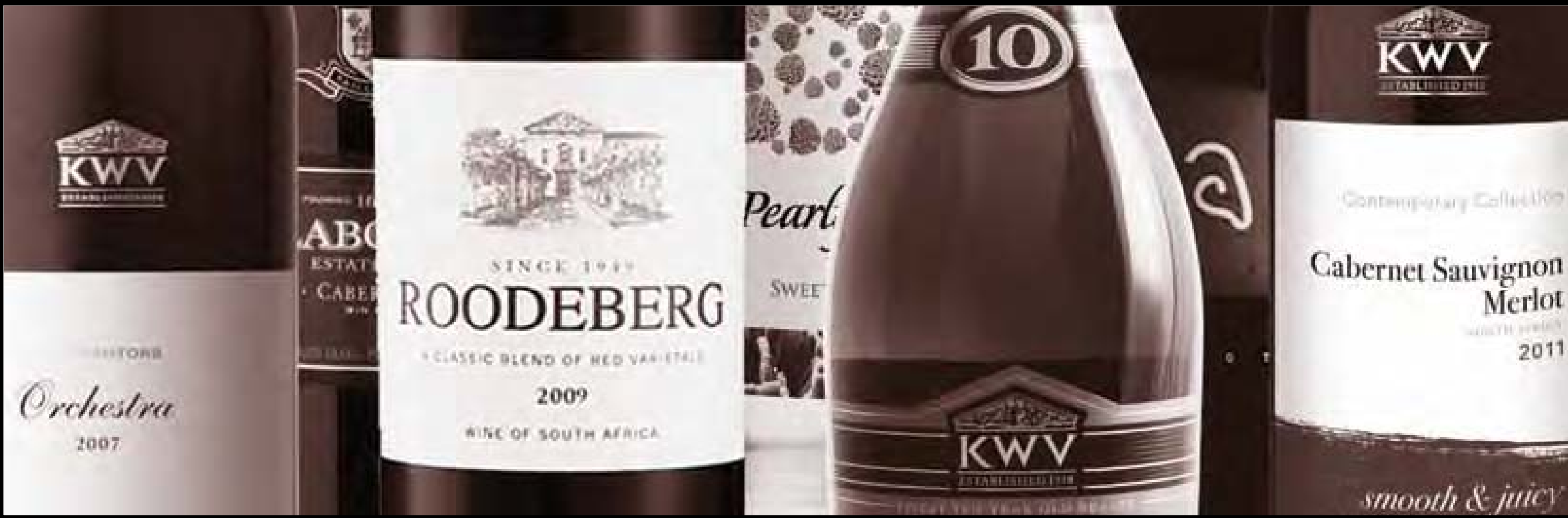
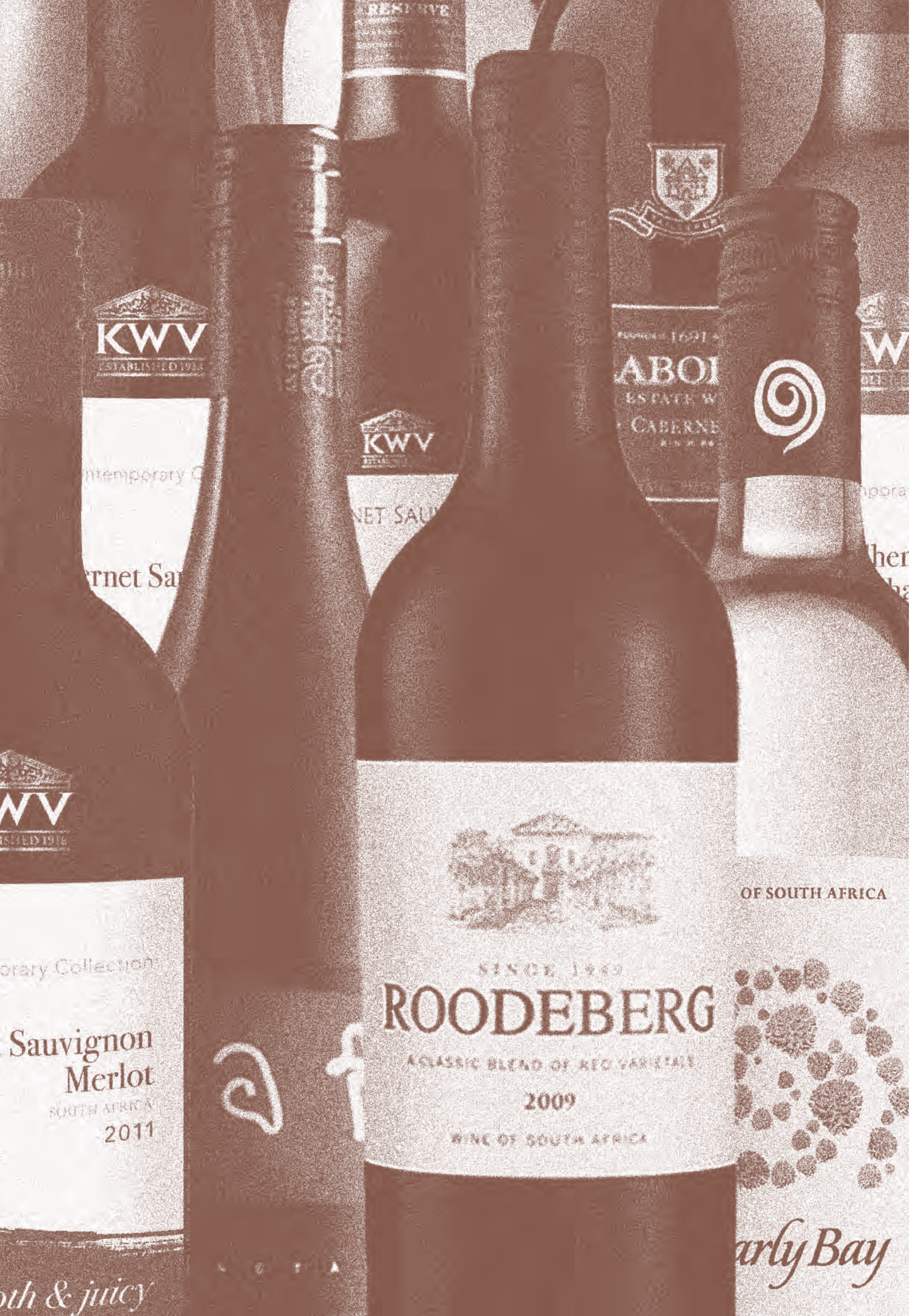
KWV HOLDINGS LIMITED ANNUAL REPORT 2011



ANNUAL REPORT 2011

ESTABLISHED 1918

KWV HOLDINGS LIMITED


KWV
KWV
ROODEBERG
2009
WINE OF SOUTH AFRICA
Sauvignon
Merlot
2011
OF SOUTH AFRICA
KWV

CONTENTS

SALIENT FEATURES – GROUP FINANCIAL RESULTS
for the year ended 30 June 2011

	2011 R'000 Audited	2010 R'000 Audited	% change
GROUP SUMMARY			
Revenue: continuing operations	**677 766**	728 994	(7,0)
Profit/(loss) before taxation: continuing operations	**(7 416)**	73 793	
Profit/(loss) for the year: continuing operations	**(2 948)**	63 874	
Headline earnings: continuing operations	**(17 582)**	51 272	
Net profit attributable to ordinary shareholders	**(2 948)**	78 103	
Total equity	**1 264 735**	1 290 646	(2,0)
Shares			
Issued shares	**68 538**	68 526	
Used in the calculation of earnings per share	**68 537**	61 885	
PERFORMANCE PER ORDINARY SHARE	**Cents**	Cents	
Attributable earnings: continuing operations	**(4,3)**	103,2	
Headline earnings: continuing operations	**(25,7)**	82,9	
Dividend	–	27,0	
Special dividend	–	7,0	
Net asset value	**1 845,3**	1 883,4	(2,0)
Share price	**1 050,0**	1 027,0	

BOARD OF DIRECTORS

Non-executive

MJA Golding (Chairman)	Appointed:	10 February 2011	Chairman: 30 April 2011
MM du Toit (Chairman)	Resigned:	30 April 2011	
JA Copelyn	Appointed:	10 February 2011	
F-A du Plessis	Appointed:	3 August 2009	
NL Ellis	Appointed:	22 July 2009	
MN Joubert	Elected:	27 October 2010	
KI Mampeule	Appointed:	22 July 2009	
KR Moloko	Elected:	27 October 2010	
AE Jacobs	Resigned:	10 February 2011	
JF Mouton	Resigned:	10 February 2011	
PB Retief	Resigned:	10 February 2011	
LA van Dyk	Appointed:	1 February 2010	
A van der Veen	Appointed:	10 February 2011	
AEvZ Botha	Resigned:	30 April 2011	

Executive

A van der Veen	Appointed as acting CEO:	15 July 2011
MJ Loubser	Resigned:	15 July 2011

