



SUMMARISED  
GROUP REPORT 2015

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**NOTICE IN TERMS OF SECTION 29(3) OF THE COMPANIES ACT, 2008 (THE ACT)**

These summarised financial statements are a summary of the annual financial statements of the group for the year ended 31 March 2015.

The annual financial statements of the group have been audited in compliance with the Act.

The preparation of the annual financial statements has been supervised by DP Smit CA(SA).

A copy of the annual financial statements is available at request from the registered offices of the group.

## PROFILE

# KWV IS ONE OF THE LEADING WINE AND SPIRITS PRODUCERS IN SOUTH AFRICA

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*KWV is internationally known for brands such as Roodeberg, KWV wines, Laborie, Cathedral Cellar, KWV The Mentors, Wild Africa Cream and the KWV 3, 5, 10, 12, 15 and 20 year old brandies.*

*Our head office is located in Paarl, in the Western Cape region – one of the country's top wine-producing regions.*

*The company sources wine and grapes from the best and most sought-after viticultural regions in South Africa. We are able to experiment with new wine techniques, varietals and new terroirs, in order for us to always stay relevant, fresh and innovative.*

*KWV recently introduced brands like XO Cognac, the first cognac produced under a South African brand name and Nexus, an exclusive 30-year-old Potstill brandy. KWV has successfully relaunched Wild Africa Cream in the local and global market. We have introduced two new wine brands, Earth's Essence, a sulphur and preservative-free wine made by using a patented process and Big Bill, a red and white blended wine that challenges convention, while respecting our heritage.*

*All these are great examples of how we used our pioneering spirit to achieve greatness.*

*KWV has been named as one of the World's Top 50 Most Admired Wine Brands for the fourth successive year – the only South African wine brand to attain this global accolade.*

*To order wine or brandy, visit [www.kwvwineemporium.co.za/shop](http://www.kwvwineemporium.co.za/shop).*

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## AWARDS

In the year under review, KWV's wines and brandies were awarded an impressive number of trophies, medals and awards in local and international competitions.

### *World Spirits Award*

KWV Brandy	KWV 15	Double Gold	Feb 2014
KWV Brandy	KWV 20	Gold	Feb 2014
KWV Brandy	KWV 10	Gold	Feb 2014
Imoya	Imoya VSOP	Gold	Feb 2014

### *International Spirits Challenge*

KWV Brandy	KWV 10	Gold	June 2014
KWV Brandy	KWV 15	Silver	June 2014
KWV Brandy	KWV 12	Silver	June 2014
KWV Brandy	KWV 20	Silver	June 2014
Imoya	Imoya VSOP	Silver	June 2014
Laborie Brandy	Laborie Alambic	Silver	June 2014
KWV Vodka	Vodka	Bronze	June 2014
KWV Gin	Gin	Bronze	June 2014
KWV Liqueur	Ginger Liqueur	Bronze	June 2014

### *International Wine & Spirit Competition – United Kingdom*

KWV Brandy	KWV 12	Trophy Worldwide Best Brandy	July 2014
KWV Brandy	KWV 20	Gold Outstanding	July 2014
KWV Brandy	KWV 15	Gold Outstanding	July 2014
KWV Brandy	KWV 12	Gold Outstanding	July 2014
Perold	Tributum	Gold Outstanding	July 2014
KWV The Mentors	Sauvignon Blanc/Semillon	Gold	July 2014
KWV The Mentors	Noble Late Harvest	Gold	July 2014

### *South African Wine Index*

KWV Brandy	KWV Brandy	Trophy for Best South African Brandy Producer	November 2014
KWV Brandy	KWV 20	Platinum – SA Brandy of the year	November 2014
KWV Brandy	KWV 15	Grand Gold	November 2014
Laborie Brandy	Laborie Alambic	Platinum	November 2014

### *Michelangelo International Wine and Spirit Awards*

Imoya	Imoya VSOP	Double Gold and Trophy	October 2014
KWV Liqueur	Wild Africa Cream	Double Gold and Trophy	October 2014
KWV The Mentors	Cabernet Sauvignon	Double Gold	October 2014
KWV Liqueur	Ginger Liqueur	Gold	October 2014
Laborie Brandy	Laborie Alambic	Gold	October 2014
Roodeberg	Roodeberg White	Gold	October 2014
Cathedral Cellar	Chenin Blanc	Gold	October 2014

