMENTS OF FINANCIAL POSITION (R'000)							
ASSETS							
Non-current assets							
Property, plant and equipment	2 157 912	1 773 480	1 546 159	1 330 516	1 256 900	1 223 036	1 225 351
Biological assets	138 915	146 375	122 024	114 675	104 380	107 170	98 939
Financial assets and investments in associates and subsidiaries	133 159	112 768	117 537	96 092	418 490	307 711	558 839
Intangible assets	205 680	244 685	39 373	34 060	11 211	14 501	–
Retirement benefit assets	49 656	58 150	114 588	187 052	48 795	–	–
Deferred income tax assets	47 122	24 861	21 870	28 762	36 770	44 118	36 431
Total non-current assets	2 732 444	2 360 319	1 961 551	1 791 157	1 876 546	1 696 536	1 919 560
Current assets							
Inventories	3 818 661	3 681 022	3 235 895	2 703 336	2 499 217	2 246 268	2 207 296
Trade and other receivables	1 344 701	1 155 381	954 036	809 024	617 097	552 542	513 414
Financial assets	–	–	–	361 152	254 640	309 249	–
Current income tax assets	62 187	74 381	62 968	–	–	51 636	33 230
Cash and cash equivalents	243 038	178 472	193 673	332 426	227 578	196 989	159 390
Total current assets	5 468 587	5 089 256	4 446 572	4 205 938	3 598 532	3 356 684	2 913 330
Total assets	8,2 8 201 031	7 449 575	6 408 123	5 997 095	5 475 078	5 053 220	4 832 890
EQUITY AND LIABILITIES							
Total shareholders' equity	5 238 301	4 809 374	4 432 200	3 940 680	3 316 048	2 894 248	2 572 091
Non-current liabilities							
Interest-bearing borrowings	422 467	422 386	2 938	2 629	330 646	329 014	754 601
Retirement benefit obligations	21 099	18 300	15 623	12 842	12 191	21 391	16 905
Deferred income tax liabilities	230 380	198 288	168 266	164 033	120 647	110 646	101 127
Total non-current liabilities	673 946	638 974	186 827	179 504	463 484	461 051	872 633
Current liabilities							
Trade payables and provisions	1 932 591	1 659 814	1 533 268	1 489 940	1 196 201	1 023 333	1 003 788
Interest-bearing borrowings	336 657	324 267	226 027	329 264	432 502	674 588	384 378
Current income tax liabilities	19 536	17 146	29 801	57 707	66 843	–	–
Total current liabilities	2 288 784	2 001 227	1 789 096	1 876 911	1 695 546	1 697 921	1 388 166
Total equity and liabilities	8 201 031	7 449 575	6 408 123	5 997 095	5 475 078	5 053 220	4 832 890
INCOME STATEMENTS (R'000)							
Revenue	12,5 11 808 884	10 863 728	9 409 597	8 200 559	6 878 490	6 097 515	5 739 669
Operating expenses	(10 413 146)	(9 454 968)	(8 107 434)	(7 085 826)	(5 989 095)	(5 375 208)	(5 169 828)
Trading income	17,4 1 395 738	1 408 760	1 302 163	1 114 733	889 395	722 307	569 841
Dividend income	1 493	1 552	1 503	1 284	1 497	1 210	949
Net financing costs	(68 652)	(23 224)	6 384	7 969	(27 363)	(53 071)	(95 702)
Share of profit of associates	32 412	30 058	23 523	14 255	9 856	9 316	10 674
Profit before exceptional items and taxation	21,5 1 360 991	1 417 146	1 333 573	1 138 241	873 385	679 762	485 762
Exceptional items	(2 821)	1 273	11 667	73 876	(67 241)	–	–
Profit before taxation	1 358 170	1 418 419	1 345 240	1 212 117	806 144	679 762	485 762
Taxation	(417 655)	(464 707)	(416 705)	(367 243)	(271 756)	(187 265)	(124 790)
Non-controlling interest	1 041	–	453	2 979	–	(844)	(390)
Net profit attributable to equity holders	17,1 941 556	953 712	928 988	847 853	534 388	491 653	360 582
STATEMENTS OF CASH FLOWS (R'000)							
Cash generated from operations	21,0 1 555 285	1 030 406	824 911	1 188 101	900 123	795 348	761 195
Dividend income	1 493	1 552	1 503	1 284	1 497	1 210	949
Net financing costs	(70 764)	(10 810)	(46 132)	(23 179)	(75 987)	(101 685)	(161 381)
Taxation paid	(394 737)	(451 523)	(476 654)	(365 380)	(153 388)	(219 980)	(143 915)
Cash generated from operating activities	1 091 277	569 625	303 628	800 826	672 245	474 893	456 848
Exceptional items	–	–	65 934	11 006	–	–	46 500
Net cash generated from operating activities	1 091 277	569 625	369 562	811 832	672 245	474 893	503 348
Cash outflow from investment activities	(542 516)	(591 749)	(6 551)	50 800	(164 364)	(92 486)	(19 265)
Proceeds from ordinary shares issued	23 409	12 221	13 787	11 542	18 406	8 406	5 708
Purchase of treasury shares	(1 417)	(8 127)	1 311	1 893	5 348	(7 981)	(1 480)
Non-controlling interest	–	–	–	2 692	(1 417)	–	70
Proceeds from interest-bearing borrowings	16	419 386	(327 942)	(325 472)	(101 638)	(85 364)	(984)
Dividends paid	(514 931)	(513 727)	(426 194)	(342 729)	(266 788)	(209 948)	(158 420)
Cash outflow from financing activities	(492 923)	(90 247)	(739 038)	(652 074)	(346 089)	(294 887)	(155 106)
Increase in net cash, cash equivalents and bank overdrafts	55 838	(112 371)	(376 027)	210 558	161 792	87 520	328 977

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

Seven-year compound growth % p.a.		2010 IFRS	2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 SA GAAP
PERFORMANCE PER SHARE (CENTS)								
Earnings								
attributable earnings basis	16,6	468,1	475,3	464,6	425,9	270,7	250,6	184,3
adjusted headline basis	20,1	469,1	475,2	471,0	391,5	305,6	250,6	183,3
cash equivalent basis	22,7	680,6	561,9	536,8	472,2	340,0	300,4	219,1
EBITDA basis	13,5	800,8	796,0	752,0	674,0	489,7	441,1	365,2
Dividends	19,2	256,0	256,0	236,0	196,0	153,0	123,0	97,0
Cash flow	46,2	542,5	283,9	184,8	407,8	340,5	242,1	257,3
Net asset value	11,5	2 596,1	2 391,6	2 208,8	1 972,7	1 666,6	1 466,6	1 309,9
LIQUIDITY AND SOLVENCY								
Financial gearing ratio		0,10	0,12	0,01	0,00	0,16	0,28	0,38
Total liabilities on total equity	Avg 0,6	0,57	0,55	0,45	0,52	0,65	0,75	0,88
Interest-free liabilities on total assets		0,24	0,23	0,25	0,26	0,23	0,21	0,21
Dividend cover (times)		1,8	1,9	2,0	2,0	2,0	2,0	1,9
Current ratio		2,39	2,54	2,49	2,24	2,12	1,98	2,10
Acid test ratio		0,72	0,70	0,68	0,80	0,65	0,65	0,51
RETURNS (%)								
Trading income on turnover		11,8	13,0	13,8	13,6	12,9	11,8	9,9
Pre-tax return on equity	Avg 26,2	25,9	29,5	30,4	30,8	24,3	23,5	18,9
Effective tax rate		30,8	32,8	31,0	30,3	33,7	27,5	25,7
Return on equity	Avg 18,3	18,0	19,8	21,3	19,8	18,2	17,0	13,9
Attributable earnings on total assets		11,5	12,8	14,5	14,1	9,8	9,7	7,5
Attributable earnings on turnover		8,0	8,8	9,9	10,3	7,8	8,1	6,3
Dividend yield		4,0	5,4	4,1	4,1	4,5	5,8	6,8
PRODUCTIVITY								
Cash value added (R million)	15,3	4 877,8	4 063,5	3 636,6	3 743,1	3 090,8	2 601,1	2 314,7
Net asset turn (times)		2,3	2,3	2,1	2,1	2,1	2,1	2,2
Net assets per employee (R'000)	11,2	1 144,2	1 074,0	1 020,5	926,3	800,8	693,7	614,7
Revenue per employee (R'000)	11,7	2 579,5	2 426,0	2 166,6	1 927,7	1 661,1	1 461,5	1 371,8
Number of employees		4 578	4 478	4 343	4 254	4 141	4 172	4 184
JSE								
Price per share (cents)								
highest during the year		7 000	6 000	6 500	5 500	4 000	2 600	1 725
lowest during the year		5 500	3 850	3 960	3 605	2 475	1 500	1 100
closing at year-end		6 550	5 500	4 595	5 415	3 900	2 600	1 500
weighted average		6 394	4 703	5 732	4 738	3 377	2 121	1 418
Price-earnings ratio		14,0	11,6	9,8	13,8	14,4	10,4	8,1
JSE Actuaries' price index at year-end (2003: 100 cents)								
Distell Group Limited		545	458	383	451	325	216	125
Closing price/net asset value per share		2,5	2,3	2,1	2,7	2,3	1,8	1,1
Weighted average number of shares in issue ('000)		201 143	200 667	199 974	199 079	197 414	196 194	195 626
Number of shares traded ('000)		6 791	10 079	4 190	6 575	4 692	5 099	3 533
Shares traded/shares in issue (%)		3,4	5,0	2,1	3,3	2,4	2,6	1,8
Value of shares traded (R'000)		434 248	474 024	240 224	311 556	158 440	108 145	50 114
Number of transactions		3 814	4 814	1 813	1 259	1 274	1 214	1 069
Number of shareholders		4 278	3 775	3 576	3 478	3 445	3 381	3 283
Market capitalisation (R million)		13 216	11 060	9 220	10 817	7 760	5 131	2 945
Net asset value/market capitalisation		0,40	0,43	0,48	0,36	0,43	0,56	0,87

FINANCIAL HIGHLIGHTS

SALIENT FEATURES

TOTAL SALES VOLUMES **grow 7,3%**

TOTAL REVENUE **increases 8,7%**

OPERATING PROFIT **down 1,2%**

HEADLINE EARNINGS PER SHARE **down 1,2%**

BASIC EARNINGS PER SHARE **down 1,5%**

ANNUAL DIVIDEND **maintained at 256 cents** PER SHARE

FINANCIAL RESULTS (R'000)	% change	2010	2009 Restated
Revenue	8,7	11 808 884	10 863 728
Operating profit	(1,2)	1 392 917	1 410 033
Headline earnings	(1,0)	943 587	952 795
Total assets	10,1	8 201 031	7 449 575

SHARE PERFORMANCE (CENTS)

Headline earnings	(1,2)	469,1	474,8
Basic earnings	(1,5)	468,1	475,3
Dividends	–	256,0	256,0
Net asset value	8,6	2 596,1	2 391,6
Cash flow from operating activities	91,8	542,5	283,9
Closing share price	19,1	6 550,0	5 500,0

FINANCIAL STATISTICS

Return on equity	18,0	19,8
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SEVEN-YEAR COMPOUND GROWTH PER ANNUM (%)

Total return to shareholders	29,2	27,7
Distell share price index	27,4	22,2

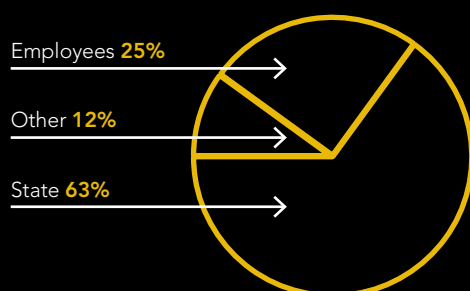
HOW WE PERFORMED

CASH VALUE ADDED STATEMENT for the years ended 30 June

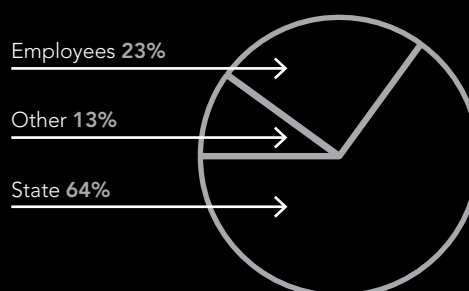
GROUP

	2010 R'000	2009 R'000
CASH GENERATED		
Cash derived from sales	11 619 564	10 662 383
Net financing costs paid	(70 764)	(10 810)
Income from investments	1 493	1 552
Cash value generated	11 550 293	10 653 125
Cash payments to suppliers of materials and services	(6 672 539)	(6 589 607)
Cash value added/wealth created	4 877 754	4 063 518
CASH UTILISED TO:		
Pay excise duty to the State	2 316 389	2 118 674
Pay tax on income to the State	394 737	451 523
Remunerate employees for their services	1 075 351	923 696
Provide shareholders with a return on the use of their risk capital	514 931	513 727
Cash disbursed among stakeholders	4 301 408	4 007 620
Net cash retained from operating activities	576 346	55 898
RECONCILIATION WITH CASH GENERATED		
Cash value added (above)	4 877 754	4 063 518
Less: Remuneration to employees for their services	(1 075 351)	(923 696)
Net financing costs paid	70 764	10 810
Payment of excise duty to the State	(2 316 389)	(2 118 674)
Cash generated from operating activities	1 556 778	1 031 958
STATE TAXES		
Excise duty	2 316 389	2 118 674
Tax on income	394 737	451 523
Value added tax	389 737	369 580
Employees' tax deducted from remuneration	117 725	111 771
Property taxes	23 907	20 734
Channelled through the Group	3 242 495	3 072 282

2010



2009



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 divided by the weighted number of ordinary shares in issue. This basis identifies the cash stream actually achieved in the period under review.
CASH AND CASH EQUIVALENTS	For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in interest-bearing borrowings under current liabilities.
CURRENT RATIO	Current assets divided by total current liabilities.
DIVIDEND COVER	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.
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.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EFFECTIVE TAX RATE	The tax charge for the year divided by the profit before taxation.
FINANCIAL GEARING RATIO	The ratio of interest-bearing borrowings, net of cash and cash equivalents, to total equity.
INTEREST-FREE BORROWINGS TO TOTAL ASSETS	Interest-free borrowings, excluding post-retirement medical liability, divided by total assets (both excluding deferred income tax).
NET ASSET TURN	Revenue divided by net assets at year-end.
NET ASSET VALUE PER ORDINARY SHARE	Total equity divided by the number of ordinary shares in issue.
PRE-TAX RETURN ON EQUITY	Profit before taxation as a percentage of closing equity.
PRICE-EARNINGS RATIO	The closing share price at year-end on the JSE, divided by headline earnings per ordinary share for that year.
RETURN ON EQUITY	Adjusted headline earnings divided by closing equity.
TOTAL RETURN TO SHAREHOLDERS	This represents the internal rate of return over a seven-year period. It is computed by recognising the market price of a Distell ordinary share seven years ago as a cash outflow, recognising the annual cash dividend streams per share and the closing share price at the end of the current year as inflows and then determining the discount rate inherent to these cash flow streams.

OUR ORIGINS

PRE - 1925

Although Distell celebrates its 10th anniversary this year, many of our brands, household names to generations of South Africans, date back over centuries and mirror the history of wine and brandy in the country.

Some of the wines in our portfolio originated in the late 17th century, when many French Huguenots settled at the Cape, fleeing religious persecution in their native France. Others were established later by French, Dutch and Italian immigrants.

Similarly, many of our brandies are rooted in the days of the British occupation of the Cape. John Collison, an Englishman who lends his name to one of our most innovative products, established himself at the Cape in 1805, while Edward Knowles Green, who arrived nine years later, was the founder of EK Green that was to become one of the top brandy distillers and purveyors of its day. Jan van Ryn, another luminary in the history of brandy, came from Holland in 1845 to establish his business that was the forerunner of the Van Ryn's Collection Reserve range.

1692

STELLENZICHT

Stellenzicht is located in the Stellenbosch Golden Triangle, considered one of the finest winegrowing areas of the Cape. It was originally part of a much larger farm granted to Barendt Hendrikse who named the property Rustenburg.

NEETHLINGSHOF

In 1692 Willem Barend Lubbe, a German settler was granted land on the Bottelary Hills by Simon van der Stel. He named the farm De Wolwedans. Over 100 years later, the Marais family took ownership, building a wine cellar and manor house. After the marriage of their daughter Anna Margaretha to Johannes Henoch Neethling, the name of the property was changed to Neethlingshof.



1693

ALTO

Alto's history dates back to 1693, when it was part of the farm, Groenrivier. In 1919, Hennie Malan sold half the land to his brother-in-law. The half he retained was established with his son, Manie, as a wine farm. They named it Alto, a reference both to the altitude of the vineyards and their own aspirations.

PLAISIR DE MERLE

Originally settled by French Huguenots who called the farm, Le Plessis Marly. Plaisir de Merle is one of the jewels of Simondium. The fine manor house was completed in 1764 and a large part of the original building is still intact.

1712

UITKYK

Uitkyk was initially granted as a grazing farm to Jan Oberholzer in 1712. The 1788 manor house, in the Georgian style, is one of only three remaining double-storey, flat-roofed 18th century houses at the Cape.



1791

NEDERBURG

Established in 1791 by German immigrant, Philippus Wolvaardt, these 49 hectares of Paarl Valley were fruitful within six years. Through revolutionary techniques such as cold fermentation, Johann Graue, who took ownership in 1937, established Nederburg as a leading producer of quality South African wines.



1790s

LE BONHEUR

Le Bonheur (happiness) dates back to the 1790s, when Lord Charles Somerset granted the land to Jacob Isak de Villiers. Originally named Oude Weltevreden, the farm has preserved its classical Cape Dutch homestead.

1806

DROSTDY-HOF

In 1804, when the district of Tulbagh was established, Governor Jansen commissioned renowned Cape architect Louis Michel Thibault to build the Drostdy, completed in 1806. The building subsequently passed into private ownership. Today it is the home of Drostdy-Hof Wines, founded in 1964.

1845

VAN RYN'S

The Van Ryns were the pioneers of wine and brandy in the Cape. They arrived from Holland in 1845 and opened a bottle store in Rondebosch. In 1867 Jan van Ryn, together with his two sons, opened JH & J van Ryn Company at 42 Buitengracht Street, Cape Town. After Jan's death, his sons began trading as Van Ryn Wine and Spirit Company Limited. Although the Van Ryn brothers worked together, Johannes Hendrik played the leading role in establishing the company's reputation overseas, mainly through his contribution to improving standards in the Cape wine industry.



1920

JACOBSDAL

The Dumas family has been making wine at Jacobsdal for three generations. The present owner, Cornelis Dumas, and his son, Hannes, make wines using natural, ambient yeasts in a cellar that has remained virtually unchanged from almost a century ago.

HOW WE BECAME DISTELL

85 YEARS

of creating brands
from the ground up...

1925

Stellenbosch Farmers' Winery (SFW), founder member of Distell in 2000, was created in 1925 by William Charles Winshaw, an American medical doctor who came to South Africa in 1900. Winshaw remained the MD of the organisation until 1962 when, at the age of 92, he retired. SFW, as the name implies, excelled at producing quality wines for the full spectrum of consumer needs. This company was also instrumental in the creation of a major new segment in our alcoholic beverage industry – ciders or alcoholic fruit beverages as we know them. One of the company's key strengths has always been innovation.





1945

Distillers Corporation, a founder member of Distell in 2000, is established by Dr AE Rupert and DWR Hertzog.

Distillers Corporation was registered in 1945. Distillers expanded energetically and very quickly set up marketing relationships and partnerships in the wine and spirits industry. Soon this company also became a major producer, focusing on distillates and in particular on the brandy market that it developed from relative obscurity to its current level of prominence. It is renowned for Die Bergkelder concept, a marketing innovation that invited wine estates to make use of Distillers' bottling, sales and marketing expertise. In addition, it created a new African icon, Amarula, which today is one of the top-selling products in its category in the world.

In the ensuing years, both SFW and Distillers effectively managed wine and spirits growth in South Africa, despite a restrictive business climate.

The successes of both companies contributed largely towards the development of the liquor industry into a major force in the South African economy. In so doing, the companies became significant creators of employment opportunities and wealth in South Africa.

1956

SFW is listed on the Johannesburg Stock Exchange.



1959

Lieberstein is launched and goes on to become the biggest-selling table wine, five years later.

1966

SFW acquires **Monis** and **Nederburg**.

HOW WE BECAME DISTELL



1967

Die Bergkelder is launched, providing bottling and marketing expertise to leading Cape wine estates.

1969

South Africa's first noble late harvest wine, **Nederburg Edelkeur**, is made.



1970

The Oude Meester Group

is formed when Distillers Corporation merges with South African Distilleries, comprising Castle Wine and Brandy Company, EK Green and Company and Van Ryn Wine and Spirit Company and Henry C Collison.



1975

The Nederburg Auction makes its debut and develops into one of the world's leading annual wine auctions.

1979

Cape Wine and Distillers Limited

is created, with South African Breweries, KVV and Rembrandt each holding a 30% stake and the balance publicly owned.



1983

Graça is introduced and swiftly becomes South Africa's top selling premium wine.



1986

Flight of the Fish Eagle potstill brandy is launched.



1988

Hunter's is developed and grows into the world's second biggest cider brand.



1989

Amarula is launched.



1993

Two Oceans is launched and is now one of South Africa's most widely distributed wine brands sold on every continent.

1998

Durbanville Hills Wines is established as a joint venture between Distell and seven producers from the Durbanville region for the production of Durbanville wine of origin in the newly built Durbanville Hills Cellar.

1999

Lusan Holdings is formed as a jointly owned holding company of a number of wine farming businesses previously respectively owned by Distell and Hygrace Holdings, a company of the German banker Hans Schreiber.

HOW WE BECAME DISTELL

10 YEARS

of creating a champion
in the global liquor arena

2000

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



- > Distell receives five Veritas double gold and eleven gold medals at the **SA National Wine Show** for a selection of wines.
- > **Stellenzicht Pinotage 1988** is awarded gold and a best-in-class rating at the International Wine & Spirit Competition (IWSC) in London.
- > **Stellenzicht Sémillon Reserve 1996** is named Best South African White Wine at the IWSC.

2001

Distell's new corporate logo is unveiled in March.



- > **Stellenzicht Syrah 1998** scores gold and a best-in-class rating at IWSC and achieves a five-star rating in the Platter South African Wine Guide.
- > Distell receives four Veritas double gold and four gold medals at the **SA National Wine Show** for a selection of wines.
- > **Fleur du Cap Shiraz 1997** is voted Top SA Red Wine at the Cellars of the World International Wine Competition in Canada.
- > **Plaisir de Merle Chardonnay 1999** receives gold at the London International Wine Trade Fair and at the Sydney International Wine Competition.
- > Distell receives three gold medals at the **Michelangelo International Wine Awards**.

2002

Klipdrift & Cola and Obikwa are launched.



- > **Lord Neethling Pinotage 1998** and the **Lord Neethling Cabernet Franc 1999** each achieves gold and a best-in-class rating at the IWSC, and **Neethlingshof** wins the David Hughes Trophy for best SA producer at the IWSC.
- > **Stellenzicht Syrah 1999** wins gold and a best-in-class rating at the IWSC.
- > **Zonnebloem Fine Art Cabernet/Sangiovese 2000** wins gold and a best-in-class rating at the IWSC.
- > Distell wins seven Veritas double gold and nine gold medals at the **SA National Wine Show**.

2003

Klipdrift Gold and Hunter's Hard Lemon are launched.



Distell makes its first foray into the **Brazilian wine market**, well ahead of other international producers and the first South African producer to do so.

- > Distell receives two double gold and 10 gold medals at the **Michelangelo International Wine Awards**.
- > Distell receives nine Veritas double gold and 10 gold medals at the **SA National Wine Show**.

2004

Three Ships launches South Africa's first single malt whisky (Three Ships 10 Year Old).



Nederburg Solera Brandy Potstilled

is launched, bringing brandy back to the Nederburg portfolio after almost 200 years.

- > **Van Ryn's 12 Year Old Distillers Reserve** wins the Worldwide Best Brandy title at the IWSC.
- > Distell receives 10 Veritas double gold and 13 gold medals at the **SA National Wine Show**. A major highlight is the **hat trick** scored by **Fleur du Cap Chenin Blanc's** three consecutive vintages – two double gold and one gold.
- > Distell receives one Grand D'Or (Nederburg Eminence 2003) and four gold medals at the **Michelangelo International Wine Awards**.
- > Nederburg Private Bin Chardonnay 2002 is voted Best International Chardonnay at the Czech **Wine & Spirits-Prague**.

2005

Distell concludes a BEE deal that sells 15% of its holdings in

South African Distilleries and Wines (SADW), a wholly owned subsidiary, to **Distell employees, a corporate social investment trust, and WIPHOLD**.



- > **Dè Bergkelder Vinoteque** celebrates 21 years.
- > **Van Ryn's 12 Year Old Distillers Reserve** earns the Worldwide Best Brandy title at the IWSC. The 15- and 20-year-old brandies in the Van Ryn's Collection Reserve range each wins gold and a best-in-class rating in the competition. The 12- and 15-year-old brandies also earn gold at the **International Spirits Challenge (ISC)**.
- > Distell wins one Veritas double gold and 12 gold medals at the **SA National Wine Show**.

2006

- > **Savanna Dry** celebrates its first decade, while the brand enters the UK market.
- > **Tassenberg** celebrates its **70th** anniversary.
- > **Two Oceans** launches its first TV campaign.
- > **De Oude Drostdy**, brand home of Drostdy-Hof, celebrates its 200th anniversary.



2007

Distell wins the IWSC V&S Distiller of the Year trophy.



- > **Distell concludes a joint venture with Burn Stewart Distillers** to own and market Scottish Leader, Black Bottle and Bunnahabhain whiskies in sub-Saharan Africa.
- > **Papkuilsfontein** is awarded a **silver rating** by **Rural Development Network (Rudnet)** in its **Farm Health Programme** and is honoured with the **2007 BEE award** for 'sound labour relations, social development and skills training'. Rudnet also honours **Plaisir de Merle** with the **Farm Health Award Programme** for its commitment to 'general labour relations and sound social conditions'.
- > **Zonnebloem** celebrates **50 years**.
- > **Distell** receives the **Baobab Award** in the large food and beverage manufacturing category from the **FoodBev SETA** for its continued commitment to the implementation of the National Skills Strategy.
- > **Amarula** reaches **1 million** 9-litre cases over a 12-month period.



- > **Amarula** is voted the **Worldwide Best Liqueur** at the IWSC.
- > **Mainstay** is voted the **Worldwide Best Vodka** at the IWSC.
- > **Nederburg's** 2005 Manoir House Shiraz is judged the **Best Shiraz in the World** at the IWSC.



Collison's White Gold
is launched.

2008

Drostdy-Hof launches a bursary scheme for historically disadvantaged students from Tulbagh, Wolseley and Gouda planning a career in the wine industry.



Distell wins one of three regional trophies worldwide (Rest of the World Distiller of the Year) **at the IWSC.**

- > **Euromonitor International** lists Distell as the world's **fourth biggest brandy producer.**
- > **Durbanville Hills** celebrates its **10th harvest.**
- > **Papkuilsfontein, Distell's first and successful BEE transaction** concluded in 1998 with a consortium of Gauteng entrepreneurs and a community trust, celebrates its **10th anniversary.**
- > **Fleur du Cap** is crowned Veritas top-performing cellar at the **SA National Wine Awards.**
- > **Van Ryn's** wins the **IWSC Worldwide Best Brandy** title for the 20 Year Old Collectors Reserve and ISC Best Brandy trophy for the 12 Year Old Distillers Reserve.
- > **J C Le Roux** becomes the first producer to win the WINE Magazine **Amorim Cap Classique Challenge with a rosé.**
- > **Nederburg** is judged the **most successful producer** on the Old Mutual Trophy Wine Show.
- > **Amarula** is awarded the Overseas Living Luxury Lifestyle Award for **Best Liqueur** in 2008.



Burchell
is launched.

2009



Bain's Cape Mountain Whisky is launched.

Distell signs an agreement with FIFA

to launch a special range of Nederburg wines and a commemorative Amarula pack to mark South Africa's hosting of the 2010 FIFA World Cup™.



Distell purchases 200-year-old renowned heritage cognac brand **Bisquit** from Pernod Ricard.

The exclusive Van Ryn's Collection Reserve range

has received the highest honours at leading competitive events, no fewer than five times since 2004, earning the title of Worldwide Best Brandy on the IWSC in London in 2004, 2005 and 2008, as well as the trophy for Best Brandy on the ISC, also in London, in 2008 and 2009.



- > **Neethlingshof** introduces its **Short Story Collection** speciality range.
- > Distell launches the **Employee Volunteer Programme (Western Cape)**, in which staff give of their time to work on community projects.
- > **Gordon's Gin** celebrates its **240th anniversary**.
- > The **Nederburg Auction** stages its **35th annual event**.
- > **Distell's owner/driver scheme** is **10 years old**.
- > **Plaisir de Merle** celebrates its 15th birthday.

- > **Nederburg** wins the trophy for **most successful producer** at the **Old Mutual Trophy Wine Show**.
- > **Bisquit** wins gold and a best-in-class rating at the **IWSC**.
- > **Van Ryn's 12 Year Old Distillers Reserve** wins the **ISC Best Brandy** trophy.

Superbrand status is accorded to **Amarula, Hunter's, Klipdrift, J.C. Le Roux, Graça** and **Nederburg**.





