KWV Holdings Limited
Group report 2015

Contents

Salient features - group financial results

for the year ended 31 March 2015

	Audited 2015 R'000	Audited 2014 R'000
GROUP SUMMARY		
Revenue	**1 155 385**	1 110 212
Profit before income tax	**63 715**	1 371
Total comprehensive income	**46 273**	1 607
Headline earnings	**47 772**	1 754
Total equity	**1 267 112**	1 225 154
Shares		
Issued shares	**68 001**	68 538
Used in the calculation of earnings per share	**68 188**	68 538
PERFORMANCE PER ORDINARY SHARE	**Cents**	Cents
Attributable earnings	**67.8**	1.4
Headline earnings	**70.1**	2.6
Net asset value	**1 863**	1 788
Share price	**651**	780

Board of directors

Non-executive
MJA Golding (Chairman)
JA Copelyn
F-A du Plessis
NL Ellis
MN Joubert
KI Mampeule
KR Moloko
LA van Dyk

Executive
A van der Veen
DP Smit

Board committees

Group Audit and risk management committee
F-A du Plessis (Chairman)
KR Moloko
JA Copelyn

Human resources and remuneration committee
LA van Dyk (Chairman)
MJA Golding

Social and Ethics committee
MJA Golding (Chairman)
JA Copelyn
KI Mampeule
LA van Dyk

Analysis of shareholders

as at 31 March 2015

RANGE OF SHAREHOLDINGS		Number of shareholders	%	Number of shares	%
0 - 1 000	shares	1 683	57.8	642 124	0.9
1 001 - 10 000	shares	980	33.6	3 306 414	4.8
10 001 - 50 000	shares	221	7.6	4 112 785	6.0
50 001 - 100 000	shares	10	0.3	636 243	0.9
100 001 - 1 000 000	shares	13	0.4	4 521 601	6.6
more than 1 000 000	shares	6	0.3	55 761 207	80.8
		2 913	100	68 980 374	100

TYPE OF SHAREHOLDERS				
KWV Employee Empowerment Trust	1	-	3 020 345	4.4
Niveus Investments Ltd	1	-	38 849 891	56.3
Total share of BEE shareholders	2	-	41 870 236	60.7
KWV SA (Pty) Ltd	1	-	979 427	1.4
Other	2 910	100.0	26 130 711	37.9
	2 913	100.0	68 980 374	100.0

TRADING STATISTICS	**2015**	2014
Number of shares traded	**1 653 675**	1 817 565
Percentage of issued shares traded	**2.40%**	2.63%
Value of shares traded	**R 12 814 564**	R 15 201 075
Number of transactions	**183**	295
Market price per ordinary share		
- average	**R 7.75**	R 8.36
- highest	**R 8.50**	R 9.26
- lowest	**R 6.50**	R 7.30
- closing	**R 6.51**	R 7.80

A register of shareholders is available at the registered office for the information of stakeholders.

The trading statistics disclosed above only reflect shares traded through our brokers' trading system. (This therefore does not include direct transactions between shareholders that are registered directly with the share transfer secretaries.)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

We aim to build KWV into a global, diversified, alcoholic beverage business. During this year we made progress towards this goal as we managed to increase our profit substantially from the prior year. We also increased our market share in wine and brandy in South Africa and we were once again the only South African wine brand to be recognised on the Drinks International Top 50 Global Wine Brands survey.

Our strategy is focused on volume growth in our premium brands. The infrastructure at KWV is designed for high-volume production, in particular for brandy, and the structure of our South African operations is geared to high-volume sales.

The most significant asset reflected on our balance sheet is our spirits inventory, which mainly consists of brandy inventory under maturation. Of our total inventory, spirits comprise approximately R680 million, recorded at historical cost. If we were to maintain our volume growth strategy we will be required to further invest in this inventory in order to meet future demand. With the minimum brandy age in South Africa being three years we need to plan at least four years into the future, which is becoming exceedingly difficult in a declining category.

The economic return we earn from our brandy investment is unfortunately very low given the current price point of brandy in South Africa. This is reflected in our share price, and the investment in brandy inventory does not generate an economic return that is attractive to shareholders.

In South Africa, excise as a component of the retail selling price has increased substantially during the last number of years. Each bottle of brandy currently has R48 of excise duties embedded in its price. Consumer consumption patterns are influenced by the retail selling price and our ability to pass the excise increases on to the consumer has been limited by certain key price thresholds. This has eroded margin.

The fate of the brandy market is also largely influenced by the strategy of Distell, who controls approximately 70% of the South African market. While their stated intent has been to premiumise their brands, they have not changed their approach to the retail selling prices of their products at the lower end of the brandy market, where most of the volume is sold. Brandy sales are highly price elastic and the effect of a price change is instantly seen as most of the brandy sold in South Africa is sold through five retail groups.

Last year we indicated that price competition in the brandy category is fierce and that we had made the decision not to hand the category to our competitors. We countered with our own pricing strategies and successfully increased our market share to 13,8% of the category. Economically it is not a sound decision, but it is required if we are to remain relevant in the category and if we are to maintain our retail relationships.

We believe that KWV is the most respected and premium brand in the brandy segment, but the ability to extract a price premium for this is limited. The price points for brandy are largely determined by the dominant player in the market and it would be foolish for us to significantly deviate from these prices while trying to maintain sales volumes.

Our strategy is to find the right balance between brand profitability, the investment in inventory and our competitive position in the market. In our view prices in the cut-price segment are too low to be sustainable.

While South African brandy standards are very high and strictly enforced, other markets, especially the high-volume markets such as India and Indonesia, have very limited regulatory requirements and the brandy sold there is mostly inferior flavoured spirits. We cannot compete with these spirits due to their low price points and the potential taint risk to our brand name. Consequently, our efforts to sell our brandy internationally have seen limited success.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT *(continued)*

South African brandy is directly comparable to cognac, with the only real difference being the country of origin of the base wine used in the distillation of the product. The cognac brand has been built over many years and it will not be easy for us to compete in this segment on our own. We are growing our international sales, but it may be many years before we see our brandies rightfully recognised with the same cachet as cognac.

Our wine business does not have the same challenges as brandy and we are fortunate that we have seen good growth in wines sold under the KWV, Laborie and Roodeberg trademarks in South Africa. This growth is important as it supports the fixed-cost investment we made in our own sales force and route to market capability. While we achieved a revenue growth of 21% in the South African market we are a long way from meeting our own profitability goals and it is unlikely that the scale benefits required to amortise our investment will be recouped with our current brand portfolio. In order to enlarge our footprint in the South African market, we need a bigger variety of products in our basket.

Inventory risk is inherent in the wine industry as we need to procure well in advance of anticipated sales, taking into account that we have a limited time to store wine before quality is affected. Operational improvements were made in our inventory management processes by incorporating early warning triggers that will result in less writeoffs in future.

One of the efforts to grow our basket in South Africa was the investment in our ready-to-drink (RTD) portfolio. The results to date are disappointing and we continually have to assess our marketing investment, margins and trade activation plans in this segment. We may be underinvesting in this portfolio as we have prioritised our marketing investment behind our KWV trademark. We recently acquired the Hooch trade name. The brand was one of the first RTDs in the South African market and our research indicates a high level of brand recognition, albeit from consumers who may have moved beyond the category. The brand is established and, given some focus and route to market management, may surprise us with its growth potential.

The other reason to grow the RTD portfolio is its relatively low working capital requirements compared to the rest of our portfolio. Our business remains constrained in terms of working capital and we will have to progressively consider the working capital effect of our sales and marketing decisions. Long lead time investments in raw material and long maturation requirements are not ideal in a world where margins are declining.

The proposed government ban on alcohol advertising in South Africa has not been implemented and we still believe that the ban will not reduce consumption but merely entrench existing brands and make them even stronger. We will thus continue to invest in our brands.

Our international wine sales are stable despite difficult market and economic conditions in most markets where we sell our products. Our wine does not only compete with other international wine brands but also competes as part of the South African wine category globally. The South African wine category is declining in many European markets, and where growth is taking place it is often at the lower price points. The export of bulk wine from South Africa is enabling many international retailers to build their own brands. Competing against these in-house brands is very difficult in a fragmented category. The exchange rate depreciation in the prior year has, however, assisted us in recovering margin. Our Roodeberg and KWV brands have a substantial and loyal following, which enables us to retain sales volumes even as the South African category is declining.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT *(continued)*

We have continued with our plans to invest in our own resources and infrastructure in key international markets. Our USA and Russian offices are operational and we have appointed inmarket resources in Europe and Africa to work with our agents. As indicated in our previous reports, it will take some time for our USA office to become profitable, but we believe the investment to be worthwhile given the size of the market and the margin potential.

KWV was the only South African wine brand recognised on the Drinks International List of the World's most admired wine brands where we achieved the 33rd ranking. We are proud of this achievement despite the trend in the wine world to recognise the small boutique wine brands that are perceived to produce high-quality handcrafted wines. We have proved – through our success in numerous wine competitions – that our wine is as good, if not better, than the fashionable boutique offerings. Our success is the result of our access to exceptional grapes, our relationship with our growers, the investment we have made in our winemaking team and our ability to constantly innovate and improve our cellar practices. We continued to invest in procuring better quality grapes than what the price point of the wine requires. This extra expense is seen as part of our marketing investment and we will continue with this approach as we grow our volume in the premium wine segments.

The benefit of a depreciating currency, which had a substantial impact on our profits in the past two years, was reduced significantly during the last couple of months as the rand strengthened against key trading currencies. Given the current global climate, we will not be able to increase prices in our key export markets and, coupled with increased costs in South Africa, this will inevitably lead to reduced margins in the future. The likelihood of substantial volume growth both locally and internationally is limited, especially with the relatively large harvest in Europe. Our industry is likely to see increased bulk wine sales and the weakness in the Russian market and in UK retail will put further pressure on large wine producers to sell their wine at lower prices.

Our loyal supplier base, international agents and staff have supported us in the year and we thank them for this. We also thank our board of directors for their support and guidance.

André van der Veen
Chief Executive Officer

Marcel Golding
Chairman

FINANCIAL REPORT

Revenue grew by 4% to R1 155 million in the current year. This is unsatisfactory in the light of export sales that benefited from the rand being around 4,5% weaker and South Africa's inflation of about the same magnitude. Wine sales increased by 4,3%. We achieved solid volume and revenue growth in South Africa and our core brands, Roodeberg, KWV and Laborie, performed well. Unfortunately this was tempered by a decrease in export sales to Europe.

Packed spirit sales grew by 2,5% compared to the prior year, but volumes declined. Even though strong volume growth could be seen in some of the core spirits brands such as KWV 3 and Bols brandy, this was mitigated by a significant decrease in bulk spirits volumes. The fierce competition in the South African market remains a challenge as whiskey continues to grow at the expense of the brandy category. Not only were volumes under pressure, but the sales mix deteriorated and profit margins were squeezed due to pricing pressure and consumers trading down.

KWV's RTD portfolio faces many of the same challenges as spirits, as it is also focused on the South African market. Sales volumes declined, resulting in a 2% decrease in revenue. Aggressive pricing on the Ciao brand resulted in a 17% volume growth, but decreased margins in this category. Contract bottling volumes were considerably less than in the prior year, but revenue and margins improved significantly due to more profitable contracts concluded during the year. This resulted in a significantly improved contribution to operating profits from this category.

From a regional perspective, South African revenue increased by 9,7%, mainly driven by double-digit growth in both packed wines and packed spirits.

Packed exports to Europe declined by 1%, reflecting the poor economic growth and the pressure on the South African category. Margins also reduced as a result of a weakening euro, pressure to reduce prices and a change in sales mix.

Export sales to Africa, somewhat assisted by the strong US dollar, showed moderate growth of 8,5%, which was significantly less than what we aimed for. Sales in Asia and the Americas were, however, disappointing and reduced by 9,4% from the prior year.

The significant decrease in the South African trading profit is largely the result of pressure on the brandy category as detailed above. In addition, advertising and promotion costs increased due to a televised trademark campaign, the first in many years, aimed at building the KWV brand.

The trading profit of our sales in Europe also decreased. First as a result of the volume and margin pressure, but also because some of the main markets in which KWV competes require fixed investments into marketing and sales support, which further impact profitability.

The group's gross profit margin decreased from 31,5% in the prior period to 30,4%. The main contributors were pricing pressure on wine exports to Europe and brandy sales in South Africa, and a steady increase in costs of goods sold.

Other gains and losses contain significant exchange rate profits of R31,2 million compared to a loss of R48,2 million in the prior year. Both the prior year losses (when the rand weakened significantly) and the current year gains (when the rand continued to strengthen throughout the year – particularly against the euro) is as a result of our strategy to hedge a significant portion of our expected exports in advance of a financial year.

Operating expenses were contained to 28,3% of revenue, exactly as in the prior year. Sales, marketing and distribution expenses increased, especially in the South African market and Europe, while operational and administrative expenses were well contained and decreased by 6,8% from that of the prior year.

The net effect is that the group made an operating profit of R62,3 million compared to a loss of R2,2 million in the prior year and generated headline earnings of R47,8 million compared to R1,7 million in the prior period.

The current operating profit will not be sustained into 2016 as the significant exchange rate profit is unlikely to repeat itself. In addition, continued margin pressure is expected from the brandy market in South Africa, as well as the wine category in Europe.

With regard to the group's financial position, the total assets and liabilities are stable. The most noticeable change is the decrease in cash resources and lower payables. The main reason for this was that South Africa's 2015 harvest season was about one month earlier and KWV made significantly higher payments to producers in March, just before year-end, instead of in April.

KWV's net asset value improved from R17,88 to R18,63 per share.

SUSTAINABILITY

KWV strives to be a responsible, contributing corporate citizen through the implementation of its sustainability strategy. KWV is committed to the empowerment, development and upliftment of disadvantaged communities primarily in geographical areas where the business operates. The group's sustainability strategy is aligned to the Millennium Development Goals, the King III Report and the company's overall mission and vision.