BOARD COMMITTEES

Audit and risk management committee

F-A du Plessis (Chairman)			
PB Retief (Chairman)	Resigned:	10 February 2011	
AE Jacobs	Resigned:	10 February 2011	
KR Moloko	Appointed:	27 October 2010	
A van der Veen	Appointed:	10 February 2011	Resigned: 15 July 2011
JA Copelyn	Appointed:	15 July 2011	

Empowerment committee

KI Mampeule (Chairman)		
LA van Dyk		
AEvZ Botha	Resigned:	30 April 2011

Human resources and remuneration committee

LA van Dyk (Chairman)		
MM du Toit	Resigned:	30 April 2011
MJA Golding	Appointed:	10 February 2011
AE Jacobs	Resigned:	10 February 2011
MJ Loubser	Resigned:	13 June 2011
A van der Veen	Appointed:	13 June 2011

ABRIDGED GROUP STRUCTURE

KWV HOLDINGS LIMITED

- **100%** KWV INTERNATIONAL (PTY) LTD
- **100%** KWV SOUTH AFRICA (PTY) LTD
  - **28%** PAARL VALLEY BOTTLING COMPANY (PTY) LTD
  - **40%** SOLAMOYO PROCESSING COMPANY (PTY) LTD
- **100%** KWV INTELLECTUAL PROPERTY (PTY) LTD

Note
Refer to annexure A for full details of subsidiary, associated and joint venture companies in the group.

ANALYSIS OF SHAREHOLDERS
for the year ended 30 June 2011

		Number of shareholders	%	Number of shares	%
RANGE OF SHAREHOLDINGS					
0 – 1 000 shares		1 848	52,2	714 689	1,0
1 001 – 10 000 shares		1 295	36,6	4 650 038	6,7
10 001 – 50 000 shares		356	10,1	6 730 700	9,8
50 001 – 100 000 shares		17	0,5	1 061 277	1,5
100 001 – 1 000 000 shares		17	0,5	4 351 734	6,3
more than 1 000 000 shares		5	0,1	51 471 936	74,7
		3 538	100,0	68 980 374	100,0
TYPE OF SHAREHOLDERS					
KWV Employee Empowerment Trust		1	–	6 040 689	8,8
Withmore 1 Investments (Pty) Ltd (previously Phetogo)		1	–	12 639 929	18,3
Hosken Consolidated Investments Limited		1		23 972 063	34,8
– Total BEE shareholders				42 652 681	61,9
KWV SA (Pty) Ltd		1	–	442 711	0,6
Directors	MJ Loubser	1	–	31 982	–
Prescribed officers	LM Barnard	1		3 500	–
	H Krige	1		14 053	–
Other		3 531	99,8	25 835 447	37,5
		3 538	100,0	68 980 374	100,0

TRADING STATISTICS	2011	2010
Number of shares traded	**2 144 688**	1 293 024
Percentage of issued shares traded	**3,11%**	1,87%
Value of shares traded	**R24 018 781**	R11 758 164
Number of transactions	**302**	298
Market price per class A ordinary share		
– average	**R11,20**	R9,09
– highest	**R13,00**	R12,00
– lowest	**R10,27**	R7,01
– closing	**R10,50**	R10,27

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'S REPORT

My first report to you as chairman of KWV has come at a difficult time in the company's distinguished history.

The past year has been a challenging one for KWV. The company faced an acquisition offer by Pioneer Foods, followed by a significant change in shareholding, whilst at the same time implementing a major internal sales restructuring and support service rightsizing which cumulated in a leadership change in July.

In February HCI acquired an interest of 34,9% and is now the company's largest shareholder. HCI, together with Withmore 1 Investments, now own in excess of 50% of the company. This is significant as both shareholders are bona fide empowerment companies which positions KWV as one of the most empowered companies in the alcoholic beverage sector. HCI has also obtained approval from the competition authorities for the transaction as well as permission to take control of the company.

The changes in shareholding resulted in a number of changes on the KWV board. I would like to express our appreciation to the departed directors of KWV who had provided valuable insight and advice to KWV over many years. A special word of thanks to Thys Loubser who guided the group through its transition over the last four years which ultimately culminated in the unbundling of the Distell interest to KWV shareholders.

Having reviewed the company's strategy and organisational structure, the board and new shareholders are now aligned with management in their approach and expectations. We believe this will bring the necessary stability and focus, especially in new areas of investment, to support KWV's growth ambitions.

The short-term focus at KWV has to be on a return to profitability. The CEO's report already contains some feedback on short-term activities and our plans for the future.

As chairman, I want to see KWV evolve into a more diversified company with an expanded portfolio that will enable the company to better utilise its current asset and operational capacity.

At KWV we are fortunate to have loyal customers and agents throughout the world that require a special mention. They have remained steadfast supporters of KWV and have encouraged and challenged us through the year.

I would like to thank the management and staff for their efforts in a challenging year, where the restructuring programme resulted in many long-serving employees leaving KWV. This is always difficult, especially when you see the commitment people have made to KWV over many years.

Our responsibility is to ensure that KWV becomes the significant company that we all want it to be. It has as our previous chairman said a "big reputation". We must make this reputation real. The task will no doubt be challenging but I believe that the board, shareholders and management are united in their commitment to this.

While I expect challenging times to be with us for the next year I look forward to reporting on the efforts to improve the future of our group.

Marcel Golding
Chairman: KWV Holdings Limited

CHIEF EXECUTIVE OFFICER'S REPORT

In reviewing the 2011 financial year it is difficult to conclude that it was not disappointing on most fronts. The operational performance of the group was under pressure in the first six months and deteriorated further towards the end of the financial year. The group recorded an operating loss of R53 million (after adjusting for non-recurring, other gains and losses) which is considerable and significantly exceeds the expectations of management at the time of the interim results.

When assessing the loss, the effect of challenging markets and the fact that the board and management's attention was diverted by corporate action must, however, be considered. A bid by the Pioneer group to acquire all KWV's shares was ultimately rejected by the shareholders but still cost the company R6 million in advisory and related costs and distracted management focus from the core business in trying times.

While the global wine market has shown some improvement, KWV has not been able to access this growth as its traditional export markets in Europe and the USA have continued to suffer from reduced consumer spending in the wake of global growth concerns and austerity programmes.

Certain wine markets, such as the United Kingdom, have been characterised by significant retailer pressure on margins, and continued consumer price sensitivity. KWV reduced loss-making business in this market and this resulted in sales volumes declining by almost 3 million litres in the UK. The rest of Europe remains an important destination for KWV despite volumes also reducing by 7% on the previous year and with trading margins under continued pressure.

The KWV business model is dependent on volume in order to effectively amortise its cost base and infrastructure. This will require KWV to develop new markets where the growth in wine consumption exceeds general economic growth as disposable income levels increase and consumer purchases become more aspirational. In addition, KWV is able to produce and bottle wine on a cost-competitive basis and has concluded insourcing agreements where it will produce and bottle wine on behalf of other companies, thereby amortising its infrastructure over a wider base.

While the local brandy market continues to shrink, KWV managed to increase sales of packaged product by 10% compared with the previous financial year. The brandy market remains very competitive and KWV has a limited advertising and promotional budget compared to its competitors. The KWV brand remains premiumised for consumers and it is important that local market distribution and sales plans ensure that the brand is available in all relevant on-consumption outlets. One of KWV's goals is to further extend the brand into previously under-represented market segments where gains can be made without considerable advertising spend.

Efforts to restore profitability depend on increased sales in the local market, accessing export markets that grow at above average rates and managing the cost structure of the business.

The immediate priority is to reduce the overhead costs of the business. In this regard we have commenced a business improvement programme which has already resulted in cost savings and a reduction in staff numbers. It is expected that business improvements and rightsizing will further reduce employment levels to be more in line with the adjusted volume expectations of the business.

We have also restructured the executive team, information technology, human resources and communication departments to reduce cost and increase accountability.

Cost cutting, while regrettably resulting in the loss of many long-serving staff members, is often the easiest first step to restore profitability. Improving sales and margins is always more difficult, especially when competitor reactions and inadequate distribution strategies are factored into the equation. KWV's success in increasing turnover is predicated on urgently addressing our local market product portfolio, our local and international distribution strategies and our sales plans and management systems.

KWV's brand directors have had discussions with key agents and partners and have agreed sales targets, plans and advertising spend per market. Where appropriate, price increases to restore gross profit to acceptable levels have been communicated and implemented. The sales team is focused on gross profit levels following the decline in gross profit margin from 38% to 33% in the current year.

KWV's trading profit also declined significantly as advertising and promotional (A&P) spend did not always translate into sales. The sales teams have now implemented quarterly review meetings with all agents to assess A&P spend rather than the previous practice which had longer review intervals. A&P is currently 11,5% of revenue and, while the gross amount is significant, our current view is that reduced spending (in total and as a percentage) will do long-term damage to the brands and the business. The key is to ensure that spending results in improved sales and market recognition.