2010

IDEAS INTO ASSETS

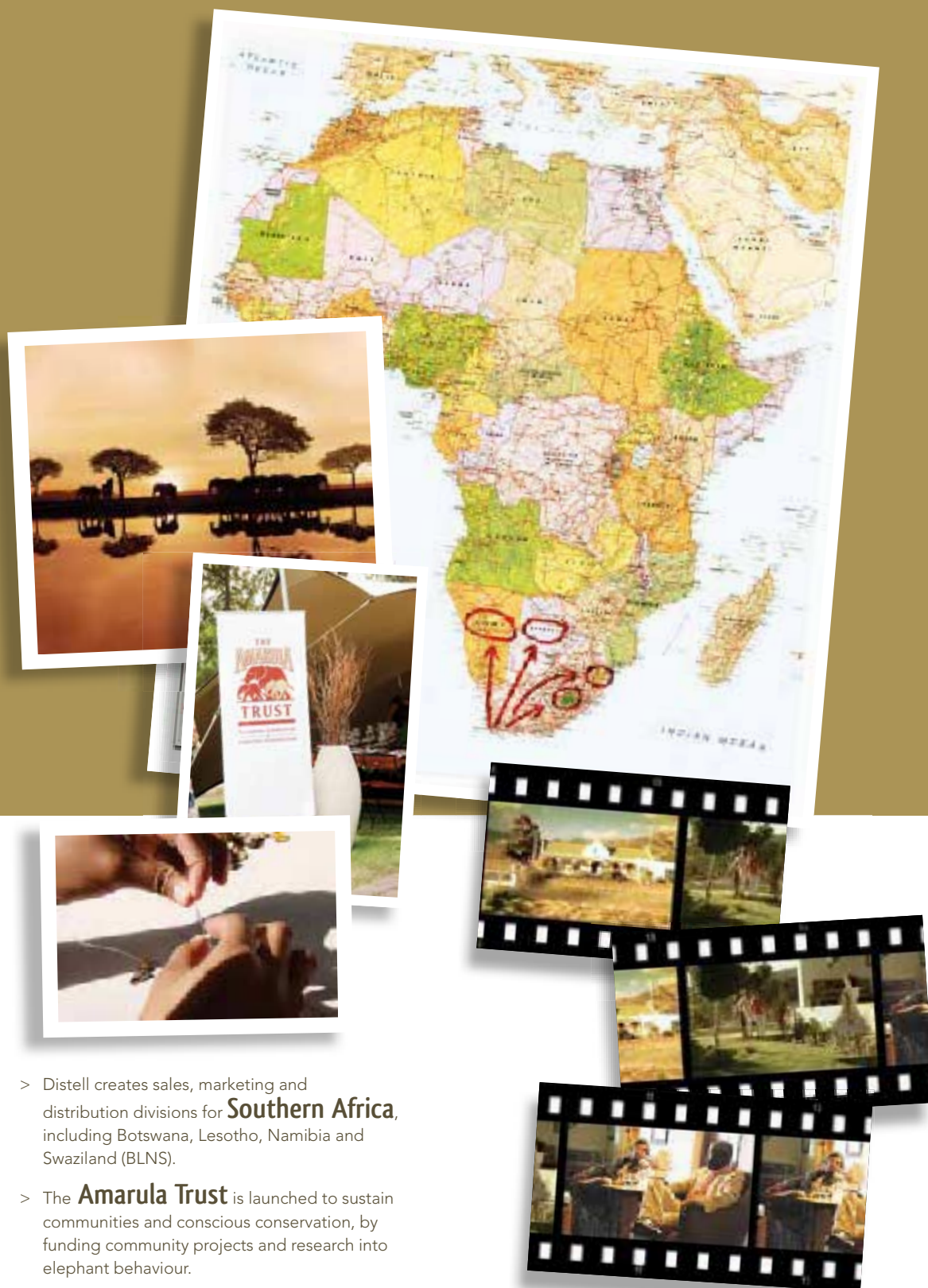
10 years of distilling our 85-year-old business

Continuously harvesting raw materials from the earth, blending it with passion and skill and shaping it into brands

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

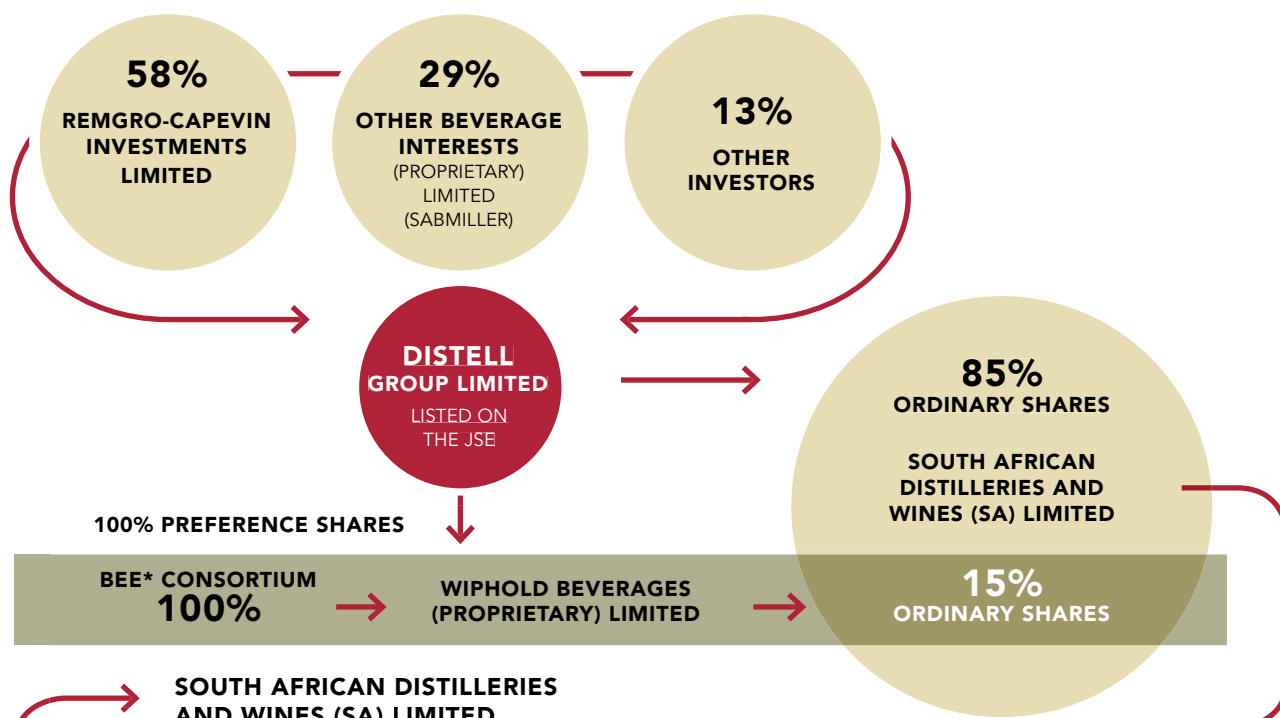
We create and maximise **stakeholder value** through commitment to **innovation** and **leadership** in the markets where we operate.





- > Distell creates sales, marketing and distribution divisions for **Southern Africa**, including Botswana, Lesotho, Namibia and Swaziland (BLNS).
- > The **Amarula Trust** is launched to sustain communities and conscious conservation, by funding community projects and research into elephant behaviour.
- > **Klipdrift met Eish** advert is rated Best Consumer Liked Advert of the Past Decade in the Millward Brown Adtrack survey.
- > **Stellenzicht** celebrates **21 years**.

GROUP STRUCTURE AND ACCREDITATION



SOUTH AFRICAN DISTILLERIES AND WINES (SA) LIMITED

SUBSIDIARIES

Manufacturers and distributors of branded alcoholic beverages

- > Distell Limited (100%)
- > Stellenbosch Farmers' Winery Limited (100%)
- > Bisquit Dubouché et Cie (France) (100%)

Manufacturers of wine

- > Durbanville Hills Wines (Proprietary) Limited (72%)
- > Nederburg Wines (Proprietary) Limited (100%)
- > Lomond Wine Estates (Proprietary) Limited (100%)

Farming

- > Nederburg Wine Farms Limited (100%)

Wholesale distributors of branded alcoholic and other beverages

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

JOINT VENTURES AND ASSOCIATES

Manufacturer and distributor of maturation vats

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

Manufacturers and distributors of branded alcoholic and other beverages (associates)

- > Grays Inc. Limited (Mauritius) (26%)
- > Papkuilfontein Vineyards (Proprietary) Limited (49%)
- > Tanzania Distilleries Limited (Tanzania) (35%)
- > Afdis Holdings (Private) Limited (Zimbabwe) (50%)

Manufacturers of branded alcoholic beverages (joint ventures)

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

* Black economic empowerment

ACCREDITATION AND CERTIFICATION AS AT 30 JUNE 2010

- > ISO 9001:2008 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, Oshakati and Keetmanshoop are also included in the ISO 9001:2008 certification. Distell's ISO 9001:2008 certification includes the corporate functions – quality management and research, group purchasing, logistics, technical services, export logistics, marketing, product development and group human resource management.
- > Hazard Analysis and Critical Control Points (HACCP) certification at secondary production 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 Die Bergkelder.
- > British Retail Consortium (BRC) food safety certification of Adam Tas, Die Bergkelder, J.C. Le Roux, Nederburg, Durbanville Hills, Plaisir de Merle and Stellenzicht wineries, as well as Paarl (Monis) and Green Park.
- > ISO 14001:2004 certification of Durbanville Hills, Nederburg, Plaisir de Merle, Die Bergkelder and Green Park. Plans are under way to have Adam Tas and Monis included during the new financial year.
- > Integrated Production of Wine (IPW) certification for all Distell and Lusan farms, the winemaking cellars, and wine bottling facilities at J.C. Le Roux, Port Elizabeth, Wadeville and Green Park.
- > Organic certification for certain vineyards at Papkuilfontein, Nederburg cellar and Die Bergkelder have been certified to produce organic wines.
- > GOST (a Russian food safety certification system) at Green Park.

ISO: International Standards Organisation

WHERE WE OPERATE

Our strong, appealing brands and our capacity to trade across a spectrum of markets enable us to pursue our strategic course.



INTERNATIONAL HIGHLIGHTS

Spirit volumes up 14,4%

Wine volumes up 6,8%

Cider volumes up 42,0%

Sales volumes up 15,8%

International revenue grew 15,2%

International operations contribute 28,3% to Group revenue

Trading depots in South Africa total 17, with a further 4 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.

Distell has 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.

YEAR-ON-YEAR GROWTH

TREND	AMARULA	WINE
Europe		
Volume	+6%	+11%
Value	-5%	-2%
% OF TOTAL EXPORTS	22%	36%
North America		
Volume	+22%	+11%
Value	+14%	-1%
% OF TOTAL EXPORTS	15%	7%
Africa (including Botswana, Lesotho, Namibia and Swaziland)		
Volume	+15%	+6%
Value	+15%	+16%
% OF TOTAL EXPORTS	36%	48%
Latin America		
Volume	+23%	+81%
Value	+17%	+65%
% OF TOTAL EXPORTS	21%	1%
Asia Pacific		
Volume	+21%	-10%
Value	+13%	-15%
% OF TOTAL EXPORTS	4%	8%
Total exports		
Volume	+16%	+7%
Value	+10%	+5%
% OF TOTAL EXPORT VOLUMES	6%	61%

2010 AWARDS

2010 PLATTER'S SOUTH AFRICAN WINE GUIDE

5-STAR RATINGS

Fleur du Cap Unfiltered Sauvignon Blanc 2009

Fleur du Cap Noble Late Harvest 2008

Nederburg Winemaster's Reserve Noble Late Harvest 2008

2009 SANTAM PAARL SHIRAZ CHALLENGE

Nederburg was heralded as the Shiraz master at this year's Santam Paarl Shiraz Challenge. Their 2007 Winemakers Reserve Shiraz received top honours as this region's best amongst 30 entries.

2009 MICHELANGELO INTERNATIONAL WINE AWARDS

GRAND D'OR

Fleur du Cap Unfiltered Sémillon 2008

Fleur du Cap Noble Late Harvest 2007

Nederburg Winemaster's Reserve Noble Late Harvest 2008

Nederburg Private Bin Eminence 2007

Nederburg Private Bin D270 Chardonnay 2007

GOLD

Lomond Snowbush 2008

Lomond Sugarbush Sauvignon Blanc 2007

Lomond Pincushion Sauvignon Blanc 2008

Nederburg Private Bin Edelkeur 2007

Nederburg Private Bin D234 Sauvignon Blanc 2008

Nederburg Private Bin Edelkeur 2005

Nederburg Private Bin D234 Sauvignon Blanc 2009

Nederburg Manor House Sauvignon Blanc 2009

Nederburg Private Bin D215 Sauvignon Blanc 2008

Stellenzicht Syrah 2003

Tukulu Shiraz 2007

Uitkyk Flat Roof Manor Pinot Rose 2009

Fleur du Cap Unfiltered Sauvignon Blanc 2009

Fleur du Cap Unfiltered Sauvignon Blanc 2008

Fleur du Cap Unfiltered Sauvignon Blanc 2008 Limited Release

Desiderius Pongrácz 2001

Durbanville Hills Pinotage 2006

Durbanville Hills Pinotage 2007

Durbanville Hills Biesjes Craal Sauvignon Blanc 2008

Durbanville Hills Rhinofields Sauvignon Blanc 2008

Durbanville Hills Rhinofields Inner Valley Sauvignon Blanc 2009

Durbanville Hills Rhinofields Merlot 2006

2009 TRI-NATIONS WINE CHALLENGE

GOLD

Neethlingshof Gewürztraminer 2009

Lomond Pincushion Sauvignon Blanc 2007

Desiderius Pongrácz 2001

Fleur du Cap Sauvignon Blanc 2008

Lomond Pincushion Sauvignon Blanc 2007

Nederburg The Winemaster's Reserve Noble Late Harvest 2007

2009 INTERNATIONAL SPIRITS CHALLENGE

BEST BRANDY AWARD

Van Ryn's 12 Year Old Distillers Reserve

GOLD

Black Bottle

Bunnahabhain 25 Year Old

Van Ryn's 12 Year Old Distillers Reserve

Van Ryn's 15 Year Old Fine Cask Reserve

Viceroy 5 Year Old

2009 VERITAS AWARDS

SOUTH AFRICA'S TOP MÉTHODE CAP CLASSIQUE

Desiderius Pongrácz 2001

DOUBLE GOLD

Desiderius Pongrácz 2001

Fleur du Cap Unfiltered Merlot 2006

Fleur du Cap Unfiltered Cabernet Sauvignon 2007

Nederburg Private Bin R181 Merlot 2007

Nederburg Private Bin Semillon Noble Late Harvest 2007

Monis Vintage Muscadell 2001

GOLD

Monis Red Muscadell 2004

Fleur du Cap Unfiltered Merlot 2007

Fleur du Cap Noble Late Harvest 2007

J.C. Le Roux Pinot Noir Rosé 2007

Neethlingshof Sauvignon Blanc Special Release 2009

Le Bonheur Prima Merlot/Cabernet Sauvignon 2006

Zonnebloem Sauvignon Blanc Limited Edition 2009

Nederburg Winemaster's Reserve Noble Late Harvest 2008

Nederburg Private Bin R121 Shiraz 2007

Nederburg Private Bin Eminence 2008

Nederburg Private Bin D252 Sauvignon Blanc/Semillon 2008

Nederburg Private Bin D234 Sauvignon Blanc 2009

2009 WINE MAGAZINE SAUVIGNON BLANC TOP 10

TOP 10 RANKING

Fleur du Cap Unfiltered Sauvignon Blanc 2009 Limited Release
Durbanville Hills Biesjes Craal Sauvignon Blanc 2009
Nederburg Manor House 2009

2009 INTERNATIONAL WINE & SPIRIT COMPETITION

SOUTH AFRICA'S MOST SUCCESSFUL WINE PRODUCER

Nederburg

BEST IN CLASS GOLD

Zonnebloem Shiraz Mourvèdre Viognier 2006
Eine Kleine Nachtmusik
Van Ryn's 12 Year Old Distillers Reserve
Van Ryn's 20 Year Old Collectors Reserve
Viceroy 5 Year Old
Bisquit VSOP

GOLD

Bunnahabhain 12 Year Old
Van Ryn's 10 Year Old Vintage Brandy
Nederburg Edelkeur

2009 GOLDEN GLASS WINE COMPETITION

GOLDEN GLASS AWARD

Fleur du Cap Chardonnay 2008

2010 BERLINER WEIN TROPHY AWARDS

GOLD

Nederburg Cabernet Sauvignon 2009
Durbanville Hills Rhinofields Sauvignon Blanc 2008

2010 INTERNATIONAL WINE CHALLENGE

GOLD

Nederburg Winemaster's Reserve Noble Late Harvest 2009
– International Late Harvest Trophy, South African Late Harvest Trophy
Fleur du Cap Unfiltered Semillon 2009
Fleur du Cap Noble Late Harvest 2008
Fleur du Cap Noble Late Harvest 2009
Lomond Pincushion Single Vineyard Sauvignon Blanc 2009

2010 DECANTER WORLD WINE AWARDS

GOLD

Nederburg Private Bin R121 Shiraz 2006
Nederburg Private Bin R163 Cabernet Sauvignon 2006

2010 OLD MUTUAL TROPHY WINE SHOW

GOLD

Fleur du Cap Unfiltered Chardonnay 2009
Stellenzicht Golden Triangle Pinotage 2007

2010 CONCOURS MONDIAL DE BRUXELLES

GOLD

Drostdy-Hof Chardonnay 2009
Mainstay
Oude Meester Peppermint Liqueur
Nederburg Chardonnay Viognier 2009

2010 MUSCADEL ASSOCIATION AWARDS

PLATINUM AWARD

Monis Muscadel 2004

The achievement is for winning gold for both the product itself and its unique packaging.

OTHER AWARDS

BEST CONSUMER LIKED ADVERT OF THE PAST DECADE

Klipdrift met Eish advert won Best Consumer Liked Advert of the past decade through the Millward Brown Adtrack survey.

GOLD

Burchell for its unique packaging at the 2009 IPSA Gold Pack Awards.

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.



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.



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.



DISTELL DIRECTORATE

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 DINGA*

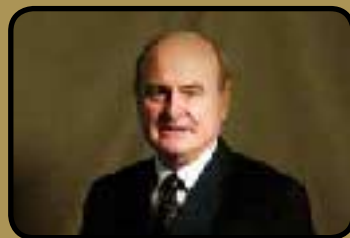
Investment executive at WIPHOLD and non-executive board member and audit committee member of ABB SA, MCG Industries, Landis+Gyr and SA Corporate Real Estate Fund Managers.



SMARTIE GENADE#

Business director: Wines

Retires on 31 August 2010.



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*

Group chief executive officer of Community Investment Holdings Group. 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 and ABB SA, amongst others.



DAVID NUREK*

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



ANDRÉ PARKER

Retired managing director of SABMiller Africa & Asia. Non-executive director and member of the audit and risk committee of Tiger Brands. Chairman of Tsb Sugar Limited.



JAN SCANNELL#

Managing director



CATHARINA SEVILLANO-BARREDO*

Group finance executive of Universal Healthcare. Director of Status Medical Aid Administrators and QA Care Plus. Director and Honorary 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 Group, as well as several other non-listed companies. He is currently the chairperson of Momentum Group audit committee.



THYS VISSER

Chief executive officer of Remgro and also a director of FirstRand, FirstRand Bank, FirstRand Bank Holdings, Kagiso Trust Investments, Medi-Clinic Corporation, PGSI, Rainbow Chicken (Chairman), RMB Holdings and Unilever South Africa Holdings.

*** Independent**

Executive

DISTELL EXECUTIVE TEAM

EXECUTIVE MANAGEMENT



JAN SCANNELL (59)

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 (57)

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 (56)

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 (52)

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 (59)

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. (Smartie retires on 31 August 2010.)



SCHALK KLOPPER (49)

Operations director

Hons BAcc CA(SA)

Schalk joined the Group in 1993 as cost accountant. He was appointed as distribution director of Distillers Corporation in 1995. Since 2001 he has been responsible for procurement, supply chain management and risk management of Distell. He took up his present position in October 2009 and oversees the operations of the Group, which includes bottling, distribution, technical services, procurement, supply chain management and risk management.



DR MARIUS LAMBRECHTS (44)

Quality management and research director

PhD Agric

Marius joined Distell in 2001 as research manager and was appointed as director in August 2009. His role is to ensure total quality management is implemented throughout the Group and that ongoing research and innovation lead to new products and processes.



NANTHA MOODLEY (51)

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. He oversees all our sales forces.



KAY PILLAY (43)

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 (50)

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.



DR CAROLINE SNYMAN (35)

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.



JOHAN VENTER (51)

Primary production director

MSc

Johan joined Distillers Corporation in 1990, was appointed head: spirits production in 1996 and in 2000 he became 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



TRADING ENVIRONMENT

South Africa is renowned for its capacity to contain such an extraordinary profusion of contradictions. Despite our democracy, the disparities between rich and poor continue to widen. We have an internationally lauded banking system yet most of the country remains unbanked. Our national education is in a state of disarray, yet we produce some of the most pre-eminent intellectuals, technical specialists and artists. We are in many respects a divisive society, but there are also great examples of humanity and social cohesion. In a recent study, multidisciplinary researchers FutureFact found that, in contrast with Americans, South Africans are growing their membership of community, civic, religious, mutual interest and business organisations. Despite the media prominence given to extremist groups, more people living in South Africa describe themselves as South African than ever before. Perhaps it is in the act of navigating these opposing forces that we are very often forced to be mindful, resourceful and to respond creatively to problems. These national characteristics, I believe, will continue to support us through the global economic crisis and its after-effects.

Domestic

South Africa's sound fiscal disciplines, largely unchanged by the present administration under President Jacob Zuma, have continued to protect the country from the most acute effects of the recession, and latterly have helped to advance our sovereign credit ratings. Nevertheless in 2009, GDP for the year as a whole fell by 1,8%, resulting in the first annual decline since 1993. Year-on-year, real private consumption expenditure fell by 3,1% and inventories decreased by 2,1%, while household spending on consumer goods dropped by over 3% in real terms, the sharpest decline in 25 years.

The liquor industry was not unscathed and virtually all segments in which Distell is active were affected to

some degree by South Africans' reduced disposable income. People have been buying less and also downtrading. If not for the diversity of our portfolio across the product and pricing spectrum, we may have been harder hit.

The prevailing mood has become more positive in 2010 but the country's recent economic rebound, in line with that of international markets, is coming off a low base and continues at a relatively slow rate. The global economy has not yet recovered to its pre-recession levels, and uncertainties about the extent and sustainability of the recovery remain, particularly in the light of the potentially wider impact of the recent crisis in many of the Mediterranean economies, as well as Ireland.

For now, however, the fact that the initial impetus to the domestic economy, led by the restocking of depleted inventories, is proving to be broader based, is cause for a measure of optimism. The country is benefiting from the improved flow of foreign capital thanks to its emerging economy status, exports are recovering from the 20% drop in 2009 and there has been a modest increase in household consumption. First quarter indicators of local spend have been encouraging. Car sales have more than doubled compared with the first quarter of 2009. First quarter retail sales rose by 15,5%, electricity production by 16,9% and mining output by 12%. Mergers and acquisitions have also risen rapidly over the period, signifying greater confidence in the economy.

There is, however, the spectre of rising unemployment. After a net loss of 870 000 jobs in 2009, South Africa shed a further 171 000 jobs during the first quarter of this year – a stark reminder that while the recession may be over technically, its effects are likely to endure for some time.

Labour market analysts Adcorp have calculated that last year South Africa's labour intensity fell by 8,1%, the

If we are in any way to address South Africa's systemic poverty and its structural unemployment, it is essential that we create a sound educational system as a solid foundation for human resource development that will also help to normalise income distribution.

biggest drop in recorded history. What this means in effect is that it takes 36% fewer workers to produce a given level of output than it did 50 years ago. Moreover, according to Statistics SA, 64% of the country's 4,3 million unemployed have been out of work for a year. A further 1,8 million are permanently discouraged about their work prospects.

Even with an improvement in the outlook for 2010, there is the concern that the prevailing strength of the rand could bring further job cuts to the manufacturing sector dependent on exports.

We can also expect to see consumer disposable income further eroded by higher fuel prices and electricity tariff increases. At the same time, consumers still face substantial debt, although the recent decline in interest rates should bring levels down to some extent from last year's 79,7% of household disposable income. Some economists have observed that the factors which keep South Africa out of step with the dynamic developing countries of Asia and Latin America are a combination of the very high level of household debt, the state's focus on welfare expenditure at the expense of infrastructure investment, ineffective local government and a labour relations framework that has impeded our global competitiveness.

It is certainly true that our labour market inefficiencies placed us 90th of 133 countries in the most recent World Economic Forum's Global Competitiveness Report, while inflexible labour laws, wage determination and poor labour relations took us to 120th position.

Although our overall ranking in the report remains stable in 45th place and the country is still the highest scoring in sub-Saharan Africa, the poor ratings we received not only in labour, but also security, health and education, are sobering. The business costs of crime and violence put us at 133rd, the lowest position on the log. For the health of our workforce we scored 127th place, the result of high rates of communicable

diseases and poor health indicators more generally, while the quality of our secondary educational system was ranked 119th.

It is distressing to note that poor educational levels are now also being exacerbated by the acute poverty the recession has brought to many households. The 2009 General Household Survey released by Statistics SA found a drop in school attendance in all provinces except Gauteng because of the cost of fees, transport and inadequate access to food. The survey also showed that currently, just 2,5% of Africans aged 18 to 40 are studying at tertiary institutions, as opposed to 11,4% of Indians and 10,8% of whites, demonstrating that our severe skills shortage will continue to impede socio-economic progress and transformation.

If we are in any way to address South Africa's systemic poverty and its structural unemployment, it is essential that we create a sound educational system as a solid foundation for human resource development that will also help to normalise income distribution.

Yet there is also much in the Global Competitiveness Report to make us very proud. We continue to benefit from the large size of our economy in relation to other countries on the continent. We stand out for the quality of our intellectual property protection, the quality and accountability of our private institutions, the efficiencies in our goods markets, as well as for improvements in our infrastructure prompted by the hosting of the 2010 FIFA World Cup™. One of the most impressive areas of our performance has been our financial market sophistication, for which we received a score that placed us in 5th position internationally, up from 24th place last year. We also showed improvement in the areas of business sophistication and innovation, as well as for the strong collaboration that exists between universities and the business sector as a foundation for innovation.

Distell has played a key role in the development of South Africa's high international standing as a leader in sustainable wine production. Nederburg was involved in the piloting of the lauded Integrated Production of Wine (IPW) set of principles established in 1998 and now embraced by over 95% of the country's winegrowers.

The recent announcement of the 24 members of the National Planning Commission tasked with developing a national development framework, also gives us reason for optimism. Their depth and range of experience make them well placed to address issues affecting long-term development, such as the management of natural resources, infrastructure planning, human resource development, the structure of the economy, spatial planning and demographic trends.

International

Globally, debt and fiscal deficits persist in many countries and many deep-rooted structural imbalances have been resolved no more than superficially through short-term stimuli. There is also the growing concern that instability in Mediterranean Europe and Ireland could negate the early gains this year has brought to Western economies.

Nevertheless, the first quarter of 2010 brought encouraging news of improved global sales in wine, sparkling wines, champagnes and spirits such as cognac, and US sales data show signs of consumers beginning to trade up to higher-priced wines, although yet not to pre-recessionary levels. However, in much of Europe and the UK, discounting remains aggressive and profit margins are under increasing pressure as many producers struggle to maintain retail shelf space and a share of consumer spend.

The competitiveness of South African producers is also very much impeded by a strong rand, the effect of which is compounded by the simultaneous weakening of the currencies in key export markets, particularly the US and the UK. At the same time, producers are forced to absorb the higher costs of dry goods, to further erode margins.

There is also the reality that consumers are spending more mindfully than in the past and are unlikely to be tempted to return to the conspicuous spending that

marked much of the previous decade. So it becomes all the more important to steadfastly maintain our hard-won reputation for delivering value across the pricing spectrum. It is also essential that we produce as cost-effectively as possible, planning wines in the vineyard and aligning vineyard management practices with eventual price positioning, an approach that Distell continues to follow and that we have encouraged our suppliers to pursue as well.

We are also increasingly turning our attention to some of the developing economies in Africa, where the number of middle-class households now exceeds that of India, according to a McKinsey quarterly report published in June. We are also exploring opportunities in Eastern Europe, Latin America and Asia as offering scope for further growth as not all these regions have been as severely affected by the recession and its aftershocks. However, it must be stressed here that frequent infrastructural impediments and the complexities of trading in many of these countries demand a high level of local expertise.

SUSTAINABILITY

Distell has played a key role in the development of South Africa's high international standing as a leader in sustainable wine production. Nederburg was involved in the piloting of the lauded Integrated Production of Wine (IPW) set of principles established in 1998 and now embraced by over 95% of the country's winegrowers. Earlier this year, the country unveiled the world's first sustainability seal, issued by the Wine & Spirit Board and underpinned by IPW, to guarantee the production integrity of the country's wines across the production chain from farm to cellar right through to packaging. Effective from 2010, the voluntary seal is available only to those wineries to have received IPW accreditation. It is backed by a sophisticated tracking system in which bottle contents can be traced back to its source at every stage of the supply chain to confirm

As part of our sustainability drive, we were also instrumental in the development of South Africa's lightest-weight, 350-gram wine bottle, acknowledged for its durability and safety.

their sustainability. Every seal carries a unique number, through which the wine's provenance can be tracked from vine to pack.

All Distell's certified wines from the 2010 vintage carry the new seal, with many of these already on foreign and local shelves.

As part of our sustainability drive, we were also instrumental in the development of South Africa's lightest-weight, 350-gram wine bottle, acknowledged for its durability and safety. It has been made available to the local industry as a whole. While an easier solution to reducing our environmental impact would have been to step up bulk shipments of our products, we have elected to focus on packaged wines as widely as possible. This is not only to protect the integrity of our products and the reputation of our brands but also to retain much-needed local jobs. Wine industry body SA Wine Industry Information Systems (SAWIS) has calculated that for every 10 million litres of wine shipped in bulk, just over 107 jobs would be lost. This figure does not even allow for the multiplier effect that such job losses would bring.

DRINKING RESPONSIBLY

The Industry Association for Responsible Alcohol Use (ARA), chaired by Michael Mokhorro, Distell's manager of regulatory affairs, is working with the National Liquor Authority to agree on a code of practice for manufacturers and distributors. It has been submitted to the Department of Trade and Industry (dti) for endorsement.

The draft code has established very clear parameters pertaining to the purchase, distribution and sale of alcoholic beverages and it seeks to build on the efficacy of ARA's already established commercial communications, the Advertising Standards Authority, and conduct codes.

It addresses ways of curbing inappropriate consumption. It discourages promotions aimed at rapid and excessive consumption in an on-premises context, for example, and demands a zero-tolerance policy towards rowdy and disruptive behaviour in premises close to places of work, worship or residential areas. The code also highlights the need to work actively with unregistered traders to obtain licences and to undergo licensee training.

ARA and the dti have agreed to establish a working group on the future of alcoholic beverage advertising. ARA's view is that brand advertising succeeds in building market share and there is a substantial body of international literature to support its measurable effect in this respect. However, to date, there has been no conclusive evidence to show that advertising increases levels of aggregate consumption. It is likely that the banning of advertising would do no more than eliminate awareness amongst consumers of the choices available to them. It would thus entrench the market share of established brands and inhibit new entrants to the market.

LEGISLATION

At its assembly earlier this year, the World Health Organisation (WHO) iterated that evidence exists to demonstrate the importance of a legal framework for reducing the harmful and inappropriate use of alcohol. In its draft global strategy to reduce the harmful use of alcohol, it also noted the need for governments to co-ordinate between different levels of authority and to involve communities in addressing the problem.

To date, Gauteng and the Eastern Cape still remain the only two of our nine provinces to have their liquor legislation in operation. The issue of shebeen licensing remains the single biggest stumbling block to the progress of the Western Cape Liquor Act, meant to have been in operation as far back as 2008. We are heartened that the provincial MEC for Finance,

The past year has seen our empowerment score improve to a level 6 compliance and, as the impact of our skills development programmes takes effect to enhance employment equity ratings, we shall see further progress in this regard.

Economic Development and Tourism, Alan Winde, intends to see the bill passed this year. Until a framework is found that is acceptable to all industry players, the profusion of unlicensed outlets will continue to pose a challenge for licensing authorities and put at risk the environments in which they operate, since they can, and often do, attract other illegal activities.

That is why the idea of specified liquor trading zones, as found in parts of Namibia, is being explored as a potential model for the Western Cape, facilitating as it does the monitoring of transgressions and potential criminality.

Successful intervention in illicit trading activities is proving a deterrent to counterfeiting, roundtripping and other forms of tax evasion, thanks to the collaborative efforts of SA Revenue Service, the SA Police Services, the Department of Agriculture, Forestry and Fisheries, as well as private forensics consultants. However, their encouraging results could well be thwarted if Government carries out its intention to significantly raise excise duties. In the announcement of the 2010 National Budget, the minister declared that with taxation benchmarks having been set as far back as 2002, a consultation process was now needed to raise them further. Additional increases would not only see legitimate sales suffer, as happened in countries such as Botswana and further afield in the UK, but such measures, in our view, create a breeding ground for parallel illicit markets and are likely to result in significant revenue loss to Government. The industry has calculated that currently, the extent of excise and VAT evasion is as high as R350 million on spirits and R40 million on wine.

It is also worth pointing out that over the past five years, grape prices have dropped by 40% while production costs have risen by 40%, resulting in an effective halving of net farming income. Yet excise duties have risen by 69%, with primary producers absorbing most of these

costs. This situation threatens the sustainability of many wine farmers, who are an important source of revenue not only to the Western Cape but also to the national treasury.

Moreover, wine exports, worth R6,2 billion in 2008 according to the dti, represent the single biggest contributor to South Africa's agri-exports. As a highly labour-intensive industry, supporting employment for some 275 600 people, it is responsible for 8,8% of the Western Province's total employment, compared with the national average for agriculture of 2,2%. This is according to a recent research study commissioned by SAWIS that also found that in 2008, the wine industry generated R26,2 billion in GDP of which about R14,2 billion remained in the Western Cape.

TRANSFORMATION

Our broad-based ownership model gives Distell employees, the Corporate Social Investment Trust and women's empowerment group WIPHOLD Distilleries and Wines Investments (Proprietary) Limited an effective 15% investment in the company via the wholly owned subsidiary, South African Distilleries and Wines (SA) Limited. We are also actively involved 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. The past year has seen our empowerment score improve to a level 6 compliance and, as the impact of our skills development programmes takes effect to enhance employment equity ratings, we shall see further progress in this regard.