The objectives of KWV's sustainability policy are to:

- create a positive, sustainable impact on communities through investment in order to improve the quality of life and welfare of disadvantaged people;
- build and improve relationships with the group's existing and potential stakeholders;
- advocate and promote the responsible use of its products and other alcoholic beverages within the self-regulatory environment in which KWV operates.

COMMUNITY DEVELOPMENT AND SOCIAL UPLIFTMENT

Our social sustainability strategy is implemented through enterprise development and socio-economic development.

Enterprise development

The Clothing Bank

The Clothing Bank is considered a best practice example of sustainable enterprise development. Through this entrepreneurial initiative, over 637 women have been assisted to start small retail businesses. The Clothing Bank's holistic programme focuses on the training and development of unemployed mothers to assist in their transformation from demotivated brokenness, low self-esteem and dependence on handouts to empowered, confident and financially independent women.

Coaching plays a fundamental role in the upliftment and emotional empowerment of the participating women. Life coaches continue to meet with participants during the two-year training period. Participants start running a small business within weeks of joining the programme, with the objective of earning sufficient income to provide for their family's basic needs. When participants exit the training programme they are supported to find alternative micro franchise business solutions and they are mentored to migrate from their small retail business to new "business in a box" opportunities. KWV sponsored eight women to participate in this initiative during the 2015 financial year.

Socio-economic development

Masikhule Childcare (Masikhule)

Masikhule's training programme is focused on early childhood development (ECD) for staff at rural and township ECD centres. Implementation of a sound ECD programme requires centres to have access to basic resources such as educational materials and stationery. Masikhule's mission is to ensure that infants and young children from disadvantaged communities receive valuable and appropriate stimulation that is vital for holistic development and future learning. They offer accessible, community-based training in ECD skills to crèche and community workers. Masikhule aims to enrich the lives of unemployed women in these communities by providing training in childcare skills and placing them in suitable jobs as child minders. The KWV Foundation Trust (The Trust) sponsored R40 000 towards the programme for in-house training and mentoring at three Klapmuts crèches and R27 500 towards the Business Management Course that was attended by créche managers.

The Pebbles project

The purpose of the Pebbles project is to enrich the lives of children with special educational needs from disadvantaged backgrounds. They provide support and training to local wine farms and township crèches and establish after-school supervision for older children living in the Winelands. The Trust sponsored R30 000 towards the Pebbles School Leavers Programme. The aim of this project is to provide learners not only with sufficient information to make responsible and informed career decisions but also with the means to further their studies upon graduation, should they choose to do so.

SUSTAINABILITY *(continued)*

The Klapmuts Community Centre

The aim of supporting this community centre is to create an environment in which disadvantaged and challenged children and mothers can be stimulated and taught. The Trust is working in partnership with a social worker who is responsible for counselling sessions and running of a soup kitchen.

The Trust is also able to run other social upliftment projects from this property. Examples include the making of arts and crafts from recycled materials like wine corks and fabric that are sold to the public through KWV. Decorative cushions, blankets and soft toys are also created in the sewing and knitting project. The Trust sponsored a canopy for the soup kitchen and hosted a Christmas party for 50 children from Klapmuts at the community centre.

AIKIDO SOUTH AFRICA® (ASA)

AIKIDO SOUTH AFRICA® was established to teach aikido, a traditional Japanese martial art, to children, youths and adults across the spectrum. ASA currently provides training programmes to disadvantaged children from the most impoverished communities in the Boland, including Mbekweni, Klapmuts and Paarl. The Trust has partnered with ASA by providing a facility where ASA training programmes can take place.

Pinotage Youth Development Academy (PYDA)

PYDA develops young talent for employment in the wine industry and related sectors. It is intended that the academy will transform the lives of the students and their communities, as well as contribute to broader transformation efforts. Its high-quality youth development programme dovetails with the government's education initiatives, such as the provision of further education and training to those unable to access a university education. The Trust has partnered with them on this journey by sponsoring one Paarl-based individual to attend the academy as well as assisting with work placements and practical support from specialist employees. KWV employed one of the students after graduating.

Khula Development Group

Fieldworkers are trained and empowered to reintegrate children back into the school system after having dropped out. The school sends the fieldworkers to children's homes to determine what caused the children to stop attending school and aims to return the children to school. With support from the Khula Group, the fieldworkers remain in contact and monitor the children to ensure continued school attendance. The Trust has sponsored R60 000 to implement this system at Klapmuts Primary School.

Discover & Share tennis project

The aim of the project is to improve the overall well-being of children and the youth in the Paarl/Wellington area by promoting purposeful tennis coaching in cooperation with local partners in the schools. The children and young adults are motivated to share their positive attitude towards exercise and sport with their friends and family members. KWV is providing access to the tennis courts on their premises to the Discover & Share team where tennis lesson take place during the week. The Trust also funded the printing of pamphlets for marketing of the project at schools in Paarl.

The KWV Foundation Trust supports, among others, the following organisations:

- Boland School for Autism - www.bolandautism.org.za
- The Institute for the Blind - www.blind-institute.org.za
- Klapmuts Primary School
- Drakenstein Hospice www.drakensteinhospice.org.za
- Ligstraal School for Learners with Special Educational Needs - www.ligstraalschool.com
- Valcare Trust - www.valcare.org.za

SUSTAINABILITY *(continued)*

Responsible use of alcohol

KWV, as a founding member of the Industry Association for Responsible Alcohol Use (ARA), is committed to supporting ARA in its objectives to reduce alcohol-related harm through combating the abuse of alcoholic beverages.

ARA is one of the main funders of the Foundation for Alcohol Related Research, which does extensive research in the area of fetal alcohol syndrome and fetal alcohol spectrum disorders.

KWV subscribes to the ARA Code of Commercial Communication and is committed to complying with the Code in support of the self-regulatory environment in which its business operates.

ENVIRONMENT

KWV's commitment to the environment is reflected in its environmental policy and the Integrated Management System (IMS). Practices and procedures relating to the purchase of raw materials as well as production and packaging operations are evaluated to ensure minimal detrimental effect on the environment.

The IMS also places an emphasis on product quality, food safety, employee health and safety, waste management as well as sustainable practices.

KWV and all its suppliers of grapes and wine products are accredited members of the Integrated Production of Wine (IPW) scheme. The IPW is considered to be the world's most extensive and strictest sustainability programme of its type. In addition to extensive requirements relating to good agricultural best practices, the IPW also contains guidelines dedicated to the conservation of the biodiversity in the Winelands.

KWV has a continuous focus on the sustainable principles of the IPW scheme and has invested time with suppliers of raw material to help them to understand and apply the principles.

Under supervision of the manager for sustainability, the environmental sustainability programme is implemented by our environmental champions, whose roles are to evaluate, measure and monitor the environmental aspects and impacts in their various areas of responsibility.

KWV participated in the annual HCI Carbon Disclosure Project.

Biodiversity

The Laborie Estate is a member of the Biodiversity Wine Initiative (BWI). KWV successfully passed both IPW and BWI audits. Farming activities at Laborie are conducted in an environmentally sustainable manner. Areas have been set aside for preservation of endemic plant species such as Spekboom and continual cleaning of alien vegetation are being performed.

Water and energy management

Real-time monitoring devices were installed on the respective electricity and water distribution networks at the KWV production site in Paarl and are now being used to establish a consumption baseline for these resources.

The consumption of energy and process services, for example water and electricity, are actively monitored per department and managed through the environmental sustainability programme.

Further energy management initiatives include the following:

- The lighting energy audit was updated and consolidated to include a life cycle cost analysis.
- KWV is continuously investigating and implementing techniques and technologies to improve operational efficiencies and, in the process, reducing the impact of its carbon footprint and fossil fuel consumption.
- Further investigation into energy saving will be done with respect to solar energy, behaviour change, replacement of out-dated high-energy consumption lights and biomass technologies.

SUSTAINABILITY *(continued)*

Waste management and recycling

By actively managing and monitoring waste KWV, in collaboration with recycling partners, reduced solid waste from 520 to 476 tons. Due to the success achieved through this initiative, liquid waste has also been added to the KWV recycling programme.

In terms of the National Environmental Management Waste Act, the KWV production site in Paarl is registered on the South African Integrated Polution and Waste Information System (iPWIS).

Effluent treatment

Paarl
As prescribed by the Drakenstein Municipal Industrial Effluent By-law No 18/2007, KWV has applied for and obtained an Industrial Effluent Disposal permit valid for a period of five years. Alternative methods of treating the industrial effluent are being investigated and a project has been initiated to improve the quality of our effluent water.

Upington
In terms of the new National Environmental Management: Waste Act, a legal process has been completed and an application for a waste licence has been submitted to the Department of Environmental Affairs and Planning. As part of determining alternative effluent treatment methods, trials for a wetland pilot plant are currently under way.

Worcester
The Solamoyo Processing Company, a partnership between KWV, Distell and Brenn-O-Kem, has implemented an effluent disposal project. The management of the site is governed by the Management Services Agreement between Solamoyo Processing Company and the Breede Valley Municipal Council.

Environmental initiatives

At our Worcester distillery, KWV has implemented the following initiatives to reduce coal use:

- Lagging of column stills to save on energy cost by reducing heat loss
- Installation of variable speed drives on cooling tower motors to save electricity by not running the motor at 100% capacity on a constant basis

KWV safety and process risk management

KWV has revisited the safety and risk management structure and alignment of the company to ensure compliance with legislation.

TRANSFORMATION

Broad-based black economic empowerment (BBBEE)

KWV's recent level 3 BBBEE rating makes it one of the most empowered companies in the wine industry. The company has significant shareholding by black empowerment group, Hosken Consolidated Investments, through Niveus Investments Limited as well as the KWV Employee Empowerment Trust, which holds shares on behalf of black employees.

One of the company's key transformation objectives is to develop the communities in which it operates. In partnership with the Food and Beverage SETA and KWV staff members, the company employed 30 unemployed black youths into a formal learning programme and 25 of them successfully completed the qualification in the current year. They gained valuable industry experience and knowledge during their learnership period, having been exposed to different areas in the supply chain. Five of these learners have already been appointed into permanent positions in the company and industry.

CORPORATE GOVERNANCE

The KWV group is committed to the principles of good corporate governance and upholds the highest standards of integrity, accountability and transparency. The group accepts and supports in principle the King Code of Governance Principles ("King III") and complies with the principles and requirements thereof insofar as considered practicable and applicable.

Board of directors

Board composition and operation

The company maintains a unitary board. The board currently consists of ten directors (two of whom are executive namely the chief executive officer and group financial director respectively) with sufficient non-executive directors independent of management to ensure that shareholder interests (including minority interests) are protected. The size of the board is sufficiently large to ensure the presence of a wide range of skills, knowledge and experience without compromising common purpose, participation and a sense of responsibility amongst the members necessary to meet the company's strategic objectives.

The board considers all of the circumstances relevant to a director, in determining whether he or she is free from any material interest and any substantial business or other relationship which could, or could reasonably be perceived to, interfere with the director's ability to act in the best interests of the company. The board reviews the independence of directors annually and is satisfied that, from a practical point of view, there are sufficient directors that do not have significant contractual relationships with the company or group and are free from any business or other relationship that could be seen to materially interfere with their capacity to act in an independent manner. The non-executive directors who are not considered to be independent are nevertheless independent of thought and action and act in the best interests of the company.

The board annually elects a chairman from its own ranks. There is a clearly accepted division of responsibilities between the role of the chairman and that of the chief executive officer.

All directors have access to the advice and services of the company secretary and are entitled to seek independent professional advice at the group's expense if reasonably required in the execution of their corporate responsibilities.

Board Charter

The KWV board operates under an approved charter which regulates the way in which the board conducts itself and governs the business of the group. The charter is modelled on the principles recommended by King III, where deemed practical and applicable, and incorporates the powers of the board. It provides a clear division of responsibilities and determines the accountability of board members, collectively and individually, to ensure an appropriate balance of power and authority. The board retains full and effective control over the company and directs and supervises the business and affairs of the company, and remains responsible and accountable for the overall success of the approved plans and strategies.

Board meeting attendance

The board meets at least bi-annually, or more frequently if required by circumstances. The following board meetings were held during the year under review and details of individual attendance at board meetings are set out below:

Director	**5 Nov**	**30 Mar**
JA Copelyn	√	√
FA du Plessis	√	√
NL Ellis	A	√
MJA Golding	A	A
MN Joubert	√	√
KI Mampeule	√	√
KR Moloko	√	√
DP Smit	√	√
A van der Veen	√	√
LA van Dyk	√	√

√ Present A Absent with apologies

Risk management and internal control

Effective risk management forms an integral part of the group's objective to continuously add value to the business.

The board is ultimately accountable for the process of risk management and the system of internal control and is assisted in its accountability by the Group Audit and Risk Management Committee. The day to day responsibility for risk management, and the design and implementation of the appropriate processes to manage risk, resides with management.

The risk management process is designed to ensure that:

- *All relevant risks are identified and classified, based on their likelihood of occurrence and potential impact on the business;*
- K*ey risks with the highest rating are reported regularly to the Group Audit and Risk Management Committee and to the board;*
- *Risks and the required processes and controls to manage these risks are assessed in line with the board's risk appetite; and*
- *Appropriate management information and monitoring processes are in place to manage the exposure to each of the key risks so that, where required, necessary corrective action may be taken.*

During the year the executive management committee regularly evaluated those key risks and related controls which are important to the group as a whole. The key risks and their status are regularly reported to the Group Audit and Risk Management Committee and the board.

The directors are satisfied that the internal control systems implemented and maintained throughout the group are adequate to mitigate the significant identified risks to acceptable levels. These systems are designed to manage and provide reasonable assurance against, rather than eliminate absolutely, the risk of not achieving the group's stated objectives.

The further development of the risk management process is a dynamic and ongoing one. It is the stated intention of management to continue to develop the necessary processes which will ensure that risk management forms an integral part of everyday tasks and procedures.