Innovation has been allocated to a dedicated team and the new product development process and pipeline are improving. We have to increase the basket of products offered in the local market and develop products that have the potential to be sold profitably in export markets. KWV recently launched Berraz, a sweet Shiraz, that has already seen interest from international clients.

Where necessary, we will supplement our own portfolio with managed brands in order to provide clients with a more comprehensive product offering. Locally managed brands already include Rémy Martin, Piper Heidsieck, Bols and Cointreau.

KWV's return on equity remains very low and will require continued attention in the future. This may include a reassessment of non-productive assets, but the mandate from the KWV board and key shareholders is to focus on the core operations of the group and to use its resources to grow the group. As such, the disposal of non-productive assets is not a business priority at the moment and we have retained our accounting policy with heritage assets valued at historical cost less depreciation.

FINANCIAL REVIEW

At R677 million, revenue declined by 7% compared to the previous year, mainly due to a drop in sales volumes in both export and local markets, as well as a deteriorating mix of products sold.

This was aggravated by the rand strengthening against other major currencies – in the case of the euro (KWV's primary export currency) by as much as 10%.

Lower throughput in the cellar and maturation facilities negatively impacted unit costs and capacity variances. The result was that KWV's gross profit margin declined from 38% in the prior year to 33% in the current year.

The sale of non-core assets increased Other Gains to R31,4 million and included the sale of the group's 50% interest in its joint-venture company Vititec (Pty) Ltd.

Headline earnings decreased significantly to a loss of R18 million compared to a profit of R51 million in 2010.

The group was more successful in managing its balance sheet. Inventory levels declined in real terms partly due to reductions in surplus inventory levels, and significant cash resources are still maintained. KWV's net asset value declined marginally from R18,83 to R18,45 per share.

PROSPECTS

Outlook for the wine and brandy market remains subdued with more attractive growth opportunities in other alcoholic beverage categories. We have prioritised innovation and product development in order to access these growth categories and will be alert to acquisition opportunities to fast track strategic choices when required.

Due to the group's healthy cash position, KWV is in a good position to weather the storm of difficult trading conditions.

André van der Veen
Acting CEO: KWV Holdings Limited

As one of the leading wine and spirits companies in South Africa, KWV recognises the importance of managing the sustainability of its business in the long term. This demands that the company consider all factors – beyond purely economic performance – that impact long-term value, including environmental and social factors. The report below gives an overview of priorities and actions in this regard over the past financial year.

ENVIRONMENT

KWV's commitment towards the environment is reflected in its integrated management system. This means, inter alia, that all practices and procedures relating to the purchase of raw materials, production and packaging operations are evaluated to ensure the minimal detrimental effect on the environment.

Key environmental priorities during the year under review were:

Water and energy management

An investigation was done in co-operation with the local authorities to assess current data integrity and usage, and to update measuring equipment.

A real-time monitoring system for both water and energy consumption on the Paarl site was implemented in November 2010. The objective is to reduce cost and usage.

A steam system audit has been completed. Following the recommendations in this report, plans are being developed to upgrade the steam reticulation system and install a smaller, compact energy-efficient boiler.

Discussions have also been held with Eskom to determine how KWV can benefit from the Integrated Demand Management funding. This funding has been introduced to provide incentives and rewards for companies to implement electrical energy efficiency initiatives and reduce energy consumption. Several projects are being investigated to determine feasibility.

Effluent treatment

Paarl

In June 2010, the Drakenstein Municipality advised companies of additional statutory requirements with regard to industrial effluent. These include measures to ensure that the chemical and pH concentrations in industrial effluent comply with municipal standards.

Consequently KWV conducted a comprehensive in-season and off-season industrial effluent chemical analysis. The result of this indicated that the KWV industrial effluent complies with the municipal chemical oxygen demand specifications but exceeds the municipal pH specification. In order to adjust the pH of the KWV industrial effluent leaving the site, a pH monitoring and dosing station was established.

Worcester

The Solamoyo Processing Company (a joint effort between KWV, Distell and Brenn-O-Kem) launched the Worcester effluent project in May 2010. The objective of this initiative was to establish an effluent disposal site on a section of municipal ground at Klipvlak by January 2011. The commissioning of the plant was delayed for several months due to the municipal sewerage entering the distillery effluent line. After long delays, the municipality has rectified the problem and commissioning of the effluent disposal plant is currently taking place.

Upington

In terms of an agreement between KWV and Orange River Cellars (OWK), both parties dispose of their effluent on the KWV effluent disposal site. This effluent disposal is authorised under Exemption 838 B in terms of the Water Act (Act 54 of 1956) and "existing water use" in the National Water Act (Act 36 of 1998).

The volumes of effluent that were disposed of exceeded the authorised volume stipulated in Exemption 838 B. To rectify this situation, additional waste and water licences had to be obtained. KWV and OWK formed a project team to address this issue as a matter of urgency. A service provider has been appointed to do an environmental compliance audit and to compile an environmental management plan.

The KWV Upington disposal site is well suited to treat the effluent by means of an artificial wetland. The treated water could be recycled or used in a community project. A pilot plant wetland study is being investigated.

Carbon footprint

KWV measures its carbon footprint in terms of the guidelines set by the Greenhouse Gas Protocol. During the calculation the following factors are considered:

- *Volumes of grapes and wine processed*
- *Electricity usage*
- *Diesel, petrol and oil usage*
- *Coal usage*
- *Flight destinations associated with marketing*
- *Distances travelled and transport distances*

KWV's first carbon footprint audit was done in 2008. The 2008 footprint was 44 874 tons CO_2 equivalent units. The comparative figures for 2009 and 2010 are 37 944 and 22 220 tons CO_2 respectively.

In July 2010, KWV partnered with greening social enterprise, Food & Trees for Africa to distribute 2 670 trees to low-cost housing units in the Drakenstein Municipality, Western Cape. To date, 2 482 have survived. Food & Trees for Africa are in the process of acquiring verified emission reduction status through the voluntary carbon standard for Trees for Homes, and also the Bamboo for Africa programme.

In 2011, KWV managed to reduce its carbon footprint to 18 047 CO_2. The reduction is due to the trees that were planted in 2010, the selling of the grape juice concentrate plant in Upington as well as a reduced spirits intake.

Waste management

Waste management plays an important role in protecting and conserving the environment. KWV uses a reputable service provider as a solid packaging waste recycling partner. Other waste, such as winery by products, medical waste and oil, is disposed of in line with the relevant legislative guidelines.

Integrated Production of Wine (IPW)

KWV, Laborie and all KWV's grape suppliers are members of IPW. IPW is a voluntary environmental sustainability scheme established by the South African wine industry in 1998. IPW complies with international wine industry environmental sustainability criteria. Integrated production is a holistic approach that guarantees that grape production was undertaken with due consideration of the environment, and the wine was produced in an environmentally responsible manner and is safe to the consumer.

Biodiversity and Wine Initiative (BWI)

The Laborie estate is a member of the BWI. The BWI is a partnership between the South African wine industry and the conservation sector to minimise the further loss of threatened natural habitat, and to contribute to sustainable wine production One of the ongoing activities at Laborie is clearing alien trees.

Other responsible farming initiatives include:

- *A communication programme which ensures that direct neighbours are informed at least 72 hours in advance, before fungicide spraying, stating clearly what products will be sprayed and at what dosage.*
- *Spraying only on wind-free days, using only fungicides and herbicides.*
- *A compost heap has been established that will eventually be used as an organic source to fertilise the vineyards.*
- *Discontinuation of planting with creosote (a distillation of tar)-coated poles, which have toxic and carcinogenic properties. Currently planting with Tanalith poles is best practice.*

SOCIAL

KWV believes that being a responsible and contributing corporate citizen is a key component in support of the company's business strategy. Through its community investment strategy, the company is committed to the empowerment, development and growth of disadvantaged communities. To co-ordinate all KWV's social initiatives, the company established the Khula programme in 2009.

The Khula programme's objectives are:

- *To make a positive, sustainable impact on the communities in which KWV operates through investing in improving the quality of life and prosperity of disadvantaged communities*
- *To contribute to creating a skilled workforce and job creation*
- *To create awareness and promote the responsible use of alcohol*
- *To enhance the educational capacity of youth living on wine farms*

Socio-economic development

The International Hotel School

The focus of KWV's social economic development programme is on skills development. Over the past two years, KWV has been recruiting and training unemployed youth in the Paarl and Worcester communities (from where the company sources the majority of its employees), specifically for employment in the hospitality sector.

From January 2011, KWV has taken this effort beyond its immediate communities and has partnered with The International Hotel School (IHS) to assist candidates all over South Africa who are interested in studying hospitality and working in this industry. Candidates are offered a traineeship programme which enables them to earn money while they complete a two- or three-year diploma. IHS has campuses in Sandton, Durban and Cape Town, with study assistance being available at all these campuses.

This year a total of 23 students were sponsored by KWV – nine from KwaZulu-Natal and a further seven each from Gauteng and the Western Cape – a young, energetic and vibrant group of young people with great aspirations and even bigger dreams.