Many of our brands are household names in the domestic market. Increasingly they are growing their international profile, augmented by the company's association with the 2010 FIFA World Cup™.

PROSPECTS

It is clear that in the wake of continued global economic uncertainty, consumer demand for value will escalate and we must be ready to fulfil this need by focusing assiduously on finding new ways to contain costs while enhancing our offerings. By capturing and recycling carbon dioxide released in the fermentation of our ciders, reducing our use of energy and water, light-weighting our bottles and pursuing savings across the value chain in a variety of innovative and sustainable ways, we are maintaining our pre-eminent reputation for providing an excellent combination of brand stature and trustworthiness, quality and value, backed by ongoing investment and world-class service levels. We believe it is these qualities that will hold us in good stead during these turbulent times and ensure we are ideally placed to capitalise on the sustained recovery when it comes.

Many of our brands are household names in the domestic market. Increasingly they are growing their international profile, augmented by the company's association with the 2010 FIFA World Cup™. The formal relationship involved Amarula and Nederburg and it has served to introduce these and many other brands in our portfolio to a wider audience globally from which we hope to derive lasting benefits.

We have seen how an absence of sound moral values has contributed to the present global economic crisis. In our own organisation we have long prided ourselves on the emphasis given to communicating and living according to a value system that is underpinned by a strong code of ethics. This approach has recently been given renewed focus with the introduction of an Ethics Line that allows staff to report inappropriate behaviour without fear of reprisal. By creating an environment where there is no place for moral

ambiguity, we also encourage employees to give of their best, realise their potential, grow in their careers and contribute towards Distell's ongoing prosperity.

ACKNOWLEDGMENTS

Despite the need to contain costs at all levels, we have continued to excel on international platforms, demonstrating that quality does not have to be compromised in tough times. Details of these achievements are highlighted elsewhere in the report.

The global crisis and its aftermath have served to unite us, making us stronger, smarter and more purposeful, all critical to keeping future-fit.

I extend my gratitude to the members of the board for their wise counsel and support.

I also thank Smartie Genade who has served the company for more than 35 years, and who retires on 31 August 2010.

To our staff: I thank you for your unwavering commitment, your capacity to embrace our core values and to live them in the way you work. I know we can count on your support as we prepare for the year ahead.



DM Nurek
Chairman

Stellenbosch
25 August 2010

MANAGING DIRECTOR'S REPORT

JAN SCANNELL MANAGING DIRECTOR



CORPORATE OVERVIEW

Ten-year review

This year, as we commemorate the tenth anniversary of Distell, formed in 2000 by merging Distillers Corporation Limited and Stellenbosch Farmers' Winery Limited, it is appropriate that we should reflect on our performance and achievements over the past decade.

Our ultimate governing objective has always been to maximise value for shareholders and other key stakeholders, notably staff and suppliers, while also contributing to national prosperity.

At the outset, management formulated a clear set of strategic priorities and business plans. We use a range of financial and non-financial key performance indicators to monitor our progress and to make adaptations appropriate to the environment. Important priorities have included:

- > 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
- > Growing Amarula's presence globally
- > Strengthening our status as a profitable and leading South African exporter of wines

I believe we have succeeded in achieving many of these goals, giving us a strong foundation from which to continue on this path, and if we consider that the value a company generates for its stakeholders is best measured by total shareholder return (TSR),

a combination of share price appreciation and dividends over the medium to long term, then we amply demonstrate this.

Since our formation, Distell has delivered a TSR of 27,7% over the ten-year period, compared to the ten-year compound annual growth rate (CAGR) of 12,5% of the JSE top 40 index. Over the same period, we have contributed a total of R29,6 billion to the country's economy. A total of R27,3 billion was distributed in cash to stakeholders, the main beneficiaries being the Government, who received 62,5% or R17,1 billion by way of taxes, and our employees, who were allocated 27,1% of the distribution by way of their emoluments. Shareholders received R2,8 billion.

As a result of our research and development, we are now reaping the benefits of a well-balanced portfolio of brands, with strong consumer franchise, across a range of segments and price points. It has afforded us the flexibility to adjust to changes in consumer spending patterns and to operate across a broad geographic reach and thus reduce our dependency on any one specific market.

Revenue derived from countries outside South Africa now comprises 28,3% of total revenue (on a non-duty paid basis).

Looking at our progress in building our global footprint and in entrenching Amarula as a truly international brand, it is particularly pleasing to note that it has recently been ranked as one of the world's fastest-growing spirit brands by the Drinks International Millionaires Club that analyses brands selling in excess of 1 million 9-litre cases annually. The list, compiled by Euromonitor International, covers sales during the 2009 calendar year. It shows that, while Amarula has been

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.

continuing to grow, its largest rival has been in decline. Amarula has also moved up from 87th position last year to 86th position on the Impact Databank list of World's Top 100 Premium Spirit Brands. At the same time, Klipdrift Export appears on this list for the first time, attaining 99th position.

Euromonitor has also ranked Hunter's as the world's second largest cider brand, based on volumes sold, and Savanna in third position.

Over the past decade, we have also grown the business to provide direct employment for over 4 500 people, on whom many families and communities depend.

Along the way, we have evolved a reputation for world-class quality across our portfolio, winning the V&S Distiller of the Year trophy at the 2007 International Wine & Spirit Competition, as well as subsequent regional and category trophies for spirits and wines at this annual event, as well as many other international competitive platforms.

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. This investment is expected to further improve the contribution of our international business to group earnings.

Through our agreement with the organisers of the 2010 FIFA World Cup™ we have been entitled to carry tournament branding till the end of this calendar year on a special-edition trio of Nederburg wines, as well as on commemorative Amarula packaging, thrusting both names into the international limelight, driving increased sales and seeking opportunities for new business.

We have also succeeded in many other ways of building the sustainability of our business. After pioneering a skills transfer-based model for black participation in the wine industry through our Papkuilsfontein Vineyards venture, jointly owned by Distell, a group of black entrepreneurs and a community trust, we negotiated a broad-based black empowerment deal whereby Distell employees, a Corporate Social Investment (CSI) Trust and women's investment group WIPHOLD, could acquire an effective 15% investment in Distell via our wholly owned operating subsidiary, South African Distilleries and Wines (SA) Limited (SADW).

We have also established a range of preferential procurement projects and assisted black-owned suppliers to build sustainable businesses. We have opened up new winegrowing areas, we have embarked on ground-breaking viticultural practices and we have taken the lead in many projects to promote ecosustainability.

Current performance

A significant curtailment in real disposable income and rising unemployment impacted negatively on consumer spending patterns during the year under review. Competition also intensified considerably, leading to aggressive pricing and discounting, with consumers proving most receptive to lower-priced offerings. In addition, the continued appreciation in the value of the rand had a substantial impact on international revenue and earnings.

We remain resolutely committed to building our brands for the long term and we continue to invest in their marketing, sales and distribution in all key markets.

Given the extremely challenging trading conditions that prevailed in most of the markets where we trade, we consider the results achieved for the year to be satisfactory.

In the domestic market we managed to maintain overall market share by value, growing sales volumes by 4,6% and raising revenue by 9,2%. Internationally we achieved volume growth of 15,8%. Total volumes globally increased by 7,3% and revenue by 8,7%. EBITDA grew 0,8%. Headline earnings, due to a substantial increase in finance costs, declined by 1,0%.

I want to stress here that despite the turbulence of the economy and a strong rand impacting on our price competitiveness abroad, we have never wavered from our course. We remain resolutely committed to building our brands for the long term and we continue to invest in their marketing, sales and distribution in all key markets.

It is our belief that despite the short-term cost in doing so, it will yield sound returns as the global economy begins to recover.

DOMESTIC MARKET

The South African economy

As we anticipated in our previous report, South Africa's economic environment remained extremely challenging and continued to impact adversely on consumer demand. Although the two-year period of recession showed some signs of lifting, with a modest growth in GDP evident from the fourth quarter of the 2009 calendar year, spending was focused mainly on durable goods. All the while, ongoing job losses, slower growth in social grants, still high levels of household debt and diminished disposable income continued to erode disposable income. As a result, the demand for non-durables, including alcoholic beverages, remained under pressure, with a further contraction in demand witnessed during the first half of the 2010 calendar year.

The alcoholic beverage market

For the period under review, beer, which saw a 1% drop in sales volumes, drove a 0,4% decline in total domestic sales of alcohol. The sales volumes of spirits continued to decline, as elsewhere in the world, falling locally by 2%. Volumes of flavoured alcoholic beverages grew by 3%, largely due to the robust performances of our own brands, Hunter's and Savanna. Wine volumes rose 2%, fuelled mainly by the increased demand for lower-priced offerings.

South Africa's curtailed consumer spend has led to intensified competition for a share of people's wallets, and discounting is now more marked than ever before. The recession has also severely impacted consumer confidence, prompting a change in spending patterns. As a result, the pace of premiumisation has slowed for the moment and value-driven products have gained market share.

Major players in the beer market have entered a beer war with renewed energy, putting increased investment and activity behind mainstream brands, while aggressively discounting on price. Given that hard-pressed consumers are currently buying on price, value beer brands are cannibalising spend on other alcoholic beverages. The market also faces stiff competition from imported brands which have become highly price competitive, as a consequence of the persistently strong rand.

Distell's performance

When tough trading conditions prevail there is often the temptation to protect short-term profitability at the expense of long-term sustainability. However, in our view, the best way to build shareholder value is to stick resolutely to developing and building strong and relevant brand portfolios and to avoid deep discounting. Our response to current market

Domestically total sales volumes
increased by 4,6% and revenue by 9,2%

conditions and intensified competition has thus been to launch new products and to intensify sales and marketing activities.

We succeeded in maintaining our value share of the market in the most important spirit categories, while gaining a further value share in the flavoured alcoholic beverage segment. However, in protecting brand equity, especially in the case of our drive brands, we experienced some market share losses in wine, mainly at the cheaper end of the market. Fortunately the value loss was contained by the good standing, diversity and quality of our brands, timely innovation and sustained and strong brand investment.

Domestically, total sales volumes increased by 4,6% and revenue by 9,2%, which is a reflection of a less favourable overall sales mix in terms of profitability on a rand per litre basis. Whereas cider and ready to drink (RTD) brands continued their strong performance, wine and spirit brands showed volume declines.

Our cider and RTD portfolio again delivered double-digit volume growth and continued to perform well ahead of the market, enhanced by excellent communication campaigns that resonated extremely well with consumers. The Hunter's through-the-line communication, using the "The end of global warming" platform was well received by the market. Savanna's latest "DJ on Fire" TV commercial also proved extremely popular, scoring a record high for a Distell TV commercial tested among consumers. Klipdrift & Cola also showed strong growth, supported by increased market activation on the brand.

Spirits suffered most significantly, in line with the market, as consumers began reducing their repertoire of brands and choosing lower-cost options such as

beer, flavoured alcoholic beverages, perlé wines, aperitifs and sub-price products. Some of our brandies in the sub-price segment showed strong growth.

In the higher-price category Amarula delivered a very strong performance on the back of consistent investment and focus on the brand.

The volume decline in our wine portfolio, which was more marked at higher price points was offset by a gain in market share at these price levels. However, we lost some market share at lower price points.

A strong and well-balanced portfolio of priority brands has always been fundamental to Distell's performance. Continued development of strong and engaging brands that match consumer needs and preferences therefore remains a strategic priority. In line with this strategy we launched a variety of new offerings locally, while revitalising the packaging of some existing brands to maintain their relevance.

INTERNATIONAL MARKETS

International markets cover all regions beyond South Africa's borders and thus include sub-Saharan African markets (including the BLNS countries) and overseas territories.

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 outside South Africa, we continued our focus on building a core portfolio of brands in key markets, including new destinations,

SUB-SAHARAN AFRICAN MARKETS (excluding BLNS countries)

Number of countries where we operate – 34

Number of brands we sell – 83

Number of permanent staff – 46

Joint ventures – Afdis Holdings (Private) Limited (Zimbabwe)

Associates – Tanzania Distilleries Limited (Tanzania) and Grays Inc. Limited (Mauritius)

Subsidiary – Distell Wine Masters Limited (Kenya)

particularly in developing economies. Our strategy of allocating significant resources to priority countries is yielding good results. This year, despite the turbulence of the global economy, volumes increased by 15,8% and revenue by 15,2%, to achieve compounded annual revenue growth of 17,5% over a seven-year period.

What is particularly pleasing is that international volume growth was achieved across all important categories with spirit and wine sales volumes growing by 14,4% and 6,8% respectively. Our growth in wine exports was significant and far outpaced that of the industry. Exported RTD volumes increased by 42,0%, albeit off a smaller base.

Over the past year the rand continued to strengthen against all major currencies and showed an average appreciation of 14,3% against the weighted basket of currencies in the markets where we trade. Revenue and margins in all our international businesses were adversely affected. Despite a drop in gross profit, we maintained brand investment in rand terms and, as a consequence, EBITDA declined by 31,4%. It is a reality that we currently confront that the strong rand is impeding our progress in reaching our medium-term target for international contribution to group EBITDA of 35%.

When we bought the 200-year-old brand Bisquit for R233,5 million, the transaction included the trademark as well as inventories. We are now pleased to report that considerable progress has been made in establishing a solid basis for the future growth of this business. We have commissioned our own production facilities, recruited additional staff, defined brand and marketing platforms, finalised distribution agreements and upgraded brand packaging. The brand's performance in its established markets has already exceeded our expectations and we are looking forward to making headway in new territories.

In addition to organic growth and the Bisquit acquisition, we are exploring other international opportunities for expansion, through investments in operations to which we believe we can add value.

Sub-Saharan African markets (excluding BLNS countries)

Most African countries were affected in some measure by the global recession and faced a decline in the demand for commodities, a devaluation of local currencies and a drop in tourism.

Angola, an important market in the region, experienced negative GDP growth after an extended period of exceptional economic prosperity. Consumer spending was hampered by the significant decline in oil-derived revenue, the currency depreciation and currency restrictions. However, sub-Saharan Africa as a whole weathered the global crisis well, still achieving real economic growth of 2,1%.

Despite the loss of momentum in certain countries in the region, we increased our commitment to the African markets where we trade and were again rewarded with exceptional sales volume and revenue growth that exceeded expectations.

In our view, the worst seems to be over for most countries in the region, and economic forecasts predict accelerated growth in the period ahead.

Over the review period, growth, driven by a well-balanced product portfolio of spirits, wines and RTDs, was generated across major markets, driven mainly by Angola, Nigeria, Mozambique, Zambia and Kenya. The recovery of volumes in Kenya was particularly pleasing following the decline of the previous year, where the downturn was exacerbated by an increase in excise duties. In Angola, our wine and RTD portfolios, in particular, delivered good growth despite the tough trading conditions.

Sales volumes rose 52,9% and revenue by 45,8% to achieve compound annual volume growth of 33,0% over a seven-year period. EBITDA grew 11,1%. Margins declined as a result of a stronger rand and we had to invest substantially to extend our footprint in selected markets.

Our spirit portfolio achieved volume growth of 7,5%. Volumes of brandy produced in Kenya also increased, notwithstanding a setback earlier in the year, when duties were raised before being dropped again. We also recorded good growth in the volumes of white spirits, particularly in Angola and the Democratic Republic of Congo. The recovery of Zimbabwe, albeit at a slower rate than expected after the formation of the Coalition Government, resulted in strong growth, especially for our spirits. This market has traditionally been a stronghold for brands such as Mainstay, Viceroy and Chateau brandy and, as the market continues to recover, we expect to maintain these growth trends.

Amarula once again delivered a very sound performance, taking full advantage of its association with the 2010 FIFA World Cup™.

At the same time, our wine portfolio, led by premium brands such as Nederburg, J.C. Le Roux, Drostdy-Hof, Cellar Cask and Two Oceans, yet again delivered outstanding growth, with volumes up by 35,9% and value, up by 26,7%. Even in key markets such as Angola, Kenya, Nigeria and Mozambique, where competition intensified, wines performed particularly well.

In the RTD category, both Hunter's and Savanna benefited from increased marketing support and distribution gains, even though they often competed at premium prices to locally produced products in the category. Volumes grew by 86,9%, with Angola, Mozambique, Zambia and Zimbabwe doing particularly well.

We began focusing in earnest on the subcontinent in 2003 and have made it a strategic priority to grow our business in the region. We have been advancing our presence and as such we have:

- > Marketed a portfolio of brands across the pricing spectrum to provide premium as well as more affordable offerings relevant to consumers in each market
- > Maintained a clearly focused brand investment strategy
- > Expanded our sales and marketing representation to better service the growing consumer demand
- > Established excellent distributor relationships to extend our presence and ensure product availability and visibility
- > Adopted a philosophy of partnering with local players in selected markets
- > Established local production and supply facilities, where appropriate, to mitigate high import costs and government tariffs

Logistics still remain a challenge on many 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.

Over the past year we have seen a noticeable increase in competition in the alcoholic beverage market across the region as a result of international and South African players looking for new growth opportunities beyond their traditional markets. We expect this trend to continue. However, we are confident that our well-balanced brand portfolio, our knowledge of these markets, as well as our excellent distributor relationships leave us well positioned to take advantage of the expected economic growth in the region and to capture substantial market share in sub-Saharan African markets.

OTHER MARKETS (outside the African continent)

Number of countries where we operate – 81

Number of brands we sell – 100

Number of permanent staff – 68

Joint venture – Scotch Whisky Sub-Sahara Limited Liability Partnership (UK)

Subsidiary – Bisquit Dubouché et Cie (France)

BLNS countries

(Botswana, Lesotho, Namibia and Swaziland)

The countries immediately beyond our borders have long been important markets for us, and over the years we have continued to strengthen our marketing, sales and distribution to derive the maximum benefit from opportunities here. Despite the recession, BLNS sales volumes grew 4,8%, driven by excellent sales growth in liqueurs, sparkling wines and RTDs. However, business conditions in Namibia and Botswana, the two major markets in the region, proved more challenging and volumes in these markets specifically declined by 0,5% and 2,1% respectively.

The direct delivery to the southern parts of Angola, as a result of improved logistics, has replaced cross-border business between Namibia and Angola, curtailing localised business opportunities. At the same time, in Botswana the sale of alcoholic beverages remains impeded by the social levy on alcoholic beverages introduced in November 2008, as well as the restriction in trading hours.

Other markets

(outside the African continent)

Europe

Severe economic conditions across the region saw a rise in unemployment and depressed consumer spending. Despite an extremely unfavourable trading environment, we still managed to lift sales volumes by 12,8% and revenue at constant currency increased by 14,5%, reflecting a favourable sales mix. Whereas the volumes of our wine portfolio grew 11,0%, spirit volumes increased by 27,4% (but on an organic basis increased 5,8%) and RTDs rose by 30,9%.

We were particularly pleased with the performance of Amarula, which delivered excellent growth of 5,9%, with increases reflected in virtually all key markets in the region, helped in part by the association with the 2010 FIFA World Cup™. In the United Kingdom (UK) we concluded a new distribution agreement with Cellar Trends, which we believe will contribute to improved sales as greater focus is applied to the brand.

Sales volumes of Bisquit contributed significantly to spirit volume growth in the region, exceeding our expectations. Existing traditional markets are being well serviced and a new distribution agreement has recently been concluded for Russia, one of the world's most important cognac markets.

Our wine business grew well ahead of the industry thanks to a well-balanced and diversified portfolio of products spanning the price spectrum. Sales of premium wines and above, representing about half of our wine sales in the region, grew by 15,3% in volume, boosted by the strong performance of Nederburg in the key markets of Germany, the Netherlands and the UK. Brands in the medium-priced category delivered volume growth of 5,7%.

Increased distribution and aggressive marketing of Savanna in the UK resulted in strong growth. The investment to compete in the multiple grocer channel remains high, but we are confident we can establish a significant presence in the world's biggest cider market.

Even though the euro showed a 14,4% depreciation against the rand to impact revenue and margins severely, we have not departed from our commitment to invest in drive brands. As a result, our EBITDA in the European region declined by 58,0% to R65,3 million.

North America

Despite a sluggish alcoholic beverage market, our business in the region that focuses largely on Amarula and four drive wine brands, delivered volume growth of 11,2%. The US dollar and the Canadian dollar depreciated against the rand, on a weighted average basis, by 16,1% and 7,3% respectively to affect revenue and margins. Despite the adverse impact of the exchange rate on product profitability, we stepped up advertising spend. Consequently, EBITDA contribution declined significantly from R20,0 million to R3,7 million.

United States

Our wine business in this region delivered exceptional volume growth at a time when the South African wine category as a whole showed a decline. Two Oceans and Nederburg are proving to be well positioned in style and pricing and continued to grow market share. We have extended our investment in these brands as we are confident of the potential for further growth.

Our agent, Avenú Brands, has managed to achieve significant distribution levels for Amarula, with sales volumes growing by an impressive 39,5%. The goal is now to accelerate stock rotation and build Amarula into a mainstream competitor in this highly lucrative segment.

We plan to launch Bisquit in the US in the next financial year and will be focusing mainly on the VS category of the cognac market.

Canada

Our wine volumes grew 4,2%. Two Oceans, which received significant exposure in this market, remained South Africa's top-performing wine brand and continues to lead the South African category.

Despite a decline in this category, Amarula again delivered a solid performance, boosted by encouraging sales growth in Quebec.

Latin America

That the economies in this region have started to recover was demonstrated by a sales volume increase of 34,6%. Spirit volumes grew 23,5%.

Amarula made exceptional progress in regions such as Argentina, Uruguay and Paraguay. Wine volumes almost doubled, with Nederburg deriving substantial benefits from its association with the 2010 FIFA World Cup™ and new listings achieved in Brazil.

Middle East

An increased presence in the Middle East, the result of new distribution agreements, enabled us to deliver volume gains in the region in excess of 20%, despite the extent of the recession. Business and leisure tourism are the cornerstones of the economies in several countries across the region and provide us with important outlets for our brands. We are thus well positioned to capitalise on profitable growth opportunities when global conditions improve.

Asia and Australasia

Our RTD and spirit brands showed very strong volume growth of 37,3% and 31,4% respectively. Wine sales, however, declined by 10,0% and, as a result, total sales volumes declined by 5,3%.

Amarula continued to gain distribution throughout the sub-continent, as we focused on raising visibility and extending distribution, especially in China, where we hope to penetrate markets beyond the borders of key cities. Progress has been slow and we recognise that the growth of the brand will require a long-term

Amarula's visibility was enhanced through the 2010 FIFA World Cup™ association at key international airport outlets.

commitment. We also face tough competition from other players investing substantially in this category. We are proceeding apace in building the presence of Bisquit in China, where we have concluded contracts with distributors who have considerable experience in the cognac business. Bisquit is now available in 22 cities through 36 wholesalers. We are targeting the southern provinces, Guangdong and Fujian, in particular, where the vast majority of cognac is consumed. Our immediate challenge is to reduce excessive stock levels accumulated by previous distributors, but we are making good progress to prepare for the launch of new packaging in the months ahead.

Our wine business suffered volume losses in light of the especially difficult trading conditions in Australia and New Zealand. With reduced global demand leading to an oversupply of local products, there has been aggressive competitor discounting in these markets in a bid to move stocks.

Travel retail

The period under review has been one of the hardest for the travel retail industry, effectively cancelling out the impact of 30 months of passenger growth. Demand for travel retail products during the calendar year of 2009 declined by 3,5%. In Europe, the principal travel retail market, the decline was more marked for the period, reaching over 6%. Nevertheless, we were able to maintain year-on-year sales volumes within this channel.

Amarula's visibility was enhanced through the 2010 FIFA World Cup™ association at key international airport outlets. Special Amarula gift packs were particularly successful in the months leading up to the tournament which began in June. Bisquit listings were largely maintained and promotional activity was

stepped up in critical Eastern European markets. We are confident the new pack will provide impetus to increase penetration of the top duty-free environment.

In general, wines had a very good year with Nederburg achieving excellent visibility in the Scandinavian ferry market.

OPERATIONS

Our continuous focus on building a balanced portfolio of leading brands to satisfy consumer needs across a broad spectrum is fundamental to driving sustainable revenue and profit growth. At the same time, strategies and initiatives designed to achieve and entrench a sustainable competitive cost advantage remain top priorities in our goal to participate successfully in competitive global markets.

The benefits flowing from improved efficiencies also allow us to reinvest in strategic areas of the business, particularly in support of brands, stepping up marketing initiatives and extending marketing and sales capabilities in key markets.

Efficiencies

Operational management continued to focus on enhancing efficiencies by identifying specific areas for business improvement and setting financial targets for each. This year we were able to bring about savings in excess of our target of R114,0 million, as we made additional advances in the following areas:

- > Redesigning and standardising packaging for some products, without compromising on appearance or quality standards
- > Expanding our global supply network to give us improved access to best product, service and pricing options
- > Increasing our access to returnable glass, reducing costs as well as our impact on the environment

- > Introducing process improvements and commissioning new technology to further reduce waste, improve alcohol recovery and enhance the fuel efficiency of our distillation plants.

Enhancing quality

We continue to invest in measures to further improve our products at both an intrinsic and extrinsic level. The ongoing recognition earned by so many of the brands in our portfolio, is testimony to this. Details of recent prizes and accolades won can be found on pages 20 and 21 of this report.

While the accent here is on product quality, we have also earned recognition for packaging design.

Procurement

In a highly competitive trading environment such as ours, efficient procurement and sustainable supply chain management are critical business imperatives. To ensure continuous product availability, adherence to quality standards and achieving ongoing cost reductions throughout the value chain demand close collaboration with our suppliers at all times.

As anticipated in our previous report, demand for both red and white wine cultivars now exceeds supply, mainly as a result of strong export growth over the past number of years, but also given the steady increase in domestic wine consumption. At the same time the deterioration in profitability of grape and wine production at primary level has led to a reduction in the area cultivated to vineyards, further exacerbating shortages in supply. Over the past year, difficult climatic conditions leading up to the 2010 harvest and ripening period, that included damaging rains and winds, also severely impacted crops and consequently total industry yields were down 8,6% and yields for the coastal region were down 25%. Although these adverse conditions have tested our

ability to adapt to a changing environment, we were nevertheless able to secure sufficient supply to meet demand.

Distell has established long-term relationships with grape and wine producers whose viability, financial stability, success and continued commitment are key to the sustainability of our supply chain. We thus share information regarding market trends and provide assistance to improve efficiencies, quality and yields. Together we trial new viticultural practices and experiment with newer cultivars and new clones. We also identify new areas for higher-yielding grape production with lower input costs.

Capacity

Since the formation of Distell in 2000, the group has achieved significant growth, with sales volumes reflecting CAGR of 4,7% over a nine-year period.

Understandably, capacity constraints started to develop in various units in the operations division, particularly in warehousing, whisky and RTD production and sparkling wine fermentation. During the past year, a substantial percentage of capital expenditure was directed to expand capacity in these areas. Various projects begun during the 2009 financial year are being phased for completion over three years.

We have also increased our investment to improve logistical planning systems to enhance warehouse capacity, while physically expanding warehousing at our sites in Epping, Stellenbosch and Windhoek.

The extraordinary growth of the RTD market, in which Distell is a significant player, has necessitated incremental investment to meet the greater demand of ciders in particular. We have expanded cider production capacity at our primary production plant in Paarl and successfully commissioned additional bottling facilities at our secondary production site in Springs.

Revenue derived from African countries (including BNLS) grew 26,5% on a volume growth of 19,9%. African countries outside the BLNS region delivered impressive revenue growth of 45,8%.

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, our three-year project, begun in 2009, is expanding production capacity at the Wellington distillery. This investment will give us a competitive advantage, but the benefits of the project will only materialise in later years when matured spirits are released for bottling.

To meet growing demand for J.C. Le Roux, the leading brand in the sparkling wine category, we invested in additional production capacity to increase volumes, while maintaining the high quality standards on which the brand has built its reputation and differentiation.

Wherever possible, we apply the advantage of producing beverages across the product spectrum and at various plants to maximise the use of our assets in a variety of ways. For example, the expanded fermentation capacity for sparkling wine allows us to ferment apple juice in the production of our ciders, outside the wine harvesting period.

In line with our objective to reduce our impact on the environment, management commissioned an investigation into effluent management at our primary production sites several years ago. After extensive research and close collaboration with the authorities, an improved effluent treatment system at our spirit production site in Wellington was completed during the year. At the same time construction on effluent management systems at our Worcester production facility has started and will be completed in the year ahead.

The nature of the group's activities, and the production of spirits in particular, necessitates a longer-term view of consumer demand for our products, and investment in bulk inventory under maturation is planned accordingly. To normalise bulk

spirit inventory levels in the recently declining market, production activities were curtailed. Fixed costs not absorbed in inventory impacted earnings unfavourably.

FINANCIAL PERFORMANCE REVIEW

Revenue and volumes

This year's volumes reflect a satisfactory overall performance during the difficult trading conditions caused by the protracted global recession and weak consumer demand. Revenue grew 8,7% on a sales volume increase of 7,3%.

Domestically sales volumes increased 4,6%, with growth even more sluggish during the second six months. Our cider and RTD brands continued to perform well, albeit at a slower pace, to achieve a sales volume increase of 12,5%. The spirit market remained under severe pressure as consumers sought lower-priced alternatives in an acutely competitive trading environment. Distell's spirit volumes declined 5,5%. We, however, succeeded in maintaining our value share of the category. Our wine business was also impacted by the adverse economic conditions and reflected volume declines of 1,6%.

International sales volumes, excluding Africa, increased 10,0%. International revenue, negatively impacted by a less favourable exchange rate throughout the period under review, increased 2,9%. Spirits reflected exceptional volume growth of 25,5%. Wine volumes rose 7,4% with strong growth recorded at higher price points. Cider and RTD brands once again showed impressive growth of 31,4% but, as mentioned earlier, from a still relatively small base.

Revenue derived from African countries (including BNLS) grew 26,5% on a volume growth of 19,9%. African countries outside the BLNS region delivered impressive revenue growth of 45,8%.

Net cash generated from operations before working capital movements, rose to R1,69 billion, up 9,7% on last year's R1,55 billion.

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 R9,33 to the euro at year-end. This compares with R11,03 at the start of the financial year. The weighted average rand/euro exchange rate, however, weakened by 14,4% to R10,57, compared to R12,35 in the prior year.

Operating profit

Although reasonable sales volume growth was achieved, the year's results were substantially impacted by adverse exchange rates and, to an extent, a less favourable sales mix. Consequently, operating profit declined by 1,2%.

Operating expenses increased by 10,1% compared to revenue growth of 8,7%. EBITDA margins were thus 1,1% lower than the previous year's 14,7%.

Although the rates of raw material input cost increases eased over the past year, following a two-year period of significant commodity cost increases and a strong US dollar, recently negotiated prices were still insufficient to counter the unfavourable impact of a substantially stronger rand on international revenue. As a result, the profitability and margins of our international businesses were materially impacted.

The rate of growth in raw material cost increases slowed further during the second half of the reporting period as we benefited from renegotiated annual supply contracts due for renewal. However, the prices of sugar cane and certain packaging components still remain high and will be renegotiated in the months

ahead. The group expects raw material input costs to reflect more moderate increases in the forthcoming financial year.

Despite challenging trading conditions, we maintained our brand investment programme and continued to step up sales and marketing support and representation in priority markets. Since our acquisition of Bisquit last year, it has become fully operational and its performance in established markets has exceeded our expectations.

Business process improvement initiatives were able to bring about cost savings in excess of our predetermined target of R114,0 million. Revenue growth and cost efficiencies were, however, insufficient to protect margins and profitability.

Internally the Group uses EBITDA as a key performance indicator. EBITDA rose 0,8% to R1,61 billion, which includes the impact of foreign currency translation losses, resulting in a seven-year CAGR of 14,0%.

Finance cost and cash flow

Net cash generated from operations before working capital movements, rose to R1,69 billion, up 9,7% on last year's R1,55 billion.

Additional investment in working capital, that increased 1,7% on the previous year, resulted in a cash outflow of R139,1 million (2009: R514,7 million). Receivables and payables both increased by 16,4%, whereas inventory rose by 3,7%. As a result, cash generated from operations amounted to R1,55 billion, a 50,9% increase on the previous year's R1,03 billion.

Taxation paid decreased by 12,6% to R394,7 million, reflecting differences in the timing of payments.