The group has a documented and tested disaster recovery plan in respect of its main business application system, SAP. In the event of a disaster resulting in the failure of business systems, the SAP development equipment, situated in a different location, will be used for the live production system. The procedures required for the recovery of SAP systems, as well as infrastructure equipment, are tested regularly.

In respect of other business processes, independent of the main information technology environment, there are a variety of other procedures and continuity plans in place appropriate to the specific business area and associated risks. Business continuity in many of these cases is adequately ensured by the existence of multiple plants or installations (often also spread geographically) which provide sufficient capacity to maintain operations in the event of specific equipment or procedure failure.

The company has board representation in its associates and joint ventures and thereby ensures that satisfactory risk management and internal control procedures are maintained.

Information technology

The board assumes responsibility for the governance of information technology ("IT") and has established and implemented an IT charter and policies. IT forms an integral part of the company's risk management, and the Group Audit and Risk Management Committee assists the board in carrying out its IT responsibilities, ensuring that IT risks are adequately addressed. The responsibility for the implementation of an IT governance framework is delegated to management and the board monitors and evaluates significant investments and expenditure. IT assets are managed effectively.

Board committees

The board has established a number of committees to assist in ensuring compliance with its duties and responsibilities but remains ultimately responsible for decisions relating to matters which have been delegated to committees. The membership of the committees and attendance at meetings for the period under review is indicated below per committee. The chief executive officer attends all committee meetings and other directors are free to attend any such meetings at will. Committees may invite experts and members of management to participate in meetings about specific matters. Membership of the respective committees is reviewed by the board on an annual basis.

Group Audit and Risk Management Committee (Audit Committee)

The Audit Committee, which operates under a board approved charter, provides additional focus on financial and risk management issues of material significance to the group but which are not fully addressed by the whole board. The committee is responsible for reviewing, evaluating and making recommendations to the board on the following issues:

- *Compliance with local and international accounting standards, legal and regulatory requirements, the memorandum of incorporation, the group's code of ethics and conduct as well as rules or regulations imposed by the board*
- *The group's interim results, annual financial statements, dividend announcements and any other financial information for shareholders or for publication in the media*
- *Special documents, such as prospectuses and circulars*
- *Announcements about ethical standards or requirements for the group*
- *The company's dividend policy and dividends to be declared*
- *Appointment and dismissal of external auditors*
- *Planning and scope of the external audit, the performance of the external auditors and their fees*
- *The independence and effectiveness of the internal audit function, particularly in respect of objectively reporting on the operational efficiency of the group's system of internal control and reporting*
- *The internal control system implemented by management to ensure that accounting systems and related controls are adequate and operating efficiently*
- *Risk management*
- *Important findings by internal and external auditors*
- *Material issues relating to accounting measurements and disclosure*
- *Differences and disputes between management and auditors*
- *Significant transactions not in the ordinary course of business*
- *Special investigations and, if required, making use of expert advice*
- *Other supervisory functions requested by the board*

The committee meets at least twice per year on predetermined dates but the board or any member thereof, including a member of the committee, the external auditors or the head of the internal audit may request that additional meetings be convened. For attendance of meetings see the report on page 20.

Internal auditors

The internal audit function is outsourced to Niveus Investments Limited, KWV's holding company, and is divided into two, namely:

- *the specialist information technology audit environment which is outsourced to an independent external auditor that operates independently from the external audit function; and*
- *the internal audit department of the group which is responsible for the rest of the internal audit function.*

Internal audit performs an independent, objective evaluation and advisory function which adds value and improves the execution of the group's activities. It assists in achieving the objectives of KWV by following a systematic, disciplined approach to review and improve the effectiveness of risk management, internal control and management processes.

The outsourced audit of the information technology systems and processes is performed according to agreed conditions of appointment and terms of reference. KWV's internal audit department acts in terms of a documented guideline which has been approved by the Audit Committee. The internal audit program is presented annually at the planning meeting of the committee during which members of the Audit Committee also have the opportunity of directing specific requests or instructions to the internal auditor. The internal auditor reports comprehensively to management on an ongoing basis. The internal auditor is required to regularly submit a complete written report of his activities to the Audit Committee. However, the internal auditor retains the authority to submit specific detailed reports to the committee should he deem it necessary. This enables the internal auditor to report wholly independently to the committee any irregularities in which management may possibly be involved.

External auditors

The group's external auditors attend all meetings of the Audit Committee and have direct access to the chairman of the committee. The external auditors are required to provide written information to the committee in respect of the following:

- *Their audit approach, objectives and important risk areas on which the emphasis will be during the audit*
- *Cooperation with and extent of reliance on internal audit*
- *Evaluation of the internal control environment and the degree in which it is relied upon*

Human Resources and Remuneration Committee (Remuneration Committee)

The group's remuneration philosophy, which serves as a guideline for the remuneration of all directors and staff, focuses on:

- *Retaining the services of existing directors and employees*
- *Fair and market-related remuneration of directors and employees, including short and long-term incentive remuneration systems*
- *Avoidance of discrimination*
- *Recognition and encouragement of exceptional and value-adding performance*

The Remuneration Committee, which operates under a board approved charter, comprises at least two non-executive directors and meets twice per year or as required. The chief executive officer attends all committee meetings. The committee is chaired by Prof L A van Dyk.

No meetings were held during the year under review.

The Remuneration Committee ensures that directors are appropriately remunerated in a manner aimed at aligning the interests of directors with those of shareholders. The committee is responsible for reviewing, evaluating and making recommendations to the board on the following issues:

- *The group's remuneration policy in general and in particular for executive management (the executive responsible for human resources acts in an advisory capacity to the committee in this respect and the committee may also consult independent experts if required.)*
- *Remuneration packages for executive management (The chief executive officer is excluded from and does not participate in discussions or decisions related to his own remuneration.)*
- *Incentive schemes, including share incentive schemes and plan*
- *Annual assessment of the performance of individual directors, excluding the chairman*
- *Criteria for the performance assessment of directors and executives*
- *The general level of remuneration of directors and board committee members*
- *Labour legislation which may be applicable to the group*
- *Relevant human resource policies*

Social and Ethics Committee

During the course of the year under review it was decided to transfer the commitments of the committee to Niveus Investments Limited, being the holding company of KWV Holdings Limited, in terms of the provisions of regulation 43 (2) (a) of the Companies Regulations. The Social and Ethics committee on a KWV Holdings Limited level was therefore disbanded. No meetings were held.

Dealing in securities

In terms of group policy, directors of the company and identified employees in the group are prohibited from dealing in securities of the company during price sensitive periods.

Group Secretary

To enable him to properly fulfil his duties, the secretary has been fully empowered by the board and has complete access to people and resources required.

The secretary plays an important role in supporting the chairman and the chief executive officer. He also provides a central source of guidance and advice on business ethics and good governance. Relevant information on new regulations and legislation, that may be relevant to directors, is tabled when necessary.

Going concern

In accordance with Companies Act requirements, the board records its opinion on the group as a going concern in the annual report.
The board reviews the going concern status of the group at least once per year with reference to, among others, the following:

- *The current financial position of the group based on the board's deliberations on the annual financial statements*
- *The following period's strategic business plan and budgets*
- *Net available funds and the liquidity thereof*

The facts and assumptions underlying the board's assessment are documented. The directors' approval of the annual financial statements, containing the going concern declaration, is set out in the Directors' Responsibility for Financial Reporting on page 19.

Access to information

The group complies with the regulations of the Promotion of Access to Information Act (Act No 2 of 2000) which ensures the constitutional right of reasonable access to information required for the exercising or protection of any rights.

Contents of the financial statements

Notice in terms of Section 29 (3) of the Companies Act, 2008.

These annual financial statements have been audited in compliance with the Act. These annual financial statements have been prepared under the supervision of DP Smit, CA(SA), Group financial director.

Directors' responsibility for financial reporting

In accordance with Companies Act requirements, the directors are responsible for the preparation of annual financial statements which conform with International Financial Reporting Standards (IFRS) and which fairly present the state of affairs of the company and the group as at the end of the financial year, and the net income and cash flows for that year. The directors are also responsible for the other information included in the group report and for both its accuracy and its consistency with the financial statements.

It is the responsibility of the independent external auditors to report on the fair presentation of the financial statements.

The directors are ultimately responsible for the internal controls. Management enables the directors to meet their responsibilities in this regard. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and of the financial statements and to adequately safeguard, verify and maintain accountability for the group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties.

Based on the information and explanations given by management and the internal auditors, the directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the group, have occurred during the year and up to the date of this report. The directors have a reasonable expectation that the company and the group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

The financial statements which appear on pages 22 to 65 were approved by the board of directors on 15 May 2015 and are signed on their behalf by:

Marcel Golding
Chairman

André van der Veen
Chief executive officer

Declaration by the company secretary

I hereby confirm, in my capacity as company secretary of KWV Holdings Limited that for the year ended 31 March 2015, the company has filed all required returns and notices in terms of the Companies Act, 2008 and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

Albert Eksteen
Company Secretary

Report of the Group Audit and Risk Management Committee

The Group Audit and Risk Management Committee (Audit Committee) consists of a minimum of three directors, the majority of whom are independent non-executive directors. The board chairperson and the chief executive officer attend meetings by invitation while the external and internal auditors, together with relevant members of management, also attend meetings by invitation. Directors who are not members of the Audit Committee may attend committee meetings. The internal and external auditors enjoy unrestricted access to the Audit Committee.

Attendance at meetings held during the year under review, was as follows:

Director	8 May	5 Nov
F-A du Plessis (chairman)	√	√
KR Moloko	√	√
JA Copelyn	A	√

√ Present A Absent with apologies

The committee reports that it has considered the matters set out in section 94(7)(f) of the Companies Act, 2008, and is satisfied with the independence and objectivity of the external auditor, PricewaterhouseCoopers Inc. The committee has considered and recommended the fees payable to the external auditor.

Based on the information and explanations given by management and discussions with the independent external auditor regarding the results of their audit, the committee is satisfied that there was no material breakdown in the internal accounting controls during the financial year under review.

The committee has evaluated the financial statements of KWV Holdings Limited and the group for the year ended 31 March 2015 and, based on the information provided to the committee, considers that the group complies, in all material respects, with the requirements of the Companies Act, 2008 and International Financial Reporting Standards (IFRS).

F-A du Plessis
Chairman of the Audit committee

15 May 2015

Independent Auditor's Report

to the shareholders of KWV Holdings Limited

We have audited the consolidated and separate financial statements of KWV Holdings Limited set out on pages 23 to 65, which comprise the statements of financial position as at 31 March 2015, and the statements of comprehensive income, statements of changes in equity, statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of KWV Holdings Limited as at 31 March 2015, 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 the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2015, we have read the Directors' Report, the Audit and Risk Management Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: TS Bruwer
Registered Auditor
Paarl

15 May 2015

Directors' report

NATURE OF ACTIVITIES

The primary activities of KWV Holdings Limited and its subsidiaries were as follows:

* The purchase of grapes, wine and distilling wine for processing and maturation, which products are eventually sold in the form of wine, brandy and other distillates
* The sales, marketing and distribution of branded liquor products
* Making and managing investments in associated businesses

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of subsidiary companies, joint ventures and associates in the group and their primary activities are set out in annexure A.

FINANCIAL RESULTS

The financial results of the group are disclosed in the attached financial statements.

DIVIDEND

No dividend (2014: 0 cents) per ordinary share is declared for the year under review.

EVENTS AFTER REPORTING PERIOD

No material events which may have a significant influence on the financial position of the company occurred between the date of the financial year end and the date of approval of the financial statements.

DIRECTORS

The complete board of directors as at 15 May 2015 is set out on page 3.

SHAREHOLDING ANALYSIS

Disclosure by the directors indicates that at 31 March 2015 the direct interest of directors and those of their families amounted to 0% of the issued shares of the company and this remains unchanged as at the date of this report. (See analysis of shareholders on page 4.)

CONTINGENT LIABILITIES

Details of contingent liabilities are fully disclosed in note 30 of the financial statements.

AUDITORS

PricewatehouseCoopers Inc. will continue in office in accordance with section 90 (6) of the Companies Act 71 of 2008.