Infinity Culinary Training (ICT)

ICT is a non-profit school, training young South African men and women in urgent need of employment. The 12-week intensive programme offers the basic kitchen skills and professional tools necessary for graduates to obtain immediate job placements within the restaurant and hospitality industries. All students are primarily from disadvantaged communities around Cape Town, and none can afford tuition. KWV sponsored six students who started with their training in May 2011, and graduated on 30 July. Currently they all have temporary employment in various restaurants in Cape Town.

Miqlat – Project: First Step

Project: First Step's goal is to make a difference in commun–ities where unemployment is rife. Participants are assisted in finding a job, and participating employers are given the opportunity to draw from the pool of potential candidates and appoint them for a trial period. The candidates are trained in work-related skills, e.g. performance at work, self-management, managing money, compilation of a CV, application and interview, etc. KWV funded the training of 15 candidates during 2010.

The Pebbles Project

The Pebbles Project's purpose is to enrich the lives of children from disadvantaged backgrounds with special educational needs – especially those whose lives are affected by alcohol, through providing support and training to local wine farm and township crèches and establishing after-school provision for older children living in the winelands.

KWV funded the Life skills programme, specifically for teens and young adults. This programme is geared towards preparing individuals for the new and often demanding social and business situations they will face when leaving school. The programme prepares the learners for a range of situations, including job interviews, creating good first impressions, handling introductions, behaving with confidence, dress and style advice, college interview preparation and listening skills.

Wines with Heart

Wines with Heart is a social enterprise that collects wines donated by wine farms in the region, repackages them into mixed mystery boxes of six bottles and then sells them to customers. KWV contributes 100 bottles of premium wines every month. All proceeds are given to various NGOs working in the winelands. The main beneficiaries are Little Angels, The Pebbles Project, Anna Foundation and One World.

The Industry Association for Responsible Use of Alcohol (ARA)

KWV is a founding member of the ARA – a non-profit organisation (NPO) focused on the prevention of the negative consequences of alcohol abuse. The association's mission is to reduce alcohol-related harm through combating the misuse and abuse of alcohol beverages and promoting only their responsible use. Through the ARA, KWV contributes to FARR, an organisation that does extensive research on foetal alcohol syndrome (FAS), and also implements and manages related projects. This includes a new training programme with workshops on the prevention and management of FAS, which has been offered to the departments of Health and Social Development in the Northern Cape and various workshops to parents and caregivers in the Western Cape province. We believe that FARR has a broader reach and impact on addressing the issue of FAS.

Wine Industry Ethical Trade Association (WIETA)

WIETA is a voluntary, not-for-profit organisation which was started in 2002 and aims to promote decent and fair standards of employment for all. Its members include a significant number of South African wine producers, retailers, trade unions, non-governmental organisations and government.

WIETA has drawn up a code for ethical trading based on Ethical Trading Initiative (ETI) standards which covers areas such as health and safety, discrimination, working hours, living wages, freedom of association, training and housing provision.

KWV is participating in the WIETA Supply Chain Ethical Trade Support Programme. This programme is for companies who wish to ensure that their suppliers adhere to ethical practices. The process entails an intervention with KWV's grape suppliers in terms of developing an understanding of ethical trade; assessing compliance with ethical trade standards and the WIETA code criteria, and further addressing possible interventions in mitigation of non-compliance through possible social accountability projects.

For 2011, the project was rolled out with five long-term contract producers, namely, Rooidraai, Verland, Olyvenboom, Ruigtevlei and Lentelus. Together these producers constitute 61,27% of KWV's total grape intake. In order to get supply chain accreditation, KWV has to facilitate the accreditation of 15 of its supplying farms.

Broad-based black economic empowerment (BBBEE)

KWV has confirmed its position as one of the leaders in BBBEE in the wine and spirits industry by achieving a level 4 rating during its recent evaluation. The company started out as a level 7 contributor in 2007, and was on a level 5 last year.

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").

BOARD OF DIRECTORS

Board composition and operation

The company maintains a unitary board. The board currently consists of nine directors (one of whom is the chief executive officer) 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, involvement 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 who 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.

During the year under review Messrs AE Jacobs, JF Mouton and PB Retief resigned as directors, and the board appointed Messrs MJA Golding, JA Copelyn and A van der Veen in the vacancies that were created. In terms of the company's memorandum of incorporation the latter three directors retire at the annual general meeting and are eligible for re-election. Messrs AEvZ Botha and MM du Toit also resigned as directors during the course of the year. Mr Golding was elected as non-executive chairman of the board.

On 15 July 2011 Mr MJ Loubser resigned as chief executive officer and the board appointed Mr A van der Veen as acting CEO until such time as a full-time CEO is appointed.

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 once per quarter, or more frequently if required by circumstance. The board meetings held during the year under review and details of individual attendance at board meetings are set out on page 14.

RISK MANAGEMENT AND INTERNAL CONTROL

Effective risk management forms an integral part of the group's objective to continuously add value to the group's 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 process 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;*
- *A maximum of ten key 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.

Director	7 Sept	7 Oct	27 Oct	1 Dec	9 Dec	26 Jan	1 Feb	10 Feb	22 Feb	13 June
AEvZ Botha*	√	√	√	√	√	√	√	√	√	–
JA Copelyn**	–	–	–	–	–	–	–	√	√	√
FA du Plessis	A	√	A	√	√	√	√	√	√	√
MM du Toit*	√	√	√	√	√	√	√	√	√	–
NL Ellis	√	√	√	√	√	√	√	√	√	√
MJA Golding**	–	–	–	–	–	–	–	A	A	√
AE Jacobs***	√	√	A	√	√	√	√	√	–	–
MN Joubert****	–	–	√	√	√	√	A	√	√	√
MJ Loubser*****	√	√	√	√	√	√	√	√	√	√
KI Mampeule	√	√	√	√	√	√	√	√	A	√
KR Moloko****	–	–	√	√	√	√	√	A	√	√
JF Mouton***	A	√	√	A	√	√	√	√	–	–
PB Retief***	√	√	√	√	√	√	A	A	–	–
A van der Veen**	–	–	–	–	–	–	–	√	√	√
LA van Dyk	√	A	√	√	√	√	√	A	√	√

√ Present A Absent with apologies

* Resigned 30 April 2011
** Appointed 10 February 2011
*** Resigned 10 February 2011
**** Elected 27 October 2010
***** Resigned 15 July 2011

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 is 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 associate, Paarl Valley Bottling Company (Pty) Ltd, and its joint venture, Solamayo Processing (Pty) Ltd, 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 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 year under review is indicated 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*
- *Appointment or dismissal of the chief internal auditor*
- *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 21.

Internal auditors

The internal audit function 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, with copies directly to the chief executive officer. 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 a chairman and at least two other non-executive directors and meets at least twice per year. The chief executive officer attends all committee meetings. The committee is chaired by Prof LA van Dyk.

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

Director	31 Aug	24 May	8 June
MM du Toit*	√	–	–
AE Jacobs**	A	–	–
MJ Loubser*****	√	√	√
LA van Dyk	√	√	√
MJA Golding***	–	√	√
A van der Veen****	–	√	√

√ Present A Absent with apologies

*	Resigned	30 April 2011
**	Resigned	10 February 2011
***	Appointed	10 February 2011
****	Appointed	13 June 2011
*****	Resigned	13 June 2011

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*

Non-executive directors are not permitted to participate in the group's share incentive scheme or to obtain personal loans from the group.

Empowerment Committee
The group established an Empowerment Committee for the development, monitoring and application of a policy for empowerment in the company. The group recognises the need to unlock its full potential by contributing to the effective participation in the economy by all South Africans. The committee's function is limited to the making of recommendations to the full board of directors. The committee is chaired by Mr KI Mampeule.

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

Director	31 Aug	24 May
KI Mampeule	√	√
AEvZ Botha*	√	–
LA van Dyk	√	√

√ Present A Absent with apologies

* Resigned 30 April 2011

The committee consists of at least two non-executive directors annually appointed by the board. The chairman of the board does not act as chairman of the committee, and may attend meetings at will.

The function of the committee is to make recommendations to the board regarding the formulation of strategic indicators relating to transformation within the KWV group, the KWV group's alignment and compliance with the objectives and measurements of the Black Economic Empowerment transformation charter for the liquor industry, the establishment and nurturing of a culture of diversity within the KWV group, the determination and revision of the KWV group's employment equity policy, employment equity with specific reference to the retention of skills and the compliance with all transformation requirements prescribed by legislation.

Social and Ethics Committee
In terms of the new Companies Act, Act 71 of 2008, the public interest score of the company is of such a magnitude that the establishment of a Social and Ethics Committee is required. The board has appointed such a committee and will report more fully on its activities at the next annual general meeting.

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 fulfill 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 year'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 20.

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

Notice in terms of Section 29 of the Companies Act, 2008 ("the Act")
These annual financial statements have been audited in compliance with the Act.
These annual financial statements have been prepared by Mr DP Smit, CA(SA).