### *Veritas (Best producer of the year award)*

KWV The Mentors	Sauvignon Blanc Darling	Double Gold	October 2014
KWV The Mentors	Petit Verdot	Double Gold	October 2014
KWV The Mentors	Sauvignon Blanc/Semillon	Double Gold	October 2014
KWV Heritage	White Muscadel Jerepigo	Double Gold	October 2014
KWV Heritage	Reserve Port Limited Edition	Double Gold	October 2014
KWV Brandy	KWV 12 Year Barrel Select	Double Gold	October 2014
KWV Brandy	KWV 15 Alambic Limited Release	Double Gold	October 2014
Laborie	MCC Blanc de Blanc	Double Gold	October 2014
Perold	Tributum	Double Gold	October 2014

### *Decanter World Wine Awards*

KWV The Mentors	Noble Late Harvest	International Trophy – Best sweet under £15	April 2014
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### *Old Mutual Trophy Wine Show (Most successful producer overall)*

KWV Heritage	White Muscadel Jerepigo	Trophy – Best Museum Class Fortified and Overall	May 2014
KWV The Mentors	Semillon	Trophy – Best Semillon	May 2014
KWV The Mentors	Chenin Blanc	Trophy – Harold Eedes Best Chenin Blanc	May 2014
Roodeberg	Roodeberg Red	Trophy – Best Museum Class Red Blend	May 2014
KWV Heritage	Red Muscadel	Gold	May 2014



**TOP 50**  
2012, 2013, 2014, 2015

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

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

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.

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 write-offs 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 under-investing 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

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

following, which enables us to retain sales volumes even as the South African category is declining.

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 in-market 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 wine-making 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.



**Marcel Golding**  
*Chairman*



**André van der Veen**  
*Chief Executive Officer*

## FINANCIAL REPORT

**W**e achieved solid volume and revenue growth in South Africa and our core brands, Roodeberg, KWV and Laborie, performed well.

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.

## FINANCIAL REPORT *(continued)*

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

**K**WV's recent level 3 BBBEE rating makes it one of the most empowered companies in the wine industry. One of the company's key transformation objectives is to develop the communities in which it operates.

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 crèche managers.

## SUSTAINABILITY *(continued)*

### ***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.

### ***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 lessons take place during the week. The Trust also funded the printing of pamphlets for marketing of the project at schools in Paarl.

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

- *Boland School for Autism – [www.bolandautism.org.za](http://www.bolandautism.org.za)*
- *The Institute for the Blind – [www.blind-institute.org.za](http://www.blind-institute.org.za)*
- *Klapmuts Primary School*
- *Drakenstein Hospice – [www.drakensteinhospice.org.za](http://www.drakensteinhospice.org.za)*
- *Ligstraal School for Learners with Special Educational Needs – [www.ligstraalschool.com](http://www.ligstraalschool.com)*
- *Valcare Trust – [www.valcare.org.za](http://www.valcare.org.za)*

### **Responsible use of alcohol**

KVV, 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.

KVV 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**

KVV'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.

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

KVV 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.

KVV participated in the annual HCI Carbon Disclosure Project.

### **Biodiversity**

The Laborie Estate is a member of the Biodiversity Wine Initiative (BWI). KVV 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 KVV 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.

## SUSTAINABILITY *(continued)*

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.*

### **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 Pollution 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 learner-ship 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.



## 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 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 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 summarised financial statements which appear on pages 18 to 22 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 GROUP SECRETARY

I hereby confirm, in my capacity as company secretary of KVV 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**  
*Group 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	May	Nov
F-A du Plessis (chairperson)	√	√
KR Moloko	√	√
JA Copelyn	A	√

A = Absent with apology

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 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**

*Chairperson of the Audit Committee*

15 May 2015

## INDEPENDENT AUDITOR'S REPORT ON THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

*to the shareholders of KVV Holdings Limited*

The summary consolidated financial statements, set out on pages 18 to 22, which comprise the summary consolidated statement of financial position as at 31 March 2015, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of KVV Holdings Limited for the year ended 31 March 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 15 May 2015. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other Reports Required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of KVV Holdings Limited.