Statement of financial position

as at 31 March 2015

	Note	**Group 2015 R'000**	Group 2014 R'000	**Company 2015 R'000**	Company 2014 R'000
ASSETS					
Non-current assets		**261 000**	253 320	**823 410**	746 637
Property, plant and equipment	4	**227 427**	217 469	**-**	-
Intangible assets	5	**16 610**	17 964	**-**	-
Investments in subsidiaries	6	**-**	-	**823 410**	746 637
Investments in associates and joint ventures	7	**16 798**	15 272	**-**	-
Deferred taxation	15	**165**	2 615	**-**	-
Current assets		**1 320 089**	1 355 787	-	661
Inventory	9	**1 035 493**	1 002 707	**-**	-
Trade and other receivables	10	**210 139**	212 738	**-**	-
Current income tax assets		**35**	687	**-**	661
Derivative financial instruments	11	**3 715**	5 952	**-**	-
Loans and receivables	8	**-**	2 523	**-**	-
Bank and cash balances		**70 707**	131 180	**-**	-
Total assets		**1 581 089**	1 609 107	**823 410**	747 298
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	**1**	1	**1**	1
Share premium		**425 722**	425 722	**425 722**	425 722
Reserves		**841 389**	799 431	**397 234**	321 130
Total equity		**1 267 112**	1 225 154	**822 957**	746 853
Non-current liabilities					
Deferred taxation	15	**45 090**	31 194	**-**	-
Current liabilities		**268 887**	352 759	**453**	445
Trade and other payables	16	**267 302**	328 848	**453**	445
Derivative financial instruments	11	**1 585**	23 911	**-**	-
Total equity and liabilities		**1 581 089**	1 609 107	**823 410**	747 298

Statement of comprehensive income

for the year ended 31 March 2015

	Note	**Group 2015 R'000**	Group 2014 R'000	**Company 2015 R'000**	Company 2014 R'000
Revenue	17	**1 155 385**	1 110 212	**-**	-
Cost of sales		**(803 636)**	(760 482)	**-**	-
Gross profit		**351 749**	349 730	**-**	**-**
Other income	18	**7 671**	9 437	**76 613**	-
Other gains and (losses) - net	19	**29 519**	(47 388)	**(251)**	1 619
Operating expenses		**(326 629)**	(313 975)	**(261)**	(264)
Promotion, marketing and distribution		**(247 505)**	(229 004)	**-**	-
Operational and administrative expenses		**(79 124)**	(84 971)	**(261)**	(264)
Operating profit / (loss)	20	**62 310**	(2 196)	**76 101**	1 355
Interest received	21	**1 923**	3 871	**4**	-
Finance costs	21	**(2 097)**	(635)	**-**	-
Share of profit of associates and joint ventures	7	**1 579**	331	**-**	-
Profit before income tax		**63 715**	1 371	**76 105**	1 355
Income tax	22	**(17 494)**	(431)	**(1)**	-
Profit for the year		**46 221**	940	**76 104**	1 355
Other comprehensive income		**52**	667	**-**	-
Total comprehensive income		**46 273**	1 607	**76 104**	1 355
(Attributable to equity holders of the company)					

Earnings per share		**Cents**	Cents
(Attributable to equity holders of the company)			
- Attributable earnings	28	**67.8**	1.4
- Diluted earnings	28	**67.8**	1.4

Statement of changes in equity

for the year ended 31 March 2015

	Group 2015 R'000	Group 2014 R'000	**Company 2015 R'000**	Company 2014 R'000
Share capital				
Balance at beginning and end of the year	**1**	1	**1**	1
Share premium				
Balance at beginning and end of the year	**425 722**	425 722	**425 722**	425 722
Reserves				
Common control reserve				
Balance at beginning and end of the year	**787 230**	787 230		
Retained earnings				
Balance at beginning of the year	**10 180**	9 371	**321 130**	319 775
Net profit attributable to ordinary shareholders	**46 221**	940	**76 104**	1 355
Transferred from currency translation reserve	**2 212**	-	**-**	-
Equity accounted earnings transferred to equity reserve	**(1 343)**	(131)	**-**	-
Balance at end of the year	**57 270**	10 180	**397 234**	321 130
Treasury shares				
Balance at beginning of the year	**(2 923)**	(2 923)		
Treasury shares acquired by the group	**(4 315)**	-		
Balance at end of the year	**(7 238)**	(2 923)		
Equity reserve				
Balance at beginning of the year	**2 697**	2 566		
Transfer of equity accounted earnings from retained earnings	**1 343**	131		
Balance at end of the year	**4 040**	2 697		
Currency translation reserve				
Balance at beginning of the year	**2 247**	1 580		
Transferred to retained earnings	**(2 212)**	-		
Movement during the year	**52**	667		
Balance at end of the year	**87**	2 247		
Total reserves at end of the year	**841 389**	799 431	**397 234**	321 130
Equity at end of the year	**1 267 112**	1 225 154	**822 957**	746 853

Statement of cash flows

for the year ended 31 March 2015

	Note	**Group 2015 R'000**	Group 2014 R'000	**Company 2015 R'000**	Company 2014 R'000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash from operations before changes in working capital	23	**93 079**	53 005	**(261)**	(264)
Changes in working capital	24	**(112 964)**	(14 845)	**8**	21
Cash (utilised in) / from operations		**(19 885)**	38 160	**(253)**	(243)
Interest received	25	**1 923**	3 871	**4**	-
Finance costs	25	**(2 097)**	(771)	**-**	-
Taxation (paid) / refunded	26	**(496)**	57	**660**	(985)
Net cash (outflow) / inflow from operating activities		**(20 555)**	41 317	**411**	(1 228)
CASH FLOW FROM INVESTING ACTIVITIES					
Replacement of property, plant and equipment		**(33 152)**	(22 463)	**-**	-
Additions to property, plant and equipment		**(5 187)**	(16 196)	**-**	-
Acquisition of property, plant and equipment		**(38 339)**	(38 659)	**-**	-
Proceeds on disposal of property, plant and equipment		**1 345**	990	**-**	-
Acquisition of software		**(451)**	(441)	**-**	-
Proceeds on disposal of subsidiary		**-**	-	**572**	-
Investments in joint ventures and associates		**(1 648)**	(497)	**-**	-
Capital repayments received from group companies		**-**	-	**-**	3 542
Repayments of loans receivable		**3 254**	20 752	**-**	-
Dividends received		**236**	200	**69**	-
Loans made to group entities		**-**	-	**(1 052)**	(2 314)
Net cash (outflow) / inflow from investing activities		**(35 603)**	(17 655)	**(411)**	1 228
CASH FLOW FROM FINANCING ACTIVITIES					
Re-purchase of shares		**(4 315)**	-	**-**	-
Net cash outflow from financing activities		**(4 315)**	-	**-**	-
Net (decrease) / increase in cash and cash equivalents		**(60 473)**	23 662	**-**	-
Cash and cash equivalents at beginning of the year		**131 180**	107 518	**-**	-
Cash and cash equivalents at end of the year	27	**70 707**	131 180	**-**	-

1. BASIS OF PREPARATION

The principle accounting policies applied in the preparation of these consolidated annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated annual financial statements of the Group have been prepared, in accordance with, International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act of South Africa. The consolidated annual financial statements are prepared on the historic cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 to the consolidated financial statements.

1.1 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset of liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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 identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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 profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Loans to subsidiaries, are considered to be a capital distribution to the subsidiary and are included in the carrying amount of the investment.

Changes in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.1 **Basis of consolidation** (continued)

Foreign subsidiaries

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

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

(b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and

(c) all resulting exchange differences are recognised in 'other comprehensive income'.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity, and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Joint Arrangements

The group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interest in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and the movements in other comprehensive income. When the group's share of losses in joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

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

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognise the amount adjacent to 'share of profit/(loss) of associates in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interest in the associates. Unrealised losses are 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 investments in associates are recognised in profit or loss.

Loans to associates, are considered to be a capital contribution to the associate and are included in the carrying amount of the investment.

1.2 **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes all costs directly attributable to bringing the asset into operation for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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 profit or loss during the financial year in which they are incurred.

Land is not depreciated. Depreciation of property (excluding land), plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives**,** as follows:

1.2 **Property, plant and equipment** *(continued)*

	Average useful life (years)
Buildings	**40**
Machinery and equipment	**10 - 50**
Furniture and fittings (including heritage assets)	**5 - 10**
Vehicles	**5 - 15**

The assets' residual values and useful lives are reviewed annually at reporting date and adjusted where necessary.
Assets under construction are not depreciated.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are accounted for within 'Other gains & losses - net' in profit or loss for the year.
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. (Refer to note 1.4)

1.3 **Intangible assets**
Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each cash generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Trademarks and intellectual property
The cost of trademarks and intellectual property which are established and developed internally by the group is expensed when incurred. Expenditure on acquired trademarks and intellectual property is capitalised and amortised on a straight-line basis over their estimated useful lives (5 to 20 years).

Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives (5 to 8 years). Costs associated with customising or maintaining computer software programmes are recognised as an expense as incurred.

1.4 **Impairment of non-financial assets**
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.5 **Inventory**
Inventory is stated at the lower of cost, calculated on the weighted average method, and net realisable value. For manufactured products all direct expenses and production overheads, at normal activity levels, are included in the cost of inventory. The long maturation period of most wines, brandies and other spirits result in material financing costs which are not included in the cost of inventory.

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

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

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently premeasured at their fair value.

Hedge accounting is not applied and changes in the fair value of any derivative instruments are taken to profit or loss.

Disclosure about financial instruments to which the group is a party is provided in note 33.

1.7 **Financial assets (other than derivatives)**

The group classifies its financial assets in the following categories: loans and receivables, financial assets at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

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 reporting date which 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.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or 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 if expected to be settled within 12 months, otherwise they are classified as non-current.

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 them within 12 months after the reporting date.

Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade date, the date on which the company 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 through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest 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 profit or loss within ‘other (losses)/gains – net’ in the year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the company’s right to receive payments is established.

Changes in the fair value of monetary 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 profit or loss as ‘gains and losses from investment securities’.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of other income when the group’s right to receive payments is established.

Impairment of financial assets
(a) 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.7 **Financial assets (other than derivatives)** *(continued)*

For loans and receivables category, 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 carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. 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 profit or loss.

(b) 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 (a) 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 asset is impaired. If any such evidence exists for available-for-sale financial asset 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 profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. 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 profit or loss.

Fair value methods and assumptions
The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.8 **Trade receivables**
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.9 **Bank and cash balances**
Bank and cash balances include cash on hand and investments in money market instruments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.10 **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, net of any tax, from the proceeds.

Where any group company purchases the company’s equity share capital such shares are classified as treasury shares. The consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the group’s equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, 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. These shares are treated as a deduction from the issued number of shares and taken into account in the calculation of the weighted average number of shares in issue.

1.11 **Reserves**

Common control reserve

This reserve originated when the company acquired fellow subsidiaries, associates and joint venture companies from the former holding company of the KWV group at amounts below their book values.

Equity reserve

The equity reserve comprises the group's share of associates' post-acquisition reserves, excluding non-controlling interests.

Currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures.

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

1.13 **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.14 **Provisions**

Provisions are recognised when the group has a present legal or constructive liability as a result of past events, the settlement of which is expected to result in an outflow of economic benefits and if the monetary value of the liability can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure 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 the passage of time is recognised as finance costs.

1.15 **Taxation**

Current and deferred income taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, 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.

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 group’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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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 tax 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.

1.16 **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 company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

Sales of goods is accounted for when the risks and rewards pass to the customer and collectability of related receivables is reasonably assured. It excludes excise duty to the extent that it was directly recovered from clients and also value added tax, sales tax, rebates and discounts. Sales within the group are eliminated.

Excise duty is not directly related to sales, unlike value added tax and it is not recognised as a separate item on invoices, Increases in excise duty are not always directly passed on to customers. Excise duty are reflected in 'cost of sales' and consequently any excise duty that is recovered in the sales price is included in revenue.

Revenue is recognised at the fair value of consideration received or receivable.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and 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 and receivables are recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

1.17 **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised.

1.18 **Dividend distribution**

Dividend distributions to the company's shareholders are recognised as a liability in the group's financial statements in the year in which the dividends are approved by the company's board of directors.

1.19 **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 presented in South African rands, which is the holding company's functional currency.

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 within 'Other gains and losses - net'.

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 other comprehensive income.

Group companies

Translation of the results and financial position of group companies is dealt with in note 1.1.

1.20 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management of the group, who makes strategic decisions.

1.30 **Employee benefits**

Pension obligations
It is the group's policy to provide retirement benefits for its employees. For this purpose there are two funds with defined contributions, both which are regulated by the Pension Fund Act of 1956. A defined contribution plan is a pension 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. All the company's employees are members of the funds and contribute to the funds monthly.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Short-term benefits
The cost of all short-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognised during the period in which the employee renders the related service. The group recognises the expected cost of bonuses only when the group has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Share-based payments
The group operates a cash-settled share appreciation rights scheme (as per note 32). The cost of cash-settled transactions is measured initially at fair value at the grant date, taking into account the terms and conditions upon which the instruments were granted. The fair value of the employee services received is recognised as an expense over the vesting period, with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in the fair value recognised in profit or loss.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the year-end date are discounted to their present value.

Leave pay policy
The leave pay accrual relates to vested leave pay to which employees may become entitled upon leaving the employment of the group. The accrual arises as employees render a service that increases their entitlement to future compensated leave. The accrual is utilised when employees who are entitled to leave pay, leave the employment of the group or when the accrued leave due to an employee, is utilised.

1.31 **Statement of cash flows**
The statement of cash flows is prepared using the indirect method.

1.32 **Leases**
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1.33 **Earnings per share**
Earnings and headline earnings per share are calculated by dividing the net profit attributable to shareholders and 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.

2. Standards, interpretations and amendments to published standards

The following standards have been adopted by the group for the first time for the financial year ending 31 March 2015:

- Amendments to IFRS 10: Consolidated financial statements, IFRS 12: Disclosure of Interests in Other Entities and IAS 27: Separate Financial Statements (effective 1 January 2014)
- Amendment to IAS 32: Financial instruments: Presentation (effective 1 January 2014)
- IFRIC 21: Levies (effective 1 January 2014)
- Amendments to IAS 36: Recoverable amount disclosures for non-financial assets (effective 1 January 2014)
- Amendments to IAS 39: Novation of derivatives and continuation of hedge accounting (effective 1 January 2014)
- Amendment to IFRS 2: Share based payments (effective 1 July 2014)
- Amendment to IFRS 3: Business combinations (effective 1 July 2014)

Several new standards, amendments and interpretations to IFRS are mandatory for the company's accounting periods beginning after 31 March 2015.

The following amendments and interpretations to standards will be adopted in future financial years:

- IFRS 9: Financial instruments (effective 1 January 2018)
- IFRS 14: Regulatory deferral accounts (effective 1 January 2016)
- Amendments to IAS 19: Simplifying the accounting for contributions that are independent of the number of years of employee service (effective 1 July 2014)
- Improvements to IFRSs: 2010 - 2012 cycle and 2011 - 2013 cycle (effective 1 July 2014)
- Amendment to IFRS 11: Acquisition of interest in joint operations (effective 1 January 2016)
- Amendment to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)
- IFRS 15: Revenue from contracts with customers (effective 1 January 2017)
- Amendment to IAS 16 and IAS 41: Agriculture: Bearer plants (effective 1 January 2016)
- Amendments to IAS 27: Equity method in separate financial statements (effective 1 July 2016)
- Amendment to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (effective 1 January 2016)
- Improvements to IFRSs: 2012 - 2014 cycle (effective 1 July 2016)
- Amendment to IAS 1: Disclosure initiative (effective 1 January 2016)
- Amendment to IFRS 10 and IAS 28: Applying the Consolidation Exception (effective 1 January 2016)

The adoption of the above standards, interpretations and amendments to IFRS is not expected to have a material impact on the group's financial results, financial position or its cash flow in future financial periods.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in accordance with IFRS require the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the group’s accounting policies and in reporting assets and liabilities, income and expenses. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are mainly useful life and impairment of property, plant and equipment, inventory provisions, impairment of investments in subsidiaries, associates, joint ventures and goodwill and deferred and current income taxes.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgments and assumptions that are particularly relevant to the group's operations, are:

- **Property, plant and equipment, excluding land**
  Changes in business landscape or technological innovations may impact on the useful lives and estimated residual values of these assets. Similar assets are grouped together, but residual values and useful lives may vary significantly between individual assets in a category. Management reviews assets’ residual values, useful lives and the related depreciation charges annually at each reporting date.