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 period. The directors are also responsible for the other information included in the annual 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 23 to 74 were approved by the board of directors on 31 August 2011 and are signed on their behalf by:

Marcel Golding
Chairman

André van der Veen
Acting Chief Executive Officer

DECLARATION BY THE COMPANY SECRETARY

I declare that the company has, for the year under review, lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 2008, and that all such returns are true, correct and up to date.

a.w. Eksteen

Albert Eksteen
Company Secretary

REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk 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 and Risk Committee may attend committee meetings. The internal and external auditors enjoy unrestricted access to the Audit and Risk Committee.

Attendance at meetings held during the year under review and up to the date of this report, was as follows:

Director	6 Sept	21 Feb
F-A du Plessis (chairman)	√	√
KR Moloko	*	√
A van der Veen	*	√
PB Retief (chairman)	√	**
AE Jacobs	√	**
JA Copelyn	*	*

√ Present A Absent with apologies

* Did not attend meeting, appointed after 6 September 2010

** Did not attend meeting, resigned before 21 February 2011

*** Resigned as committee member, but attended meeting as CEO

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 30 June 2011 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 and Risk Committee

31 August 2011

INDEPENDENT AUDITOR'S REPORT
to the members of KWV Holdings Limited

We have audited the consolidated annual financial statements and annual financial statements of KWV Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 23 to 74.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and 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 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 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 about the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of KWV Holdings Limited as at 30 June 2011, 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.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Director: TS Bruwer
Registered Auditor

PO Box 215
Paarl
7620

31 August 2011

DIRECTORS' REPORT

INTRODUCTION

The structure of the KWV Holdings Limited group as at 31 August 2011 is set out on page 4.

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.

RESTRUCTURING AND CORPORATE ACTION

KWV Holdings acquired the operating subsidiaries of the KWV group during July 2009 in exchange for issuing shares to the former holding company of the group, Capevin Holdings Limited ("Capevin", formerly known as KWV Limited). On 18 August 2009, Capevin unbundled KWV Holdings in the form of a dividend in specie to all shareholders. Shareholders retained their shares in Capevin and acquired 1 share in KWV Holdings, for every 10 shares they held in Capevin at that stage.

Shortly thereafter KWV Holdings was capitalised to the amount of approximately R150 million via a rights offer to all shareholders. The capital was raised in order to reduce financial risk and to provide a platform to pursue growth opportunities.

FINANCIAL RESULTS

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

DIVIDEND

No dividend (2010: 27 cents) per ordinary share is declared for the year under review.

In the prior year a special dividend of 7 cents per ordinary share was declared out of capital profits from the sale of non core assets.

EVENTS AFTER YEAR-END

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

The group has, however, initiated an internal restructuring process which are detailed in note 38.

DIRECTORS

The complete board of directors as at 31 August 2011 is set out on page 3.

SHAREHOLDING ANALYSIS

Disclosure by the directors indicates that at 30 June 2011 the 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 5.)

CONTINGENT LIABILITIES

Details of contingent liabilities are fully disclosed in note 24 of the financial statements.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Note	Group 2011 R'000	Group 2010 R'000 (Restated)	Company 2011 R'000	Company 2010 R'000
ASSETS					
Non-current assets		**304 436**	324 783	**838 884**	842 650
Property, plant and equipment	4	**198 521**	197 017	**–**	–
Intangible assets	5	**19 679**	35 485	**–**	–
Investments in subsidiaries	6	**–**	–	**838 884**	842 650
Interest in associates and joint ventures	7	**14 328**	12 008	**–**	–
Loans and receivables	8	**60 757**	63 692	**–**	–
Deferred taxation	13	**11 151**	16 581	**–**	–
Current assets		**1 151 595**	1 185 424	**229**	–
Inventory	9	**727 231**	728 081	**–**	–
Trade and other receivables	10	**243 142**	266 420	**–**	–
Current income tax assets		**3 924**	9 499	**8**	–
Derivative financial instruments	11	**756**	2 077	**–**	–
Loans and receivables	8	**7 778**	10 511	**–**	–
Bank and cash balances		**168 764**	168 836	**221**	–
Land and buildings: held for sale	4	**–**	8 699	**–**	–
Total assets		**1 456 031**	1 518 906	**839 113**	842 650
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	12	**1**	1	**1**	1
Share premium		**425 722**	425 722	**425 722**	425 722
Reserves		**839 012**	864 923	**413 170**	416 892
Total equity		**1 264 735**	1 290 646	**838 893**	842 615
Non-current liabilities					
Deferred taxation	13	**61 532**	76 765	**–**	–
Current liabilities		**129 764**	151 495	**220**	35
Borrowings	14	**–**	454	**–**	–
Trade and other payables	15	**129 592**	150 191	**220**	–
Derivative financial instruments	11	**110**	440	**–**	–
Current income tax liabilities		**62**	410	**–**	35
Total equity and liabilities		**1 456 031**	1 518 906	**839 113**	842 650

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2011

	Note	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
CONTINUING OPERATIONS					
Revenue	16	**677 766**	728 994		
Cost of sales		**(454 191)**	(451 998)		
Gross profit		**223 575**	276 996		
Other income	17	**10 170**	16 591	**23 453**	11 755
Other gains and losses – net	18	**31 443**	28 650	**(3 044)**	–
Operating expenses		**(287 053)**	(261 082)	**(353)**	–
Promotion, marketing and distribution		**(201 317)**	(169 317)	**–**	–
Operational and administrative expenses		**(85 736)**	(91 765)	**(353)**	–
Operating profit/(loss)	19	**(21 865)**	61 155	**20 056**	11 755
Finance income	20	**12 255**	16 548	**–**	48
Finance costs	20	**(638)**	(2 018)	**–**	–
Share of profit/(loss) of associates and joint ventures	7	**2 832**	(1 892)	**–**	–
Profit/(loss) before taxation		**(7 416)**	73 793	**20 056**	11 803
Taxation expense	21	**4 468**	(9 919)	**(325)**	(1 695)
Profit/(loss) for the year: continuing operations		**(2 948)**	63 874	**19 731**	10 108
DISCONTINUED OPERATIONS					
Profits from discontinued operations	3.2	**–**	14 229	**–**	–
Profit/(loss) for the year		**(2 948)**	78 103	**19 731**	10 108
(Attributable to equity holders of the company)					
Other comprehensive income					
Change in foreign currency translation reserve		**214**	355	**–**	–
Total comprehensive income/(loss)		**(2 734)**	78 458	**19 731**	10 108
(Attributable to equity holders of the company)					
Earnings per share		**Cents**	Cents		
(Attributable to equity holders of the company)					
– Attributable earnings	22	**(4,3)**	126,2		
– Diluted earnings	22	**(4,3)**	126,2		
Dividend per share					
– Ordinary dividend (declared after year-end)		**–**	27,0		
– Special dividend (declared after year-end)		**–**	7,0		

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2011

	Note	Group 2011 R'000	Group 2010 R'000 (Restated)	Company 2011 R'000	Company 2010 R'000
Share capital					
Balance at beginning of the year		**1**	–	**1**	–
Shares issued		**–**	1	**–**	1
Balance at end of the year		**1**	1	**1**	1
Share premium					
Balance at beginning of the year		**425 722**	–	**425 722**	–
Subsidiaries acquired		**–**	279 000	**–**	279 000
Cash proceeds from rights offer		**–**	150 690	**–**	150 690
Expenses incurred in regard of rights offer		**–**	(3 968)	**–**	(3 968)
Balance at end of the year		**425 722**	425 722	**425 722**	425 722
Reserves					
Common control reserve					
Balance at beginning of the year		**787 230**	–		
Acquisition of subsidiaries, associates and joint-venture companies from former holding company, below their book values	36	**–**	789 083		
As stated previously			779 060		
Increase due to consolidation of trust	39		10 023		
Transferred to retained earnings regarding share incentives		**–**	(1 853)		
Balance at end of the year		**787 230**	787 230		
Retained earnings					
Balance at beginning of the year		**80 301**	–	**416 892**	–
Acquisition of subsidiaries below their carrying values in the accounts of the former holding company		**–**	–	**–**	406 784
Net profit/(loss) attributable to ordinary shareholders		**(2 948)**	78 103	**19 731**	10 108
Profit on sale of treasury shares		**84**	347	**–**	–
Transferred from common control reserve regarding share incentives		**–**	1 853	**–**	–
Equity accounted earnings transferred to equity reserve		**(2 389)**	(2)	**–**	–
Dividends paid		**(23 303)**	–	**(23 453)**	–
Balance at end of the year		**51 745**	80 301	**413 170**	416 892
Treasury shares					
Balance at beginning of the year		**(2 965)**	–		
Treasury shares acquired via dividend in specie		**–**	(2 078)		
Treasury shares acquired via rights offer		**–**	(1 122)		
Treasury shares sold/(acquired) by the group		**42**	235		
Balance at end of the year		**(2 923)**	(2 965)		
Equity reserve					
Balance at beginning of the year		**2**	–		
Transfer of equity accounted earnings from retained earnings		**2 389**	2		
Balance at end of the year		**2 391**	2		
Currency translation reserve					
Balance at beginning of the year		**355**	–		
Movement during the year		**214**	355		
Balance at end of the year		**569**	355		
Total reserves at end of the year		**839 012**	864 923	**413 170**	416 892
Equity at end of the year		**1 264 735**	1 290 646	**838 893**	842 615