Total assets increased by R751,5 million to R8,20 billion, an increase of 10,1% on the previous year.

Fixed capital investment spend to maintain and expand operations, amounted to R550,1 million, compared with R382,1 million last year.

Cash inflow, before financing activities, amounted to R33,8 million (2009: R535,9 million outflow). Net financing cost amounted to R68,7 million compared with the previous year's R23,2 million.

Taxation

The effective tax rate decreased from 32,8% to 30,8%, primarily due to the recognition of assessed losses in a subsidiary company as deferred tax assets.

Earnings

Headline earnings per share declined 1,2% to 469,1 cents, to achieve a CAGR of 20,1% over a seven-year period.

Dividend

The directors have resolved to declare dividend number 44 of 132 cents per share, bringing the total dividend for the year ended 30 June 2010, to 256 cents per share (2009: 256 cents). The total dividend represents a dividend cover of 1,8 times (2009: 1,9 times) by headline earnings.

Investment and funding

Total assets increased by R751,5 million to R8,20 billion, an increase of 10,1% on the previous year. At the same time, net operating assets (i.e. fixed assets, intangible assets, inventory and receivables less payables) increased 7,3% to R5,73 billion, achieving compound annual growth of 9,2% over a seven-year period. This compares favourably to a 14,0% 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 R550,1 million, of which R184,6 million was spent on replacement of assets, while R365,5 million was directed to capacity expansion, mainly to increase production capability at our cider and RTD manufacturing facilities, our whisky production plants and our sparkling wine cellars and to extend warehousing.

In April 2009, the Group acquired heritage cognac brand Bisquit, for R233,5 million, and also secured sufficient inventory to meet longer-term demand. This year a further R36,4 million was invested in production and distribution facilities for this business.

Net working capital rose by a mere R54,2 million, up 1,7% on the previous year. Investment in bulk stock in maturation, planned in accordance with the group's longer-term view of consumer demand for our spirit brands, was 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 3,1% on the previous year, with a further improvement in stock duration.

The Group remains in a strong financial position, with interest-bearing debt, net of cash and cash equivalents, at R516,1 million at year-end, and a debt-equity ratio of 9,9%. We are therefore well placed to take advantage of opportunities as they arise.

We finance our operations through cash generated by the business and a combination of short- and medium-term bank credit facilities, and seek to mitigate the impact of currency exposures by borrowing in rands, when deemed cost-effective. Future funding flexibility is ensured by the existence of a R4,72 billion borrowing capacity.

MANAGING DIRECTOR'S REPORT *continued*

PROSPECTS

Although there were some early signs of a global economic recovery in the latter part of the financial year under review, we believe challenging trading conditions will persist in the year ahead. Unemployment and limited disposable income are likely to continue to impact consumer spending adversely. We expect the trading environment to remain extremely competitive, both domestically and internationally.

However, we remain confident that our business is appropriately structured with a diversified and exciting range of well-priced, high-quality brands in spirits, ciders, RTDs and wines, to equip us to compete effectively and to continue to maximise trading opportunities.

ACKNOWLEDGEMENT

I wish to thank all my colleagues for their dedication and support over the past year and for their valued contributions during an exceptionally demanding time characterised by very tough trading conditions.



JJ Scannell
Managing director

Stellenbosch
25 August 2010

CORPORATE GOVERNANCE REPORT

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 board accepts its duty and responsibility to ensure that the principles set out in the code of Corporate Practices and Conduct as defined in King III are observed. In keeping with its commitment to corporate governance, the board assessed its state of compliance with the updated King III, which status is commented on in the corporate governance statement. Further enhancements will be on the board's agenda for 2011.

During the year under review, a comprehensive analysis of the Group's governance, assurance and risk management practices was performed in relation to the requirements of King III. As a consequence certain roles, structures and committee mandates were enhanced to strengthen governance within the Group. The Group's corporate governance process has evolved sufficiently to adopt most of the principles of King III. The 'apply' rather than 'comply' approach has been adopted and the future focus will be on enhancing our sustainability management practices in line with King III's principle that governance, strategy and sustainability are inseparable.

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. It is expected that the effective date will only be in the second half of 2010 in order for regulations to be put into place and for CIPRO (companies and intellectual properties registration office) to make the necessary preparations.

Meanwhile, with the Corporate Laws Amendment Act that came into effect during December 2007, the possible impact for the 2010 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 24 to 25.

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. 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 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	5
FC Bayly	4
PM Bester	5
PE Beyers	5
MJ Botha	5
JG Carinus	5
GP Dingaan	5
SJ Genade	5
E de la H Hertzog	5
MJ Madungandaba	3
LM Mojela	5
DM Nurek (Chairperson)	5
AC Parker	5
JJ Scannell	5
CE Sevillano-Barredo	5
BJ van der Ross	5
MH Visser	5

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
GP Dingaen	4
DM Nurek	4
CE Sevillano-Barredo (Chairperson)	4
MH Visser	3

Audit and risk committee members, as well as the internal and external auditors, have unlimited access to whatever information they require in discharging their responsibilities. Moreover, the internal and external auditors have unlimited access to the chairperson. The internal audit department reports directly to the audit and risk committee and is also responsible to the financial director on day-to-day matters.

The managing director is copied on all significant reports which are then discussed with him.

The 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 2010. 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 133.

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
PM Bester	2
LM Mojela	1
DM Nurek (Chairperson)	2
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 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 present 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. Employees are prohibited from trading in Distell securities during closed periods.

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. Our toll-free Ethics Line is 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 within South Africa. The international number is +27 31 571 5657.

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.

Table of material issues

TOPIC	MATERIAL ISSUE	DISTELL	PAGE NO.
Economic empowerment	Broad-based black economic empowerment (BBBEE)	We have attained level 6 compliance, an improvement from our earlier level 8 in 2008.	58
Our people	Employment equity	87% of all new appointments during the year under review involved PDIs, of whom 74% were HDIs. Promotions involved 85% PDIs, of whom 72% were HDIs.	59-65
	Human resource development	The focus has been on middle management development, as well as internships, learnerships and apprenticeships across all disciplines of the business.	
	Industrial relations	Collective relationships have been formalised with three unions, the National Union of Food, Beverages, Wine, Spirits & Allied Workers, the Food & Allied Workers Union and the United Workers Front. The company achieved a 91,3% success rate when 23 cases were referred to the CCMA for arbitration, up from 88,47% averaged annually between 2003 and mid-2009.	
	Employee health	Our on-site clinics recorded 25 000 consultations during the year under review. Counselling intervention in our Employee Assistance Programme was extended to 725 employees.	
	Risk in the work environment	Focus areas were on the prevention of fire at all our sites, and on protection from occupational injury, disease and criminal activity. We also directed resources to optimal maintenance of our motor fleet and to emergency planning.	
Anti-corruption policies	Ethics Line	Our Ethics Line, which promises employees protection from reprisal for reporting inappropriate behaviour, hosted calls flagging issues for investigation in the areas of human resources, governance and supply chain management.	66
Contributions to political parties	Party political donations	Distell does not make party political donations, but staff members are free to do so in their personal capacity.	66
Impact on communities – environment	Environmental awareness strategy	We are currently embarking on a company-wide environmental awareness initiative, educating staff on water and energy savings and on how to reduce greenhouse gas emissions in the workplace and in employee communities.	67-71
	Solid-waste management	We light-weighted 2,9 million wine bottles, saving 333,5 tons of glass 473,5 tons of CO ₂ equivalent (CO ₂ e) emissions. We also light-weighted Savanna bottles to achieve a further saving of 14 000 tons of CO ₂ e emissions. We reused 132,3 million bottles as part of our recycling programme, saving 73 268 tons of glass (111 079 tons of CO ₂ e emissions).	
	Emissions, effluent and waste	In producing our ciders, we recaptured and purified 3 567 tons of CO ₂ . We are involved in a joint venture, Solamoyo Processing Company (Pty) Limited, to build a dedicated R13,3 million effluent disposal facility in Worcester to handle effluent from our distillery operations. Its completion is scheduled for December 2010.	
	Sustainable winegrowing	South Africa's new sustainability seal, guaranteeing production integrity from vineyard to final packaging, is being applied to all our 2010 vintage wines certified by the Wine & Spirit Board.	
	Organic winegrowing	We have 20 hectares certified as organically cultivated by the Swiss-based SGS, with a further 150 hectares in the third and final year of conversion.	
	Biodiversity and Wine Initiative (BWI)	Our BWI members include Durbanville Hills, Lomond, Neethlingshof, Papkuilsfontein (supplying Nederburg and Tukululu), Plaisir de Merle and Uitkyk.	
	Responding to climate change	We are experimenting with cultivars suited to warmer growing conditions, exploring new winegrowing areas and putting new trellising systems on trial.	
	Dodoma, Tanzania	Distell is spearheading a viticultural initiative in Tanzania that should see wine farmers in the highlands of Dodoma double their crops between 2012 and 2014.	

TOPIC	MATERIAL ISSUE	DISTELL	PAGE NO.
Impact on communities – responsible drinking	Foetal alcohol syndrome	We support the Foundation for Alcohol-related Research (FARR) through our membership of the ARA. We have also supported industrial educational theatre and life-skills programmes.	72-76
	Drinking and driving	We support ARA initiatives, including educational TV and cinema campaigns, display warning messages at all brand homes, and educate brand home staff. Savanna and Klipdrift run branded educational messages over peak consumption periods.	
	Alcohol abuse and the burden of disease	We are in discussion with government about exploring co-operative ventures to address the impact of abuse on vulnerable communities.	
	Alcohol and the youth	As a member of ARA we are involved in the growing national distribution of the teen- and parent-targeted Teenagers & Alcohol Guide.	
	Responsible advertising	We fully subscribe to the ARA's Code of Communication that also applies to all packaging, merchandising and promotional material.	
	Alcohol availability and non-commercial alcohol	We believe the industry needs to work in concert with Government and law enforcement to address the issue.	
Impact on communities – preservation of heritage assets	Preservation of buildings, maps antique furniture and antique tools	We restored the Plaisir de Merle manor house, dating back to 1764, on our Simondium estate and also restored the old cellar of the 200-year-old De Oude Drostdy in Tulbagh, painting and refurbishing the entire building.	77
Impact on communities – community upliftment	Education, skills development and job creation	We support over 60 community projects in South Africa, involving arts and culture, skills development, job creation, health and education. These included bursaries, student support, teacher support, skills development and job support. Our viticulturists are also training Tanzanian farmers and extension officers in viticulture and low-tech vineyard management to improve the quality and yield of local vineyards near Dodoma. As a result, the tonnage of grapes delivered to the local cellars increased from 350 tons in 2009 to 1 000 tons this year.	78-87
	Health	We supported the Soweto Hospice, enabling 21 community workers to make 17 152 home visits in 2009.	
	Conservation	We fund research into elephant behaviour as part of a multidisciplinary programme of the University of KwaZulu-Natal. We also support elephant-related research in the Eastern Cape and fund training for field guides working in and around Phalaborwa.	
	Arts and culture	We support some 30 arts and culture projects nationwide.	
	Distell employee volunteer programme	Through the Distell Employee Volunteer Staff Community Outreach Programme the Distell Foundation undertakes to support employee volunteer initiatives by matching funds raised and personal donations made up to the value of R3 000 per project and by assisting with donations of materials. During the Distell Employee Volunteer Weeks staff provided their time and specialist skills for projects identified by the Distell Foundation and Greater Good South Africa.	
	Product donations	We donate products (mostly wine) to organisations hosting fund-raising events and supported a total of 108 events in this way. We do not provide product for projects that support schools, benefit people under the age of 18, religious institutions or political parties.	

Economic empowerment

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

During the year under review, Distell conducted a BBBEE audit with accredited agency, AQRate. Our empowerment score places us at level 6 compliance, a significant improvement on our 2008 performance.

EMPOWERMENT ELEMENT	2008 score	2009 score
Equity ownership	12,92	18,07
Management and control	3,17	3,29
Employment equity	1,91	2,03
Skills development	2,15	4,55
Preferential procurement	5,47	6,76
Enterprise development	3,40	9,28
Socio-economic development	4,23	1,32
Total	33,25	45,30
Contribution level	8	6
BBBEE contributory status	10%	60%

While we have recorded significant increases in our equity ownership and enterprise development scores, improvements to our employment equity and skills development scores have been more modest. There have been major advances in our recruitment practices and behaviour, as detailed elsewhere in the report, but the full impact of the steps taken to transform our business and make it more demographically representative will take time.

The move of our employment equity from 1,91 points to 2,03 points may appear marginal at first glance but it does not reflect the effort that goes into turning the score around. South Africa, as a country, needs to channel its energies into skills development if these figures are to be meaningfully and sustainably improved, as our chairman points out earlier in this report. Nevertheless, at Distell we continue to invest heavily in developing talent. The employment equity statistics at junior management level are evidence that our initiatives are starting to bear fruit. We remain fully committed to building skills across our business in a bid to become a future-fit South African organisation.

Changes to the auditing requirements for the measurement of socio-economic development resulted in an underperformance relative to the previous year. We remain concerned that the unintended consequences of BBBEE have created an additional administrative burden for cash-strapped charitable organisations. While we are working with these organisations to align their records with the Codes of Good Practice, we hold the view that the codes and the verification industry's interpretation of these codes place an undue burden on organisations, whose primary aim is to meet the needs of the most vulnerable in society.

Our people

We endeavour to align the development of our more than 4 000 employees with Distell's strategic objectives, attracting, building and retaining appropriate skills to advance our sustainable growth and competitive strengths. Supported by our human resources systems, our role is to promote excellence, while accommodating career aspirations and improving the company's race and gender representivity.

We also consider it essential to contribute towards raising industry standards of knowledge, skills and expertise. To this end, Natasha Louw, our manager of learning and development, serves as a member of the training committee of the Wine Industry Network of Expertise and Technology (Winetech), the body established to provide the South African wine industry with the necessary technology and human resources to strengthen national competitiveness and profitability.

EMPLOYMENT EQUITY

Since embarking on our current five-year employment equity plan in 2007, the only area where we have made meaningful progress is at junior management level. To address the slow progress at senior levels we initiated the following during the reporting year:

- > A middle management development programme targeted at junior management candidates to increase our pool of suitably qualified staff
- > A changed measurement system of appointments and promotions with increased weightings on historically disadvantaged individuals (HDIs). The performance of managers is also evaluated on their capacity to appoint and promote within their departments in a way that is more demographically representative
- > Approval by the managing director when filling all vacancies above bargaining unit levels to facilitate job enlargement and internal promotions rather than recruiting additional staff
- > An HDI focus in our skills retention and career management drive that concentrates on developing leaders and exceptional talent through our human resource forum

- > Simultaneous advertising of management positions internally and externally to ensure recruitment from a representative pool
- > The continuation of bursaries to full-time HDI students in the areas of chemical engineering and winemaking and granting bursaries to employees to enrol for studies in areas where skills are scarce
- > Recruitment initiatives to target senior learners and students attending tertiary institutions
- > Training and consulting with employment equity forums at regional level as platforms to identify skills gaps and ensure equitable procedures and practices
- > Introducing one-year internship programmes to recruit academically qualified HDIs

During the year under review 87% of all new appointments across the business involved previously disadvantaged individuals (PDIs), of whom 74% were HDIs. Of the promotions we made, 85% involved PDIs, of whom 72% were HDIs.

Female members of staff now comprise 35% of management.

As on the last day of the reported period, Distell employed 4 578 people, representing an increase of 100 compared with the previous 12 months.

HUMAN RESOURCE DEVELOPMENT

South Africa's serious skills shortage poses an ongoing challenge to the company, particularly in the fields of engineering, sciences and related fields, and the lack of access to these technical skills, all the way from artisanal to professional level, impacts on our ability to meet employment equity targets.



HOW WE ARE BUILDING SKILLS

Structures to govern skills development

Training and development needs are confirmed within our integrated performance management system and aligned with our competency model to maximise the potential of our people. This model is designed to ensure fair selection processes and focused training interventions, and it serves as a basis for career guidance and improved performance. Continuous learning is encouraged to enhance skills.

Skills development is largely the responsibility of line management, supported by human resource and training practitioners at regional level, as well as at a central level by management in the areas of learning and development; organisational development; and sales and marketing.

Training and development focus areas during the year

Developing current and future leadership is a key imperative to achieving our strategic business objectives in an increasingly competitive global environment.

Our Middle-Management Development Programme

Developed in conjunction with the University of Pretoria's Gordon Institute of Business Science (GIBS), our customised, in-house Middle-Management Development Programme provides theoretical and practical training for high-potential employees to grow into management positions. Learning focuses on sharing ideas, values, experiences and the vision on business challenges across functions. It provides insights into the changes taking place in the world of business, while also addressing key functional areas of management through action-based learning projects and by applying knowledge and skills obtained throughout the value chain. On completion of their

courses, all candidates are tracked and supported by continued interventions to enhance their individual development.

During the year under review, 15 candidates were selected for the programme, all of whom are scheduled to graduate in November 2010.

Behavioural and self-awareness training

At submanagerial level we have been focusing in particular on training in self-management courses, 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. A total of 13 courses were conducted during the year, involving 240 people. Of this total 42,5% were PDIs of whom 39% were HDIs.

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. During the year under review a total number of 143 sales employees were exposed to sales-related training.



Building awareness of Distell's employment and career opportunities

In targeting high-achieving potential recruits to Distell, we participate in a range of career fairs at universities and other tertiary institutions countrywide, interacting not only with students but also their teaching staff. During the year under review, we exhibited at career events hosted by the universities of the Western Cape, Stellenbosch and Nelson Mandela Metropolitan, as well as the Durban University of Technology.

We also highlight Distell's manifold career opportunities amongst more experienced job seekers and this year participated in the Cape Argus Workplace Expo and My Career Choice Exhibition in Gauteng.

Internships, learnerships and apprenticeships

Internship programme

In conjunction with the FoodBev SETA, we present exciting opportunities for candidates with potential for placement in our internship programme. We recruit students who are in their last year of study or have recently graduated and offer them the opportunity to acquire workplace experience relevant to their academic qualifications. Successful interns are expected to enter into a 12-month contract with the company. This gives them practical work experience and the chance to be employed on a permanent basis – if not with us, then within the wider market.

During the year, we took in 37 learners, 97% of whom are black. They were trained and given valuable experience in the fields of sales, marketing, quality assurance, logistics and supply chain management, engineering, production management, operations management and human resources. Of these, 16 have been appointed permanently by the company.



Learnerships and apprenticeships

Given our excellent completion rate in respect of Packaging Operations NQF3 learnerships, we were selected by the FoodBev SETA to participate in a pilot project called Effective Behaviours for Work (EBW).

The SETA is partnering with a UK-based awarding body Edexcel to pilot this work-readiness programme designed to develop the softer skills that underpin competent performance in the workplace. The three-month programme is the first qualification mapped to the UK National Qualification Framework, the UK National Occupational Standards and Emotional Intelligence Framework. The pilot is not exclusive to South Africa. Other countries involved are the United Arab Emirates (Abu Dhabi), China, India and Malta.

This EBW pilot project, conducted at our Wadeville and Green Park secondary sites, focuses on two specific areas: communication, persuading and influencing others; and progressing one's career. It involves a total of 19 people – 9 from Wadeville and 10 from Green Park.

Learnerships provide our employees with the opportunity to improve their skills through a combination of studying and on-the-job training. During the reporting period, 43 learners completed the Packaging Operations NQF3 learnership and an additional 35 learners completed the Wholesale and Retail Distribution NQF2 learnership. Learnerships currently under way, involving 14 learners, fall within the Wholesale and Distribution and Manufacturing Management (NQF level 5) categories. Another pilot project, involving 12 learners has been conducted in the area of Manufacturing, Engineering and Related Activities (NQF1).



A new learnership in Winemaking NQF3 was initiated this year for competencies already obtained by current workers in winemaking. It also allows new learners the opportunity to obtain competencies in quality control and food safety practices.

In addition, we offer learnerships to unemployed people and once their training has been completed and should any vacancies arise, they are considered for permanent employment. Ten unemployed learners were permanently employed during the year.

Adult basic education and training

This year, 28 employees were assisted to become functionally literate. Basic literacy and numeracy skills were also taught on three farms – Plaisir de Merle, Nederburg and Papkuilsfontein. It is hoped that the new skills acquired will empower those involved to promote a culture of learning amongst their own children.

Apprenticeships

In collaboration with the FoodBev SETA, we are participating in an initiative to train apprentices as part of our Critical and Scarce Skills Programme. We currently have eight apprentices working towards careers as mechanical fitters, electricians and millwrights.

We also run in-house technical training for bottling line operators and machine controllers, with the latter concurrently attending technical colleges for three months to augment their technical training. A total number of nine apprentices qualified as tradesmen during the year under review.

INDUSTRIAL RELATIONS

Distell fully supports the right to freedom of association and collective bargaining. Recognition, organisation

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

Despite the global recession and the tough labour market conditions, the company has not been affected by any industrial action, with all wage negotiations concluded successfully during the review period.

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. With line management and the company's human resources practitioners well trained in the application of the code, the company achieved a 91,3% success rate at the Commission for Conciliation, Mediation and Arbitration (CCMA), during the year under review, when 23 cases were referred for arbitration. This represents an improvement on the already high average rate of 88,47% achieved annually between 2003 until 2009.

Compliance with laws and regulations

Distell's Code of Conduct has been expanded to include not only a focus on cultivating a sense of ownership amongst all employees; an entrepreneurial spirit; a performance-driven ethos; a climate of mutual respect and dignity; and an awareness of upholding health and safety in the workplace, but also, more recently, the critical importance of conducting all business activities in an ethical and lawful manner.



To this end the company has created an Ethics Line to facilitate tip-offs regarding inappropriate behaviour.

The code also emphasises the need for all staff to adopt a global mindset and to strive for best practice in their work-related activities.

Whistle-blowing

In communicating the revised code to employees, every member of staff has been made aware that it is incumbent on them to disclose irregular, unethical or corrupt conduct in the workplace. At the same time, they have been given an undertaking that they will be protected from any reprisals as a result of any such disclosures.

Consequently, the tip-off facility is used and has helped the company to stem potentially unethical behaviour, particularly at a time when harsh economic conditions could provide the temptation to engage in corrupt practices.

EMPLOYEE HEALTH

Given that the physical and psychological health of our employees impacts directly on their productivity and influences their working environment, we place strong emphasis on providing education and support in health and wellness, as well as offering intervention measures to curb the incidence of illness.

This is effected mainly through educational initiatives run across the business and the establishment of onsite clinics that recorded 25 000 consultations during the review period. Of these, 117 were HIV/Aids-related. Clinic nursing staff are trained to provide HIV/Aids awareness counselling and this year provided training and counselling interventions to 725 employees. Their work is augmented through the efforts of the company's peer educator training initiative

that serves to broaden the reach of the awareness and intervention campaign.

RISK IN THE WORK ENVIRONMENT

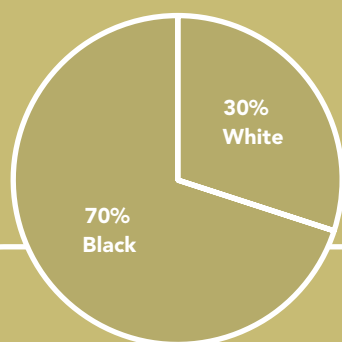
Overview

The Distell risk control programme supports management in the control and mitigation of pure risks.

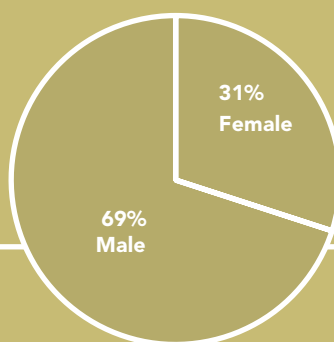
Key areas where we are exposed to risk are fire, criminal activity, occupational injury and disease, as well as motor fleet and emergency planning. While Distell promotes the safety of all workers through ongoing training and by ensuring the ongoing maintenance of equipment, protection from exposure to the risk of occupational injury and disease is provided by the Department of Labour through the Compensation for Occupational Injuries and Diseases Act. Insurance against loss or damage to the motor fleet is undertaken by the company. We have a comprehensive risk control programme in place, and have achieved significant results in reducing our exposure to criminal activity and containing motor vehicle losses.

We have made the Fixed Fire Prevention (FFP) programme a major feature of the risk control programme given the potential vulnerability of primary production sites, where wines and spirits are stored and matured. In this respect, detailed monthly reports are submitted to management and all operations are formally assessed internally at least once annually to ensure compliance with prescribed group standards. External independent validation of our results is provided by Alexander Forbes Risk Management at selected premises conducted continuously on a rotational basis, so that every site is reviewed. Sites audited during the year under review were New Germany Distribution Centre, Goudini Primary, Wadeville Primary, Wadeville Secondary, Die Bergkelder, Port Elizabeth Production and Port Elizabeth Distribution Centre.

EMPLOYEE STATISTICS



Overall race split



Overall gender split

Risk control audit results

The risk control audit process involves a structured assessment of compliance with Distell's stringent risk control standards. These standards have been established in concert with Alexander Forbes Risk Management.

TradeXpress: All premises achieved an average score of more than 90%.

Primary production: All achieved 85% with exception of Robertson. This is due to the fact that it is the first time that Robertson (79%) was exposed to an audit as it was previously audited as part of Worcester. Subsequent measures were put in place and a re-audit will be scheduled.

Secondary production: Most of the sites achieved the minimum requirement of 85%.

Distribution: All the distribution centres achieved the minimum requirement of 85%.

Distribution and TradeXpress audit results

The four distribution regions and TradeXpress distribution network each has a dedicated regional risk control officer focusing on risk management. The distribution environment continues to maintain a very high level of security.

All TradeXpress operations were audited by the risk controller for the division, with the group risk manager assisting in some instances. The average score across the division was above the 85% minimum target set by management, giving an indication of the extent to which the standard of compliance is way above the base line set.

Secondary production audit results

The major secondary production plants each has a dedicated risk control officer focusing on risk management.

There has been an ongoing improvement in disciplines established to minimise fire risk, with the majority of sites exceeding the minimum target set by management of 85%.

Primary production audit results

All primary production plants are supported by a dedicated risk control manager, whose role is to ensure the maintenance of standards at the company's various distilleries, wineries and farms. This is a highly demanding task given the diversified nature of the operations, the highly seasonal nature of the work, and the fact that, in some instances, primary production operations are based on heritage or national monument buildings where structural alterations are not always permitted.

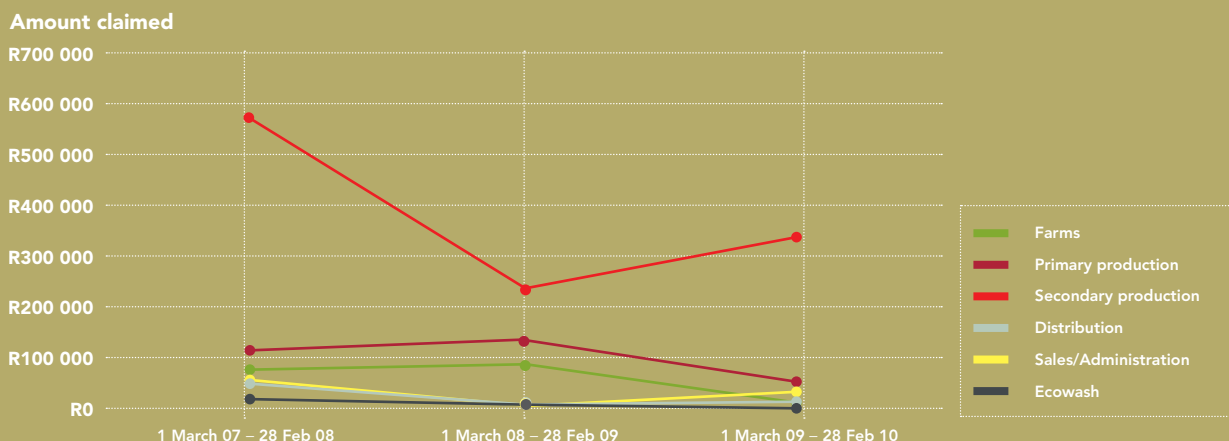
With the exception of one small site all the primary production sites meet the required standard of 85% compliance. Subsequently measures were put in place and a re-audit has been scheduled.

At present, there is a project team attending to the classification of our maturation stores, in terms of the SA National Safety code of practice, to ensure the installation of appropriate electrical equipment. All capital projects under way are carried out in accordance with this fire policy and in collaboration with Alexander Forbes Risk Management.

Infrastructure needs

Based on the revised fire policy, Alexander Forbes Risk Engineering has carried out an in-depth analysis of our risk capital needs at our 24 high-priority sites, and three broad areas of work have been identified. These are the provision of water supplies for fire fighting and the installation of automatic fire sprinklers and fire

COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES



DISTELL WORKFORCE PROFILE 2009/2010 Occupational levels	MALE				FEMALE				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management			2	28				6	36
Senior management	3	2		55				11	71
Professionally qualified and experienced specialists and mid-management	23	18	6	231	7	17		105	407
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	229	182	30	390	53	121	12	305	1 322
Semi-skilled and discretionary decision-making	588	545	12	43	92	180	12	175	1 647
Unskilled and defined decision-making	427	345	7	10	91	215			1 095
Total permanent	1 270	1 092	57	757	243	533	24	602	4 578

detection systems. All new capital projects under way are conducted in accordance with this fire policy and in collaboration with Alexander Forbes Risk Management.

Incident trends and significant incidents

Insurance claims and other losses are monitored on a regular basis to ensure efficient and effective risk mitigation, placing emphasis on control initiatives. Monthly meetings are held with the brokers to discuss various issues that have an impact on Distell's risk management programme.

Insurance claims

Claims are monitored by the group risk manager. Regular meetings are held with the Alexander Forbes Risk Management claims division and any significant incidents are discussed and mitigating measures

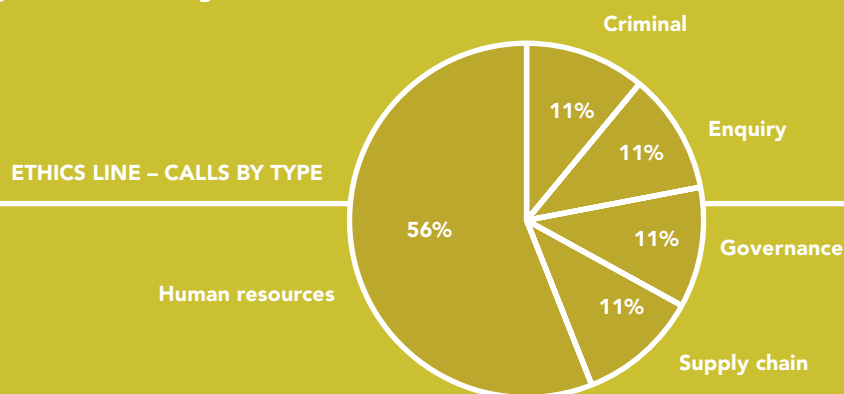
explored. Monthly reports detailing all claims are submitted to the group risk manager. These are, in turn, discussed at bimonthly risk forum meetings.

Occupational injuries

Distell, as an employer, considers its employees to be its most valuable assets and undertakes to safeguard them through providing and maintaining, as far as is reasonably practical, a working environment that is safe and without risk to their health. The cost of claims against the Compensation Commissioner for occupational injuries is tracked as an indicator of the efficiency of our health and safety programme.

There has been a significant reduction in the severity of incidents recorded. This is an indication that the health and safety programme in place is effectively mitigating risks associated with occupational injuries.

Anti-corruption policies



ETHICS LINE

Our Ethics Line, which promises employees protection from reprisal for reporting inappropriate behaviour, hosted calls flagging issues for investigation in the areas of human resources, governance and supply chain management.

Contributions to political parties

PARTY POLITICAL DONATIONS

Distell does not make party political donations, but staff members are free to do so in their personal capacity.

Impact on communities

Environment

Environmental management is an important area of our corporate 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.

ENVIRONMENTAL AWARENESS STRATEGY

An environmental awareness strategy has been designed for roll-out to employees across the company in the next financial year. It focuses on water and energy savings, how to reduce greenhouse gas emissions not only in the workplace but at home and within employee communities.