- **Inventory valuation**
  The group manufactures and trades with perishable products. Judgement is required to determine the saleability of these products. In addition, a significant portion of the group's matured wines and brandies have a lengthy production cycle. The saleability and valuation of work-in-progress-inventories are dependent on market and consumer trends. Stringent quality control, detailed sales planning and forecasting and procurement planning are key factors in ensuring that the valuation of the group's inventory is reasonable.

- **Recognition of deferred tax asset**
  These assets are recognised based on the prospects of the relevant companies and their approved three-year financial budgets that indicate that future taxable profit will be generated against which the tax losses can be utilised.

- **Estimated impairment of investments in subsidiaries, associates, joint ventures and of goodwill**
  This determination requires significant judgement. The main indicators of possible impairment are profitability and cash flows that are poor or significantly below expectations.

  Where indications of impairment exist more detailed analyses are performed, including an assessment of the approved three-year financial budgets and cash flow projections. Longer term projections performed using stable working capital ratio's and reasonable growth rates in both income and costs.

  Where goodwill is evaluated it is allocated to the group's cash generating units. The recoverable amount of such a unit is determined based on value-in-use calculations.

Notes to the financial statements *(continued)*
for the year ended 31 March 2015

		Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
4.	**PROPERTY, PLANT AND EQUIPMENT (Annexure B)**				
	Carrying value at end of the year				
	Land and buildings	**36 699**	35 828		
	Machinery and equipment	**167 362**	158 709		
	Furniture and fittings	**17 821**	18 569		
	Vehicles	**4 270**	3 052		
	Plant under construction	**1 275**	1 311		
		227 427	217 469		
5.	**INTANGIBLE ASSETS (Annexure C)**				
	Carrying value at end of the year				
	Trademarks	**14 382**	15 377		
	Computer software	**2 228**	2 587		
		16 610	17 964		
6.	**INVESTMENTS IN SUBSIDIARIES (Annexure A)**				
6.1	**Unlisted equity interests**			**411 460**	412 283
	KWV Intellectual Properties (Pty) Ltd			**28 786**	28 786
	KWV International (Pty) Ltd			**57 664**	57 664
	KWV International Holding GmbH			**-**	823
	KWV South Africa (Pty) Ltd			**325 010**	325 010
6.2	**Loans**			**411 950**	334 354
	KWV International (Pty) Ltd			**-**	81 358
	KWV South Africa (Pty) Ltd			**411 950**	252 996
	These loans are unsecured, interest free and repayable on demand.				
				823 410	746 637

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Annexure A)

The amounts recognised in the statement of financial position are as follows:

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Associates	**16 798**	15 272		
Joint ventures	**-**	-		
	16 798	15 272		

The amounts recognised in profit or loss are as follows:

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Associates	**1 585**	331		
Joint ventures	**(6)**	-		
	1 579	331		

7.1 Investments in associates

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Balance at beginning of the year	**15 272**	15 141		
Additional interest acquired	**740**	-		
Decrease in loan balance	**(563)**	-		
Share of profit after tax	**1 585**	331		
Dividends received	**(236)**	(200)		
Balance at end of the year	**16 798**	15 272		

7.2 Investments in joint ventures

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Balance at beginning of the year	**-**	-		
Joint ventures acquired	**909**	-		
Impairment of investment	**(903)**	-		
Share of profit after tax	**(6)**	-		
Balance at end of the year	**-**	-		

Refer to Annexure A for summarised financial information of investments in associates and joint ventures.

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
8. LOANS AND RECEIVABLES				
8.1 **Loan: Eggers & Franke GmbH & Co. KG**	-	387		
The loan amounts to EUR nil (2014: EUR 42 899) and was unsecured and beared interest at average European Central Bank interest rates of 2,000% (2014: 2,000%). It was repayable in quarterly instalments of EUR 62 500. The loan was settled on 30 June 2014 with the sale of the subsidiary, KWV International Holding GmbH.				
8.2 **Loan: Orange River Wine Cellar Co-op Ltd**	-	2 136		
This loan was unsecured and beared interest at prime rate less 2% per annum. The capital portion of the loan was repayable in annual instalments of R 2m at the end of March. The accrued interest was also paid at the end of March annually. The loan was settled on 11 April 2014.				
	-	2 523		
Current portion of loans and receivables	-	2 523		
Non-current loans and receivables	-	-		
9. INVENTORY				
Liquid inventory	**994 079**	943 573		
Auxiliary material	**41 414**	59 134		
	1 035 493	1 002 707		
Inventory carried at net realisable value	**12 547**	11 973		
Cost of inventories recognised as expense and included in "cost of sales"	**784 492**	697 922		
10. TRADE AND OTHER RECEIVABLES				
Trade receivables	**198 670**	202 291		
Less: Provision for impairment of trade receivables	**(4 591)**	(3 668)		
Trade receivables - net	**194 079**	198 623		
Other receivables	**16 060**	14 115		
	210 139	212 738		

Refer to note 33 for detailed disclosure on Trade receivables.

	Group 2015 R'000	Group 2014 R'000	**Company 2015 R'000**	Company 2014 R'000
11. DERIVATIVE FINANCIAL INSTRUMENTS				
- Foreign exchange options	**(76)**	(19 981)		
- Forward exchange contracts	**2 206**	2 022		
	2 130	(17 959)		
The amounts disclosed in the statement of financial position are as follows:				
Current assets	**3 715**	5 952		
- Foreign exchange options	**901**	3 930		
- Forward exchange contracts	**2 814**	2 022		
Current liabilities	**1 585**	23 911		
- Foreign exchange options	**977**	23 911		
- Forward exchange contracts	**608**	-		
	2 130	(17 959)		

Refer to note 33 for detailed disclosure on derivative financial instruments.

12. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

GROUP	**Loans and receivables R'000**	**Financial assets at fair value through profit and loss R'000**	**Total R'000**
31 March 2015			
Trade and other receivables	**201 267**	**-**	**201 267**
Derivative financial instruments²	**-**	**3 715**	**3 715**
Cash and cash equivalents	**70 707**	**-**	**70 707**
	271 974	**3 715**	**275 689**
31 March 2014			
Loans and receivables	2 523	-	2 523
Trade and other receivables	201 959	-	201 959
Derivative financial instruments²	-	5 952	5 952
Cash and cash equivalents	131 180	-	131 180
	335 662	5 952	341 614

COMPANY	**Loans and receivables R'000**	**Total R'000**
31 March 2015		
Loans to group companies	**411 950**	**411 950**
31 March 2014		
Loans to group companies	334 354	334 354

Fair value hierarchy:
Level 1 - Quoted prices in active markets for the same instrument.
Level 2 - Valuation techniques for which significant inputs are based on observable market data.
Level 3 - Valuation techniques for which any significant input is not based on observable market data.

13. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

GROUP	Financial liabilities at amortised cost R'000	Financial liabilities at fair value through profit and loss R'000	Total R'000
31 March 2015			
Trade and other payables	**140 672**	**-**	**140 672**
Derivative financial instruments [2]	**-**	**1 585**	**1 585**
	140 672	**1 585**	**142 257**
31 March 2014			
Trade and other payables	169 683	-	169 683
Derivative financial instruments [2]	-	23 911	23 911
	169 683	23 911	193 594

COMPANY	Financial liabilities at amortised cost R'000	Total R'000
31 March 2015		
Trade and other payables	**453**	**453**
31 March 2014		
Trade and other payables	445	445

Fair value hierarchy:
Level 1 - Quoted prices in active markets for the same instrument.
Level 2 - Valuation techniques for which significant inputs are based on observable market data.
Level 3 - Valuation techniques for which any significant input is not based on observable market data.

		Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
14.	**SHARE CAPITAL**				
	Shares authorised				
	200 000 000 Ordinary profit-sharing shares of R 0,00001 each	**2**	2	**2**	2
	Shares issued				
	Ordinary profit-sharing shares of R 0,00001 each				
	Issued and fully paid (opening and closing balance)	**1**	1	**1**	1
15.	**DEFERRED TAXATION**				
	Attributable to temporary differences:				
	Balance at beginning of the year	**28 579**	29 103		
	- Charged against profit or loss	**16 346**	(524)		
	Balance at end of the year	**44 925**	28 579		
	The balance comprises:				
	- Capital allowances	**43 275**	43 947		
	- Inventory revaluation	**34 528**	34 528		
	- Provisions and accruals	**(8 843)**	(11 476)		
	- Computed taxation losses	**(24 035)**	(38 420)		
		44 925	28 579		
	The amounts disclosed in the statement of financial position are as follows:				
	- Group companies with net deferred tax assets	**(165)**	(2 615)		
	- Group companies with net deferred tax liabilities	**45 090**	31 194		
		44 925	28 579		
16.	**TRADE AND OTHER PAYABLES**				
	Trade payables	**105 826**	131 864	**-**	-
	Excise duty payable	**124 654**	157 317	**-**	-
	Other payables and accruals	**36 822**	39 667	**453**	445
		267 302	328 848	**453**	445
17.	**REVENUE**				
	Turnover	**884 751**	886 235		
	Plus: Excise duty charged	**270 634**	223 977		
	Revenue including excise duty	**1 155 385**	1 110 212		
18.	**OTHER INCOME**				
	Rental received	**3 088**	2 558	**-**	-
	Dividend income	**-**	-	**76 613**	-
	Other	**4 583**	6 879	**-**	-
		7 671	9 437	**76 613**	-

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
19. OTHER GAINS AND (LOSSES) - NET				
(Loss) / profit on sale of property, plant and equipment	(776)	43	-	-
Foreign currency gains / (losses)	31 198	(48 156)	-	-
Write back of impairment of loans and receivables	-	725	-	-
Impairment of investment in joint venture	(903)	-	-	-
Reversal of impairment of investment in subsidiary	-	-	-	1 619
Loss with disposal of subsidiary	-	-	(251)	-
	29 519	(47 388)	(251)	1 619
20. EXPENSES BY NATURE				
Raw materials and consumables used	784 492	697 922	-	-
Employee remuneration and benefits	154 994	155 205	-	-
Depreciation of property, plant and equipment	26 260	24 051	-	-
Amortisation of intangible assets	1 805	1 949	-	-
Impairment of property plant and equipment	-	1 179	-	-
Bad debts recovered and written off	(617)	1 081	-	-
Inventory written off	21 900	31 297	-	-
Auditors' remuneration	1 971	1 975	261	264
Advertising and promotions	103 150	94 171	-	-
Repairs and maintenance	19 728	16 688	-	-
Operating lease expense	4 784	5 601	-	-
Other expenses	11 798	43 731	-	-
	1 130 265	1 074 850	261	264
20.1 **Auditors' remuneration**				
Audit fees - provision for the current year	1 540	1 481	234	-
Audit fees - under provision of prior year	3	52	27	264
Other audit services	428	442	-	-
	1 971	1 975	261	264
20.2 **Staff costs**	154 994	155 205		
Included in staff costs are:				
Retirement benefits - employer contributions	13 353	11 798		
Retrenchment costs	-	2 443		
21. FINANCE INCOME AND COSTS				
Interest received				
Investments and deposits	1 912	3 448	-	-
Loans and receivables	3	328	-	-
Other	8	95	4	-
	1 923	3 871	4	-
Finance costs				
Borrowings: current	2 097	635	-	-
	2 097	635	-	-
Net finance income and cost	(174)	3 236	4	-

22. INCOME TAX

	Note	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
South African normal taxation		**(17 563)**	(415)	**(1)**	-
- Current		**(1 148)**	(955)	**(1)**	-
- Deferred		**(16 415)**	540	**-**	-
Over/(Under) provision previous years		**69**	(16)	**-**	-
- Current		**-**	-	**-**	-
- Deferred		**69**	(16)	-	-
Taxation for the year		**(17 494)**	(431)	**(1)**	-

Reconciliation of the tax rate	**%**	%	**%**	%
Normal rate for companies	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
- Exempt income	**(0.21)**	(7.43)	**(28.19)**	-
- Income from associates	**(0.69)**	(6.76)	**-**	-
- Consolidation adjustments	**0.05**	(7.34)	**-**	-
- Income of a capital nature	**(0.28)**	(13.87)	**-**	(33.45)
- Disallowed expenditure	**0.25**	40.03	**0.10**	5.45
- No deferred tax asset created for assessed loss	**-**	0.08	**-**	-
- Adjustment for foreign taxation	**0.45**	(2.44)	**-**	-
- (Over) / under provision previous years	**(0.11)**	1.17	**-**	-
Net reduction	**(0.54)**	3.44	**(28.09)**	(28.00)
Effective rate	**27.46**	31.44	**(0.09)**	-

	Note	**R'000**	R'000
Gross calculated tax losses available for utilisation against future taxable income		**85 840**	137 215
Tax relief calculated at current tax rates		**24 035**	38 420
Utilised to reduce deferred taxation	15	**(24 035)**	(38 420)
Tax relief available for offset against future taxation		**-**	-