### **DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS**

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the basis described in note 1 and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

### **OPINION**

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of KVV Holdings Limited for the year ended 31 March 2015 are consistent, in all material respects, with those consolidated financial statements, in accordance with the basis described in note 1 and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### **OTHER REPORTS REQUIRED BY THE COMPANIES ACT**

The "Other Reports Required by the Companies Act" paragraph in our audit report dated 15 May 2015 states that as part of our audit of the consolidated 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 Declaration by the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

*PricewaterhouseCoopers Inc*

**PricewaterhouseCoopers Inc.**

Director: TS Bruwer

*Registered Auditor*

Paarl

15 May 2015

## DIRECTORS' REPORT

### NATURE OF ACTIVITIES

The primary activities of KVV Holdings Limited and its subsidiaries are 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

### FINANCIAL RESULTS

The financial results of the group are disclosed in the attached summarised 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 group 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 23.

### AUDITORS

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

## SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2015

	2015 R'000	2014 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>261 000</b>	253 320
Property, plant and equipment	227 427	217 469
Intangible assets	16 610	17 964
Investments in associates and joint ventures	16 798	15 272
Deferred taxation	165	2 615
<b>Current assets</b>	<b>1 320 089</b>	1 355 787
Inventory	1 035 493	1 002 707
Trade and other receivables	210 139	212 738
Current income tax assets	35	687
Derivative financial instruments	3 715	5 952
Loans and receivables	–	2 523
Bank and cash balances	70 707	131 180
<b>Total assets</b>	<b>1 581 089</b>	1 609 107
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	1	1
Share premium	425 722	425 722
Reserves	841 389	799 431
<b>Total equity</b>	<b>1 267 112</b>	1 225 154
<b>Non-current liabilities</b>		
Deferred taxation	45 090	31 194
<b>Current liabilities</b>		
Trade and other payables	267 302	328 848
Derivative financial instruments	1 585	23 911
<b>Total equity and liabilities</b>	<b>1 581 089</b>	1 609 107

## SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*for the year ended 31 March 2015*

	2015 R'000	2014 R'000
<b>Revenue</b>	<b>1 155 385</b>	1 110 212
Cost of sales	<b>(803 636)</b>	(760 482)
Gross profit	<b>351 749</b>	349 730
Other income	7 671	9 437
Other gains and (losses) — net	<b>29 519</b>	(47 388)
Operating expenses	<b>(326 629)</b>	(313 975)
Promotion, marketing and distribution	<b>(247 505)</b>	(229 004)
Operational and administrative expenses	<b>(79 124)</b>	(84 971)
<b>Operating profit/(loss)</b>	<b>62 310</b>	(2 196)
Interest received	1 923	3 871
Finance costs	<b>(2 097)</b>	(635)
Share of profit of associates and joint ventures	1 579	331
<b>Profit before income tax</b>	<b>63 715</b>	1 371
Income tax	<b>(17 494)</b>	(431)
<b>Profit for the year</b>	<b>46 221</b>	940
<b>Other comprehensive income</b>		
Change in foreign currency translation reserve	<b>52</b>	667
<b>Total comprehensive income</b>	<b>46 273</b>	1 607

*(Attributable to equity holders of the company)*

## SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2015

	2015 R'000	2014 R'000
<b>Share capital</b>		
Balance at beginning and end of the year	1	1
<b>Share premium</b>		
Balance at beginning and end of the year	425 722	425 722
<b>Reserves</b>		
<i>Common control reserve</i>		
Balance at beginning and end of the year	787 230	787 230
<i>Retained earnings</i>		
Balance at beginning of the year	10 180	9 371
Net profit attributable to ordinary shareholders	46 221	940
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
<i>Treasury shares</i>		
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)
<i>Equity reserve</i>		
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
<i>Currency translation reserve</i>		
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
<b>Total reserves at end of the year</b>	<b>841 389</b>	<b>799 431</b>
<b>Equity at end of the year</b>	<b>1 267 112</b>	<b>1 225 154</b>

## SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2015

	2015 R'000	2014 R'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash from operations before changes in working capital	93 079	53 005
Changes in working capital	(112 964)	(14 845)
Cash (utilised in)/from operations	(19 885)	38 160
Interest received	1 923	3 871
Finance costs	(2 097)	(771)
Taxation (paid)/refunded	(496)	57
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(20 555)</b>	<b>41 317</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
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)
Investments in joint ventures and associates	(1 648)	(497)
Repayments of loans receivable	3 254	20 752
Dividends received	236	200
<b>Net cash outflow from investing activities</b>	<b>(35 603)</b>	<b>(17 655)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Re-purchase of shares	(4 315)	-
<b>Net cash outflow from financing activities</b>	<b>(4 315)</b>	<b>-</b>
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
<b>Cash and cash equivalents at end of the year</b>	<b>70 707</b>	<b>131 180</b>

## NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2015

### 1. BASIS FOR PREPARATION AND ACCOUNTING POLICY

The group's financial statements, from where the summarised financial statements were derived, were prepared in accordance with International Financial Reporting Standards. The accounting policy according to which the financial statements were prepared, agrees to the policy applied in the previous year. The complete set of financial statements is available for inspection at the registered office.

The external auditors PricewaterhouseCoopers Inc. audited the financial statements of the group. A copy of the unqualified audit report is available at the registered office.

	2015 Number '000	2014 Number '000
<b>2. EARNINGS PER SHARE</b>		
Shares issued	68 980	68 980
Treasury shares	(979)	(442)
	<b>68 001</b>	68 538
Used in the calculation of earnings per share	<b>68 188</b>	68 538
	<b>R'000</b>	R'000
<b>Profit for the year</b>	<b>46 221</b>	940
Adjusted for:		
Impairment of investments in joint ventures	734	–
Loss/(profit) on sale of property, plant and equipment	817	(35)
Impairment of property, plant and equipment	–	849
<b>Headline earnings</b>	<b>47 772</b>	1 754
	<b>Cents</b>	Cents
<b>Earnings per share</b>		
– Attributable earnings	<b>67,8</b>	1,4
– Headline earnings	<b>70,1</b>	2,6
	<b>R'000</b>	R'000
<b>3. SEGMENTAL ANALYSIS</b>		
<b>Functional analysis of sales</b>	<b>1 155 385</b>	1 110 212
Wine	492 206	471 607
Spirits	571 108	556 944
Other	92 071	81 661
<b>Regional analysis of sales</b>	<b>1 155 385</b>	1 110 212
South Africa	659 301	601 081
Europe and the United Kingdom	327 764	340 721
Africa (excl. South Africa)	94 673	87 243
Rest of the world	73 647	81 167
<b>Operating profit/(loss) per region</b>	<b>62 310</b>	(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)

## ADMINISTRATIVE INFORMATION

### Directors

MJA Golding (Chairman)  
A van der Veen (CEO)  
JA Copelyn  
F-A du Plessis  
NL Ellis  
MN Joubert  
KI Mampeule  
KR Moloko  
DP Smit (Executive)  
LA van Dyk

### Auditors

PricewaterhouseCoopers Incorporated  
PwC Building  
Zomerlust Estate  
Berg River Boulevard  
Paarl  
Telephone: 021 807 7100

### Bankers

Absa Bank Limited  
Suider-Paarl

### Secretary

AW Eksteen  
Telephone: 021 807 3911

### Enquiries regarding transfer of shares

Bill Botha  
Link Market Services  
Telephone: 011 630 0823

### Registered office

La Concorde  
57 Main Street  
Paarl  
7646  
South Africa

### Postal address

PO Box 528  
Suider-Paarl  
7624

### Company registration number

2009/012871/06

## SHAREHOLDERS' DIARY

Annual general meeting

26 June 2015

Financial reports

- annual report: 31 March 2015

May 2015

## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given in terms of section 62 of the Companies Act, 2008 (Act 71 of 2008), as amended, (“the Act”) that the annual general meeting of the company will be held on Friday 26 June 2015 at 10:00 at La Concorde, 57 Main Street, Paarl, to transact the following business and to consider and, if deemed fit, to pass the following ordinary and special resolutions with or without modification:

**1. ORDINARY RESOLUTION NUMBER 1**

**Presentation of the directors’ report**

To receive and adopt the directors’ report for the year ended 31 March 2015.