Green Park secondary production site has successfully implemented the ISO 14001 environmental management system. The implementation of ISO 14001 was independently certified during an external South African Bureau of Standards (SABS) audit conducted on 9 June 2010. ISO 14001 implementation entails the identification of all activities that could have an environmental impact and the subsequent identification of programmes and projects to minimise the potential environmental impacts and improving the positive environmental impacts through a formally documented system to ensure continual environmental improvement. ISO 14001 is an internationally accepted environmental management system.

Green Park can now use ISO 14001 to manage any environmental aspects in a formal documented manner to ensure continual improvement in the site's environmental performance. We have already initiated

the ISO 14001 implementation process at our Adam Tas site and plan to achieve certification at the Adam Tas and Monis sites in the next financial year.

SOLID-WASTE MANAGEMENT

Primary waste, 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. Whereas previously stalks and berry skins from grapes were only partially removed, they are now entirely removed for composting, supplied to our own farms as well as to other farming ventures.

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 environmentally friendly and reduce landfill.

During the year under review, we managed to save 333,5 tons of glass by light-weighting 2,9 million wine bottles, representing 473,5 tons of CO₂ equivalent emissions. This was achieved by reducing the weight of the average 750-ml bottle from 570 grams to 455 grams across the range. Savings will be accelerated during the course of the current year, when a new 350-gram bottle, developed by Consol in co-operation with our product development manager, Eugene Mostert, is used for selected company and retailer buyers' own brand ranges. The bottle has also been made available to the wider South African industry.



A further 14 000 tons of CO₂ equivalent emissions were saved by light-weighting Savanna cider bottles during the year under review.

Our returnable bottle project, while continuing to support the national Glass Recycling Company (GRC), also encourages the reuse of our own bottles by paying a deposit to consumers for certain glass containers returned to retailers and for which bins are provided. All bottles suitable for recycling in this way are clearly indicated as such on product labels. Other Distell bottles not deemed suitable for reuse will continue to go through the GRC for processing into new glass receptacles. We serve on the board of GRC and provide a substantial portion of the funding for this job creation 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.

We are equipped to recycle bottles across our product portfolio at three of our plants, Wadeville, Green Park and Port Elizabeth, where they are washed under the most stringent conditions. They then undergo scrupulous quality checks before reuse. During the year under review, the three facilities combined, were able to reuse a total of 132,3 million bottles, in the process saving a total of 73 268 tons of glass, representing a saving of 111 079 tons of CO₂ equivalent emissions that would have been emitted if new bottles had to be produced.

EMISSIONS, EFFLUENT AND WASTE

Distell recaptures and purifies the carbon dioxide released during the fermentation of the apple juice from which our ciders are made at our Monis plant in Paarl and, during the year under review, was able to capture a total of 3 567 tons of CO₂ equivalent emissions.

Historically, effluent from our distillery operations in Worcester was handled by the local municipality. To reduce the load on the local authority while minimising our environmental impact, Distell, in association with KVV and Brenn-O-Kem, is building a dedicated effluent disposal facility at the cost of R13,3 million. Solamoyo Processing Company (Pty) Limited, the joint-venture company involving the three parties, has secured a 30-year agreement with the Breede Valley Municipality to operate the controlled evaporation plant at the municipal Klipvlak site. Construction began in May and is scheduled for completion in December 2010.

The effluent plant of the company's Wellington distillery site has been expanded to treat not only winery waste as in the past, but now also grain effluent from the whisky distillery, that was formerly trucked out to farmers to use as cattle feed. The new infrastructure will see the grain effluent go through an upflow anaerobic sludge blanket reactor, producing methane. It will provide the necessary gas to fire a dedicated boiler, replacing coal as fuel with methane gas. Not only does methane burn cleaner than coal but it is also a renewable resource.

The company is also exploring the feasibility of establishing an anaerobic digester to treat the effluent from the Adam Tas site before it goes to the local



municipality. The intention is also to harness the methane produced to fire a boiler.

SUSTAINABLE WINEGROWING

Distell is fully compliant with the Scheme for the Integrated Production of Wine (IPW) set of principles that promotes sustainable wine production. IPW is rated by the international wine fraternity as one of the most progressive systems of its kind worldwide. Distell's own farms, as well as those of our suppliers for wine products, also subscribe to IPW principles.

From the 2010 vintage, all the company's certified wines are to carry the recently released sustainability seal issued by the Wine & Spirit Board that guarantees production integrity. The seal is available only to those wines that comply with the IPW principles across the full production chain from farm to cellar and eventual packaging. It covers the way the vines are established and tended as well as the manner in which wines are produced and then packaged. The seal is being applied to our own brands and those wines made on behalf of the major international retail chains and sold under their own labels.

ORGANIC WINEGROWING

In accordance with the requirements of Swiss-based Société Générale de Surveillance (SGS), one of the major international bodies that certify 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 non-renewable resources, and a practice of energy conservation must be followed.

SGS has accredited the organically cultivated vineyards on Papkuilsfontein, which we own jointly with a consortium of black entrepreneurs and a local community trust. In addition, our Nederburg and Die Bergkelder cellars have been accredited by SGS for the production of organic wines.

To reduce the solid waste produced during the winemaking process, we have recently begun a project to take up discarded grape stalks and skins from all our cellars for the purpose of organic composting at our wine farms.

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

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



Yields from our organically farmed vineyards were down by almost 80% this vintage, given the difficult climatic conditions leading up to the harvest and ripening period, that included damaging rains and winds. However, we were not prepared to make any compromises in terms of spraying to save the grapes and lose our momentum in achieving accreditation.

Fortunately, we have several partnerships with suppliers who are currently converting their vineyards, also now in their third and final year of the process. From next year, following accreditation by SGS, their grapes will be available for our organic wines.

BIODIVERSITY AND WINE INITIATIVE (BWI)

Distell farms that are now BWI members include Durbanville Hills, which has set aside 230 hectares for conservation, Lomond (200 hectares), Neethlingshof (127 hectares) Papkuilsfontein (150 hectares), Plaisir de Merle (500 hectares) and Uitkyk (300 hectares).

As Nederburg derives its grapes from a broad spectrum of growers across the Cape, efforts are under way to ensure the compliance with BWI objectives by suppliers before BWI membership status can be achieved.

RESPONDING TO CLIMATE CHANGE

Distell is in the fortunate position of having access to grape and wine supplies across the Cape Winelands and further afield, as well as the resources to explore and develop vineyards in new winegrowing areas. We pioneered winegrowing in Elgin over 30 years ago, and more recently established vineyards very successfully in Gansbaai. We have several experimental plantings further inland, well isolated from other vineyards and thus protected from the threat of viral infection.

With access to supplies from the Northern Cape to Agulhas we are better placed than the majority of producers to adapt to changing climatic conditions. We also have the advantage of a dedicated plant nursery at Ernita, near Wellington, where superior plant material is developed for our own farms, as well as those of supplier growers. We also quarantine all plant material at the nursery to ensure it is virus-free before distribution to our farms or those of our suppliers. Here we also conduct development work to identify less known and also newer cultivars, clones of well-established cultivars and alternative rootstocks suited to the new climatic conditions.

In addition to mainstream varieties, we are also experimenting with Mediterranean varieties that are able to withstand warmer growing conditions. These include Tannat, Tempranillo, Grenache, Mourvèdre, Carignan, Verdelho and Viura.

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 Prof Alain Deloire, currently based at the University of Stellenbosch and who has extensive international experience in this area, as well as with Winetech.

We are also exploring new trellising systems as well as how to optimise the relationship between effective leaf area and crop load in the vineyards while achieving outstanding quality fruit. We have had excellent results with the Smart-Dyson vertical shoot positioning system.



It promotes balanced growth with a good ratio between foliage and fruit and produces excellent quality grapes with smaller vine leaves, smaller bunches and smaller berries which have an improved skin-fruit ratio. In some instances, this system has not only increased quality but also increased yields by as much as 50%. The system is also designed to withstand wind.

At the same time, trellising is now focused on controlling the ambient temperatures around grape bunches, which positively impacts on colour, acid levels and grape flavours. Our microclimate management also involves the careful choice of cover crops and of rootstock, vine row planting direction, pruning, shoot positioning, leaf plucking, suckering and the shape and density of leaf canopies as all these elements materially affect leaf and bunch temperature and the ultimate quality of the fruit.

DODOMA, TANZANIA

Distell is spearheading a viticultural initiative in Tanzania that should see wine farmers in the highlands of Dodoma double their crops between 2012 and 2014. 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. Last year we 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. The success with last year's trial plantings at the Makutopora Research and Training Centre near Dodoma and the increase in crop and profitability of vineyards have resulted in a substantial Dodoma regional project undertaken by the local authorities with a view to establishing 125 hectares during the next phase and ultimately cultivating a total of 300 hectares. Farmers will each be given an acre to manage. Currently infrastructure is being put in place with a dam built, boreholes sunk and drip irrigation installed.

The tonnage of grapes delivered to the local cellars increased from 350 tons to 1 000 tons this year and plans are under way to extend capacity as grape production rises.

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.

Impact on communities

Responsible drinking

Distell's approach towards combating alcohol abuse is to serve as an active member of the Industry Association for Responsible Alcohol Use (ARA) and also to engage in initiatives of its own.

The company's manager of regulatory affairs serves as chairperson of the ARA, whose role is to apply effective self-regulation among members, to engage in partnerships with Government and public health bodies, and to develop and run ongoing educational initiatives to reduce alcohol-related harm. The ARA accepts that, to be effective, such education needs to extend beyond providing information about the risks of harmful use by also promoting the availability of effective interventions. To this end, the organisation works with the departments of health, social development, education, transport and economic development and tourism, as well as the Global Road Safety Partnership. Part of its work centres on the importance of early identification of harmful alcohol use and raising awareness of the support available to change consumption patterns. It works across urban and marginalised rural communities, makes widespread use of mainstream media and industrial theatre, publishes and distributes information to target groups such as young people and their parents, students and pregnant women, and advocates the use of alternative transport when drinking.

ARA participates on the trade association committee of the Global Alcohol Producers' Group and has contributed to the International Centre for Alcohol Policies publication, *Working Together to Reduce Harmful Drinking*. It is also involved in the World Health Organisation's (WHO) first major review of alcohol policy in 25 years and the development of a global strategy that can be culturally adapted to suit the particular needs of all member states. The strategy's

goals of strengthening the knowledge base on alcohol-related harm and the development of improved systems for monitoring and surveillance are to be welcomed.

Moreover, promoting networking and the exchange of experience among member countries can only be of benefit in local efforts to address alcohol-related harm.

Highlights amongst ARA's recent activities include a national television and cinema awareness campaign; the initiation of study tours for parliamentarians on ways to encourage responsible drinking; the escalation of the work of the Foundation for Alcohol-Related Research (FARR) to raise awareness of Foetal Alcohol Syndrome (FAS) and to educate wine farm workers and rural communities on lifestyle changes and risk reduction; educational initiatives to reduce drunk driving; the wider distribution of its Teenagers & Alcohol Guide launched earlier in the Western Cape; the launch of a partnership with Life Talk Forum, as well as the continuation of the university-based Buddy Campaign. ARA also assisted the British Drinkaware Trust in developing a code of conduct for 2010 FIFA World Cup™ for UK visitors attending the tournament. In addition, it provides input to the Swedish, Norwegian and Finnish state-run alcohol retail monopolies for the codes of practice they are developing for their global suppliers.



FOETAL ALCOHOL SYNDROME

Given South Africa's alarmingly high prevalence of FAS, which is an irreversible condition, through our membership of the ARA we have sought to focus on research into its occurrence and associated behavioural patterns as well as on education amongst potentially vulnerable communities.

The ARA makes a substantial annual contribution to the FARR. Distell's own initiatives in respect of FAS include:

- > Industrial theatre productions. Run by the TakeAway Theatre Trust, these are staged at high schools, farms and communities to create awareness and address social issues such as teenage pregnancies, alcoholism and drug abuse.
- > An experiential learning programme run by FASfacts to teach adults about FAS and help them develop life skills.

DRINKING AND DRIVING

Distell actively discourages drinking and driving, not only through ARA initiatives but also through branded campaigns run by Savanna and Klipdrift during festive periods. All brand homes highlight the dangers of drinking and driving in well-displayed signage, and staff are trained to discourage excessive consumption by patrons.

ALCOHOL ABUSE AND THE BURDEN OF DISEASE

During 2007, the Western Cape Health Department conducted a burden of disease study. Amongst other findings, this study found causal links between:

- > alcohol abuse, drunk driving and trauma care in public health facilities
- > alcohol abuse, person-on-person violence and trauma care in public health facilities
- > alcohol abuse by women during pregnancy and FAS
- > alcohol abuse and lifestyle diseases.

Against this background we are in discussion with the Western Cape Health Department to explore co-operative ventures to address alcohol abuse.





ALCOHOL AND THE YOUTH

Countries all over the world, South Africa included, are expressing concern about alcohol abuse amongst teenagers. During the year under review, the ARA launched several initiatives aimed at addressing this concern, focusing on the importance of parents and guardians as role models for teenagers.

RESPONSIBLE ADVERTISING

Distell has a large range of product brands, each of which has to compete vigorously for a share of the consumer market. Advertisements are aimed not at persuading people to take the decision to drink liquor but rather at persuading who already drink to choose Distell's products over those of competitors.

Through the ARA a Code of Commercial Communication and Conduct (see pages 75 and 76) was developed as a set of principles according to which advertisers can operate. Training has been conducted to ensure that all key stakeholders, including advertising agencies, manufacturers and distributors, understand the Code. The ARA director has also held explanatory meetings with the Department of Trade and Industry, as well as the Parliamentary Portfolio Committee on Social Development.

ALCOHOL AVAILABILITY AND NON-COMMERCIAL ALCOHOL

We believe that much of the consequences of alcohol abuse are the result also of abuse of non-commercial alcohol, even though it is invariably commercial producers that incur the wrath of Government and alcohol activists.



We share the view of ARA director, Adrian Botha, in *Understanding Alcohol Availability* (Grant & Leverton (ed), 2010: 58 *Working Together to Reduce Harmful Drinking*, Routledge). Botha writes: "Overall, to be successful, governments must recognize and appreciate all the interplaying factors (social, cultural, economic and political) that enable the informal alcohol sector. While the enactment and enforcement of legislation are crucial, they are unlikely to trigger the desired results when implemented on their own. Addressing issues around non-commercial alcohol is in the best interest of governments, law enforcement and the alcohol industry."

ARA CODE OF CONDUCT

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 pre-requisite for awarding liquor licences to 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.

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 viewer-ship 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 weekends 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 between 06:00 and 09:00 and between 14:00 and 17:00 Mondays to Fridays and between 06:00 and 12:00 on weekends.
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.
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.

Impact on communities

Preservation of heritage assets

"Heritage is our legacy from the past, what we live with in the present and what we pass on to future generations to learn from, to marvel at and to enjoy." From the 2005 newsletter of the South African Heritage Resources Agency

During the year under review, apart from routinely maintaining our heritage buildings and furniture, we focused on restoring the Plaisir de Merle manor house on the wine estate situated on land granted to the Marais family by Governor Simon van der Stel in 1693. The homestead, built in 1764, has preserved the original wooden doors, ceilings and floors.

Extensive restoration and refurbishing was also done at De Oude Drostdy, Tulbagh. The old cellar was restored and conserved to prevent further deterioration. The Drostdy was also painted and refurbished with new curtains.

Other projects included the restoration of the Oude Libertas complex, with special attention paid to the old Mon Repos cottage, currently the offices of the Distell Foundation staff. Mon Repos was originally granted as a freehold to Willem Wium in 1785, as an annexe to his old farm, Oude Libertas. The small, U-shaped dwelling, with its wolf ends and dormer gable, was probably erected by Louis Cauvin, a retired French silversmith who bought the property in 1848.



Impact on communities

Community upliftment

Each year Distell invests in more than 60 community projects all over South Africa. Around half of these investments are devoted to arts and culture programmes, and the balance to skills development, education and job creation, health and conservation. Generally speaking, Distell's approach is to link community upliftment projects with a Distell business facility. A few of these projects are discussed below.

EDUCATION, SKILLS DEVELOPMENT AND JOB CREATION

Goal 1 of the Millennium Development Goals is to "eradicate extreme poverty and hunger". We at Distell believe that employment is one of the most effective ways of helping poor people to break out of the cycle of poverty. However, to secure jobs people need education and they need to develop usable skills.

Some of our social investment programmes are achieving success in this regard.

Stellemploy is addressing the dual problems of poverty and hunger in the Stellenbosch area by helping people to develop job skills and then linking them to self-employment or in-service employment opportunities.

Students are taught practical skills required by employers, including cooking, gardening, welding, electrical, carpentry, bricklaying and motor mechanic skills. Support and counselling are also given to trainees.

Distell has been partnering with Stellemploy since 2005. To begin with, we made an old school building on the Groenhof farm available for Stellemploy to use as its training centre. During the year under review, Distell's financial assistance was used to train 17 unemployed

people from the Stellenbosch area in cooking, food and beverage presentation, and service. The course was presented over a period of four weeks and all the students completed their training. Students also benefit in other ways by learning the value of nutritional food and how to budget for their families with the knowledge they gain during training. Cooking is the only course where Stellemploy does not need to supplement the students' diet, because the trainers make sure that they prepare something nutritious for every day and sometimes they may take home what they prepared. Most of these trainees are now working in restaurants and guesthouses.



Betta Augustyn, executive director of Stellemploy, explains that the Stellemploy programme has had a significantly positive impact: "People arrive at Stellemploy with few skills and in desperate need of a job. Then, after completing one of our skills development programmes, nearly 90% of trainees find work or develop micro-enterprises of their own. In some cases, people are earning up to five times more than they did before."

The vision of the Department of Education is of a South Africa in which all people have access to lifelong education and training opportunities, which will in turn contribute towards improving the quality of life and building a peaceful, prosperous and democratic society.

Distell's Drostdy-Hof Bursary Scheme covers tuition fees, study materials and accommodation for students in chemical engineering and winemaking. These students are given holiday jobs at a Distell plant where they are exposed to practical aspects of the theory they learn at university. After graduation they are employed at Distell.

Currently Distell has four Drostdy-Hof Bursary students, three of whom are studying chemical engineering and the fourth, winemaking and oenology. A past bursar is currently employed at the Worcester Distillery as distillation technologist.

Durbanville Hills Winery, through its Durbanville Hills Workers Trust, collaborates with the Stigting vir die Bemagtiging deur Afrikaans (SBA) to run an adult life-skills development programme for its member farms and focuses on the upliftment of the farm workers. The training runs from May to September on six farms for one hour per week. Among other subjects, the lesson themes include safety, respect, honesty, citizenship, and budgeting. The Trust also funded the secondary education of one promising student amongst the farm workers' children.



HEALTH

In keeping with Millennium Development Goal 6: Combat HIV/Aids, malaria and other diseases, the mission of the National HIV and Aids and TB Programme of the Department of Health is to prevent the spread of HIV, STI and TB infection and to mitigate the impact of these epidemics on society. Distell tries to play an active role in the achievement of these goals. Amongst other health-related initiatives, we are supporting the Soweto Hospice with capacity building of its care and counselling services.

Distell's financial support to the Soweto Hospice has helped to maintain and improve the competence and output of community care workers who provide nursing, training in home care and emotional support within homes in the community. During 2009 the team of 21 community care workers made 17 152 home-care visits.

Weekly skill-upgrading sessions are provided to all the community care workers.



CONSERVATION

Millennium Development Goal 7 is aimed at ensuring environmental sustainability. At Distell we realise that, while we are part of the human community, we must also respect and protect our natural community to leave as much as possible for coming generations. Thus, apart from our efforts to use water wisely, to be efficient in our use of electricity, and to reduce our carbon footprint as much as we can, we also focus on nature conservation. Our support for research on elephant behaviour is part of this focus.

Amarula Trust

The Amarula Trust was established during the year under review to house a range of projects undertaken in the past by the Amarula brand to support community upliftment and conservation programmes. With a mandate of “sustaining communities and conscious conservation” it seeks to preserve nature and wildlife, while creating employment and symbiotic relationships with the environment in the hope of leaving a living legacy to future generations. Its focus is primarily on the creation of sustainable employment for communities in and around Phalaborwa, where marula trees are harvested to produce Amarula, as well as on elephant research, training in game ranging skills and in providing infrastructure for wildlife reserves.

The precursor to the trust was the Mirma Development Company, founded in 1998, to create additional income-generating opportunities for harvesters of the marula trees.

The heart of the marula growing region is Phalaborwa in Limpopo. The marula harvesting season occurs in late summer, from January to March. Picking of the fruit is the only source of income amongst many members of the communities around the area of Phalaborwa, where Amarula has established a fruit-processing plant. With as many as 60 000 people dependent on this income, it was necessary to find additional employment creation opportunities to sustain these families throughout the year. Amarula consulted with the tribal indunas representing the local communities and together evolved a series of skills transfer projects, in the process creating a crèche and clinic for people in the villages close to Phalaborwa to enhance the local quality of life for residents. Currently, the focus is on the secondary processing of the oil-rich marula nuts, used for a range of health and beauty products.

The trust supports the Amarula Elephant Research Project and the Kenya Wildlife Service. The trust's Amarula Elephant Research Project (AERP) operates under the directorship of Professor Rob Slotow of the University of KwaZulu-Natal, where he is based at the School for Biological and Conservation Studies. The focus of the research is on conserving, protecting and managing African elephants in their natural environment. Funding has been made available to a range of field studies in reserves.

The trust is also involved with the Kenya Wildlife Service (KWS), providing funding to enhance infrastructure at its headquarters in Nairobi, which also serves as the gateway to the Nairobi National Park. In addition, funding is provided for local community facilities, such as street lighting and bus shelters.



The Amarula Field Guide Scholarship Programme is sponsoring the field guide studies of five staff working at game lodges and reserves in the Phalaborwa/ Hoedspruit area. They are attending the South African Wildlife College in Hoedspruit in pursuit of Field Guide Association of South Africa (FGASA) level 1 accreditation. A similar course will also be offered for candidates in Botswana during the current year.

The centre has a photographic database and life history information for every elephant within the Addo Elephant National Park that extends back to the 1930s. This makes it the longest record of elephant life history information in the world.

Distell has also supported the Centre of African Conservation Ecology through the Amarula Trust. Financial assistance was given to support a research and training programme on elephant ecology and biology that includes a component in student training.

The Addo elephants represent one of the best understood large mammal populations in the world. It can be argued that the Addo elephant population data is a national and international asset that is of inestimable value for both scientific and management purposes.



"Distell was one of the first companies in South Africa to recognise the importance of recognising best practice so that lessons can be disseminated to others across South Africa. Its sponsorship of two Impumelelo 2010 SUSTAINABILITY AWARDS is confirmation yet again that Distell recognises the need to support African solutions to African problems. The projects it chose to sponsor speak directly to the Millennium Development Goals. Project Literacy and Music Therapy Community Clinic, Silver winners in 2010 aim to "Achieve universal primary education", "promote gender equality and empower women", and "combat HIV/Aids and other diseases". The recognition by Impumelelo helps projects reach scale by catapulting them into the spotlight. They are then able more easily to attract increased funding and supporters. Distell's contribution has played a critical role as the project's monetary prize will be used by the award-winners to tell others their story. Finally, the Distell sponsorship has helped Impumelelo in its mission of rewarding best practice by providing the financial resources which make it possible for Impumelelo, also an NGO, to give a monetary award. Thank you for being a visionary company that believes in South Africa's development."

Rhoda Kadalie, executive director: Impumelelo Innovations and Awards Trust

ARTS AND CULTURE

"Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits."

Article 27(1) of the Universal Declaration of Human Rights

"Develop and promote arts and culture in South Africa and mainstream its role in social development."

"Improve economic and other development opportunities for South African arts and culture nationally and globally through mutually beneficial partnerships, thereby ensuring the sustainability of the sector."

Extracts from the Mission of the South African National Department of Arts and Culture

Distell recognises the importance of culture and the creative arts in helping to feed the soul of a nation. Thus the company has been providing ongoing support for more than 40 years to a broad range of projects that build artistic talent, enhance quality of life and create jobs in South Africa.

Support is given in seven categories:

- > Awards that recognise excellence in community development and the creative arts sector
- > Collaboration with arts festivals, theatres and arts organisations

- > Educational and development projects
- > New South African musical compositions
- > Classical, African and jazz music development in South Africa
- > New indigenous plays by South African playwrights
- > Oude Libertas projects, including the annual Amphitheatre Summer Season Programme

In the paragraphs below, we discuss some projects from each category, and we share the feedback from managers of some those projects about the impact that Distell's involvement is having on the communities who benefit from the projects.

Awards

Established in 1965, the Fleur du Cap Theatre Awards, which honour excellence in theatre, are amongst the most coveted within the South African performing arts fraternity. During 2009, some 90 productions were appraised in close to 30 different venues in and around Cape Town. In addition to awards for acting, directing and staging, a new category, the Award for Innovation in Theatre was introduced, enabling judges to consider an individual, company or organisation in the theatre industry that has consistently created exceptional work, and that may fall outside of the existing categories. Members of the public can also exercise their vote by logging onto www.capetheatre.co.za during February each year to choose their favourite production of the year.

The awards additionally introduced a Green Décor – Inspired by Nature Project where recycled and eco-friendly items are made by new upcoming visual artists from the community as part of the décor for the event.



Collaboration with art festivals, theatres and art organisations

Drama, which includes new indigenous plays, opera, ballet, contemporary and traditional dance productions, multimedia poetry projects; and classical, jazz and African music concerts, is supported in collaboration with various art organisations, universities, educational institutes, professional theatres and art festivals throughout South Africa.

The Artscape Rural Outreach Programme takes the performing arts into the rural areas. Sometimes a theatre stage is built and different genres, including ballet, opera, music and contemporary dance, are introduced to the communities. Educational workshops are given to school leavers and talented youth by professional artists.

“Through the various components of Artscape, the audience development and education (ADE) department provided a unique platform for both affluent and impoverished communities to experience the arts and at the same time be exposed to South Africa’s culturally diverse society.

Distell is extremely valuable to Artscape because through its much-needed sponsorship for the Youth Jazz programme and the Youth Classical Music Festival, it helps to develop emerging musicians to perform with professional artists as well experience Artscape’s professional stage. The funding ensured that emerging artists are prepared for the challenges in the arts arena they are going to enter in future. Several of the youth jazz bands are in great demand and play regularly at gigs both in and out of the Western Cape and have performed at the National Jazz Festival in Grahamstown.

The Youth Classical Festival has over the years produced classical musicians who can compete with the best in the world. Pretty Yende, who began her professional career at Artscape, is now an acclaimed opera singer abroad. This festival has a track record as a launching pad for young accomplished musicians.”

Marlene le Roux, director: Audience Development and Education, Artscape

“It is getting progressively harder for small, independent theatre companies to tour their work around the country. While the overheads continue to grow, more pressure is placed on box office revenue to cover costs, which, for companies playing work in the smaller venues, it rarely does. Collaboratives like the CTE are a great way to pool resources among shows, reduce risks by cutting costs, and develop a sense of family among travelling shows. These kinds of initiatives benefit the funders too by allowing them to support a number of projects through one grant – ultimately making their money go further. Since the initiation of the CTE, Distell has stood behind the concept providing support both financially and in kind and, as such, has contributed towards making the National Arts Festival financially viable to more than 30 Cape Town-based groups. And for that, we salute them!”

Tanya Surtees, co-founder: Cape Town Edge (CTE)

The Cape Town Edge (CTE) is a collective of professional independent theatre companies and/or theatre makers, with the main objective of creating a touring platform to showcase a programme of cutting-edge performances originating in Cape Town. Initiated by FTH:K (from the hip: khulumakahle) and Hearts & Eyes Theatre Collective, it was formed in 2007 to overcome some of the difficulties that small-scale, independent theatre companies face when presenting work at festivals and venues around South Africa, encouraging an ethos of collaboration as well as offering sponsors the chance to support a number of productions through one grant rather than having to choose between

equally deserving performance pieces. The emphasis of the CTE initiative has called for a shift of focus from individual companies or productions to a collective venture that enhances the value and impact of each production under an umbrella structure. This significantly promotes Cape Town independent theatre by pooling resources in terms of pre-production, funding, administration, co-ordination, transport and technical needs, and also taking care of that vital ingredient – the audience.

"Before I came into the programme I had no confidence. Magnet Theatre has given me skills that nobody can take from me. With Magnet my future is bright, I can face the world with confidence and will always be grateful for what they have given to me, building me from nowhere, and now I am a performer."

Nandipha Mayuke Magnet Theatre Trainee 2008–2010

"I have grown so much, in such a way that I can confidently go out there and seek work without looking down on myself. Many people have already seen the growth, which gives me more power and confidence to be the best that I can be."

Asanda Rilityana, Magnet Theatre Trainee 2008–2010

Educational and development projects

We strive to promote cultural interaction, uplift and support new upcoming artists through educational job creation programmes and to create opportunities for self-development through the performing arts. Some of the projects we present and support also receive funding from BASA (Business Arts South Africa).

Magnet Theatre's Educational Outreach Intervention Internship is an educational outreach project that mentors drama groups from Khayelitsha, with the following objectives:

- > To provide an essential support to a community that is historically the poorest and is vulnerable to local gang and drug culture
- > To develop performance skills, leadership and management skills, to ensure sustainability
- > To attempt to counsel and direct individual group members to further educational opportunities and provide skills, expertise and a sense of direction to these young people in the hope that they will become employable in the creative industries
- > To affirm the diversity of identity of the youth and the notion of identity as a tool for creative rather than destructive behaviours
- > To ensure that the skills acquired during the training programme are fed directly back into their organisations and communities
- > To tour these productions in formal (established theatres) and informal contexts (township venues/schools/community halls)
- > To provide employment as teachers on the training programme to recently graduated students from the University of Cape Town's drama department

"Distell has supported the educational and training programmes of Magnet Theatre since 2006. The Community Groups Intervention (CGI) that Magnet Theatre ran in the township of Khayelitsha from 2002 to 2008 annually impacted on 250 unemployed youth from that community. Khayelitsha is one of the poorest, most underresourced and fastest growing of the Cape Town townships. The CGI was a mentorship programme supporting youth drama groups with capacity building and skills transfer to develop community theatre as a legitimate part of the theatrical landscape in South Africa. Continued ongoing support from Distell up to the present has meant that we could honour our commitment to continue to work with these groups in a sustained and meaningful way. As a result of the seven years of working in the township, Magnet Theatre facilitated the successful entrance of nine members from the CGI into the Drama Department at the University of Cape Town. All of those students are first-time university attendees in their families and their lives are now changed forever.

"Currently Distell supports Magnet Theatre's Full-time Youth Training and Job Creation Programme. In April 2010 the first set of trainees drawn from the CGI and other Cape Town townships graduated. We currently have 10 new trainees who started in February 2010 and will remain with Magnet until December 2011. Without Distell's support we would not be able to empower these young people. Arts interventions like the CGI and The Full-time Youth Training and Job Creation Programme provide opportunities for young people to change their lives, to become more confident, employable and creative. Distell helps us do this."

Jennie Reznick, director: Magnet Theatre

The Voorkamerfest in Darling offers audiences and performers the unique experience of attending and performing in the voorkamers (lounges) of people living in Darling. There are six routes from which to choose and performers and venues remain a surprise until audiences arrive at their destinations. Each route has three voorkamer stops, with performances in homes that range from small township houses to grand Victorian dwellings. Local taxis are used as transport to the venues. An entire community and local and overseas guests are brought together by one truly South African cultural event.

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 given six-month workshops in the field. Four-week pre-production theatre-based rehearsals are held before a three-week run at the Baxter Theatre.



New South African and African compositions: SA composers and new music, and the development of young musical talent in disadvantaged areas

Various Southern African composers such as Hendrik Hofmeyr, Hans Huyssen, Roelof Temmingh, Michael Blake and the Nigerian composer Dr Christian Onyeji, to name a few, were commissioned by various musicians and organisations to create new South African works. These compositions are performed locally and internationally by world-renowned musicians, including cellist Anmari van der Westhuizen, soprano Sabina Mossolow, flutist Marietjie Pauw and pianists Francois du Toit and Benjamin van Eeden.