	Note	**Group 2015 R'000**	Group 2014 R'000	**Company 2015 R'000**	Company 2014 R'000
23. CASH FROM / (UTILISED IN) OPERATIONS BEFORE CHANGES IN WORKING CAPITAL					
Profit before taxation		**63 715**	1 371	**76 105**	1 355
Adjusted for:					
- Share of profits from associates and joint ventures	7	**(1 579)**	(331)	**-**	-
- Net finance expense / (income)	25	**174**	(3 236)	**(4)**	-
- Dividends received	18	**-**	-	**(76 613)**	-
- Impairment of property plant and equipment	20	**-**	1 179	-	-
- Impairment of loans and receivables	19	**-**	(725)	-	-
- Impairment of investment in joint venture	19	**903**	-	-	-
- Non-cash movement on loans to subsidiaries and associates		**(169)**	-	-	-
- Impairment of investment in subsidiary	19	**-**	-	**-**	(1 619)
- Depreciation of property, plant and equipment	20	**26 260**	24 051	**-**	-
- Unrealised exchange rate gains		**(20 089)**	(3 588)	**-**	-
- Amortisation of intangible assets	20	**1 805**	1 949	**-**	-
- (Profit) / loss on sale of property, plant and equipment	19	**776**	(43)	**-**	-
- Bad debts recovered and written off		**(617)**	1 081	**-**	-
- Inventory written off	20	**21 900**	31 297	**-**	-
- Loss with disposal of subsidiary		**-**	-	**251**	-
		93 079	53 005	**(261)**	(264)

	Note	**Group 2015 R'000**	Group 2014 R'000	**Company 2015 R'000**	Company 2014 R'000
24. CHANGES IN WORKING CAPITAL					
(Excluding the effects of acquisitions, disposals and exchange differences on consolidation)					
Change in inventory		**(54 686)**	(56 425)	**-**	-
Change in trade and other receivables		**3 216**	(2 598)	**-**	-
Change in trade and other payables		**(61 494)**	44 178	**8**	21
		(112 964)	(14 845)	**8**	21

	Note	**Group 2015 R'000**	Group 2014 R'000	**Company 2015 R'000**	Company 2014 R'000
25. NET INTEREST					
Net interest per statement of comprehensive income	21	**(174)**	3 236	**4**	**-**
Adjusted for:					
- Other non-cash flow items		**-**	(136)	**-**	**-**
		(174)	3 100	**4**	**-**
Disclosed in the statement of cash flows as:					
Finance costs		**(2 097)**	(771)	-	-
Interest received		**1 923**	3 871	**4**	-

	Note	**Group 2015 R'000**	Group 2014 R'000	**Company 2015 R'000**	Company 2014 R'000
26. TAXATION (PAID) / REFUNDED					
(Payable) / refundable at beginning of the year		**687**	1 699	**661**	(324)
Accounted for in the statement of comprehensive income		**(17 494)**	(431)	**(1)**	-
Adjustment for deferred taxation		**16 346**	(524)	**-**	-
Payable / (refundable) at end of the year		**(35)**	(687)	-	(661)
		(496)	57	**660**	(985)

	Note	**Group 2015 R'000**	Group 2014 R'000	**Company 2015 R'000**	Company 2014 R'000
27. COMPOSITION OF CASH AND CASH EQUIVALENTS					
Bank and cash balances		**70 707**	131 180	**-**	-

	Group 2015 R'000	Group 2014 R'000

28. EARNINGS PER SHARE

The calculation of earnings per share is based on net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares issued.

	Number '000	Number '000
Ordinary shares		
- Shares issued	**68 980**	68 980
Treasury shares	**(979)**	(442)
	68 001	68 538
- Used in the calculation of earnings per share	**68 188**	68 538

	Gross amount 2015 R'000	Tax 2015 R'000	Net amount 2015 R'000	Net amount 2014 R'000
Profit for the year	63 715	(17 494)	**46 221**	940
Adjusted for:				
Impairment of investments in joint ventures	903	(169)	**734**	-
Loss on sale of property, plant and equipment	776	41	**817**	(35)
Impairment of property, plant & equipment	-	-	**-**	849
Headline earnings	65 394	(17 622)	**47 772**	1 754

	Cents	Cents
Earnings per share		
- Attributable earnings	**67.8**	1.4
- Headline earnings	**70.1**	2.6
Diluted earnings per share		
- Attributable earnings	**67.8**	1.4
- Headline earnings	**70.1**	2.6

29. COMMITMENTS

	R'000	R'000
29.1 Capital commitments		
Incomplete contracts for capital expenditure	**3 292**	5 763
Capital expenditure authorised by the board not yet contracted for	**36 327**	38 914
	39 619	44 677

This capital expenditure will be financed from own resources and borrowings.

29.2 Operating lease commitments

The group leases farm land, administrative offices, vehicles, office equipment and production equipment under various non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to profit or loss during the year is disclosed in note 20.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

No later than one year	**2 382**	3 540
Later than one year and no later than 5 years	**2 866**	4 695
Later than 5 years	**3 046**	3 376
	8 294	11 611

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000

30. CONTINGENT LIABILITIES

Guarantees

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Employee housing loans	**130**	130		

KWV Holdings Limited provides an unlimited guarantee to various financial institutions in respect of any claims against KWV South Africa (Pty) Limited.

31. RELATED-PARTY TRANSACTIONS

Relationships

Ultimate holding company (1 January 2013)
- HCI Ltd

Holding company (1 January 2013)
- Niveus Investments Ltd

Subsidiaries of KWV Holdings Ltd
- KWV South Africa (Pty) Ltd
- KWV International (Pty) Ltd
- KWV Intellectual Properties (Pty) Ltd
- KWV Projects (Pty) Ltd
- KWV International Holding GmbH (sold in 2015)
- KWV Research and Development Trust
- KWV Foundation Trust
- KWV USA LLC
- KWV Russia

Associates
- Solamoyo Processing Company (Pty) Ltd
- Paarl Valley Bottling Company (Pty) Ltd

Joint ventures
- Red Dawn IP Holdings (Pty) Ltd

Entities related to HCI Ltd
- Tsogo Sun Holdings Ltd
- Vukani Gaming Corporation (Pty) Ltd
- HCI Managerial Services (Pty) Ltd
- Niveus Investments Ltd
- Niveus Managerial Services (Pty) Ltd
- Galaxy Bingo (Pty) Ltd
- Cherry Moss Trade and Invest 188 (Pty) Ltd
- Syntell (Pty) Ltd
- VBET Africa (Pty) Ltd

31.1 Loans to related parties

	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
KWV International (Pty) Ltd			**-**	81 358
KWV South Africa (Pty) Ltd			**411 950**	252 996
			411 950	334 354

31. RELATED-PARTY TRANSACTIONS *(continued)*

31.2 Year end balances from the sale / purchase of goods and services

	Group 2015 R'000	Group 2014 R'000
Trade receivables		
Related to HCI Ltd		
Tsogo Sun Holdings Ltd	**36**	40
Vukani Gaming Corporation (Pty) Ltd	**241**	51
HCI Managerial Services (Pty) Ltd	**63**	1
Niveus Investments Ltd	**1**	25
Niveus Managerial Services (Pty) Ltd	**273**	1 368
Galaxy Bingo (Pty) Ltd	**729**	44
Cherry Moss Trade and Invest 188 (Pty) Ltd	**-**	272
	1 343	1 801
Trade payables		
Related to HCI Ltd		
HCI Managerial Services (Pty) Ltd	**-**	13
Niveus Managerial Services (Pty) Ltd	**24**	-
Syntell (Pty) Ltd	**-**	28
Other		
Paarl Valley Bottling Company (Pty) Ltd	**-**	180
Solamoyo Processing Company (Pty) Ltd	**91**	-
Brandsrock Marketing (Pty) Ltd (related to a director of KWV Holdings Ltd until October 2014)	**-**	179
	115	400

31.3 Sale of goods and services

	Group 2015 R'000	Group 2014 R'000
Related to HCI Ltd		
Tsogo Sun Holdings Ltd	**374**	369
Cherry Moss Trade and Invest 188 (Pty) Ltd	**161**	573
Vukani Gaming Corporation (Pty) Ltd	**1 665**	1
HCI Managerial Services (Pty) Ltd	**164**	1
Niveus Investments Ltd	**308**	255
Niveus Managerial Services (Pty) Ltd	**1 584**	6 128
Galaxy Bingo (Pty) Ltd	**1 665**	38
VBET Africa (Pty) Ltd	**562**	117
Other		
Paarl Valley Bottling Company (Pty) Ltd	**16**	12
	6 499	7 494

	Group 2015 R'000	Group 2014 R'000
31. RELATED-PARTY TRANSACTIONS *(continued)*		
31.4 **Purchases of goods and services**		
Related to HCI Ltd		
HCI Managerial Services (Pty) Ltd	**224**	311
Niveus Investments Ltd	**3 017**	2 964
Niveus Managerial Services (Pty) Ltd	**1 095**	1 112
Syntell (Pty) Ltd	**23**	48
Other		
Paarl Valley Bottling Company (Pty) Ltd	**1 715**	2 772
Solamoyo Processing Company (Pty) Ltd	**394**	50
Brandsrock Marketing (Pty) Ltd (related to a director of KWV Holdings Ltd until October 2014)	**3 552**	5 262
	10 019	12 519
31.5 **Key management personnel compensation**		
(includes directors and members of the executive committee's remuneration)		
Salaries	**12 654**	11 999
Retrenchment cost	**-**	775
HCI Managerial Services	**2 940**	2 940
Short-term benefits	**15 594**	15 714
Retirement contributions	**1 180**	1 186
Share-based payments	**-**	317
	16 774	17 217

31. RELATED-PARTY TRANSACTIONS *(continued)*

31.6 **Directors' remuneration - KWV Holdings Limited**

31 March 2015	**Salaries and fees R'000**	**Performance incentives R'000**	**Retirement contributions R'000**	**Realised gain relating to share incentive scheme R'000**	**Other allowances R'000**	**Company 2015 Total R'000**
Executive						
A van der Veen *	**2 940**	**-**	**-**	**-**	**-**	**2 940**
DP Smit	**1 275**	**60**	**183**	**-**	**8**	**1 526**
	4 215	**60**	**183**	**-**	**8**	**4 466**
Non-executive						
MJA Golding (Chairman)	**151**	**-**	**-**	**-**	**-**	**151**
JA Copelyn	**91**	**-**	**-**	**-**	**-**	**91**
F-A du Plessis	**121**	**-**	**-**	**-**	**-**	**121**
NL Ellis	**91**	**-**	**-**	**-**	**-**	**91**
MN Joubert	**91**	**-**	**-**	**-**	**-**	**91**
KI Mampeule	**90**	**-**	**-**	**-**	**-**	**90**
KR Moloko	**101**	**-**	**-**	**-**	**-**	**101**
LA van Dyk	**113**	**-**	**-**	**-**	**-**	**113**
Retired directors (pensions)	**10**	**-**	**-**	**-**	**-**	**10**
	859	**-**	**-**	**-**	**-**	**859**
Total directors' emoluments	**5 074**	**60**	**183**	**-**	**8**	**5 325**
Less: Paid by a subsidiary of the KWV group	**(5 074)**	**(60)**	**(183)**	**-**	**(8)**	**(5 325)**
	-	-	-	-	-	-

31 March 2014	Salaries and fees R'000	Performance incentives R'000	Retirement contributions R'000	Realised gain relating to share incentive scheme R'000	Other allowances R'000	Company 2014 Total R'000
Executive						
A van der Veen *	2 940	-	-	-	-	2 940
DP Smit	991	-	141	18	6	1 156
	3 931	-	141	18	6	4 096
Non-executive						
MJA Golding (Chairman)	153	-	-	-	-	153
JA Copelyn	105	-	-	-	-	105
F-A du Plessis	113	-	-	-	-	113
NL Ellis	93	-	-	-	-	93
MN Joubert	94	-	-	-	-	94
KI Mampeule	102	-	-	-	-	102
KR Moloko	109	-	-	-	-	109
LA van Dyk	131	-	-	-	-	131
Retired directors (pensions)	20	-	-	-	-	19
	920	-	-	-	-	919
Total directors' emoluments	4 851	-	141	18	6	5 015
Less: Paid by a subsidiary of the KWV group	(4 851)	-	(141)	(18)	(6)	(5 015)
	-	-	-	-	-	-

***** Management fees paid to Niveus Managerial Services (Pty) Ltd and HCI Managerial Services (Pty) Ltd for services as director and other services.

31. RELATED-PARTY TRANSACTIONS *(continued)*

31.7 Directors' remuneration - HCI Limited group of companies

31.7.1 Share options granted during the year

	Number of options	Fair value of the option R	Total Value R' 000
31 March 2015			
MJA Golding	**12 631**	43.77	**553**
JA Copelyn	**12 631**	43.77	**553**
JA Copelyn	**72 864**	38.43	**2 800**
A van der Veen	**43 828**	8.02	**352**
A van der Veen	**414 795**	6.58	**2 730**
A van der Veen	**1 068 082**	9.94	**10 617**
	1 624 831		**17 605**
31 March 2014			
MJA Golding	103 607	34.29	3 553
JA Copelyn	103 607	34.29	3 553
A van der Veen	471 852	3.64	1 718
	679 066		8 823

31.7.2 Directors' emoluments

31 March 2015	**Salaries and fees R'000**	**Gains from share options* R'000**	**Performance incentives R'000**	**Other allowances or benefits R'000**	**Total R'000**
MJA Golding	**3 362**	**114**	**-**	**851**	**4 327**
JA Copelyn	**5 763**	**3 497**	**3 242**	**1 404**	**13 906**
A van der Veen	**3 742**	**10 535**	**1 824**	**700**	**16 801**
Total directors' emoluments	**12 867**	**14 146**	**5 066**	**2 955**	**35 034**
Paid by HCI Limited group of companies	**(12 867)**	**(14 146)**	**(5 066)**	**(2 955)**	**(35 034)**
	-	-	-	-	-

	Salaries and fees R'000	Gains from share options* R'000	Performance incentives R'000	Other allowances or benefits R'000	Total R'000
31 March 2014					
MJA Golding	5 449	3 579	4 085	1 521	14 634
JA Copelyn	5 449	3 579	4 085	1 521	14 634
A van der Veen	3 551	13 174	2 299	893	19 917
Total directors' emoluments	14 449	20 332	10 469	3 935	49 185
Paid by HCI Limited group of companies	(14 449)	(20 332)	(10 469)	(3 935)	(49 185)
	-	-	-	-	-

Notes:

This remuneration is disclosed in terms of the Companies Act due to the fact that KWV is a subsidiary of the HCI group.