STATEMENT OF CASH FLOWS
for the year ended 30 June 2011

	Note	Group 2011 R'000	Group 2010 R'000 (Restated)	Company 2011 R'000	Company 2010 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash from operations before changes in working capital	29	**(16 215)**	59 149	**(353)**	–
Changes in working capital	30	**(841)**	10 171	**220**	–
Cash generated from operations		**(17 056)**	69 320	**(133)**	–
Interest received	31	**12 255**	16 548	**–**	48
Finance costs	31	**(1 614)**	(4 095)	**–**	–
Taxation paid	32	**(65)**	(15 038)	**(368)**	(1 660)
Net cash inflow/(outflow) from operating activities		**(6 480)**	66 735	**(501)**	(1 612)
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment					
– replacements		**(11 156)**	(11 073)	**–**	–
– additions		**(13 426)**	(11 335)	**–**	–
		(24 582)	(22 408)	**–**	–
Proceeds on disposal of property, plant and equipment		**27 137**	982	**–**	–
Proceeds on disposal of grape juice concentrate business	3.2	**–**	56 156	**–**	–
Acquisition of software		**(407)**	(1 694)	**–**	–
Acquisition of Wild Africa Cream liqueur	35	**–**	(20 446)	**–**	–
Acquisition of the Golden Kaan brand	34	**(357)**	(33 557)	**–**	–
Investment in joint venture		**(4 799)**	–	**–**	–
Capital repayments received from group companies		**–**	12 441	**2 322**	11 755
Investments sold		**17 605**	11 172	**–**	–
Loan repayments received		**12 496**	9 175	**–**	–
Dividends received		**2 947**	777	**23 453**	–
Loans repaid by/(made to) group entities		**–**	–	**(1 600)**	(156 866)
Net cash inflow/(outflow) from investing activities		**30 040**	12 598	**24 175**	(145 111)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds on rights offer		**–**	146 723	**–**	146 723
Repurchase of shares		**125**	(1 122)	**–**	–
Borrowings repaid		**–**	(30 484)	**–**	–
Dividends paid		**(23 303)**	–	**(23 453)**	–
Net cash inflow from financing activities		**(23 178)**	115 117	**(23 453)**	146 723
Net increase in cash and cash equivalents		**382**	194 450	**221**	–
Translation of foreign currency opening balances		**–**	(74)	**–**	–
Cash resources of subsidiaries on date of acquisition	36	**–**	(25 994)	**–**	–
Cash and cash equivalents at beginning of the year		**168 382**	–	**–**	–
Cash and cash equivalents at end of the year	33	**168 764**	168 382	**221**	–

1. BASIS OF PREPARATION

The group resulted from the restructuring of Capevin Holdings Limited in the previous year and consists of the operational businesses of the KWV group.

Accounting for the company's acquisition of the controlling interest in subsidiaries and businesses under common control

The IFRS on business combinations (IFRS 3) does not apply to business combinations effected between parties that are ultimately controlled by the same entity, otherwise known as common control transactions. The company has elected to apply the principle of "predecessor accounting" to such transactions.

The group financial statements incorporate the acquired entity's results only from the date on which the transaction occurred. Consequently, the group financial statements do not reflect the results of the acquired entities for the period before the transaction occurred. The corresponding amounts for the previous periods are also not restated.

The assets and liabilities of the acquired entity are recognised at the predecessor values (the values at which they were included in the financial statements of the Capevin Holdings group at 30 June 2009), therefore no restatement of the acquiree's assets and liabilities to fair value was required.

The difference between the consideration given and the predecessor values is recognised directly in equity in a separate reserve. As a result, no goodwill is recognised on acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements have been prepared on the historical cost basis, except if otherwise indicated, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act, 2008.

These annual financial statements incorporate accounting policies as detailed below, including the following standards, amendments and interpretations to IFRS that became effective during the current financial year:

- Amendments to IFRS 2, Group cash-settled share – based payment transactions (effective 1 January 2010)
- Amendments to IAS 32, Amendments to IAS 32 – Classification of right issues (effective 1 February 2010)
- Amendments to IAS 24, Amendments to IAS 24 – Related party disclosures (effective 1 January 2011)
- IFRS 9, IFRS 9 – Financial Instruments (effective 1 January 2013)
- Amendment to IFRS 1 and IFRS 7, Amendment to IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters (effective 1 July 2010)
- Improvements to IFRSs 2009 (effective 1 January 2010)
- Improvements to IFRSs 2010 (effective 1 July 2010 and 1 January 2011)
- IFRIC 19, IFRIC 19 (AC 452) Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Amendments to IFRIC 14 (AC 447), Pre-payments of a minimum funding requirement (amendments to IFRIC 14 (AC 447)) (effective 1 January 2011)
- Amendments to IFRS 1: IFRS 6 and IFRIC 4 exemption (effective 1 January 2010)

The amendments to IFRS 8 which allows an entity to not disclose segmental assets, if not reviewed by management in that format, has been adopted early.

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

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 28.

2.1 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases.

Special purpose entities are consolidated when the substance of the relationship between the group and the special purpose entity indicates that the group effectively controls the entity.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The group applies a policy of treating transactions with non-controlling interests as transactions with equity holders of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. In respect of gains or losses on disposals to non-controlling interests the differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

In the stand-alone financial statements of the holding company the investment in subsidiary companies are stated at cost less impairment losses.

Interest-free loans to subsidiaries, with no specific terms of repayment, are considered to be a capital distribution to the subsidiary and are included in the carrying amount of the investment.

Foreign subsidiaries

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at year-end;
(ii) income and expenses are translated at the average exchange rates in the statement of comprehensive income unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

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.

Joint ventures

Jointly controlled entities are those investments in which the group has a long-term interest and where joint control over the economic activity of an entity is established through a contractual arrangement.

All jointly controlled ventures are accounted for according to the equity method as with associated companies.

Interest-free loans to joint ventures, with no specific terms of repayment, are considered to be a capital distribution to the joint venture and are included in the carrying amount of the investment.

In the stand-alone financial statements of the holding company investments in associates are carried at cost less accumulated impairment losses.

Associates

Associates are those investments over which the group has the ability to exercise significant influence as shareholder, but over which it does not have control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. Refer to note 2.4 for the policy on the impairment of non-financial assets, including goodwill. The group's share of associates' results after acquisition is recognised in profit or loss and its share of post-acquisition reserves is recognised in reserves. The group's interest in the retained income and reserves of associates is transferred to an equity reserve. When the interest in an associate is sold, the interest in the retained income and reserves of associates that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on disposal.

Unrealised profits in the closing inventory of associates are eliminated on consolidation, to the extent of the group's interest in the associates.

In the stand-alone financial statements of the holding company investments in associates are carried at cost less accumulated impairment losses.

The results of associates acquired or disposed of during the year are included in consolidated profit or loss from the date on which significant influence was obtained until the date on which it ceased.

2.2 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. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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:

	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 in profit or loss for the period.

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 2.4)

2.3 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiaries, joint ventures or associates at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investments in associates. Separately recognised goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of impairment testing, goodwill is allocated to cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill included in investments in associates and joint ventures is tested as part of the total investment in associates and joint ventures. Impairment losses on goodwill are not 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.

2.4 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.

2.5 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.

2.6 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 risk.

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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 27.

2.7 Financial assets (other than derivatives)

The group classifies its financial assets in the following categories: loans and receivables 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 arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets.

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 group commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value with gains or losses recognised in other comprehensive income. Loans and receivables are carried at amortised cost using the effective interest method.

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. Dividends on available-for-sale equity instruments are recognised in profit or loss when the group's right to receive payment is established.

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.

Impairment of financial assets

The group assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in profit or loss. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through profit or loss. Impairment testing of trade receivables is described in note 2.8.

2.8 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency of payments are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

Trade receivables against which a provision for impairment were made will be written off as soon as no further legal collections are possible. Trade receivables against which there were no previous provision for impairment, are written off directly to profit or loss as soon as there are no further legal collections.

2.9 Bank and cash balances

Bank and cash balances include cash on hand and investments in money market instruments. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.10 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 company'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.

2.11 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.

2.12 Trade payables

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

2.13 Current and non-current 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.

2.14 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.

2.15 Taxation

Current taxation

The charge for current taxation is based on the results for the period and is adjusted for items that are non-assessable or disallowed. Current taxation is measured at the amount expected to be paid, using taxation rates and laws enacted or substantively enacted in terms of applicable tax laws.