The Kayamandi Music Project is a community arts development initiative presented by Distell in collaboration with Sharon Katz and the Peace Train, the Ikaya Trust Community Centre and the Woordfees. Young artists from Kayamandi township join intensive music therapy workshops and over a period of a few years obtain skills in entrepreneurship, dancing and singing. The young artists, at the conclusion of the workshops each year, are given the opportunity to perform at a concert held at the community centre and at various other venues in and around Cape Town.

Development of classical, African and jazz music in South Africa

The Cape Philharmonic Orchestra (CPO) is a financially and culturally sustainable, multifunctional orchestra delivering a world-class musical experience to all the communities of the Western Cape. Apart from traditional symphony concerts presented in the historic City Hall with its excellent acoustics for orchestral music, the CPO also performs at the Artscape Theatre Centre with Cape Town Opera. Further engagements



include charity galas, lighter “symphonic pops” music for special occasions and collaboration with community musicians and choirs. These performances all add up to a staggering 160 performances a year. Some performances are given at other venues in Cape Town and the Western Cape, such as the Endler Hall in Stellenbosch, the Baxter Theatre and often at schools in the Peninsula. Popular tourist destinations such as the Kirstenbosch Botanical Gardens are also included.

Although the core business of the CPO is performing as a symphony orchestra of international standard, the nurturing of future musicians and the development of youth music in Cape Town, plus developing new audiences in this country are of equal importance.

The orchestra’s comprehensive development and transformation plan has included among others the creation of the Cape Philharmonic Youth Orchestra (CPYO) and Cape Philharmonic Youth Wind Ensemble (CPYWE). Most of the members of the CPYO and CPYWE come from previously disadvantaged communities. The members of the professional orchestra are committed, as an integral part of their duties, to a programme of teaching and training the young musicians through regular workshops and one-on-one tuition.

The CPO embraces education through its two training orchestras, the CPYO and the CPYWE. The Masidlale project, a vast new grassroots music training programme in Nyanga and Gugulethu, has gained momentum during the past year. Its main aim is to transfer skills and eventually create jobs for talented musicians. The CPO believes music is instrumental in bridging the gap between diverse cultures.



"The CPO's development and outreach programme started satellite teaching centres in 2009 in the townships, teaching the children instrumental skills using the Suzuki method. This training takes place irrespective of their financial means or background.

"Because 15 years of intensive training is needed to become a professional musician, it is crucial that training starts at grassroots level to ensure a pool of potential new instrumentalists representing our diverse cultures to feed the professional orchestra.

"The projected outreach accessing another seven to eight schools over the next three years will amount to 400 new musicians sourced and prepared annually to eventually become members of the Cape Philharmonic Youth Orchestra. With further training and experience, some could in due course be considered for membership of the CPO or other full-time orchestras.

"The CEO of the CPO, Louis Heyneman, says that *Masidlale* will contribute towards creating sustainable growth in a waning classical music industry.

"In general, children are not encouraged to follow a career as musicians, due to the inconsistency and low rate of job opportunities and remuneration levels. Classical music cannot compete with popular commercial trends and has to create a niche in the 'young' popular scene where it becomes en vogue to be an accomplished musician and part of a classical music concert audience."

Karin Blumer, corporate executive and fundraiser: CPO

New indigenous plays by South African playwrights

Distell has played a substantial part in the creation of new indigenous plays in South Africa, especially through the 30-year existence of the ever-enchanted Oude Libertas Amphitheatre and in collaboration with other South African theatres and the various arts festivals.

Oude Libertas Amphitheatre in Stellenbosch

This theatre has been instrumental in launching a variety of new productions as well as the careers of many South African and overseas artists. Some of the highlights have been performances by Laurika Rauch, David Kramer and Taliep Petersen, Nataniël, Stef Bos, Cesaria Evora, Coenie de Villiers, Amanda Strydom, Nianell, Lize Beekman, Jannie Moolman, Gloria Bosman, Oliver Mtukudzi, La Rosa Spanish Dance Theatre and many more local and overseas award-winning performers. A young artist development programme has been incorporated in the annual programme to give upcoming young artists the chance to perform at a professional venue.

The Oude Libertas complex has also become home to a range of other initiatives, including:

- > A weekly **fresh goods market** that attracts over 2 000 visitors every Saturday morning
- > An **entrepreneurial and mentoring programme**, run in collaboration with Cause Transformation, in which members of community projects are selected to partake in a 16-week intensive course on how to start and sustain a small business
- > The **showcase of community arts projects**, where support and a space is offered to selected community arts projects to present their talent and sell their items on the premises as part of the weekly market
- > A **visual arts and design project**, in which young and upcoming artists from disadvantaged communities are given opportunities to join professional exhibitions at the art gallery on the premises
- > A **recycling conservation and food garden project** in which the gardeners on the premises, as well as individuals from communities, are taught to recycle and start vegetable gardens to start and sustain small businesses but also provide for their households



DISTELL EMPLOYEE VOLUNTEER PROGRAMME

We recognise that employees can make a significant contribution to their communities by volunteering their time and their specialist skills, by raising funds and through personal donations. Through the Distell Employee Volunteer Staff Community Outreach Programme the Distell Foundation undertakes to support employee volunteer initiatives in the following ways:

- > Match the funds raised for a specific organisation or good cause by up to R3 000
- > Match the personal donations of employees made to good causes up to an amount of R3 000 per financial year
- > Assist individual staff members or groups with practical work that needs to be done at specific community projects by purchasing materials such as spades, seedlings and paint

Distell Employee Volunteer Weeks were held in the Western Cape, with the initiative initially piloted at head office and at our Parow and Green Park sites, as well as in the Coastal region, involving Port Elizabeth, East London and New Germany.

These volunteer weeks have been very well received by staff across the different sites invited to participate.

PRODUCT DONATIONS

We donate product – mostly wine – to organisations hosting fund-raising events and supported a total of 108 events in this way during the year under review. In accordance with Distell policy, we do not provide product for projects that support schools, benefit people under the age of 18, religious institutions or political parties.





DISTELL

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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:

	2010	2009
US dollar	7,62	7,82
British pound	11,48	13,00
Euro	9,33	11,03
Canadian dollar	7,32	6,77
Botswana pula	1,08	1,15
Australian dollar	6,57	6,33

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.

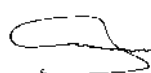
The board of directors approves any change in accounting policy, with their effects fully explained in the annual financial statements.

The directors have reviewed the Group's budget and cash flow projections for the period to 30 June 2011. 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 91 to 155 have been approved by the board of directors and are signed on their behalf:



DM Nurek
Chairman

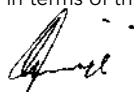
Stellenbosch
25 August 2010



JJ Scannell
Managing director

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 2010, 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
25 August 2010

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 attendance of committee members is listed in the corporate governance report. 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
25 August 2010

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF DISTELL GROUP LIMITED

We have audited the Group annual financial statements and annual financial statements of Distell Group Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2010, and the consolidated and separate income statements, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 91 to 155.

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.

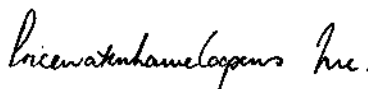
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on

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 consolidated and separate financial position of Distell Group Limited as at 30 June 2010, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



PRICEWATERHOUSECOOPERS INC.

Director: A Wentzel
Registered Auditor

Stellenbosch
25 August 2010

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2010

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:	2010 R'000	2009 R'000
Revenue	11 808 884	10 863 728
Operating profit	1 392 917	1 410 033
Attributable earnings	941 556	953 712
– Per share (cents)	468,1	475,3
Headline earnings	943 587	952 795
– Per share (cents)	469,1	474,8
Total assets	8 201 031	7 449 575
Total liabilities	(2 962 730)	(2 640 201)

The annual financial statements on pages 91 to 155 set out fully the financial position, results of operations and cash flows of the Group for the financial year ended 30 June 2010.

Dividends

Total dividends for the year (R'000)*	516 543	514 795
– Per share (cents)	256,0	256,0

* The final dividend of 132 cents (2009: 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

Particulars of subsidiary companies, associated companies and joint venture companies are disclosed in notes 42 to 44.

Directors

The names of the directors, their attendance at meetings and their membership of board committees appear on pages 24 to 25, 50 and 52.

Smartie Genade will retire as director at the end of August 2010 and we thank him for his valuable contributions.

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 38 to 40 to the annual financial statements.

Events subsequent to statement of financial position date

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

Holding company

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

The Group structure appears on page 18.

Secretary

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

Approval

The annual financial statements set out on pages 91 to 155 have been approved by the board.

Signed on behalf of the board of directors:



DM Nurek
Chairman

Stellenbosch
25 August 2010



JJ Scannell
Managing director

STATEMENTS OF FINANCIAL POSITION AT 30 JUNE

		GROUP			COMPANY	
		2010	2009	2008	2010	2009
		R'000	R'000	R'000	R'000	R'000
Notes			Restated	Restated		
ASSETS						
Non-current assets						
Property, plant and equipment	2	2 157 912	1 773 480	1 546 159	–	–
Biological assets	3	138 915	146 375	122 024	–	–
Financial assets	4	89 105	74 281	85 901	–	–
Investments in subsidiaries	5	–	–	–	2 139 310	2 035 766
Investments in associates	5	44 054	38 487	31 636	–	–
Intangible assets	6	205 680	244 685	39 373	–	–
Retirement benefit assets	14	49 656	58 150	114 588	–	–
Deferred income tax assets	15	47 122	24 861	21 870	–	–
Total non-current assets		2 732 444	2 360 319	1 961 551	2 139 310	2 035 766
Current assets						
Inventories	7	3 818 661	3 681 022	3 235 895	–	–
Trade and other receivables	8	1 344 701	1 155 381	954 036	–	–
Current income tax assets		62 187	74 381	62 968	–	–
Cash and cash equivalents		243 038	178 472	193 673	–	–
Total current assets		5 468 587	5 089 256	4 446 572	–	–
Total assets		8 201 031	7 449 575	6 408 123	2 139 310	2 035 766
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	10	642 984	620 992	616 898	653 437	630 029
Non-distributable and other reserves	11	184 486	203 135	270 040	117 061	110 184
Retained earnings	12	4 409 847	3 983 222	3 543 237	1 368 812	1 295 553
Attributable to equity holders of the company		5 237 317	4 807 349	4 430 175	2 139 310	2 035 766
Non-controlling interest		984	2 025	2 025	–	–
Total equity		5 238 301	4 809 374	4 432 200	2 139 310	2 035 766
Non-current liabilities						
Interest-bearing borrowings	13	422 467	422 386	2 938	–	–
Retirement benefit obligations	14	21 099	18 300	15 623	–	–
Deferred income tax liabilities	15	230 380	198 288	168 266	–	–
Total non-current liabilities		673 946	638 974	186 827	–	–
Current liabilities						
Trade and other payables	16	1 723 966	1 650 532	1 483 691	–	–
Interest-bearing borrowings	13	336 657	324 267	226 027	–	–
Provisions	17	208 625	9 282	49 577	–	–
Current income tax liabilities		19 536	17 146	29 801	–	–
Total current liabilities		2 288 784	2 001 227	1 789 096	–	–
Total equity and liabilities		8 201 031	7 449 575	6 408 123	2 139 310	2 035 766

INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Notes	GROUP		COMPANY	
		2010 R'000	2009 R'000 <i>Restated</i>	2010 R'000	2009 R'000
Revenue	18	11 808 884	10 863 728	439 068	437 583
Operating costs	19	(10 413 146)	(9 454 968)	–	–
Costs of goods sold		(7 974 656)	(7 273 020)	–	–
Sales and marketing costs		(1 398 540)	(1 294 589)	–	–
Distribution costs		(717 755)	(652 208)	–	–
Administration and other costs		(322 195)	(235 151)	–	–
Other losses	21	(2 821)	1 273	–	–
Operating profit		1 392 917	1 410 033	439 068	437 583
Dividend income	22	1 493	1 552	–	–
Finance income	23	15 247	30 938	150 734	187 283
Finance costs	24	(83 899)	(54 162)	–	–
Share of profit of associates	25	32 412	30 058	–	–
Profit before taxation		1 358 170	1 418 419	589 802	624 866
Taxation	26	(417 655)	(464 707)	–	–
Profit for the year		940 515	953 712	589 802	624 866
Attributable to:					
Equity holders of the company		941 556	953 712	589 802	624 866
Non-controlling interest		(1 041)	–	–	–
		940 515	953 712	589 802	624 866
Earnings per ordinary share (cents)	27				
Basic		468,1	475,3		
Diluted		444,5	455,4		
Dividends per ordinary share (cents)	28				
Interim		124,0	124,0		
Final		132,0	132,0		
		256,0	256,0		

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 30 JUNE

	Notes	2010 R'000	2009 R'000 <i>Restated</i>
GROUP			
Profit for the year		940 515	953 712
Other comprehensive income (net of taxation)			
Fair value adjustments			
– available-for-sale financial assets	11	2 732	3 419
Currency translation differences	11	(39 155)	(56 848)
Actuarial gains and losses	11	2 618	(28 215)
Other comprehensive losses for the year (net of taxation)		(33 805)	(81 644)
Total comprehensive income for the year		906 710	872 068
Attributable to:			
Equity holders of the company		907 751	872 068
Non-controlling interest		(1 041)	–
		906 710	872 068
COMPANY			
Profit for the year		589 802	624 866
Total comprehensive income for the year		589 802	624 866

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 JUNE

		GROUP					
		Attributable to equity holders				Non-controlling interest	Total equity
		Share capital and premium R'000	Treasury shares R'000	Non-distributable and other reserves R'000	Retained earnings R'000 <i>Restated</i>	Total R'000 <i>Restated</i>	R'000 <i>Restated</i>
Notes							
2009							
Opening balance		617 807	(909)	270 040	3 543 237	4 430 175	2 025 4 432 200
Comprehensive income							
Profit for the year		–	–	–	954 398	954 398	– 954 398
Change in accounting policy	36	–	–	–	(686)	(686)	– (686)
Other comprehensive income (net of taxation)							
Fair value adjustments:							
– available-for-sale financial assets	11	–	–	3 419	–	3 419	– 3 419
Currency translation differences	11	–	–	(56 848)	–	(56 848)	– (56 848)
Actuarial loss on post-employment benefits	11	–	–	(28 215)	–	(28 215)	– (28 215)
Total other comprehensive losses		–	–	(81 644)	–	(81 644)	– (81 644)
Total comprehensive income for the year		–	–	(81 644)	953 712	872 068	– 872 068
Transactions with owners							
Employee share scheme:							
– proceeds from ordinary shares issued	10	12 221	(12 221)	–	–	–	– –
– shares paid and delivered	10	–	4 094	–	–	4 094	– 4 094
– value of employee services		–	–	7 862	–	7 862	– 7 862
BEE share-based payment	20	–	–	6 877	–	6 877	– 6 877
Dividends paid	29.4	–	–	–	(514 796)	(514 796)	– (514 796)
Dividends paid to The Distell Group Share Trust		–	–	–	1 069	1 069	– 1 069
Total transactions with owners		12 221	(8 127)	14 739	(513 727)	(494 894)	– (494 894)
Balance at 30 June 2009		630 028	(9 036)	203 135	3 983 222	4 807 349	2 025 4 809 374

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 JUNE

	Notes	GROUP					
		Attributable to equity holders					Non-controlling interest
		Share capital and premium	Treasury shares	Non-distributable and other reserves	Retained earnings	Total	Total equity
		R'000	R'000	R'000	R'000 <i>Restated</i>	R'000 <i>Restated</i>	R'000 <i>Restated</i>
2010							
Opening balance		630 028	(9 036)	203 135	3 983 222	4 807 349	2 025 4 809 374
Comprehensive income							
Profit for the year		–	–	–	941 556	941 556	(1 041) 940 515
Other comprehensive income (net of taxation)							
Fair value adjustments:							
– available-for-sale financial assets	11	–	–	2 732	–	2 732	– 2 732
Currency translation differences	11	–	–	(39 155)	–	(39 155)	– (39 155)
Actuarial gain on post-employment benefits	11	–	–	2 618	–	2 618	– 2 618
Total other comprehensive losses		–	–	(33 805)	–	(33 805)	– (33 805)
Total comprehensive income for the year		–	–	(33 805)	941 556	907 751	(1 041) 906 710
Transactions with owners							
Employee share scheme:							
– proceeds from ordinary shares issued	10	23 409	(23 409)	–	–	–	– –
– shares paid and delivered	10	–	21 992	–	–	21 992	– 21 992
– value of employee services		–	–	8 279	–	8 279	– 8 279
BEE share-based payment	20	–	–	6 877	–	6 877	– 6 877
Dividends paid	29.4	–	–	–	(516 543)	(516 543)	– (516 543)
Dividends paid to The Distell Group Share Trust		–	–	–	1 612	1 612	– 1 612
Total transactions with owners		23 409	(1 417)	15 156	(514 931)	(477 783)	– (477 783)
Balance at 30 June 2010		653 437	(10 453)	184 486	4 409 847	5 237 317	984 5 238 301



		COMPANY					
		Attributable to equity holders				Non-controlling interest	Total equity
		Share capital and premium	Treasury shares	Non-distributable and other reserves	Retained earnings	Total	
Notes		R'000	R'000	R'000	R'000	R'000	R'000
2009							
	Opening balance	617 807	–	103 307	1 185 483	1 906 597	– 1 906 597
	Comprehensive income						
	Profit for the year	–	–	–	624 866	624 866	– 624 866
	Total comprehensive income for the year	–	–	–	624 866	624 866	– 624 866
	Transactions with owners						
	Proceeds of ordinary shares issued	10 12 222	–	–	–	12 222	– 12 222
	BEE share-based payment	20 –	–	6 877	–	6 877	– 6 877
	Dividends paid	29.4 –	–	–	(514 796)	(514 796)	– (514 796)
	Total transactions with owners		12 222	–	6 877	(514 796)	(495 697) – (495 697)
	Balance at 30 June 2009		630 029	–	110 184	1 295 553	2 035 766 – 2 035 766
2010							
	Opening balance		630 029	–	110 184	1 295 553	2 035 766 – 2 035 766
	Comprehensive income						
	Profit for the year		–	–	–	589 802	589 802 – 589 802
	Total comprehensive income for the year		–	–	–	589 802	589 802 – 589 802
	Transactions with owners						
	Proceeds of ordinary shares issued	10 23 408	–	–	–	23 408	– 23 408
	BEE share-based payment	20 –	–	6 877	–	6 877	– 6 877
	Dividends paid	29.4 –	–	–	(516 543)	(516 543)	– (516 543)
	Total transactions with owners		23 408	–	6 877	(516 543)	(486 258) – (486 258)
	Balance at 30 June 2010		653 437	–	117 061	1 368 812	2 139 310 – 2 139 310

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 June

	Notes	GROUP		COMPANY	
		2010 R'000	2009 R'000 <i>Restated</i>	2010 R'000	2009 R'000
Cash flows from operating activities					
Operating profit		1 392 917	1 410 033	439 068	437 583
Non-cash flow items	29.1	301 441	135 065	–	–
Working capital changes	29.2	(139 073)	(514 692)	–	–
Cash generated from operations		1 555 285	1 030 406	439 068	437 583
Dividend income		1 493	1 552	–	–
Finance income		15 247	30 938	77 475	77 213
Finance costs		(86 011)	(41 748)	–	–
Taxation paid	29.3	(394 737)	(451 523)	–	–
Net cash generated from operating activities		1 091 277	569 625	516 543	514 796
Cash flows from investment activities					
Purchases of property, plant and equipment (PPE) to maintain operations	29.5	(184 599)	(99 966)	–	–
Purchases of PPE to expand operations	29.6	(365 476)	(282 142)	–	–
Proceeds from sale of PPE		3 704	5 279	–	–
Proceeds from financial assets disposed		10 109	27 475	–	–
Purchases of intangible assets		(6 254)	(242 395)	–	–
Cash outflow from investment activities		(542 516)	(591 749)	–	–
Cash flows from financing activities					
Proceeds from ordinary shares issued		23 409	12 221	23 408	12 222
Purchase of treasury shares		(1 417)	(8 127)	–	–
Proceeds from interest-bearing borrowings		16	419 386	–	–
Dividends paid to company's shareholders	29.4	(514 931)	(513 727)	(516 543)	(514 796)
Repayments of intercompany borrowings		–	–	(23 408)	(12 222)
Cash outflow from financing activities		(492 923)	(90 247)	(516 543)	(514 796)
Increase in net cash, cash equivalents and bank overdrafts					
Balance at the beginning of the year		144 844	31 341	–	–
Exchange gains on cash, cash equivalents and bank overdrafts		3 727	1 132	–	–
Balance at the end of the year		(92 733)	(144 844)	–	–
Increase in net cash, cash equivalents and bank overdrafts	29.7	55 838	(112 371)	–	–

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The annual consolidated financial statements of Distell Group Limited 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.

The accounting policy and comparative figures in the annual financial statements have been changed for the amendment to IAS 38 *Intangible Assets* (refer note 36 for details). Other than this amendment, the amendment to IFRS 8 *Segment Reporting* that allows an entity to not disclose segmental assets, if not reviewed by management in that format, which has been adopted early, and the following new standards, interpretations and amendments to published standards that became effective during the current financial year, these annual financial statements incorporate accounting policies that have been consistently applied to both years presented:

- IFRIC 15: Agreements for the Construction of Real Estate (effective 1 January 2009) *
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008) *
- IFRIC 17: Distributions of Non-cash Assets to Owners (effective 1 July 2009) *
- IFRIC 18: Transfers of Assets from Customers (effective 1 July 2009) *
- Revised IFRS 3: Business Combinations (effective 1 July 2009) *
- IFRS 8: Operating Segments (effective 1 January 2009) *
- Revised IAS 23: Borrowing Costs (effective 1 January 2009) *
- Revised IAS 27: Consolidated and Separate Financial Statements (effective 1 July 2009) *
- Revised IFRS 1 and IAS 27: 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) *
- Amendment to IFRS 2: Share-based Payment: Vesting Conditions and Cancellations (effective 1 January 2009) *
- Amendment to IFRS 7: Financial Instruments Disclosures: Improving Disclosures about Financial Instruments (effective 1 January 2009) *
- Revised IAS 1: Presentation of Financial Statements (effective 1 January 2009) *
- Revised IFRS 1: First-Time Adoption of International Financial Reporting Standards (effective 1 July 2009) *
- Amendment to IAS 32 and IAS 1: Financial Instruments – Presentation and IAS 1: Presentation of Financial Statements: Puttable Financial Instruments and Obligations arising on Liquidation (effective 1 January 2009) *

- Amendment to IAS 39: Financial Instruments – Recognition and Measurement: Eligible Hedged Items (effective 1 July 2009) *
- Amendment to IFRIC 9: Reassessment of Embedded Derivatives and IAS 39: Financial Instruments – Recognition and Measurement (effective 1 July 2009) *
- 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) *
- Revised AC 503: Accounting for Black Economic Empowerment Transactions (effective 1 January 2009) *
- Improvements to IFRSs (issued August 2008 and effective from 1 January 2009)

* *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 existing standards that are not yet effective

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 30 June 2010, but not yet effective on that date. The standards that are applicable to the Group, but that were not implemented early, are the following:

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.

Amendments to IAS 32: Classification of Rights Issues (effective 1 February 2010)

The amendment clarifies the accounting treatment when rights issues are denominated in a currency other than the functional currency of the issuer. The amendment states that if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

Amendment to IAS 24: Related Party Disclosures (effective 1 January 2011)

This amendment provides partial relief from the requirement for government related entities to

disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.

• **IFRS 9: Financial Instruments**

(effective 1 January 2013)

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

• **Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures For First-Time Adopters** (effective 1 July 2010)

The amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is effective for annual periods beginning on or after 1 July 2010 with early adoption permitted.

• **IFRIC 19 (AC 452): Extinguishing Financial Liabilities with Equity Instruments**

(effective 1 July 2010)

This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the income statement based on the fair value of the equity instruments compared to the carrying amount of the debt.

• **Amendments to IFRIC 14 (AC 447): Pre-payments of a Minimum Funding Requirement** (effective 1 January 2011)

This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

• **IASB First Annual Improvements Project**

The IASB concluded its 2009 annual improvements project (issued April 2009), amending various accounting standards. These changes become effective for periods commencing on or after 1 January 2010, 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 and these accounting

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

a) **Estimated impairment of goodwill and intangible assets**

The Group tests annually whether goodwill and the intangible asset 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**

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

c) **Retirement benefits**

The 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 requires 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 acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The determination of goodwill requires the previously held equity interest to be adjusted to fair value with any gain or loss recorded in the income statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income. Transactions with owners are recognised in equity only when control is not lost.

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 non-controlling 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 and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity when control is not retained. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates

Associates are entities 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 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 the income statement.

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 the entity operates (the functional currency). The consolidated financial statements are prepared in South African rand ('R') which is the company's functional and the Group's presentation currency.

Foreign Group entities

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each income statement presented are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- All resulting exchange differences are recognised 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 statement of financial position 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 and other currency instruments designated as hedges of such investments, if applicable, are also taken to the FCTR. When a foreign operation is partially disposed of or sold, all related exchange rate differences that were recorded in the FCTR are recognised in the income statement as part of the profit or loss on sale. The Group's net investment in a subsidiary or joint venture is equal to the equity investment plus all monetary items that are receivable from or payable to the subsidiary or joint venture, for which settlement is neither planned nor likely to occur in the foreseeable future.

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income' or 'finance costs'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

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 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 fair value adjustments reserve in equity.

1.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (executive management team). Operating segments are individual components of an entity that engage in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity's chief operating decision-maker and for which discrete financial information is available. Operating segments which display similar economic characteristics are aggregated for reporting purposes.

1.6 Property, plant 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 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 Group. 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is calculated as the higher of the asset's fair value less cost to sell and the value in use. Also refer 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'.

1.7 Biological assets

Biological assets consist of grape vines which are valued at fair value less costs to sell 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 less costs to sell are accounted for in the income statement 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 less costs to sell 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 'investments 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, identified according to operating segment. Gains or losses on disposal of an entity include 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 is no foreseeable limit on the time the trademarks are expected to provide future cash flows. Trademarks that are deemed to have an indefinite useful life are carried at cost less accumulated impairment losses.

Research and development expenditure

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

Computer software

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

Costs associated with developing or maintaining software are recognised as an expense when incurred. 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 its estimated useful life (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 annually. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. 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
- Available-for-sale financial assets
- Financial assets at fair value through profit and loss
- Loans and receivables

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 statement of financial position 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 statement of financial position 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 statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position 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 are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying

amount of the security. The translation differences in monetary securities are recognised in profit or loss, and translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'other (losses)/gains'. Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement within 'finance income'. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

Impairment of financial assets

Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor
- A breach of contract, such as a default or delinquency in interest or principal payments
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for that financial asset because of financial difficulties
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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

Assets classified as available-for-sale

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

Impairment testing of trade receivables is described in note 1.15.

1.11 Derivative financial instruments and hedging activities

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are

subsequently re-measured 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.

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 tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

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

Deferred income tax

Deferred income tax is provided in full at currently enacted or substantially enacted tax rates using the liability method. Provision is made for all temporary differences arising between the taxation bases of assets and liabilities and their statement of financial position carrying values.

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Management applies judgement to determine whether sufficient future

taxable profit will be available after considering, amongst others, factors such as profit history, forecasted cash flows and budgets.

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 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 its estimated useful life. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income

statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases of assets in terms of which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases 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 any gains or losses transferred from equity on qualifying cash flow hedges used in the purchase 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 uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating costs' in the income statement.

1.16 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 in the statement of financial position.

1.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of taxation.

Where entities controlled by the Group purchase the company's shares, the consideration paid, including attributable transaction costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are sold or cancelled. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders. Dividends received on treasury shares are eliminated on consolidation.

1.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.19 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 statement of financial position date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. When funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount to be capitalised is the actual borrowing costs less any temporary investment income on those borrowings. General borrowing costs are capitalised by calculating the weighted

average expenditure on the qualifying asset and applying a weighted average borrowing rate to the expenditure.

The borrowing costs capitalised do not exceed the total borrowing costs incurred. The capitalisation of borrowing costs commences when expenditures for the asset have occurred, borrowing costs have been incurred or when activities that are necessary to prepare the asset for its intended use or sale, are in progress. Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are 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 statement of financial position in respect of defined-benefit pension plans

is the present value of the defined-benefit obligation at the statement of financial position 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 comprehensive income.

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 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 comprehensive income. 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 share grants 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 employee services received in exchange for the grant of the options 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, including any market performance conditions and excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period) as well as excluding the impact of any non-vesting conditions (for example, the requirement for employees to save). Non-market vesting conditions are included in assumptions about the number of scheme shares that are expected to vest. At each statement of financial position 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.

The grant by the company of scheme shares relating to its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

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 reflects it in 'costs 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.

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
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
2010					
Opening balance	746 602	887 336	59 685	79 857	1 773 480
Additions	182 340	302 834	22 113	38 439	545 726
Disposals	(725)	(2 009)	(2 227)	–	(4 961)
Transfers	12 580	50 359	(316)	(62 623)	–
Exchange differences	11 588	4 405	467	–	16 460
Depreciation	(3 053)	(155 111)	(14 629)	–	(172 793)
	949 332	1 087 814	65 093	55 673	2 157 912
At cost	981 750	2 294 578	163 710	55 673	3 495 711
Accumulated depreciation	(32 418)	(1 206 764)	(98 617)	–	(1 337 799)
Net carrying value	949 332	1 087 814	65 093	55 673	2 157 912

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 (2009: R3,2 million) (note 13).

Depreciation of R118,2 million (2009: R98,5 million) is included in 'costs of goods sold', R5,7 million (2009: R4,3 million) in 'sales and marketing costs', R18,9 million (2009: R14,9 million) in 'distribution costs' and R30,0 million (2009: R26,4 million) in 'administration and other costs'.

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 2010 amounted to approximately 1 525 ha (2009: 1 466 ha), of which approximately 1 321 ha (2009: 1 264 ha) can be classified as mature vines. The total output of grapes harvested during the current year amounted to 7 439 tons (2009: 11 397 tons).

3. BIOLOGICAL ASSETS *(continued)*

The fair value of the grapes harvested during the current financial year amounted to R33,7 million (2009: R52,9 million). The fair value was calculated with reference to arm's length prices paid in an active market less estimated point-of-sale costs.

The fair value of mature grape vines was calculated by discounting the net cash flows thereof over their remaining lives at a pre-tax discount rate of 18,0% (2009: 18,5%). The net cash flows were calculated with reference to grape varieties, expected yields based on normalised three years' experience, estimated future sales prices and estimated future production costs.

The average productive life of grape vines are estimated at 23 years (2009: 23 years).

	2010 R'000	2009 R'000
Carrying amount		
Opening balance	146 375	122 024
Acquisitions	4 349	6 701
Acquisition of subsidiary (note 35)	–	6 589
Disposals	(1 564)	–
Net change in fair value	(10 245)	11 061
– Decrease due to harvest – transferred to inventory	(33 742)	(52 859)
– Gain due to price, yield, maturity and cost changes	23 497	63 920
Balance at the end of the year	138 915	146 375

An amount of R6,3 million (2009: R6,9 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 R1,9 million (2009: R2,1 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.

	2010 R'000	2009 R'000
4. FINANCIAL ASSETS		
Loans and receivables at amortised cost		
– Loans to producers and other unrelated parties, denominated in rand, at market-related interest rates and secured by bonds over properties where applicable	39 532	23 092
Available-for-sale financial assets		
– Equities, denominated in the following currencies:	49 573	51 189
Rand	20 063	19 039
Canadian dollar	11 667	9 085
British pound	17 843	23 065
	89 105	74 281
Movement in available-for-sale financial assets		
Opening balance	51 189	55 841
Additions	–	1 913
Disposals	(4 892)	(550)
Net gains transferred to equity (note 11)	3 276	4 019
Acquisition of subsidiary (note 35)	–	(10 034)
Balance at the end of the year	49 573	51 189
Directors' valuation of financial assets	89 105	74 281

The fair value estimation of 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.

Financial assets consist of listed, which include over-the-counter trade, and unlisted shares and details thereof are available at the registered office of the company.