The only costs relating to these directors that are borne by the KWV group are the non-executive directors' fees and management fees, as disclosed in note 31.6.

* Recognised as IFRS 2 expense.

	Group 2015 Number	Group 2014 Number
32. SHARE-BASED COMPENSATION BENEFITS		

32.1 **Share appreciation rights ("SARs")**

The group offers phantom shares to selected employees. These phantom shares are linked to share price of KWV Holdings Limited.

Exercise and expiry dates of SARs:
Each SAR will be exercisable in portions of 1/3 (one-third) exercisable after the 2nd (second), 3rd (third) and 4th (fourth) years respectively from the date the right is granted. Each right will remain in force for a period not exceeding 4½ years (4 years and 6 months) from the grant date.

Settlement of SARs
The difference between the strike price on the date the SAR is exercised and the exercise price (reduced by all dividends and / or distributions (net of taxation) to shareholders in the period between the granting of the SAR and the vesting thereof) will be settled in cash.

Note: The group has the discretion to choose to settle the net amount owed to any participant by transferring shares in KWV Holdings

The strike price will be the weighted average market price of KWV Holdings Limited's share for the 2 (two) calendar months preceding the vesting of the offer, as determined from the company's official trading platform.

	Group 2015 Number	Group 2014 Number
32.2 **SARs allotted during the year**	-	-
32.3 **Share appreciation rights ("SARs") held by employees**		
Outstanding at the beginning of the year	**300 000**	359 737
Exercised / taken up in terms of contracts	**-**	(59 737)
Lapsed	**(300 000)**	-
Outstanding at the end of the year	-	300 000

		Group 2015	Group 2014

32. SHARE-BASED COMPENSATION BENEFITS *(continued)*

32.4 ***Recognition of SARs in the financial statements***

The fair value of services received in return for SARs granted are measured by reference to the fair value of the instruments granted. The estimate of this fair value is based on a binominal option valuation model.

At 31 March the fair value of all outstanding SARs are estimated again. This value is apportioned between an amount related to past services rendered by employees and an amount relating to future services still to be received by the group. A creditor is raised for the amount relating to past services and it is expensed.

For the year ended 31 March the key inputs into this model were:

		Group 2015	Group 2014
Market price		**R 6.51**	R 7.80
Exercise price	Various, as per note 32.3		
Contractual life of phantom shares	1/3 (one-third) tranches after the 2nd, 3rd and 4th anniversaries of the grant date		
Dividend yield		**-**	0.0%
Expected volatility of the share price		**-**	30.0%
Risk free rate		**-**	8.40%
Total estimated value of qualifying share options granted as at year-end		**-**	11
Amount recognised as a liability		**-**	(11)
Estimated amount to be recognised in future years		**-**	-
Share-based payment expense relating to options, recognised for the year:			
Actual amount paid (either in cash or in shares) to employees		**-**	266
Decrease in accrual for share based expense payable		**(11)**	(480)
		(11)	(214)

32.5 ***Treasury shares owned by the group***

	2015 Number	2014 Number
Balance at beginning of the year	**442 711**	442 711
Acquired during the year	**536 716**	-
Balance at beginning and end of the year	**979 427**	442 711
	R'000	R'000
Fair value of shares	**6 376**	3 453

33. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), currency risk, credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

	Group	
	2015	2014

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.1 **Foreign exchange risk**
Exchange rates used in these financial statements

	Closing rate	**Avg. rate for the year**	Closing rate	Avg. rate for the year
Euro	**13.11**	**13.99**	14.55	13.57
CAD	**9.57**	**9.57**	9.57	9.60
GBP	**17.98**	**17.81**	17.61	16.10
USD	**12.16**	**11.06**	10.58	10.12

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, US dollar, Canadian dollar, Japanese yen and the UK pound. Foreign exchange risk primarily arises as a result of purchases and sales which are denominated in foreign currencies. There is a translation risk arising from the consolidation of the results of foreign subsidiaries in South African rand, the holding company's reporting currency.

Foreign currency contracts are entered into to protect existing assets and liabilities against movements in exchange rates or to hedge future cash flows of high probability. Although hedge accounting is not applied, group policy provides that all transactions of the South African operating subsidiaries are hedged as soon as any material foreign currency exposure arises.

Foreign currency forward contracts or other appropriate derivatives are also entered into when management considers it appropriate to establish economic hedges for future sales transactions. Forward contracts are not entered into for speculative purposes.

A significant portion of the 2016 budgeted export sales were hedged during 2015 as detailed below.

Forward foreign exchange options and contracts

Contracts and options to sell foreign currency 2015	**Contracted foreign amount FC' 000**	**Average exchange rate**	**Total contracted amount R' 000**	**Foreign currency receivables and cash balances R' 000**	**Uncovered receivables as at 31 March 2015 R' 000**
Euro	**3 000**	13.99	**41 958**	**71 499**	**(29 541)**
CAD	**497**	10.39	**5 163**	**5 037**	**126**
USD	**750**	11.43	**8 572**	**19 681**	**(11 109)**
GBP	**118**	19.48	**2 305**	**3 532**	**(1 227)**
JPY	**17 600**	0.11	**1 884**	**6 958**	**(5 074)**
			59 882	**106 707**	**(46 825)**
2015 (hedging iro future sales)					
Fixed Rate Contracts & Options					
Euro	**13 174**	13.72	**180 689**	-	**180 689**
USD	**1 717**	12.24	**21 009**	-	**21 009**
GBP	**439**	19.15	**8 405**	-	**8 405**
CAD	**1 184**	10.14	**12 006**	-	**12 006**
JPY	**155 541**	0.11	**16 634**	-	**16 634**
			238 743	-	**238 743**
Zero Cost Foreign Exchange Options		Floor - Cap	**Floor in R**		
USD	**2 732**	12.34 - 13.14	**33 736**	-	**33 736**
			33 736	-	**33 736**
			272 479	-	**272 479**
Total for 2015			**332 361**	**106 707**	**225 654**

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.1 **Foreign exchange risk** *(continued)*

Contracts and options to sell foreign currency	Contracted foreign amount	Average exchange rate	Total contracted amount	Foreign currency receivables and cash balances	Contracts to cover cash balances / (uncovered receivables) as at 31 March 2014
2014	**FC' 000**		**R' 000**	**R' 000**	**R' 000**
Euro	3 754	12.56	47 154	73 049	(25 895)
CAD	615	9.96	6 123	7 359	(1 236)
USD	2 240	9.65	21 615	19 455	2 160
GBP	102	14.12	1 447	4 455	(3 008)
JPY	22 732	0.10	2 385	8 345	(5 960)
			78 724	112 663	(33 939)
2014 (hedging iro future sales)					
Fixed Rate Contracts & Options					
Euro	9 433	14.12	133 216	-	133 216
CAD	2 900	9.65	27 986	-	27 986
USD	353	17.76	6 272	-	6 272
GBP	1 667	10.20	17 001	-	17 001
JPY	229 350	0.11	25 106	-	25 106
			209 581	-	209 581
Zero Cost Foreign Exchange Options		**Floor - Cap**	**Floor in R**		
Euro	4 424	14.50 - 17.59	64 144	-	64 144
Euro	2 000	14.00 - 15.87	28 000	-	28 000
			92 144	-	92 144
Total for 2014			380 449	112 663	267 786

Contracts to buy foreign currency	Contracted foreign amount	Average exchange rate	Total contracted amount	Foreign currency payables	Uncovered payables as at 31 March 2015
2015	**FC' 000**		**R' 000**	**R' 000**	**R' 000**
Euro	-	-	-	**4 369**	**(4 369)**
USD	-	-	-	**1 151**	**(1 151)**
GBP	-	-	-	**263**	**(263)**
CAD	-	-	-	**728**	**(728)**
DKK	-	-	-	**8**	**(8)**
				6 519	**(6 519)**
2014					
Euro	-	-	-	10 648	(10 648)
USD	-	-	-	1 889	(1 889)
GBP	-	-	-	280	(280)
CAD	-	-	-	1 795	(1 795)
				14 612	(14 612)

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.1 Foreign exchange risk *(continued)*

Sensitivity analysis

		Group 2015 R'000	Group 2014 R'000	**Company 2015 R'000**	Company 2014 R'000
Unhedged foreign currency exposure at year end:		**(232 173)**	(282 011)		
Operational assets:	Trade receivables	**88 489**	93 668		
	Bank and cash balances	**18 218**	18 995		
Hedging instruments:	Forward exchange contracts	**(298 625)**	(288 305)		
	Options	**(33 736)**	(92 144)		
Loans and receivables:		**-**	387		
Operational liabilities:	Payables and accruals	**(6 519)**	(14 612)		

Impact of movements in exchange rates

As at 31 March, had the rand ("ZAR") strengthened or weakened against the basket of currencies in which the group operates (primarily the Euro, US dollar, Canadian dollar, Japanese yen and the UK pound), the impact on profit after tax would have been as follows:

Increase / (decrease) in profit after tax		**Group 2015 R'000**	Group 2014 R'000
5%	strengthening of ZAR (excluding options)	**7 144**	10 152
10%	strengthening of ZAR (excluding options)	**14 288**	20 305
5%	weakening of ZAR	**(8 358)**	(10 152)
10%	weakening of ZAR	**(16 716)**	(20 305)

33.2 Cash flow interest rate risk

Details of all borrowings incurred by the group are provided in note 8.

The group is mainly exposed to interest rate risk related to movements in long and short-term interest rates. This risk is managed on an on going basis by entering into fixed interest rate loans, hedging interest rate volatility through the use of derivative financial instruments and by being able to source funding from several competing financial institutions.

Sensitivity analysis

	Group 2015 R'000	Group 2014 R'000
Unhedged interest rate exposure at year end:	**70 707**	133 703
Loan: Eggers & Franke GmbH & Co. KG	**-**	387
Loan: Orange River Wine Cellar Co-op Ltd	**-**	2 136
Bank and cash balances	**70 707**	131 180

Impact of movements in interest rates

Based on the statement of financial position as at 31 March, had there been a change in interest rates, the impact on profit after tax for the year would have been as follows:

		Group 2015 R'000	Group 2014 R'000
1%	increase in interest rates	**509**	963
2%	increase in interest rates	**1 018**	1 925
1%	decrease in interest rates	**(509)**	(963)
2%	decrease in interest rates	**(1 018)**	(1 925)

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.3 Credit risk

Credit risk encompasses all forms of counterparty exposure, i.e. when counterparties default on their obligations to the group in relation to lending, hedging, settlement and other financial activities.

With regards to derivative financial instruments and cash and cash equivalents, the group only enters into transactions with financial institutions of investment grade or better and the risk of these counterparties defaulting is considered to be minimal.

The group's largest concentration of credit risk lies in its trade receivables. Trade receivables are disclosed net of a provision for impairment. Credit risk exposure is managed through investigations into the credit worthiness of customers, credit limits placed on trading partners and credit insurance on selected customers. These limits and exposures are managed on an on going basis.

Analysis of credit risk		GROUP Impaired R'000	GROUP Fully performing R'000	GROUP Total R'000
33.3.1 Loans and receivables: 2015				
Gross amounts owing		-	-	-
Less: Provision for impairment		-	-	-
Net amount owing	Note 8	-	-	-
Security for amounts owing		-	-	-
Unsecured debt / Exposure to credit risk		-	-	-
Credit rating on unsecured debt:		-	-	-
Aa : No caution needed for credit transaction		-	-	-
Ba : Capable of meeting normal commitments		-	-	-
C : Good for the amount quoted		-	-	-
- Loans and receivables: 2014				
Gross amounts owing		624	2 136	2 760
Less: Provision for impairment		(237)	-	(237)
Net amount owing	Note 8	387	2 136	2 523
Security for amounts owing		-	-	-
Unsecured debt / Exposure to credit risk		387	2 136	2 523
Credit rating on unsecured debt:		387	2 136	2 523
Aa : No caution needed for credit transaction		-	-	-
Ba : Capable of meeting normal commitments		387	-	387
C : Good for the amount quoted		-	2 136	2 136

	Group 2015 R'000	Group 2014 R'000
Reconciliation of provision for impairment		
Provision at beginning of the year	**(237)**	(806)
Provision utilised during the year	**237**	1 294
Provision written back	-	(725)
Provision at end of the year	-	(237)

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.3 **Credit risk** *(continued)*

GROUP

33.3.2 **Trade receivables: 2015**

31 March 2015		Impaired R'000	Past due, but not impaired R'000	Fully performing R'000	Total R'000
Gross amounts owing	**Note 10**	**4 591**	**9 623**	**184 456**	**198 670**
Less: Provision for impairment		**(4 591)**	**-**	**-**	**(4 591)**
Net amount owing		**-**	**9 623**	**184 456**	**194 079**
Credit insurance for amounts owing		**-**	**(7 586)**	**(176 807)**	**(184 393)**
Unsecured debt / Exposure to credit risk		**-**	**2 037**	**7 649**	9 686
Credit rating on unsecured debt:		**-**	**2 037**	**7 649**	**9 686**
Aa : No caution needed for credit transaction		**-**	**-**	**-**	**-**
A : General unfavourable factors will not cause fatal effect		**-**	**-**	**-**	**-**
Ba : Capable of meeting normal commitments		**-**	**937**	**3 855**	**4 792**
B : Good for the amount quoted		**-**	**-**	**-**	**-**
C : Good for the amount quoted - if strictly in the way of business		**-**	**1 100**	**3 794**	**4 894**

- **Trade receivables: 2014**

31 March 2014		Impaired R'000	Past due, but not impaired R'000	Fully performing R'000	Total R'000
Gross amounts owing	**Note 10**	3 668	14 406	184 217	202 291
Less: Provision for impairment		(3 668)	-	-	(3 668)
Net amount owing		-	14 406	184 217	198 623
Credit insurance for amounts owing		-	(11 045)	(168 357)	(179 402)
Unsecured debt / Exposure to credit risk		-	3 361	15 860	19 221
Credit rating on unsecured debt:		-	3 361	15 860	19 221
Aa : No caution needed for credit transaction		-	-	-	-
A : General unfavourable factors will not cause fatal effect		-	-	-	-
Ba : Capable of meeting normal commitments		-	325	2 810	3 135
B : Good for the amount quoted		-	-	-	-
C : Good for the amount quoted - if strictly in the way of business		-	3 036	13 050	16 086

	Group 2015 R'000	Group 2014 R'000
Age analysis for trade debt that is overdue, but not impaired	**9 623**	14 406
Less than 30 days	**4 957**	10 043
Less than 60 days	**3 404**	3 995
Less than 90 days	**793**	166
More than 90 days	**469**	202
Reconciliation of provision for impairment of trade receivables		
Provision at beginning of the year	**3 668**	3 843
Provision utilised during the year	**(246)**	(1 256)
Increase in provision	**1 169**	1 081
Provision at end of the year	**4 591**	3 668

The group has guaranteed various revolving credit facilities of R 130 million (2014: R 130 million) of which the undrawn balance is available to fund future investments. These guarantees have also been disclosed as part of the group's liquidity risk below.