**2. ORDINARY RESOLUTION NUMBER 2**

**Presentation of audited financial statements**

To receive and adopt the audited financial statements for the year ended 31 March 2015.

**3. ORDINARY RESOLUTION NUMBER 3**

**Presentation of audit committee report**

To receive and adopt the report of the Audit and Risk Management Committee for the year ended 31 March 2015.

**ELECTION OF DIRECTORS**

Clause 22.7 of the company’s memorandum of incorporation determines that no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election to the office of director at any annual general meeting unless, not less than 7 (seven) days nor more than 14 (fourteen) days before the day appointed for the meeting, there shall have been given to the secretary notice in writing by some member duly qualified to be present and vote at the meeting for which such notice is given of the intention of such member to propose such person for election and also notice in writing signed by the person to be proposed of her/his willingness to be elected.

The directors have recommended the following:

**4. ORDINARY RESOLUTION NUMBER 4**

To re-elect Mr Mike Joubert who retires at this annual general meeting in terms of the memorandum of incorporation and who is eligible and available for re-election.

“Mike Joubert started his own strategic brand marketing company, BrandsRock, in 2009, following a career where he acted, inter alia, as strategy consultant, marketing development director for Computicket, marketing director at Gilbey Distillers and Vintners and managing director for Levi Strauss & Co. He studied at the Universities of Stellenbosch and Pretoria and was during this time awarded the Abe Bailey Fellowship bursary, BP Education Trust bursary and the Nedcor MBA of the year award. He received the Sunday Times “South African Marketing person of the Year” award in 2006. Mike is currently the Chief Inspiration Officer of Saatchi & Saatchi Brandsrock.

**5. ORDINARY RESOLUTION NUMBER 5**

To re-elect Ms Keneilwe Moloko who retires at this annual general meeting in terms of the memorandum of incorporation and who is eligible and available for re-election.

“Keneilwe Moloko is a Chartered Accountant and a Quantity Surveyor. She has expertise in the building and construction industry and investment management field. Keneilwe started her career as a quantity surveyor with Grinaker Building, Dawson & Frazer and CP De Leeuw Quantity Surveyors. After a period of six years in the construction industry, she went back to study in order to become a Chartered Accountant. She completed her articles at KPMG working in the financial services and tax divisions. She later took up the position of development executive at Spearhead Properties. Thereafter, she joined Coronation Fund Managers as a fixed interest credit analyst and a member of the Coronation Credit Committee. She currently serves in boards and Audit Committees of several organisations.

## NOTICE OF THE ANNUAL GENERAL MEETING *(continued)*

### **6. ORDINARY RESOLUTION NUMBER 6**

To re-elect Professor Laetitia van Dyk who retires at this annual general meeting in terms of the memorandum of incorporation and who is eligible and available for re-election.

“Professor van Dyk is an associate professor at the University of Stellenbosch Business School, where she is the head of the Centre for Learnership Studies. She was previously HR director: UK Banking at Barclays PLC (London), and before that group executive director of Absa Group. Professor van Dyk has vast experience in the field of human resources and is registered as a general practitioner with the Institute of Personal Practice. She was also elected as a Fellow of the Institute of Bankers in South Africa, where she served as chairperson, the first woman to hold this position. She has served, and still serves on the boards of various institutions, including the WWF (previously), North-West University Council (previously), Absa Klein Karoo National Arts Festival (current chairperson) and Woordeboek van die Afrikaanse Taal Trust, to name a few.

### **APPOINTMENT OF AUDITORS AND AUDIT AND RISK MANAGEMENT COMMITTEE**

#### **7. ORDINARY RESOLUTION NUMBER 7**

##### **Re-appointment of independent auditors**

To re-appoint PricewaterhouseCoopers as independent external auditors of the company and to appoint Mr Hardie Malan as designated auditor, for the ensuing year.