	2010 R'000	2009 R'000
5. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES		
Company		
Investments in subsidiaries (note 42)	2 139 310	2 035 766
Group		
Investments in associates (note 43)		
Opening balance	38 487	31 636
Share of profit	32 412	30 058
Dividends received	(24 155)	(20 825)
Exchange differences and withholding taxes	(2 690)	(2 382)
Balance at the end of the year	44 054	38 487
Made up as follows:		
Cost and share of profits	34 978	29 411
Goodwill	9 076	9 076
	44 054	38 487
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	375 224	304 785

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 investments in associates and related goodwill.

Key assumptions used for value-in-use calculation

Sales growth rates (8% – 21%), gross margins (25% – 47%) and cost increases (9% – 18%) 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

	Capitalised software R'000	Goodwill R'000	Trademarks R'000	Total R'000
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
2010				
Opening balance	17 648	7 429	219 608	244 685
Additions	6 254	–	–	6 254
Exchange differences	(15)	–	(34 031)	(34 046)
Amortisation	(11 213)	–	–	(11 213)
Balance at the end of the year	12 674	7 429	185 577	205 680
Cost	84 421	7 429	185 577	277 427
Accumulated amortisation and impairment	(71 747)	–	–	(71 747)
Net carrying value	12 674	7 429	185 577	205 680

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 trademarks are 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% – 56%), gross margins (22% – 46%) and cost increases (3% – 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.

	2010 R'000	2009 R'000	2008 R'000
7. INVENTORIES			
Bulk wines, flavoured alcoholic beverages and spirits	2 308 152	2 244 557	2 002 254
Bottled wines, flavoured alcoholic beverages and spirits	1 191 849	1 065 281	953 553
Packaging material and other	318 660	371 184	280 088
As previously reported		404 817	312 748
Change in accounting policy (note 36)		(33 633)	(32 660)
	3 818 661	3 681 022	3 235 895

The cost of inventories recognised as an expense and included in 'costs of goods sold' amounted to R7 188,1 million (2009: R6 574,8 million).

No previous write-down was reversed during the year (2009: none).

Excise duty of R315,4 million (2009: R222,0 million) is included in bulk inventories and R220,8 million (2009: R193,7 million) in bottled inventories. The total of these amounts were previously disclosed as a separate line item in the note above.

	2010 R'000	2009 R'000
8. TRADE AND OTHER RECEIVABLES		
Trade receivables	1 204 493	998 104
Provision for impairment of receivables	(6 482)	(10 693)
Trade receivables – net	1 198 011	987 411
Insurance claims	820	1 037
Prepayments	94 178	77 871
Other receivables	46 545	39 308
Value added tax	5 147	49 754
	1 344 701	1 155 381

	2010 R'000	2009 R'000
8. TRADE AND OTHER RECEIVABLES <i>(continued)</i>		
Included in the Group's trade receivables are debtors with carrying amounts of R33,8 million (2009: R34,3 million) which are past due at the reporting date but not impaired.		
These relate to a number of independent customers where there have not been any history of payment default or significant changes in credit quality and the amounts are still considered recoverable. The Group holds no collateral for these past due receivables. The ageing analysis of these receivables is as follows:		
Ageing of past due but not impaired trade and other receivables		
30 to 60 days overdue	18 355	31 212
Past 60 days overdue	15 483	3 118
	33 838	34 330
At 30 June 2010, trade receivables of R6,5 million (2009: R10,7 million) were impaired and provided for.		
The individually impaired receivables mainly relate to customers who are in financial difficulty and where there are indications that the Group may not recover the full amount.		
In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. Concentration of credit risk is limited because of the large number of customers and their dispersion across geographical areas.		
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	842	2 972
Past 120 days overdue	5 640	7 721
Total	6 482	10 693
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:		
South African rand	891 821	746 674
US dollar	121 986	66 463
Euro	172 937	195 902
British pound	32 935	34 594
Canadian dollar	37 046	45 517
Other currencies	87 976	66 231
	1 344 701	1 155 381
The movement of the Group's provision for impairment of trade receivables are as follows:		
Opening balance	10 693	7 442
Provision for receivable impairment	5 846	8 845
Receivables written off during the year as uncollectable	(4 172)	(107)
Unused amounts reversed	(5 885)	(5 487)
Balance at the end of the year	6 482	10 693

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 payment terms of trade and other receivables that are fully performing or overdue have been renegotiated during the year.

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

Current liabilities

Forward foreign exchange contracts – held-for-trading

Total

	2010 R'000	2009 R'000
	1 874	1 013
	–	(1 213)
	1 874	(200)

Refer to note 34.2 for the fair value estimation of forward foreign exchange contracts.

9. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Forward foreign exchange contracts

Material forward exchange contracts as at 30 June 2010 and 30 June 2009 are summarised as follows:

Forward foreign exchange contracts – anticipated transactions

These forward foreign exchange contracts do not relate to specific items on the statement of financial position, but were entered into to cover export proceeds not yet receivable or import commitments not yet payable. The forward foreign exchange contracts will be utilised for the purposes of trade within the first three months of the following year.

Foreign currency	Foreign currency amount '000	Rand amount R'000	Fair value gain/(loss) R'000
2010			
Forward foreign exchange sales			
Australian dollar	130	893	38
Canadian dollar	1 100	8 273	184
New Zealand dollar	400	2 155	12
Euro	4 800	46 631	1 542
US dollar	2 300	17 274	1
		75 226	1 777
Forward foreign exchange purchases			
British pound	500	5 680	97
		5 680	97
		80 906	1 874
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
		25 699	977
Forward foreign exchange purchases			
US dollar	700	5 508	32
British pound	300	3 960	(47)
Euro	3 000	34 395	(1 162)
		43 863	(1 177)
		69 562	(200)

The net uncovered trade proceeds at 30 June 2010 amounted to R350,0 million (2009: R304,3 million) and net uncovered trade purchases at 30 June 2010 amounted to R31,3 million (2009: R16,5 million).

	2010 Number '000	2009 Number '000
10. SHARE CAPITAL		
Shares authorised		
Ordinary shares of 1 cent each	250 000	250 000
Shares issued		
Opening balance	201 092	200 660
Issue of shares – share scheme	683	432
Ordinary shares of 1 cent each issued and fully paid	201 775	201 092
Treasury shares		
Opening balance	324	62
Issue of shares – share scheme	683	432
Shares paid and delivered – share scheme	(705)	(170)
Shares held by The Distell Group Share Trust	302	324

	Company Ordinary shares R'000	Company Share premium R'000	Treasury shares R'000	Group Total R'000
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
2010				
Opening balance	2 011	628 017	(9 036)	620 992
Issue of shares – share scheme	7	23 402	(23 409)	–
Shares paid and delivered – share scheme	–	–	21 992	21 992
Balance at the end of the year	2 018	651 419	(10 453)	642 984

Ten percent 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 8 473 899 (2009: 9 156 476).

The details of the offer are as follows:

The offer is made at the closing share price on the JSE on the preceding day and 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.

10. SHARE CAPITAL *(continued)*

Date	Participants	Offer price per share (Rand)	Number of shares offered	Number of shares accepted at 30 June 2010	Number of shares paid and delivered at 30 June 2010
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	1 639 069
3 June 2004	Other participants	15,05	219 570	219 570	219 570
25 October 2005	Executive directors	31,00	62 743	62 743	39 662
25 October 2005	Other participants	31,00	982 924	982 924	458 576
7 November 2006	Executive directors	40,00	227 233	227 233	59 341
7 November 2006	Other participants	40,00	265 225	265 225	104 535
8 October 2007	Executive directors	60,50	116 784	116 784	–
8 October 2007	Other participants	60,50	227 075	227 075	16 680
23 October 2008	Executive directors	45,50	164 086	164 086	–
23 October 2008	Other participants	45,50	583 339	583 339	24 339
22 October 2009	Executive directors	64,00	54 540	54 540	–
22 October 2009	Other participants	64,00	447 234	447 234	–
			8 320 828	8 320 828	5 892 777

	2010		2009	
	Average offer price per share (Rand)	Number of shares	Average offer price per share (Rand)	Number of shares
<i>The current status of the scheme is as follows:</i>				
Ordinary shares due to participants				
Previous financial years	39,91	2 750 979	36,62	2 204 973
Offered and accepted in current financial year	64,00	501 774	45,50	768 083
Shares paid for and delivered	31,19	(705 178)	24,12	(169 723)
Resignations and other	41,81	(119 524)	34,36	(52 354)
Outstanding at the end of the year	47,33	2 428 051	39,91	2 750 979

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	Exercise price per share (Rand)	2010 Number of shares	2009 Number of shares
10. SHARE CAPITAL <i>(continued)</i>			
Scheme shares outstanding at the end of the year have the following expiry dates and exercise prices:			
Shares offered, not issued, not paid for and not delivered (Share Trust)	34,63	301 824	324 425
June 2009	15,05	–	73 190
October 2009	31,00	–	347 646
November 2009	40,00	–	173 762
October 2010	31,00	321 596	347 643
October 2010	60,50	102 353	122 904
November 2010	40,00	136 358	173 762
October 2011	45,50	241 028	256 028
October 2011	60,50	102 353	122 904
November 2011	40,00	136 355	173 757
October 2012	45,50	241 029	256 028
October 2012	64,00	167 258	–
October 2012	60,50	102 352	122 903
October 2013	45,50	241 029	256 027
October 2013	64,00	167 258	–
October 2014	64,00	167 258	–
		2 428 051	2 750 979

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 R64,00
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 a SA zero-coupon government bond and the yield curve over the expected contract lifetimes of five, six and seven years from the offer date.

Share price volatility of ordinary shares in Distell Group Limited was determined with reference to movements in the share price on the JSE taking into consideration the expected lifetimes of each tranche of all grants over the vesting period.

Dividend yield was calculated using the two-year moving average dividend yield at each offer date.

The total expense recognised in the income statement in 'employee benefit expense' (note 19.4) relating to above equity-settled share-based payments was R8,3 million (2009: R7,9 million).

	2010 R'000	2009 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	(98 447)	(59 292)
Opening balance	(59 292)	(2 444)
Currency translation differences for the year	(39 155)	(56 848)
Fair value adjustments	20 429	17 697
Opening balance	17 697	14 278
Fair value adjustments of available-for-sale financial assets	3 276	4 019
Deferred income tax on fair value adjustments	(544)	(600)
BEE share-based payment option reserve	101 626	94 749
Opening balance	94 749	87 872
BEE share-based payment for the year	6 877	6 877
Employee share scheme reserve	39 504	31 225
Opening balance	31 225	23 363
Employee share-based payment for the year	8 279	7 862
Actuarial gains and losses reserve	70 667	68 049
Opening balance	68 049	96 264
Actuarial gains and losses for the year	3 571	(39 090)
Income tax on actuarial gains and losses	–	(124)
Deferred income tax on actuarial gains and losses	(953)	10 999
	184 486	203 135
Company		
BEE share-based payment option reserve	101 626	94 749
Opening balance	94 749	87 872
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
	117 061	110 184

	2010 R'000	2009 R'000
12. RETAINED EARNINGS		
Group		
Company	1 368 812	1 295 553
Consolidated subsidiaries	2 955 190	2 627 939
As previously reported		2 652 091
Change in accounting policy (note 36)		(24 152)
Joint ventures	62 092	41 544
Associated companies	23 753	18 186
	4 409 847	3 983 222
Opening balance	3 983 222	3 543 237
As previously reported		3 566 703
Change in accounting policy (note 36)		(23 466)
Profit for the year	941 556	953 712
As previously reported		954 398
Change in accounting policy (note 36)		(686)
Dividends paid	(514 931)	(513 727)
Balance at the end of the year	4 409 847	3 983 222
Company		
Opening balance	1 295 553	1 185 483
Profit for the year	589 802	624 866
Dividends paid	(516 543)	(514 796)
Balance at the end of the year	1 368 812	1 295 553

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% (2009: 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 2010 (2009: R0,3 million).

	2010 R'000	2009 R'000
13. INTEREST-BEARING BORROWINGS		
Non-current		
Unsecured rand loan, bearing interest at a fixed rate of 11,35% (2009: 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	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 R99 313 (2009: R100 480) for 48 months (note 31)	3 353	3 337
	423 353	423 337
Less: Portion of loans repayable within one year, included in current liabilities	(886)	(951)
	422 467	422 386
Current		
Unsecured rand call accounts and bank overdrafts	335 771	323 316
Short-term portion of non-current borrowings	886	951
	336 657	324 267
Total interest-bearing borrowings	759 124	746 653

The interest rate repricing profile at 30 June 2010 and 30 June 2009 is summarised as follows:

Interest-bearing borrowings	% of total	2010 R'000	2009 R'000	% of total
Fixed rate (unsecured loans)	55,4	420 000	420 000	56,3
Floating rate (secured loans)	0,4	3 353	3 337	0,4
Floating call rate (2010: 7,0%, 2009: 8,5%)	44,2	335 771	323 316	43,3
Total interest-bearing borrowings	100,0	759 124	746 653	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:

Interest-bearing borrowings	Fair value		Carrying amount	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Bank borrowings	379 954	382 064	420 000	420 000
Finance lease liabilities	2 467	2 386	2 467	2 386
	382 421	384 450	422 467	422 386

The fair value of non-current borrowings is calculated using cash flows discounted at a rate based on the borrowings rate of 11,35% (2009: 11,21%).

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

	2010 R'000	2009 R'000
13. INTEREST-BEARING BORROWINGS <i>(continued)</i>		
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	1 522 000	1 161 000
Less: Current interest-bearing borrowings	(335 771)	(323 316)
Unutilised banking facilities	1 186 229	837 684
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	5 238 301	4 809 374
Total interest-bearing borrowings	(759 124)	(746 653)
Unutilised borrowing capacity	4 479 177	4 062 721
Cash and cash equivalents	243 038	178 472
Unutilised borrowing capacity and cash and cash equivalents	4 722 215	4 241 193
No assets of the Group, other than vehicles under finance lease agreements (note 2), were encumbered as at 30 June 2010.		

	2010 R'000	2009 R'000
14. RETIREMENT BENEFITS		
Statement of financial position		
Assets		
Pension benefits	(6 757)	(7 267)
Post-retirement medical liability	(42 899)	(50 883)
	(49 656)	(58 150)
Liabilities		
Post-retirement medical liability	21 099	18 300
	21 099	18 300
Net retirement benefit asset	(28 557)	(39 850)
Income statement charge for:		
Pension benefits	(4 459)	(10 194)
Post-retirement medical liability	19 986	14 716
	15 527	4 522
Actuarial gains and losses		
Actuarial gains recognised in other comprehensive income (before taxation)	3 487	(39 090)
Cumulative actuarial gains recognised in other comprehensive income (before taxation)	98 056	94 569

14. RETIREMENT BENEFITS *(continued)*

14.1 Pension benefits

Defined-benefit pension funds

The Group operates two defined-benefit pension funds and three defined-contribution provident funds. All permanent employees have access to these funds. These schemes are regulated by the Pension Funds Act, 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 2008 and indicated that the plans are in a sound financial position.

	2010 R'000	2009 R'000
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	182 108	184 906
Fair value of plan assets	(278 556)	(228 304)
Funded position	(96 448)	(43 398)
Asset not recognised in terms of IAS 19, paragraph 58 limit *	89 691	36 131
Net asset in statement of financial position	(6 757)	(7 267)
* The 'IAS 19, paragraph 58 limit' ensures that the asset to be recognised in the Group's statement of financial position is subject to a maximum of the sum of any unrecognised actuarial losses, past-service costs and the present value of any economic benefits available to the Group in the form of refunds or reductions in future contributions.		
The movement in the defined-benefit obligation over the year is as follows:		
Opening balance	184 906	170 148
Current service cost	865	937
Interest cost	16 758	17 057
Contributions	322	295
Actuarial gain	(8 764)	6 111
Risk premiums	(194)	(184)
Benefits paid	(11 785)	(9 680)
Past service cost	–	222
Balance at the end of the year	182 108	184 906
The movement in the fair value of plan assets over the year is as follows:		
Opening balance	228 304	274 987
Expected return on plan assets	22 082	28 410
Utilised for reductions in contributions	–	(16 227)
Actuarial gain	39 422	(49 718)
Employer contributions	405	421
Employee contributions	322	295
Risk premiums	(194)	(184)
Benefits paid	(11 785)	(9 680)
Balance at the end of the year	278 556	228 304

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2010 R'000	2009 R'000
14. RETIREMENT BENEFITS <i>(continued)</i>		
14.1 Pension benefits <i>(continued)</i>		
Income statement		
Amounts recognised in 'administration and other costs' and 'employee benefit expense' (note 19.4) in the income statement are as follows:		
Current service cost	865	937
Interest on liability	16 758	17 057
Expected return on plan assets	(22 082)	(28 410)
Past service cost	–	222
Total income	(4 459)	(10 194)
Actual return on plan assets	(61 504)	(21 308)
Principal actuarial assumptions on statement of financial position date		
Discount rate	9,0%	9,3%
Expected rate of return on plan assets	6,0% – 9,3%	6,3% – 10,3%
Future salary increases	6,5%	7,0%
Future pension increases	5,5%	6,0%
Inflation rate	5,5%	6,0%
14.2 Post-retirement medical liability		
Statement of financial position		
Amounts recognised in the statement of financial position are as follows:		
Present value of funded obligation	596 318	528 432
Fair value of plan assets	(618 118)	(561 015)
Net asset in statement of financial position	(21 800)	(32 583)
The movement in the defined-benefit obligation over the year is as follows:		
Opening balance	528 432	503 385
Current service cost	28 718	27 678
Interest cost	49 494	47 434
Actuarial loss	3 301	(38 359)
Benefits paid	(13 627)	(11 706)
Balance at the end of the year	596 318	528 432
The movement in the fair value of plan assets over the year is as follows:		
Opening balance	561 015	580 902
Expected return on plan assets	58 226	60 396
Actuarial gain	12 162	(68 880)
Employer contributions	342	303
Benefits paid	(13 627)	(11 706)
Balance at the end of the year	618 118	561 015

	2010 R'000	2009 R'000
14. RETIREMENT BENEFITS <i>(continued)</i>		
14.2 Post-retirement medical liability <i>(continued)</i>		
Income statement		
Amounts recognised in 'administration and other costs' and 'employee benefit expense' (note 19.4) in the income statement are as follows:		
Current service cost	28 718	27 678
Interest on liability	49 494	47 434
Expected return on plan assets	(58 226)	(60 396)
Total expense	19 986	14 716
Actual return on plan assets	(70 388)	(7 831)
The post-retirement medical liability is actuarially valued every year, using the projected unit credit method. Plan assets are valued at current market value.		
Principal actuarial assumptions on statement of financial position date		
Discount rate	9,0%	9,5%
Expected rate of return on assets	10,0%	10,5%
Future salary increases	6,5%	7,0%
Annual increases in health cost	7,5%	8,0%
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	16 969	22 961
Effect on the defined-benefit obligation	101 752	133 660

Trend information	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
Present value of funded obligation	596 318	528 432	503 385	441 128	395 764
Fair value of plan assets	(618 118)	(561 015)	(580 902)	(569 487)	(422 396)
Surplus in the plan	(21 800)	(32 583)	(77 517)	(128 359)	(26 632)
Experience adjustments on plan liabilities	(3 187)	(15 542)	(1 335)	(4 780)	27 161
Experience adjustments on plan assets	11 844	(68 880)	(26 917)	107 985	114 348

	2010 R'000	%	2009 R'000	%
14.3 Retirement benefits (pension and medical)				
Plan assets are comprised as follows:				
Cash	131 660	14,7	141 487	17,9
Bonds	154 291	17,2	36 709	4,7
Equity instruments	541 534	60,3	537 909	68,2
Property	15 801	1,8	17 613	2,2
International equities and cash	53 388	6,0	55 601	7,0
	896 674	100,0	789 319	100,0

14. RETIREMENT BENEFITS *(continued)*

14.3 Retirement benefits (pension and medical) *(continued)*

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 2011 are R0,8 million.

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

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.

	2010 R'000	2009 R'000
The amounts disclosed on the statement of financial position are as follows:		
Companies in the Group with net deferred income tax assets		
Deferred tax asset to be recovered after more than 12 months	(46 231)	(19 054)
Deferred tax asset to be recovered within 12 months	(891)	(5 807)
	(47 122)	(24 861)
Companies in the Group with net deferred income tax liabilities		
Deferred tax liability to be recovered after more than 12 months	218 541	169 541
Deferred tax liability to be recovered within 12 months	11 839	28 747
	230 380	198 288
Net deferred income tax liability	183 258	173 427
The net movement on the deferred income tax account is as follows:		
Opening balance	173 427	155 590
Change in accounting policy (note 36)	–	(9 194)
Income statement charge (note 26)		
Provision for the year	8 334	37 824
Acquisition of subsidiary (note 35)	–	(394)
Charged to other comprehensive income (note 11)	1 497	(10 399)
Balance at the end of the year	183 258	173 427

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
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 other comprehensive income	–	–	(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
2010				
Opening balance	175 058	35 100	10 287	220 445
Charged to the income statement	36 519	(2 186)	(4 278)	30 055
Charged to other comprehensive income	–	–	953	953
Balance at the end of the year	211 577	32 914	6 962	251 453

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
2009						
Opening balance	(2 084)	(12 114)	–	(26 527)	(7 200)	(47 925)
Change in accounting policy (note 36)	–	–	–	–	(9 194)	(9 194)
Charged to the income statement	(1 641)	9 365	(24)	9 389	(7 567)	9 522
Charged to other comprehensive income	–	–	–	–	600	600
Acquisition of subsidiary (note 35)	–	(21)	–	–	–	(21)
Balance at the end of the year	(3 725)	(2 770)	(24)	(17 138)	(23 361)	(47 018)
2010						
Opening balance	(3 725)	(2 770)	(24)	(17 138)	(23 361)	(47 018)
Charged to the income statement	2 385	(34 045)	1	(9 489)	19 427	(21 721)
Charged to other comprehensive income	–	–	–	–	544	544
Balance at the end of the year	(1 340)	(36 815)	(23)	(26 627)	(3 390)	(68 195)

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 Rnil (2009: R22,9 million) in respect of losses amounting to Rnil (2009: R81,8 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.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2010 R'000	2009 R'000
16. TRADE AND OTHER PAYABLES		
Trade payables	1 001 897	952 619
Accrued expenses	62 460	54 671
Accrued leave pay	55 929	52 625
Excise duty	563 922	576 106
Value added tax	39 758	14 511
	1 723 966	1 650 532
17. PROVISIONS		
Bonuses		
Opening balance	9 282	49 577
Charged to the income statement		
Additional provisions	42 664	10 206
Unused amounts – reversed	(2 382)	(4 595)
Interest cost	185	173
Utilised during the year	(9 867)	(46 079)
Balance at the end of the year	39 882	9 282
Excise duty		
Opening balance	–	–
Reclassified from accruals	117 692	–
Charged to the income statement		
Additional provisions	51 051	–
Balance at the end of the year	168 743	–
Performance and other bonuses	37 630	7 016
Long-service bonuses	2 252	2 266
	39 882	9 282
Excise duty	168 743	–
	208 625	9 282

Performance and other bonuses

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

Long-service bonuses

The Group pays long-service bonuses to employees after 10, 25 and 35 years of service respectively. An actuarial calculation is done to determine the Group's liability under this practice using the projected unit credit method. The calculation is based on a discount rate of 9,4% (2009: 8,7%) and an attrition rate of 7% (2009: 7%).

Excise duty

The Group is currently in dispute with the South African Revenue Service (SARS) regarding excise tariff classifications on certain products. The matter will be heard in the High Court for final tariff determination and the Group has lodged its founding affidavit. A provision was made on the Group's best estimate of which excise tariff classification is appropriate after considering expert opinions and legal advice on the matter. Previously an amount of R117,7 million was included in excise duty in note 16.

	2010 R'000	2009 R'000
18. REVENUE		
Group		
Sales	9 446 401	8 716 056
Excise duty	2 362 483	2 147 672
	11 808 884	10 863 728
Sales volumes (litres '000)	498 094	464 119
Company		
Dividends received		
Ordinary shares: South African Distilleries and Wines (SA) Limited	439 068	437 583
	439 068	437 583
19. OPERATING EXPENSES		
19.1 Costs classified by function		
Costs of goods sold	7 974 656	7 273 020
Sales and marketing costs	1 398 540	1 294 589
Distribution costs	717 755	652 208
Administration and other costs	322 195	235 151
	10 413 146	9 454 968
19.2 Costs classified by nature		
Group		
Administrative and managerial fees	7 766	12 574
Advertising costs and promotions	1 007 388	943 187
Amortisation of intangible assets (note 6)	11 213	11 663
Auditors' remuneration (note 19.3)	7 691	5 952
BEE share-based payment relating to employees	6 877	6 877
Depreciation (note 2)	172 793	144 080
Employee benefit expense (note 19.4)	1 075 351	923 696
Impairment of trade and other receivables	8 174	14 042
Maintenance and repairs	131 905	108 774
Net fair value adjustment of biological assets (note 3)	10 245	(11 061)
Net foreign exchange losses	27 632	46 566
Operating lease expenses (notes 19.5 and 31)	122 282	105 646
Raw materials and consumables used	7 188 092	6 574 785
Research and development expenditure: trademarks and brands	6 188	5 953
Transportation costs	199 460	179 981
Other expenses	430 089	382 253
	10 413 146	9 454 968
19.3 Auditors' remuneration		
Audit fees	5 111	4 315
Audit fees in respect of previous year	234	(23)
Fees for other services		
Taxation	2 090	1 476
Other	146	78
Expenses	110	106
	7 691	5 952

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2010 R'000	2009 R'000
19. OPERATING EXPENSES <i>(continued)</i>		
19.4 Employee benefit expense		
Salaries and wages	941 354	814 678
Scheme shares granted to directors and employees	8 279	7 862
Pension costs – defined-contribution plans	62 829	56 333
Medical aid contributions	47 362	40 301
Pension benefits (note 14.1)	(4 459)	(10 194)
Post-retirement medical benefits (note 14.2)	19 986	14 716
	1 075 351	923 696
19.5 Operating lease expenses		
Properties	55 295	43 138
Vehicles	37 048	34 935
Equipment	13 349	12 880
Machinery	16 590	14 693
	122 282	105 646
20. BEE SHARE-BASED PAYMENT		
Employee portion – recurring	6 877	6 877
	6 877	6 877
See note 37 for details about the BEE transaction.		
21. OTHER LOSSES		
Loss on disposal of property, plant and equipment	(2 821)	1 273
	(2 821)	1 273
Taxation	790	(356)
	(2 031)	917
22. DIVIDEND INCOME		
Dividend income derived from unlisted investments	1 493	1 552
	1 493	1 552
23. FINANCE INCOME		
Group		
Interest received		
Cash and cash equivalents	10 760	26 162
Other	4 487	4 776
	15 247	30 938
Company		
Dividends received on preference shares	150 734	187 283
	150 734	187 283
24. FINANCE COSTS		
Interest paid		
Borrowings	(82 561)	(47 144)
Other	(1 338)	(7 018)
	(83 899)	(54 162)
25. SHARE OF PROFIT OF ASSOCIATES		
Share of profit before taxation	45 445	42 270
Share of taxation	(13 033)	(12 212)
Share of profit for the year	32 412	30 058

	2010 R'000	2009 R'000
26. TAXATION		
26.1 Normal company taxation		
Group		
Current taxation		
current year	410 035	423 246
previous year	(714)	3 637
Deferred taxation	8 334	37 824
As previously reported		38 111
Change in accounting policy (note 36)		(287)
	417 655	464 707
Composition		
Normal South African taxation	326 521	372 647
As previously reported		372 934
Change in accounting policy (note 36)		(287)
Foreign taxation	39 512	40 562
Secondary taxation on companies (STC)	51 622	51 498
	417 655	464 707
The income tax charged to other comprehensive income during the year is as follows:		
Current taxation		
actuarial gains and losses	–	124
Deferred taxation		
fair value adjustments of available-for-sale financial assets	544	600
actuarial gains and losses	953	(10 999)
	1 497	(10 275)
26.2 Reconciliation of rate of taxation (%)		
Standard rate for companies	28,0	28,0
Differences arising from normal activities:		
non-taxable income	(0,8)	(0,3)
non-deductible expenses	0,5	0,8
taxation losses recognised	(1,5)	–
foreign tax rate differential and withholding taxes	0,8	0,7
	27,0	29,2
Secondary taxation on companies	3,8	3,6
Effective rate	30,8	32,8
The standard rate of tax for companies in South Africa is 28% (2009: 28%).		
26.3 Taxation losses		
Calculated taxation losses and capital improvements available for offset against future taxable income	149 027	32 436
Applied to reduce deferred income tax	(145 233)	(27 327)
	3 794	5 109
The taxation losses have no expiry dates.		

	2010 R'000	2009 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)	201 143	200 667
<i>Earnings reconciliation</i>		
Profit attributable to equity holders	941 556	953 712
Adjusted for (net of taxation):		
net other capital losses (note 21)	2 031	(917)
Headline earnings	943 587	952 795
Basic earnings per share (cents)	468,1	475,3
Headline earnings per share (cents)	469,1	474,8
Cash equivalent earnings		
Profit attributable to equity holders	941 556	953 712
Adjusted for:		
deferred income tax (note 26.1)	8 334	37 824
non-cash flow items (note 29.1)	301 441	135 065
Total cash equivalent earnings	1 251 331	1 126 601
Cash equivalent earnings per share (cents)	622,1	561,4

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

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 37).

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.

	2010 R'000	2009 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)	201 143	200 667
Adjusted for:		
share scheme	852	729
BEE transaction	9 837	8 011
Weighted average number of ordinary shares for diluted earnings ('000)	211 832	209 407
Diluted earnings per share (cents)	444,5	455,4
Diluted headline earnings per share (cents)	445,4	455,0
Diluted cash equivalent earnings per share (cents)	590,7	538,0
28. DIVIDENDS		
Paid: 124,0 cents (2009: 124,0 cents)	250 201	249 354
Declared: 132,0 cents (2009: 132,0 cents)	266 342	265 441
Total: 256,0 cents (2009: 256,0 cents)	516 543	514 795
<p>A final dividend of 132,0 cents per share was declared for the financial year ended 30 June 2010. The dividend will be paid on Monday, 20 September 2010. The last date to trade cum dividend will be Friday, 10 September 2010.</p> <p>The share of Distell will commence trading ex dividend from the commencement of business on Monday, 13 September 2010, and the record date will be Friday, 17 September 2010.</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	172 793	144 080
Net fair-value adjustment of biological assets	10 245	(11 061)
Intangible assets amortisation	11 213	11 663
Loss on disposal of property, plant and equipment	2 821	(1 273)
Provision for impairment of receivables	(4 211)	3 251
Provision for retirement benefits	14 864	20 025
Provision for leave and bonuses	35 493	(34 749)
Provision for excise duty	51 051	–
Share-based payments	8 279	7 862
Other	(1 107)	(4 733)
	301 441	135 065
29.2 Working capital changes		
Group		
Increase in inventories	(140 340)	(440 950)
Increase in trade and other receivables	(187 572)	(224 453)
Increase in trade and other payables	188 839	150 711
	(139 073)	(514 692)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2010 R'000	2009 R'000
29. CASH FLOW INFORMATION <i>(continued)</i>		
29.3 Taxation paid		
Group		
Prepaid at the beginning of the year	57 235	33 167
Acquisition of subsidiary (note 35)	–	(448)
Current provision for taxation	(409 321)	(426 883)
Current provision for taxation in other comprehensive income	–	(124)
Prepaid at the end of the year	(42 651)	(57 235)
	(394 737)	(451 523)
29.4 Dividends paid		
Group		
Dividends declared	(516 543)	(514 796)
Dividends paid to The Distell Group Share Trust	1 612	1 069
Unpaid at the end of the year	–	–
	(514 931)	(513 727)
Company		
Dividends declared	(516 543)	(514 796)
Unpaid at the end of the year	–	–
	(516 543)	(514 796)
29.5 Purchases of property, plant and equipment (PPE) to maintain operations		
Properties	(17 346)	(13 523)
Machinery, tanks and barrels	(133 533)	(74 691)
Equipment and vehicles	(10 354)	(11 752)
Assets under construction	(23 366)	–
	(184 599)	(99 966)
29.6 Purchases of PPE to expand operations		
Properties	(164 994)	(11 467)
Biological assets	(4 349)	(6 701)
Machinery, tanks and barrels	(169 301)	(175 395)
Equipment and vehicles	(11 759)	(8 722)
Assets under construction	(15 073)	(79 857)
	(365 476)	(282 142)
29.7 Increase in net cash, cash equivalents and bank overdrafts		
Balance at the beginning of the year	144 844	31 341
Exchange losses on cash and cash equivalents	3 727	1 132
Balance at the end of the year	(92 733)	(144 844)
Cash at bank and on hand	243 038	178 472
Call accounts and bank overdrafts	(335 771)	(323 316)
	55 838	(112 371)

30. SEGMENT REPORTING

The basis for reporting segmental financial information has been changed in accordance with the requirements of IFRS 8: *Operating Segments*. Previously, the Group regarded its integrated activities of production, marketing and distribution of alcoholic beverages as a single primary business segment. With the implementation of IFRS 8, management has determined the operating segments based on the reports reviewed by the executive management team (chief operating decision-maker) for the purpose of assessing performance, allocating resources and making strategic decisions.