	Group 2015 R'000	Group 2014 R'000
33. FINANCIAL RISK MANAGEMENT *(continued)*		
33.3 **Credit risk** *(continued)*		
33.3.3 **Bank and cash balances:** Fully performing		
Gross amounts owing	**70 707**	131 180
Less: Provision for impairment	**-**	-
Net amount owing (Unsecured debt / Exposure to credit risk)	**70 707**	131 180

Credit rating on unsecured debt (Fitch credit rating):
F1 : Highest short-term credit quality.

33.4 **Liquidity risk**
The group manages liquidity risk by monitoring projected cash flows and ensuring that adequate borrowing facilities are maintained to provide for the cash requirements of the group.

	Group 2015 R'000	Group 2014 R'000
Gross contractual financial liabilities		
Trade and other payables	**142 648**	171 531
Derivative financial instruments	**1 585**	23 911
	144 233	195 442
Maturity analysis of contractual financial liabilities		
No later than one year	**144 233**	195 442
The group has the following undrawn, uncommitted borrowing facilities:		
Uncommitted facilities at banks and financial institutions	**120 000**	120 000
Committed facilities at banks and financial institutions	**10 000**	10 000
Utilisation	**-**	-
Undrawn facilities	**130 000**	130 000

Due to Basel III requirements the group's bankers insist on charging a fee for committed credit lines. In light of the group's current cash surplus "headroom facilities" which only require a fast track credit approval process and can typically be accessed within 48 hours, are deemed to be sufficient in order to address liquidity risk.

33.5 **Capital risk management**
The company manages its shareholders' equity, i.e. its issued capital (including share premium), reserves and treasury shares, as capital. 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 in the form of dividends and capital appreciation.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In the short term the group's objective is to improve profitability and return on equity before setting an objective regarding a specific gearing ratio.

The own capital ratios are as follows:

	Group 2015 R'000	Group 2014 R'000
Total capital and reserves	**1 267 112**	1 225 154
Total assets	**1 581 089**	1 609 107
Own capital ratio	**80%**	76%

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.6 **Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The group is not exposed to significant price risk.

33.7 **Fair value estimation of financial instruments**

The fair value of financial instruments traded in active markets, including exchange traded derivative financial liabilities, is based on quoted market prices at the year-end date. The quoted market price used for financial assets held by the group is the current bid price.

Apart from the items mentioned below the fair value of financial instruments that are not traded in an active market is determined by the fair value of the underlying (quoted) investments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The carrying values, less impairment provision of receivables and payables, are assumed to approximate their fair values. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate.

The fair values of receivables, payables, loans, cash and bank balances are disclosed in note 12 to note 13.

34. EVENTS AFTER REPORTING PERIOD

No material events which may have a significant influence on the financial position of the group occurred between the date of the financial year end and the date of approval of the financial statements.

Annexure A: Subsidiary companies, joint ventures and associates

as at 31 March 2015

(This Annexure is an integral part of the financial statements)

COMPANY'S INTEREST IN SUBSIDIARY COMPANIES	Issued share-capital	Effective percentage interest		Company carrying amount	
		2015	2014	**2015**	2014
	R'000	**%**	%	**R'000**	R'000
Golden Kaan South Africa (Pty) Ltd*	0.1	**100**	100	**-**	-
KWV Intellectual Properties (Pty) Ltd*	0.2	**100**	100	**28 786**	28 786
KWV International (Pty) Ltd*					
- shares	0.5	**100**	100	**57 664**	57 664
- loan				**-**	81 358
KWV International Holding GmbH	-	**-**	100	**-**	823
KWV Projects (Pty) Ltd*	0.1	**100**	100	**-**	-
KWV South Africa (Pty) Ltd*					
- shares	10.1	**100**	100	**325 010**	325 010
- loan				**411 950**	252 996
KWV Russia	0.1	**75**	-	**-**	-
KWV USA	0.1	**100**	100	**-**	-
Note 6				**823 410**	746 637

GROUP'S INTEREST IN ASSOCIATE AND JOINT VENTURES	Effective percentage interest		Group carrying amount	
	2015	2014	**2015**	2014
	%	%	**R'000**	R'000
Paarl Valley Bottling Company (Pty) Ltd*	**30.9**	28.1	**12 098**	10 750
Solamoyo Processing (Pty) Ltd*	**40.0**	40.0	**4 700**	4 522
Red Dawn IP Holdings (Pty) Ltd*	**50.0**	-	**-**	-
Note 7			**16 798**	15 272

* Incorporated in South Africa

The main business of Paarl Valley Bottling Company (Pty) Ltd is the contract bottling of beverages, especially wine.
The main business of Solamoyo Processing (Pty) Ltd is the processing of waste water.
The main business of Red Dawn IP Holdings (Pty) Ltd is the holding of patents.

Annexure A: Subsidiary companies, joint ventures and associates

as at 31 March 2015

(continued)

	Total	Solomoya Processing Company	Paarl Valley Bottling	Red Dawn IP Holdings	Total	Solomoya Processing Company	Paarl Valley Bottling	Red Dawn IP Holdings
	2015	2015	2015	2015	**2014**	2014	2014	2014
	R'000	R'000	R'000	R'000	**R'000**	R'000	R'000	R'000
ASSOCIATES AND JOINT VENTURES								
SUMMARY OF ASSETS AND LIABILITIES								
as at 31 March								
Non-current assets								
Property, plant and equipment	**45 949**	10 181	35 768	-	45 421	10 672	34 749	-
Current assets	**26 954**	638	26 316	-	24 364	658	23 706	-
Inventory	**7 987**	-	7 987	-	7 295	-	7 295	-
Trade and other receivables	**13 080**	373	12 707	-	9 264	14	9 250	-
Financial assets	**100**	-	100	-	165	65	100	-
SARS	**-**	-	-	-	(100)	-	(100)	-
Deferred tax	**160**	160	-	-	579	579	-	-
Cash and cash equivalents	**5 627**	105	5 522	-	7 161	-	7 161	-
Total assets	**72 903**	10 819	62 084	-	69 785	11 330	58 455	-
Total equity								
Ordinary shareholders' funds	**40 373**	(436)	40 820	(11)	35 980	(2 289)	38 269	-
Non-current liabilities	**19 093**	10 800	8 293	-	23 077	13 594	9 483	-
Long-term liabilities	**16 734**	10 800	5 934	-	20 718	13 594	7 124	-
Deferred taxation	**2 359**	-	2 359	-	2 359	-	2 359	-
Current liabilities	**13 437**	455	12 971	11	10 728	25	10 703	-
Trade payables and provisions	**12 819**	455	12 353	11	10 393	25	10 368	-
Taxation payable	**618**	-	618	-	335	-	335	-
Total equity and liabilities	**72 903**	10 819	62 084	-	69 785	11 330	58 455	-
RESULTS OF OPERATIONS								
for the year ended 31 March								
Revenue	**91 886**	1 953	89 933	-	72 395	686	71 709	-
Profit before taxation	**5 603**	1 853	4 670	(920)	2 810	(805)	3 615	-
Taxation	**(1 279)**	-	(1 279)	-	(1 153)	-	(1 153)	-
Net profit attributable to ordinary shareholders	**4 324**	1 853	3 391	(920)	1 657	(805)	2 462	-

The group's financial year-end differs from that of Paarl Valley Bottling Company (Pty) Ltd (31 January) and from that of Solamoyo Processing Company (Pty) Ltd (30 June). For the purposes of these financial statements the results according to the management accounts to 31 March were used. The financial year-end of Red Dawn IP Holdings (Pty) Ltd is 31 March.

Annexure B: Property, plant and equipment

as at 31 March 2015

(This Annexure is an integral part of the financial statements)

	Land and buildings R'000	Machinery and equipment R'000	Furniture and fittings R'000	Vehicles R'000	Plant under construction R'000	GROUP Total R'000
Year ended 31 March 2014						
Opening carrying value	31 935	148 341	19 912	3 235	1 565	204 988
Additions / (transfers)	5 060	26 690	6 495	668	(254)	38 659
Disposals	-	(318)	(73)	(557)	-	(948)
Depreciation charge	(1 167)	(16 004)	(6 586)	(294)	-	(24 051)
Impairment of assets	-	-	(1 179)	-	-	(1 179)
Carrying value	35 828	158 709	18 569	3 052	1 311	217 469
At 31 March 2014						
Cost	51 128	430 581	70 863	9 507	1 311	563 390
Accumulated depreciation	(15 300)	(271 872)	(52 294)	(6 455)	-	(345 921)
Carrying value	35 828	158 709	18 569	3 052	1 311	217 469
Year ended 31 March 2015						
Opening carrying value	**35 828**	**158 709**	**18 569**	**3 052**	**1 311**	**217 469**
Additions / (transfers)	**2 108**	**28 021**	**6 698**	**1 548**	**(36)**	**38 339**
Disposals	**-**	**(2 017)**	**(86)**	**(18)**	**-**	**(2 121)**
Depreciation charge	**(1 237)**	**(17 351)**	**(7 360)**	**(312)**	**-**	**(26 260)**
Carrying value	**36 699**	**167 362**	**17 821**	**4 270**	**1 275**	**227 427**
At 31 March 2015						
Cost	**53 236**	**456 585**	**77 475**	**11 037**	**1 275**	**599 608**
Accumulated depreciation	**(16 537)**	**(289 223)**	**(59 654)**	**(6 767)**	**-**	**(372 181)**
Carrying value	**36 699**	**167 362**	**17 821**	**4 270**	**1 275**	**227 427**

Note:
The market value of appreciating assets like land and buildings and certain heritage assets (including works of art, classified under furniture and fittings) are more than their carrying values in the financial statements. The board considers the current accounting policy to be appropriate and does not intend revaluing these assets on a regular basis.

Annexure C: Intangible assets

as at 31 March 2015

(This Annexure is an integral part of the financial statements)

	Trade marks / Brands R'000	Computer software R'000	GROUP Total R'000
Year ended 31 March 2014			
Opening carrying value	16 372	3 100	19 472
Additions	-	441	441
Amortisation charge	(995)	(954)	(1 949)
Carrying value	15 377	2 587	17 964
At 31 March 2014			
Cost or valuation	35 293	14 227	49 520
Accumulated amortisation	(19 916)	(11 640)	(31 556)
Carrying value	15 377	2 587	17 964
Year ended 31 March 2015			
Opening carrying value	**15 377**	**2 587**	**17 964**
Additions	**-**	**451**	**451**
Amortisation charge	**(995)**	**(810)**	**(1 805)**
Carrying value	**14 382**	**2 228**	**16 610**
At 31 March 2015			
Cost or valuation	**35 293**	**14 678**	**49 971**
Accumulated amortisation	**(20 911)**	**(12 450)**	**(33 361)**
Carrying value	**14 382**	**2 228**	**16 610**

Annexure D: Segment report

for the year ended 31 March 2015

(This Annexure is an integral part of the financial statements)

		Group 2015 R'000	Group 2014 R'000	
Functional analysis of sales		**1 155 385**	1 110 212	
Wine	42.6%	**492 206**	471 607	42.4%
Spirits	49.4%	**571 108**	556 944	50.2%
Other	8.0%	**92 071**	81 661	7.4%
Regional analysis of sales		**1 155 385**	1 110 212	
South Africa	57.0%	**659 301**	601 081	54.1%
Europe and the United Kingdom	28.4%	**327 764**	340 721	30.7%
Africa (excl. South Africa)	8.2%	**94 673**	87 243	7.9%
Rest of the world	6.4%	**73 647**	81 167	7.3%
Operating profit / (loss) per region		**62 310**	(2 196)	
Trading profit:				
South Africa		**6 525**	15 434	
Europe and the United Kingdom		**70 920**	85 734	
Africa (excl. South Africa)		**17 871**	14 966	
Rest of the world		**8 928**	4 592	
Items not allocated to segments:				
Other income, gains and losses		**37 190**	(37 951)	
Operational and administrative expenses		**(79 124)**	(84 971)	

Notes:

Management has determined the operating segments based on the accountabilities of senior management and reports reviewed by the executive management that are used to make strategic decisions.

The executive management assesses the performance of the operating segments based on trading profit. This measurement basis exclude other income, gains and losses, as well as operational and administrative expenses.