#### **8. ORDINARY RESOLUTION NUMBER 8**

To appoint Ms Fran du Plessis as a member of the Audit and Risk Management Committee of the company.

#### **9. ORDINARY RESOLUTION NUMBER 9**

To appoint Ms Keneilwe Moloko as a member of the Audit and Risk Management Committee of the company.

#### **10. ORDINARY RESOLUTION NUMBER 10**

To appoint Mr John Copelyn as a member of the Audit and Risk Management Committee of the company.

### **INTERCOMPANY LOAN**

#### **11. SPECIAL RESOLUTION NUMBER 1**

In terms of the requirements of section 65(11)(f) of the Act, shareholders are requested to approve the following resolution as a special resolution:

“Resolved that in terms of and pursuant to the provisions of section 45(3)(a)(ii) of the Companies Act No. 71 of 2008, as amended, the Company is hereby authorised, by way of general authority to:

- 1.1 provide intercompany loans to companies or corporations which are related or inter-related to the Company; and/or
- 1.2 provide direct or indirect financial assistance to companies or corporations which are related or inter-related to the Company”.

##### **Explanation**

Special resolution number 1 is required in terms of Section 45 of the Act to grant the directors of the Company the authority to cause the Company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise, to any company or corporate entity which is related or inter-related to the Company. The special resolution does not authorise the provision of financial assistance to a director or prescribed officer of the Company.

## NOTICE OF THE ANNUAL GENERAL MEETING *(continued)*

### **DIRECTORS' REMUNERATION**

#### **12. SPECIAL RESOLUTION NUMBER 2**

In terms of the requirements of section 65(11)(h) of the Act, shareholders are requested to approve the following resolution as a special resolution:

"In terms of and pursuant to the provisions of section 66(9) of the Companies Act No. 71 of 2008, as amended, the Company is hereby authorised to pay remuneration to its non-executive directors for their services as directors as set out in the following table.

Chairman	R150 000 per annum
Director	R90 000 per annum
Chairman of committee	R20 000 per annum
Member of committee	R5 000 per meeting, with a maximum of R10 000"

#### **Explanation**

Special resolution number 2 is required in terms of Section 66(9) of the Act, which provides that remuneration payable to non-executive directors of a company in respect of their services as directors must be approved by special resolution of the shareholders of the company.

### **RECORD DATE**

The Record Date is Tuesday 23 June 2015. No share transfers from the Record Date up to the date of the meeting will be recognised for voting purposes at the annual general meeting. Only the shareholders as indicated on the share register on the Record Date will be entitled to vote at the meeting being either personally present or represented by proxy.

### **PROXIES**

A shareholder who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate in and vote at the meeting in the place of the shareholder. Such a proxy need not also be a shareholder of the company. A form of proxy, in which is set out the relevant instructions for its completion, is enclosed for the use of shareholders who are unable to attend the meeting but who wish to be represented thereat. Proxies may only be revoked in writing.

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the office of the company secretary by no later than 10:00 on Wednesday 24 June 2015.

### **IDENTIFICATION**

The attention of shareholders is drawn to the provisions of section 63(1) of the Act, which determines that:

"Before any person may attend or participate in a shareholders meeting that person must present reasonably satisfactory identification."

Shareholders or their proxies wishing to attend the meeting are therefore advised to bring their identity document, passport or driver's licence and, in the case of a legal person, documentary proof confirming the authority of a person signing the form of proxy in a representative capacity.

### **VOTES**

On a show of hands, any person present and entitled to exercise voting rights shall have one vote.

On a poll, any person present and entitled to exercise voting rights shall have the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder.

## NOTICE OF THE ANNUAL GENERAL MEETING *(continued)*

### **RESOLUTIONS**

For an ordinary resolution to be approved by shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution.

For a special resolution to be approved by shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution.

By order of the board of directors.



**Albert Eksteen**  
*Group Secretary*

Paarl  
15 May 2015