The executive management considers the business from a geographic perspective. Geographically, management considers the performance of South Africa and other international operations. The Group's international operations have been aggregated when they demonstrate similar economic characteristics and when they do not individually meet the quantitative recognition thresholds in terms of IFRS 8. Revenue includes excise duty.

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

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

The amendment to IFRS 8, which allows an entity to not disclose segmental assets, if not reviewed by management in that format, has been adopted early. Therefore no assets are disclosed for segments.

Financial liabilities are also not reviewed on a segmental basis and are not disclosed separately.

The executive management team assesses the performance of the operating segments based on a measure of adjusted operating profit. This measurement basis excludes, for example, the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments that are shown separately under 'corporate services'. Interest income and interest expenditure are also not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The segment information provided to the executive management team for the reportable segments is as follows:

	2010 R'000	2009 R'000
Revenue from external customers		
<i>Sales of alcoholic beverages</i>		
Republic of South Africa	8 660 070	7 933 261
International	2 926 693	2 540 713
	11 586 763	10 473 974
<i>Other non-alcoholic items</i>	222 121	389 754
Consolidated revenue	11 808 884	10 863 728
Operating profit		
Republic of South Africa	1 532 863	1 377 160
International	389 742	483 390
	1 922 605	1 860 550
<i>Corporate services</i>	(529 688)	(450 517)
Consolidated operating profit	1 392 917	1 410 033

	2010 R'000	2009 R'000
31. COMMITMENTS		
Capital commitments		
Capital expenditure contracted, not yet incurred	49 860	254 836
Capital expenditure authorised by the directors, not yet contracted	386 487	551 567
	436 347	806 403
Composition of capital commitments		
Subsidiaries	425 442	798 707
Joint ventures	10 905	7 696
	436 347	806 403
<p>These commitments will be incurred in the coming year and will be financed by own and borrowed funds, comfortably contained within established gearing constraints.</p>		
Operating lease commitments		
<p>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.</p>		
<p>The future minimum lease payments under non-cancellable operating leases are as follows:</p>		
Not later than 1 year	65 179	68 013
Later than 1 year and not later than 5 years	141 605	151 512
	206 784	219 525
Finance lease commitments		
<p>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.</p>		

	Not later than 1 year R'000	Later than 1 year and not later than 5 years R'000	2010 Total R'000	2009 Total R'000
Minimum lease payments	1 113	2 848	3 961	3 904
Finance costs	(227)	(381)	(608)	(567)
Present value of minimum lease payments	886	2 467	3 353	3 337

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.

33. FINANCIAL INSTRUMENTS BY CATEGORY

Financial instruments disclosed in the statement of financial position include interest-bearing borrowings, financial assets, cash and cash equivalents, trade and other receivables and trade and other payables.

The following is a summary of financial instrument categories applicable to the Group:

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
2010						
Available-for-sale financial assets (note 4)	–	–	49 573	–	–	49 573
Other loans and receivables (note 4)	39 532	–	–	–	–	39 532
Cash and cash equivalents	243 038	–	–	–	–	243 038
Trade and other receivables (note 8)	1 243 502	–	–	–	–	1 243 502
Derivative financial instruments (note 9)	–	1 874	–	–	–	1 874
Interest-bearing borrowings (note 13)	–	–	–	–	(759 124)	(759 124)
Trade and other payables (note 16)	–	–	–	–	(1 064 357)	(1 064 357)
	1 526 072	1 874	49 573	–	(1 823 481)	(245 962)
2009						
Available-for-sale financial assets (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)

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 statement of financial position as available-for-sale.

(i) Foreign currency risk management

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

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

The Group is primarily exposed to the currency of the US dollar and euro. If the rand had weakened/strengthened by 10% against the USD on 30 June 2010, with all other variables remaining constant, the post-tax profit for the year would have been R16,8 million (2009: R10,6 million) lower/higher, mainly as result of translating outstanding foreign currency denominated monetary items.

Similarly, had the rand at 30 June 2010 weakened/strengthened by 10% against the euro, with all other variables remaining constant, post-tax profit for the year would have been R15,9 million (2009: R16,4 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.

34. FINANCIAL RISK MANAGEMENT *(continued)*

34.1 Financial risk factors *(continued)*

34.1(a) Market risk *(continued)*

(ii) Price risk management

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

(iii) Interest rate risk management

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

The Group is exposed to interest rate risk arising from the 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 repricing and maturity profiles of the debt and/or investment portfolios from time-to-time, relative to that of the benchmark portfolios as well as using derivative instruments to alter the repricing profiles of the actual portfolios relative to the benchmark portfolios. Refer to note 9 of the financial statements for detailed disclosure regarding the use of derivative financial instruments.

As at 30 June 2010, 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 R2,0 million (2009: R0,5 million).

The other financial instruments in the Group's statement of financial position 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:

	2010 R'000	2009 R'000
P-1	136 603	89 647
P-2	106 256	86 438
Cash	179	2 387
	243 038	178 472

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 also exposed to credit-related losses in the event of non-performance by counterparties to financial guarantee contracts relating to vineyard development loans to certain farmers of R47,4 million (2009: R47,4 million) and staff housing loans of R2,4 million (2009: R2,5 million). The guarantees relating to vineyard development loans are secured by mortgage bonds over farming property with a market value in excess of the loan obligations. The Group continually monitors its positions and limits its exposure with any one party.

At 30 June 2010, 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 analyses the Group's financial liabilities and derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to contract maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	0 – 12 months R'000	1 – 2 years R'000	3 – 5 years R'000	Beyond 5 years R'000	2010 Total R'000	2009 Total R'000
Financial liabilities						
Forward exchange contracts held for trading						
– Outflow	79 032	–	–	–	79 032	69 762
– Inflow	80 906	–	–	–	80 906	69 562
Trade and other payables	1 064 357	–	–	–	1 064 357	1 006 077
Financial guarantees	47 400	–	–	–	47 400	47 400
Interest-bearing borrowings	384 437	48 799	500 860	–	934 096	968 731

34. FINANCIAL RISK MANAGEMENT *(continued)*

34.2 Fair value estimation

Effective 1 July 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured at fair value in the statement of financial position. This amendment requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

Specific valuation techniques used by the Group to value financial instruments include:

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

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

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.

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2010:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2010				
Available-for-sale financial assets	13 910	35 663	–	49 573
Derivative financial assets	1 874	–	–	1 874
Derivative financial liabilities	–	–	–	–
	15 784	35 663	–	51 447
2009				
Available-for-sale financial assets	13 598	37 591	–	51 189
Derivative financial assets	1 013	–	–	1 013
Derivative financial liabilities	(1 213)	–	–	(1 213)
	13 398	37 591	–	50 989

34. FINANCIAL RISK MANAGEMENT *(continued)*
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.

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. RESTATEMENT OF COMPARATIVE FIGURES

Comparative financial statements have been restated to account for the amendment to IAS 38 *Intangible Assets*. Previously, merchandising and promotional stock items were included in inventory and expensed to the income statement when utilised. In accordance with the amendment in IAS 38 *Intangible Assets*, the Group must expense all merchandising and promotional items when having access to such items, regardless of when these items are utilised by the Group.

The comparative financial statements for 30 June 2009 have been restated to reflect this change. The effect of the restatement is summarised below.

	Previously reported R'000	Currently reported R'000	Difference R'000
Group			
Income statement			
30 June 2008			
Operating expenses	(8 074 774)	(8 107 434)	(32 660)
Taxation	(425 899)	(416 705)	9 194
Profit for the year	952 001	928 535	(23 466)
Headline earnings	941 924	918 458	(23 466)
30 June 2009			
Operating expenses	(9 453 995)	(9 454 968)	(973)
Taxation	(464 994)	(464 707)	287
Profit for the year	954 398	953 712	(686)
Headline earnings	953 481	952 795	(686)
Statement of financial position			
30 June 2008			
Inventories	3 268 555	3 235 895	(32 660)
Capital and reserves	4 453 641	4 477 107	23 466
Deferred income tax liability	177 460	186 654	9 194
30 June 2009			
Inventories	3 714 655	3 681 022	(33 633)
Capital and reserves	4 831 501	4 807 349	(24 152)
Deferred income tax liability	207 769	198 288	(9 481)

37. 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.



	Executive R'000	2010 Non- executive R'000	Total R'000	Executive R'000	2009 Non- executive R'000	Total R'000
38. DIRECTORS' EMOLUMENTS						
Salaries and fees	5 105	2 118	7 223	4 563	1 961	6 524
Incentive bonuses	–	–	–	586	–	586
Retirement fund contributions	1 059	–	1 059	947	–	947
Medical aid contributions	64	–	64	57	–	57
Vehicle benefits	735	–	735	686	–	686
Paid by subsidiaries	6 963	2 118	9 081	6 839	1 961	8 800

	Salaries R'000	Incentive bonuses R'000	Retirement fund contri- butions R'000	Medical aid contri- butions R'000	Vehicle benefits R'000	2010 Total R'000	2009 Total R'000
Executive							
JJ Scannell	2 597	–	539	21	269	3 426	3 370
SJ Genade	1 202	–	249	21	234	1 706	1 687
MJ Botha	1 306	–	271	22	232	1 831	1 782
Subtotal	5 105	–	1 059	64	735	6 963	6 839

	Fees R'000	Incentive bonuses R'000	Retirement fund contri- butions R'000	Medical aid contri- butions R'000	Vehicle benefits R'000	2010 Total R'000	2009 Total R'000
Non-executive							
FC Bayly	117	–	–	–	–	117	109
PM Bester ⁽¹⁾	147	–	–	–	–	147	136
PE Beyers	117	–	–	–	–	117	109
JG Carinus	117	–	–	–	–	117	109
GP Dingaen ⁽²⁾	170	–	–	–	–	170	157
E de la H Hertzog	117	–	–	–	–	117	109
RL Lumb	–	–	–	–	–	–	68
MJ Madungandaba	117	–	–	–	–	117	109
LM Mojela ⁽³⁾	147	–	–	–	–	147	136
DM Nurek ⁽⁴⁾	413	–	–	–	–	413	382
AC Parker	117	–	–	–	–	117	108
CE Sevillano-Barredo ⁽⁵⁾	223	–	–	–	–	223	137
BJ van der Ross	117	–	–	–	–	117	108
MH Visser ⁽⁶⁾	199	–	–	–	–	199	184
Subtotal	2 118	–	–	–	–	2 118	1 961
Total	7 223	–	1 059	64	735	9 081	8 800

⁽¹⁾ Mr PM Bester is a member of the remuneration committee.

⁽²⁾ Ms GP Dingaen 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.

39. INTEREST OF DIRECTORS IN SHARE CAPITAL AND CONTRACTS

On 30 June 2010 and on 30 June 2009, 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		2010 Total	2009 Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
FC Bayly	–	–	1 949	–	1 949	1 949
MJ Botha	277 037	–	–	–	277 037	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
DM Nurek	–	–	15 000	–	15 000	15 000
JJ Scannell	1 067 616	–	–	1 100	1 068 716	1 041 549
	1 753 074	2 992	16 949	12 100	1 785 115	1 829 189

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.

40. DISTELL SHARE SCHEME

In the financial year ended 30 June 2010 an additional 54 540 shares (2009: 164 086) were offered to directors.

Current status

Ordinary shares Participant	Shares accepted prior to 30 June 2009	Shares accepted in the year to 30 June 2010	Offer price (Rand)	Number of shares paid and delivered prior to 30 June 2009	Number of shares paid and delivered in the year to 30 June 2010	Share price on date of payment and delivery (Rand)	Increase in value* R'000	Balance of shares accepted as at 30 June 2010
Executive								
JJ Scannell	589 823		7,35	589 823				–
JJ Scannell	537 605		14,60	537 605				–
JJ Scannell	59 494		31,00		39 662	63,17	1 275 927	19 832
JJ Scannell	129 515		40,00		43 172	65,33	1 093 547	86 343
JJ Scannell	70 869		60,50					70 869
JJ Scannell	96 967		45,50					96 967
JJ Scannell		38 718	64,00					38 718
SJ Genade	275 995		7,35	275 995				–
SJ Genade	210 254		14,60	210 254				–
SJ Genade	48 506		40,00		16 169	67,16	439 150	32 337
SJ Genade	22 494		60,50					22 494
SJ Genade	32 280		45,50					32 280
SJ Genade		7 155	64,00					7 155
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
MJ Botha		8 667	64,00					8 667
Total	2 651 946	54 540		2 081 100	99 003		2 808 624	526 383

* 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 (see note 10).

	2010 R'000	2009 R'000
41. RELATED-PARTY TRANSACTIONS		
Distell Group Limited is controlled by Remgro-Capevin Investments Limited which owns 58,2% of the company's shares. Other Beverage Interests (Proprietary) Limited (SABMiller) owns 29,1% of the company's shares.		
Related-party relationships exist between the Group, associates, joint ventures and the shareholders of the company.		
Group		
The following transactions were carried out with subsidiaries of our major shareholders:		
Purchases of goods and services		
Remgro Management Services Limited (management services)	7 172	7 364
Remgro Management Services Limited (interest on loans)	16 149	13 484
	23 321	20 848
Year-end balances arising from purchases of goods and services		
Remgro Management Services Limited (including VAT)	1 363	1 500
Remgro Management Services Limited (call accounts)	145 000	266 000
	146 363	267 500
The Group has access to loan funds from Remgro Management Services Limited. A limited amount can be borrowed at a market-related rate and is repayable on demand. The amount is included in current interest-bearing liabilities.		
Key management compensation		
Directors of Distell Limited, the main operating company in the Group	19 928	19 809

Also refer to notes 38, 39, 43 and 44.

Company

Refer to notes 18 and 23 for dividends received from subsidiaries.

	2010 R'000	2009 R'000
42. INTEREST IN SUBSIDIARIES		
The total profits/(losses) after taxation of consolidated subsidiaries for the year are as follows:		
Profits	995 164	947 818
Losses	(80 829)	(5 290)
Net consolidated profit after taxation	914 335	942 528
The company's direct interests in its subsidiaries are as follows:		
South African Distilleries and Wines (SA) Limited (85%) – Unlisted	880 678	850 392
Long-term loan – interest-free and repayable on demand	779 051	755 642
Share-based payment contribution	101 626	94 749
Shares	1	1
WIPHOLD Beverages (Proprietary) Limited	1 258 632	1 185 374
Variable rate cumulative redeemable preference shares (note 37)	869 411	869 411
Cumulative arrear preference shares dividend	389 221	315 963
Investments in subsidiaries	2 139 310	2 035 766

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	72	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	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 2010 amounted to R389,2 million (2009: R316,0 million). The preference shares have a dividend rate of CPI (excluding owner's equivalent rent) plus 7%.

	2010 R'000	2009 R'000
43. INTEREST IN UNLISTED ASSOCIATES		
The Group's interest in unlisted associates is as follows:		
Tanzania Distilleries Limited (Tanzania) (35%)	28 273	26 391
Cost price	13 352	13 352
Equity-accounted retained earnings	14 921	13 039
Grays Inc. Limited (Mauritius) (26%)	15 562	11 827
Cost price	6 949	6 949
Equity-accounted retained earnings	8 613	4 878
Papkuilsfontein Vineyards (Proprietary) Limited (49%)	219	269
Cost price	–	–
Equity-accounted retained earnings	219	269
Investments in associates	44 054	38 487
Share in net assets of associates	34 978	29 411
Goodwill	9 076	9 076
	44 054	38 487
The aggregate statements of financial position of associates are summarised as follows:		
Property, plant and equipment	52 641	47 355
Financial and intangible assets	13 874	13 504
Current assets	152 124	131 336
Total assets	218 639	192 195
Interest-free liabilities	97 360	74 948
Interest-bearing liabilities	17 814	16 669
Total liabilities	115 174	91 617
Equity	103 465	100 578
Minority interest	(68 487)	(71 167)
Group's share in equity	34 978	29 411
Loans to associates	19 548	5 130
Group's share in net assets of associates	54 526	34 541
Tanzania Distilleries Limited (35%)	21 695	19 813
Grays Inc. Limited (26%)	13 064	9 329
Papkuilsfontein Vineyards (Proprietary) Limited (49%)	219	269
	34 978	29 411
The Group's interest in the revenue and profit of the associates is as follows:		
Revenue	185 154	157 719
Profit for the year	29 855	30 058

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 2009 and 30 June 2010, subsequent to their respective year-ends, have been included based on information prepared by management where applicable.

	2010 R'000	2009 R'000
44. INTEREST IN JOINT VENTURES		
The Group's interest in joint ventures is as follows:		
Total equity		
Afdis Holdings (Private) Limited (Zimbabwe) (50%)	21 586	6
Distell Angola Limitada (Angola) (51%)	1 419	808
Les Domaines de Mauricia Limitee (Mauritius) (50%)	124	106
Lusan Holdings (Proprietary) Limited (50%)	55 220	33 931
Mirma Products (Proprietary) Limited (45%)	2 267	1 954
Scotch Whisky Sub-Sahara Limited Liability Partnership (United Kingdom) (50%)	11 496	14 313
Solamoyo Processing Company (Proprietary) Limited (40%)	(24)	3
Tonnellerie Radoux (SA) (Proprietary) Limited (50%)	8 695	9 509
Proportional interest in joint ventures	100 783	60 630
The Group's interest in the assets and liabilities of the joint ventures is as follows:		
Property, plant and equipment	179 544	162 606
Intangible assets	14 303	14 303
Current assets	85 723	61 274
Total assets	279 570	238 183
Non-current liabilities	158 287	171 203
Current liabilities	20 500	6 350
Total liabilities	178 787	177 553
Net assets	100 783	60 630
Net interest consolidated	100 783	60 630
The Group's interest in the income and expenditure of the joint ventures is as follows:		
Revenue	94 409	49 338
Profit before taxation	2 168	7 160
Profit for the year	20 396	3 864
The Group's interest in the cash flow statements of the joint ventures is as follows:		
Cash retained from operating activities	6 311	7 474
Cash outflow from investment activities	(5 193)	(8 714)
Net cash flow	1 118	(1 240)

Notes:

1. All joint ventures are incorporated in South Africa, unless otherwise stated.
2. During the previous year the Group acquired a controlling interest in Lomond Wine Estates (Proprietary) Limited (note 35).
3. There are no contingent liabilities relating to the Group's interest in the joint ventures and no contingent liabilities of the ventures itself.



	Number of holders	% of holders	Number of ordinary shares	% of issued shares
45. ANALYSIS OF SHAREHOLDERS at 30 June 2010				
Distribution of shareholders				
Public shareholders	4 262	99,63	22 841 541	11,32
Non-public shareholders				
Major beneficial shareholders	2	0,05	176 022 000	87,24
Directors, including those of subsidiaries, and their associates	13	0,30	2 609 236	1,29
The Distell Group Share Trust	1	0,02	301 824	0,15
	4 278	100,00	201 774 601	100,00

	2010	2009
Number of shares in issue		
Total number of shares in issue	201 774 601	201 092 024
Shares purchased by The Distell Group Share Trust and accounted for as treasury shares	(301 824)	(324 425)
	201 472 777	200 767 599
Weighted number of shares	201 143 412	200 667 416

	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-Capevin Investments Limited	117 348 000	58,16
Other Beverage Interests (Proprietary) Limited (SABMiller)	58 674 000	29,08

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, 20 October 2010, at the Visitors' Centre of Van Ryn's Brandy Distillery, Van Ryn Road, off Baden Powell Drive (R310), Vlotenburg, 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 2010, be accepted and approved.

2. APPOINTMENT OF AUDITORS

Ordinary resolution number 2

Resolved that the reappointment of PricewaterhouseCoopers Inc. as auditors of the company, as nominated by the company's audit and risk committee, is approved and to note that Mr A Wentzel is the individual designated auditor who will undertake the audit during the financial year ending 30 June 2011.

3. APPROVAL OF NON-EXECUTIVE DIRECTORS' REMUNERATION: 2011

Ordinary resolution number 3

Resolved that the remuneration of non-executive directors for the financial year ending 30 June 2011 be as follows:

	Current	Proposed
Chairperson:	R330 500	R362 000
Non-executive director:	R117 200	R128 300
Chairperson: Audit and Risk Committee:	R105 500	R115 500
Member: Audit and Risk Committee:	R52 700	R57 700
Member: Remuneration Committee:	R29 300	R32 000

4. ELECTION OF DIRECTOR

Ordinary resolution number 4

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

5. ELECTION OF DIRECTOR

Ordinary resolution number 5

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

6. ELECTION OF DIRECTOR

Ordinary resolution number 6

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

7. ELECTION OF DIRECTOR

Ordinary resolution number 7

Resolved that Mr BJ van der Ross, 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 Mr MH Visser, who retires in accordance with the company's articles of association and who has offered himself for re-election, be hereby re-elected as a director of the company.

Biographical details of all the directors standing for re-election can be found on pages 24 to 25.

9. AUTHORITY TO PLACE UNISSUED SHARES UNDER THE CONTROL OF THE DIRECTORS

Ordinary resolution number 9

Resolved that 10% (ten per cent) 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.

10. ADOPTION OF THE DISTELL GROUP EQUITY SETTLED SHARE APPRECIATION RIGHT SCHEME 2010

Ordinary resolution number 10

Resolved that The Distell Group Equity Settled Share Appreciation Right Scheme (2010) ("SARS") substantially in the form of the draft tabled at the meeting at which this resolution will be proposed and considered and initialled by the chairperson of the meeting for the purposes of identification, be and is hereby adopted by the company.

The reason for the resolution is:

- Developments in the regulatory environment and the change in practice, both internationally and locally for share schemes, have required a review of The Distell Group Share Scheme by the board.
- As a result the board recommends the adoption of the SARS (the salient features of which are set out after this notice) which is an incentive scheme based on equity settled share appreciation rights.
- The existing "The Distell Group Share Scheme" ("the existing scheme") will remain in place until 21 October 2016 for offers made and accepted under the existing scheme until such time as the offers are exercised or lapse. No more offers will be made under the existing scheme.

The complete SARS document will be available for inspection by the shareholders of the company during normal office hours on weekdays at the company's principal place of business and at the address of the transfer secretaries of the company in Johannesburg from the date of this notice to the date of the annual general meeting.

In terms of the Listings Requirements of the JSE, 75% (seventy five per cent) of the votes cast by shareholders present or represented by proxy at the annual general meeting, excluding all the votes attached to all shares owned or controlled by persons who are existing participants in The Distell Group Share Scheme, must be cast in favour of this ordinary resolution number 10 for it to be approved.

The salient features of the SARS document is attached as Annexure A in the annual report of which this notice of annual general meeting forms part.

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

NOTICE TO SHAREHOLDERS

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 (for which purpose a form of proxy is included) 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, 18 October 2010.

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

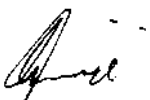
On show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company shall have one vote for every share held in the company by such shareholder.

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, 18 October 2010.

Shares held by a share trust or scheme will not have their votes at the annual general meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

By order of the board of directors.



CJ Cronjé
Company secretary

Stellenbosch
25 August 2010

ANNEXURE A

SALIENT FEATURES OF THE DISTELL GROUP LIMITED EQUITY SETTLED SHARE APPRECIATION RIGHT SCHEME 2010 ("THE SCHEME")

1. INTRODUCTION

The Scheme will be established by Distell to provide selected employees and executive directors with rights to receive ordinary Distell shares in future, subject to certain employment-related conditions being met. These rights are referred to as Equity Settled Share Appreciation Rights ("SARs"). Subject to the conditions being met, the recipient will be entitled to Distell shares having a value equal to the increase in the market value of a Distell share over the applicable period multiplied by the number of SARs that were granted at inception and subsequently exercised by a recipient. Participants in the Scheme ("Participants") will be entitled to exercise the SARs granted to them in 3 (three) tranches as set out in 4 below.

2. ELIGIBILITY

Employees and executive directors of Distell and its subsidiaries, as defined in the Rules of the Scheme ("Participating Companies"), will be eligible to participate in the Scheme. Non-executive directors will not be eligible to participate in the Scheme.

3. SAR GRANTS

The Remuneration Committee, or any other duly authorised committee as defined in the Rules of the Scheme of the Distell board of directors, may grant SARs to selected employees and executive directors of Participating Companies. SAR grants may be made to a Participant on any day on which there are no restrictions on the making of SAR Grants imposed by the JSE Listings Requirements or any other applicable law, directive or code.

4. EXERCISE

Participants will be able to exercise SARs granted in 3 (three) tranches on the third, fourth and fifth anniversaries of the SAR grant dates. All SARs granted must have been exercised by a Participant before the seventh anniversary of the date on which the SARs were granted.

5. SETTLEMENT OF SARs

5.1 If any SAR is exercised by a Participant, the Participating Company that employs the Participant will deliver the requisite number of Distell shares to settle the obligation to the Participant. The required Distell shares may either be purchased in the market by the Participating Company and/or the Participating Company may subscribe for Distell shares to be allotted and issued by Distell directly to the Participants for no consideration.

5.2 In exceptional circumstances, the Remuneration Committee may, in its discretion, pay to any Participant the cash equivalent of any Distell shares to be delivered following the exercise of a SAR.

6. SAR SCHEME LIMITS

6.1 Subject to certain exceptions which may result in adjustments, the maximum number of shares that may be delivered to Participants under this Scheme, together with the total number of other Shares that have been set aside for delivery to Participants under The Distell Group Share Scheme may not exceed a total of 10 000 000 (ten million) Distell shares.

6.2 Subject to certain exceptions which may result in adjustments, the maximum number of shares that may be delivered to any Participant under this Scheme, together with any other shares that have been set aside for delivery to that Participant under The Distell Group Share Scheme, may not exceed a total of 1 000 000 (one million) Distell shares.

7. MARKET VALUE OF DISTELL SHARES

The market value of a Distell share for the purposes of determining the grant price of the SARs in terms of the Scheme will be the closing market price of a share on the JSE on the business day immediately preceding the date of grant as certified by the Company Secretary. The exercise price in terms of the Scheme will be the closing price of a share as quoted by the JSE on the business day immediately preceding the date on the exercise notice.

8. EMPLOYEES TAX

Each Participant will be liable for any employees' tax, securities transfer tax and any other taxes, levies or costs for which a liability may arise as a result of the exercise of any SAR. A Participant will be obliged to pay, on demand, the amount of any such liability to the Participating Company that is obliged to deliver Distell shares in settlement of a SAR exercised.

9. RECONSTRUCTION OR TAKEOVER

- 9.1 All unexercised SARs will become immediately exercisable in the event of a reconstruction or takeover of Distell.
- 9.2 If there is an internal reconstruction or other event which does not involve any change in the ultimate control of Distell, or if a majority shareholder acquires additional shares or other securities in the company, and therefore is not a reconstruction or takeover, or if any other event happens which may affect the grants, the Remuneration Committee may, in its discretion, take such action (if any) as it considers appropriate to protect the interests of Participants.

10. VARIATION OF SHARE CAPITAL OF DISTELL

In the event of a rights issue, capitalisation issue, subdivision of shares, consolidation of shares, the shares ceasing to be listed on the JSE, Distell being put into liquidation for the purpose of reorganisation, or any other event affecting the share capital of Distell, or in the event of Distell making distributions to shareholders, including a distribution *in specie*, a special dividend, or a payment in terms of section 90 of the Companies Act as amended or replaced from time to time (other than a dividend paid in the ordinary course of business out of the current year's retained earnings), Participants will continue to participate in this Scheme. The Remuneration Committee may, however, in its discretion make such adjustments to the number of SARs, or take such other action as may be required, to place Participants in a substantially similar position than they were prior to the happening of the relevant event.

11. SARs

- 11.1 SARs may not be transferred, ceded (whether as security or as an out and out cession), assigned, encumbered or otherwise disposed of by a Participant to any other person, provided that on the death of a Participant, the SARs granted to him will be transferred to the executor of his deceased estate, or his heirs and legatees, as the case may be.
- 11.2 Distell shares may not be transferred, ceded (whether as security or as an out and out cession), assigned, encumbered or otherwise disposed of by a Participant to any other person, until such shares have been delivered to a Participant in accordance with the Rules of the Scheme.
- 11.3 A Participant will not be entitled to any voting rights or dividends on the Distell shares not yet delivered to him.
- 11.4 If Distell is placed in liquidation, other than for purposes of reorganisation, any SARs which Participants are not yet entitled to exercise will *ipso facto* lapse from the date of liquidation, which shall be the date upon which any application for the provisional or final liquidation of Distell is granted by a South African court.

12. TERMINATION OF EMPLOYMENT

- 12.1 If a Participant's employment with any Participating Company terminates for reasons other than early retirement, retirement, retrenchment or death, then all unexercised SARs (whether or not the Participant has become entitled to exercise them) will lapse on the date of termination.
- 12.2 If a Participant's employment with any Participating Company terminates by reason of retirement, retrenchment or death, the Participant or the executor of his/her estate may exercise all of the SARs granted to the Participant, at any time within 12 (twelve) months after the date of termination of employment.
- 12.3 A Participant shall be deemed to still be an employee for purposes of the Scheme upon early retirement, if it is with the consent of the board, in respect of any SARs granted but not exercised.

13. IMPLEMENTATION AND COMMENCEMENT OF THE SCHEME

- 13.1 The implementation of the Scheme requires the adoption of the Scheme by Distell shareholders at a general meeting.
- 13.2 The rules of the Scheme will be available for inspection during normal business hours at the registered office of Distell and at the address of the transfer secretaries of the company in Johannesburg, from the date of the notice to shareholders up to and including the date of the annual general meeting of Distell.
- 13.3 The date of commencement of the Scheme will be the date of the passing of the requisite resolutions by Distell shareholders at a general meeting.

PROXY FORM



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 overleaf*

For completion by the aforesaid registered shareholders who hold ordinary shares of the company and who are unable to attend the 2010 annual general meeting of the company to be held at 12:30 on Wednesday, 20 October 2010, at the Visitors' Centre of Van Ryn's Brandy Distillery, Van Ryn Road, off Baden Powell Drive (R310), Vlottenburg, 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 2010/2011 financial year			
Ordinary resolution 3: Approval of non-executive directors' remuneration: 2011			
Ordinary resolution 4: Election of director Mr JG Carinus			
Ordinary resolution 5: Election of director Mr MJ Madungandaba			
Ordinary resolution 6: Election of director Mr AC Parker			
Ordinary resolution 7: Election of director Mr BJ van der Ross			
Ordinary resolution 8: Election of director Mr MH Visser			
Ordinary resolution 9: Authority to place unissued shares under the control of the directors			
Ordinary resolution 10: Approval of Share Scheme 2010			

Signed at _____ on _____ 2010

Signature/s _____

Assisted by me _____
(where applicable)

Please read the notes and instructions overleaf.



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/s 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, 18 October 2010, 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 2010
Financial report	
Interim report	February 2011
Preliminary announcement of annual results	August 2011
Annual financial statements	September 2011
Ordinary dividends	
<i>Interim dividends</i>	
– declaration	February 2011
– payable	March 2011
<i>Final dividends</i>	
– declaration	August 2011
– payable	September 2011

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