Deferred taxation

Deferred income tax is recognised using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the 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, it is not accounted for. Enacted or substantively enacted current tax rates are used to determine deferred income tax. Deferred tax assets relating to unused tax losses carried forward are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except 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.

Secondary taxation on companies

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

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

2.16 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.17 Revenue recognition

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. 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

Income from sales of products 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.

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 receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Dividend income

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

2.18 Borrowing costs

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

2.19 Dividend distribution

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

2.20 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. 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.

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

Group companies

Translation of the results and financial position of group companies is dealt with in note 2.1.

2.21 Segment reporting (Annexure D)

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.

2.22 Employee benefits

Pension obligations

It is the company'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 Funds 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 26). 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.

2.23 Statement of cash flows

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

2.24 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.

2.25 Biological assets

Biological assets are carried at fair value less expected cost to sell. Gains and losses arising from changes in fair value are accounted for in profit and loss during the period in which they arise. Fair value is calculated by discounting the net cash flows of the vineyards over the remaining lives thereof at an appropriate discount rate. Agricultural products are initially stated at fair value less estimated point-of-sale costs at the time of harvest. Subsequent to initial recognition, agricultural products are stated at the lower of cost or net realisable value.

2.26 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.

2.27 Standards, interpretations and amendments to published standards, not yet effective

Several new standards, amendments and interpretations to IFRS are mandatory for the group's accounting periods beginning after 30 June 2011.

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

- Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards (IFRS) (effective 1 July 2011)
- Amendments to IFRS 7 Financial instruments: Disclosures (effective 1 July 2011)
- IFRS 9, IFRS 9 – Financial instruments (effective 1 January 2013)
- IFRS 10, IFRS 10 – Consolidated Financial statements (effective 1 January 2013)
- IFRS 11, IFRS 11 – Joint Arrangements (effective 1 January 2013)
- IFRS 12, IFRS 12 – Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13, IFRS 13 – Fair Value Measurement (effective 1 January 2013)
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (effective 1 January 2012)
- Amendments to IAS 19 Employee Benefits (effective 1 January 2013)
- Revised IAS 27 Separate Financial Statements (effective 1 January 2013)
- Revised IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2013)

		Group 2011 R'000	Group 2010 R'000
3.	**DISCONTINUED OPERATIONS**		
	The assets relating to KWV South Africa's grape juice concentrate business were sold, as a going concern, to Orange River Wine Cellars Co-op Ltd in Upington. The effective date of this transaction was 1 September 2009.		
3.1	**Profits/(losses) from discontinued operations**		
	Revenue		14 806
	Cost of sales		(17 852)
	Gross profit/(loss)		(3 046)
	Operating expenses		(74)
	Loss before income tax		(3 120)
	Income tax		874
	Loss for the year		(2 246)
3.2	**Effect of the disposal on the group**		
	Net identifiable assets and liabilities sold		44 999
	Property, plant and equipment		44 140
	Intangible assets (software)		489
	Inventory		614
	Payables		(244)
	Purchase consideration		64 156
	Cash consideration		56 156
	Deferred consideration (payable over 5 years)		8 000
	Profit on disposal of grape juice concentrate business		19 157
	Income tax		(2 682)
	Net profit on disposal of discontinued operations		16 475
	Cumulative profit for the year from discontinued operations		14 229
3.3	**Cash flows from discontinued operations**		
	Net cash flow from operating activities		8 203
	Net cash flow from investing activities (proceeds on disposal of grape juice concentrate business)		56 156
	Net cash flow from financing activities		–
	Net increase in cash and cash equivalents		64 359

		Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
4.	**PROPERTY, PLANT AND EQUIPMENT (Annexure B)**				
	Carrying value at end of the year				
	Land and buildings	29 304	33 735		
	Machinery and equipment	151 188	154 152		
	Furniture and fittings	14 443	12 803		
	Vehicles	3 540	3 850		
	Plant under construction	46	1 176		
		198 521	205 716		
	Land and buildings: held for sale	–	8 699		
	Property, plant and equipment	198 521	197 017		
	The registers of land and buildings are available for inspection at the registered offices of the company and its subsidiaries.				
5.	**INTANGIBLE ASSETS (Annexure C)**				
	Carrying value at end of the year				
	Trademarks	18 103	33 855		
	Computer software	1 576	1 630		
		19 679	35 485		
6.	**INVESTMENTS IN SUBSIDIARIES (Annexure A)**				
6.1	**Unlisted equity interests**			518 129	523 495
	Golden Kaan South Africa (Proprietary) Limited			–	–
	KWV Intellectual Property (Proprietary) Limited			130 000	130 000
	KWV International (Proprietary) Limited			57 664	57 664
	KWV International Holding GmbH			5 455	10 821
	KWV Projects (Proprietary) Limited			–	–
	KWV South Africa (Proprietary) Limited			325 010	325 010
6.2	**Loans**			320 755	319 155
	KWV International (Proprietary) Limited			81 358	81 358
	KWV South Africa (Proprietary) Limited			239 397	237 797
	These loans are unsecured, interest free and not subject to any specific repayment terms.				
				838 884	842 650

	Group 2011 R'000	Group 2010 R'000
7. INTEREST IN ASSOCIATES AND JOINT VENTURES (Annexure A)		
Equity interests		
Unlisted shares at cost less impairment	3 500	5 464
Interest in post-acquisition reserves	6 029	3 939
	9 529	9 403
Loans		
Vititec (Proprietary) Limited	–	2 605
The loan is unsecured and it has no fixed terms of repayment. It bears interest at 2% below the prime rate.		
Solamoyo Processing Company (Pty) Ltd	4 799	–
The loan is unsecured, interest free and it has no fixed terms of repayment.		
	14 328	12 008
Reconciliation of equity interest		
Balance at beginning of the year	9 403	–
Associates and joint venture acquired	–	11 515
Sale of interest in joint venture	(2 606)	–
Share of profit/(loss) of associates and joint ventures	2 832	(1 892)
Dividends received from associates	(100)	(220)
Balance at end of the year	9 529	9 403

		Group 2011 R'000	Group 2010 R'000
8.	**LOANS AND RECEIVABLES**		
8.1	**Eggers & Franke GmbH & Co. KG**	**3 688**	3 442
	The loan amounts to €590 367 (2010: €822 952) is unsecured and bears interest at average European Central Bank interest rates of 3,125% (2010: 2,875%). It is repayable in quarterly instalments of €62 500.		
	The loan is carried at an impaired amortisation valuation.		
8.2	**Edward Cavendish & Sons Ltd ("ECS")**	**2 125**	3 289
	The loan amounts to £299 095 (2010: £682 354) and bears interest at 14,17% (2010: 14,17%). It is repayable in monthly instalments of £19 500 and the loan is guaranteed by ECS's holding company, Thierry's Wine Services.		
	The loan is carried at impaired valuation as there is doubt with regard to its recoverability.		
8.3	**KWV Employee Empowerment Trust**	**18 617**	21 311
	The loan is interest free and repayable by November 2014. It has a nominal value of R24 190 401 (2010: R27 917 211) and is carried at amortised cost at a discount rate of 11% (2010: 11%).		
	The trust is the owner of 16 228 468 (2010: 18 987 664) shares in Capevin Holdings Limited, the former holding company of the KWV group, and 6 040 689 (2010: 4 674 097) shares in KWV Holdings Limited, the current holding company of the KWV group. Of all cash dividends received on these shares 80% is used to repay the loan.		
8.4	**Orange River Wine Cellar Co-op Ltd**	**6 105**	8 161
	This loan is unsecured and bears interest at prime rate less 2% per annum. The loan is repayable in annual instalments of R2 000 000 plus interest.		
8.5	**Freewheel Trade and Invest 23 (Pty) Ltd**	**38 000**	38 000
	This loan is secured by mortgage as well as cession of another mortgage over property sold by Freewheel to Robertson Winery. Interest is charged at a fixed amount of R300 000 (2010: R300 000) per month and the loan is repayable in June 2013.		
		68 535	74 203
	Current portion of loans and receivables: amount receivable within 12 months	**7 778**	10 511
	Non-current loans and receivables	**60 757**	63 692
9.	**INVENTORY**		
	Liquid inventory	**691 827**	695 746
	Auxiliary material	**35 404**	32 335
		727 231	728 081
	Inventory carried at net realisable value	**5 553**	2 029
	Cost of inventories recognised as expense and included in "cost of sales"	**401 281**	425 466

		Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
10. TRADE AND OTHER RECEIVABLES					
Trade receivables		**166 519**	208 047		
Excise duty recoverable		**55 470**	56 046		
Other receivables		**22 920**	5 853		
		244 909	269 946		
Less: Provision for impairment		**(1 767)**	(3 526)		
		243 142	266 420		
11. DERIVATIVE FINANCIAL INSTRUMENTS					
Foreign exchange options ("zero cost collar")					
Assets		**162**	–		
Liabilities		**–**	–		
Forward exchange contracts					
Current assets		**594**	2 077		
Current liabilities		**(110)**	(440)		
		646	1 637		
The fair value of forward exchange contracts are determined by using forward exchange rates at 30 June 2011. The table below shows the forward exchange contracts measured at fair value by hierarchy level:					
Level 1 (unadjusted quoted prices in active markets for identical assets or liabilities)		**–**	–		
Level 2 (inputs other than quoted prices)		**646**	1 637		
Level 3 (inputs for assets and liabilities – not based on observable market data)		**–**	–		
		646	1 637		
Refer to note 27 for detailed disclosure on derivative financial instruments.					
12. SHARE CAPITAL					
Shares authorised					
200 000 000 ordinary profit-sharing shares of R0,00001 each		**2**	2	**2**	2
		2	2	**2**	2
Shares issued					
Ordinary profit-sharing shares of R0,00001 each					
Issued and fully paid (opening and closing balance)	68 980 374				
Held by a subsidiary	(442 711)				
Net	68 537 663	**1**	1	**1**	1

	Group 2011 R'000	Group 2010 R'000
13. DEFERRED TAXATION		
Attributable to temporary differences:		
Balance at beginning of the year	**60 184**	–
– Subsidiaries acquired	**–**	73 270
– Accounted for against income	**(9 803)**	(13 086)
Balance at end of the year	**50 381**	60 184
The balance comprises		
– Capital allowances	**42 542**	43 059
– Inventory revaluation	**40 839**	40 909
– Provisions and accruals	**(6 368)**	(6 650)
– STC credits	**(329)**	(2 365)
– Computed taxation losses	**(26 303)**	(14 769)
	50 381	60 184
The amounts disclosed in the statement of financial position are as follows:		
– Group companies with net deferred tax assets	**(11 151)**	(16 581)
– Group companies with net deferred tax liabilities	**61 532**	76 765
	50 381	60 184

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

		Note	Group 2011 R'000	Group 2010 R'000 (Restated)	Company 2011 R'000	Company 2010 R'000
14.	**BORROWINGS**					
	Unsecured call borrowings	39	–	454		
	Interest rates applicable to the above borrowings are disclosed in note 27.2					
	The fair value of current borrowings equals their carrying amounts, as the impact of discounting is not significant. Current market rates were considered in determining fair value.					
15.	**TRADE AND OTHER PAYABLES**					
	Trade payables		**42 271**	60 200		
	Excise duty payable		**50 296**	53 362		
	Other payables and accruals		**37 025**	36 629	**220**	–
			129 592	150 191	**220**	–
	The carrying amounts of trade and other payables approximate their fair value.					
16.	**REVENUE**					
	Continuing operations					
	Gross sales		**849 561**	881 072		
	Less: Excise duty directly recovered		**(171 795)**	(152 078)		
			677 766	728 994		
17.	**OTHER INCOME**					
	Rental received		**2 560**	5 935	**–**	–
	Capital distribution received on wind-up of the KWV Share Incentive Trust		**–**	4 014	**–**	–
	Dividend income		**3 599**	2 635	**23 453**	–
	Other		**4 011**	4 007	**–**	–
	Capital distribution from group companies		**–**	–	**–**	11 755
			10 170	16 591	**23 453**	11 755
18.	**OTHER GAINS AND LOSSES – NET**					
	Profit on sale of property, plant and equipment		**17 116**	11 305	**–**	–
	Foreign currency gains		**4 510**	8 183	**–**	–
	Write-back of impairment of loans and receivables		**4 954**	8 068	**–**	–
	Impairment of investment in subsidiary		**–**	–	**(3 044)**	–
	Excise recovered in excess of excise paid		**6 824**	2 942	**–**	–
	Profit on sale of associate		**–**	688	**–**	–
	Loss on sale of unlisted investments: Capevin Holdings Limited		**–**	(2 536)	**–**	–
	Impairment of trademark		**(14 355)**	–	**–**	–
	Profit on disposal of grape juice concentrate business		**–**	19 157	**–**	–
	Profit on sale of joint venture		**12 394**	–	**–**	–
			31 443	47 807	**(3 044)**	–
	Continuing operations		**31 443**	28 650		
	Discontinued operations	3	**–**	19 157		

	Note	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
19. OPERATING PROFIT/(LOSS)					
Operating profit/(loss) is stated after taking into account the following expenses:					
Depreciation					
Land and buildings		**912**	900		
Machinery and equipment		**16 326**	17 596		
Furniture and fittings		**3 973**	4 157		
Vehicles		**545**	640		
		21 756	23 293		
Amortisation of intangible assets		**2 215**	1 534		
Inventory written off		**6 876**	646		
Auditors' remuneration					
Audit fees – provision for the current year		**1 163**	610	**–**	–
Audit fees – underprovision of prior year		**1 054**	683	**353**	–
Consultation services		**–**	883	**–**	–
– System alignment and improvement investigation		**–**	208	**–**	–
– Review of prospectus regarding rights offer		**–**	150	**–**	–
– Acquisition of Golden Kaan brand and recovery of debts owed to the group		**–**	525	**–**	–
Internal audit services		**218**	–	**–**	–
Accounting and legal services – foreign subsidiaries		**58**	21	**–**	–
		2 493	2 197	**353**	–
Operating lease contracts					
Land and buildings		**2 791**	1 870		
Equipment		**187**	219		
Vehicles		**1 022**	712		
Fees for external services					
Management, technical and administrative services		**11 239**	7 558		
Staff costs		**131 147**	133 259		
Included in staff costs are:					
Retirement benefits – employer contributions		**11 308**	11 010		
20. FINANCE INCOME AND COSTS					
Finance income					
Investments and deposits		**6 406**	11 791	**–**	–
Loan to joint-venture company		**62**	148	**–**	48
Loans and receivables		**4 340**	1 485	**–**	–
Fair value adjustment of loan to KWV Employee Empowerment Trust		**1 032**	2 129	**–**	–
Payments and changes in valuation:					
Interest rate collar	27.2	**–**	62	**–**	–
Other		**415**	933	**–**	–
		12 255	16 548	**–**	48
Finance costs					
Borrowings: non-current		**–**	430		
Borrowings: current		**638**	1 588		
		638	2 018		
Net finance income/(costs)		**11 617**	14 530	**–**	48

	Note	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
21. TAXATION					
South African normal taxation		**6 162**	(16 394)	**(325)**	(1 695)
– Current		**(5 606)**	(27 255)	**(325)**	(1 695)
– Deferred		**11 768**	10 861	**–**	–
Over/(under)provision previous years		**378**	(8)		
– Current		**307**	132		
– Deferred		**71**	(140)		
Foreign taxation		**(36)**	2 310		
– Current		**(36)**	2 310		
– Deferred		**–**	–		
Secondary Tax on Companies (STC)		**(2 036)**	2 365		
– Current		**–**	–		
– Deferred		**(2 036)**	2 365		
Taxation for the year		**4 468**	(11 727)	**(325)**	(1 695)
Continuing operations		**4 468**	(9 919)		
Discontinued operations	3	**–**	(1 808)		
Reconciliation of the tax rate					
		%	%	**%**	%
Normal rate for companies		**28,00**	28,00	**28,00**	28,00
Adjusted for:					
– Exempt income		**13,59**	(0,82)	**(32,74)**	–
– Income from associates		**10,69**	0,59	**–**	–
– Income of a capital nature		**108,92**	(7,45)	**5,87**	(13,94)
– Disallowed expenditure		**(86,63)**	0,18	**0,49**	–
– No deferred tax asset created for assessed loss		**–**	0,02	**–**	–
– Adjustment for foreign taxation		**8,04**	(4,84)	**–**	–
– Profits of foreign subsidiary taxed in South Africa		**–**	–	**–**	0,30
– Adjustment for STC		**(27,45)**	(2,63)	**–**	–
– Underprovision previous years		**5,10**	0,01	**–**	–
Net reduction		**32,26**	(14,94)	**(26,38)**	(13,64)
Effective rate		**60,26**	13,06	**1,62**	14,36
		R'000	R'000		
Gross calculated tax losses available for utilisation against future taxable income		**93 939**	52 747		
Tax relief calculated at current tax rates		**26 303**	14 769		
Utilised to reduce deferred taxation	13	**(26 303)**	(14 769)		
Tax relief available for offset against future taxation		**–**	–		
Secondary Tax on Companies (STC)					
STC credits available for utilisation against future dividend payments		**3 295**	23 650		
Tax relief calculated at current STC rates		**329**	2 365		
Utilised to reduce deferred taxation		**(329)**	(2 365)		
Tax relief available for offset against future taxation		**–**	–		

	Note	**Group 2011 Number '000**	Group 2010 Number '000
22. 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.			
Ordinary shares			
– Shares in issue at beginning of the year		**68 526**	1
– Shares issued to KWV Ltd (Capevin Holdings) for acquisition of subsidiaries, associates and joint-venture companies		**455**	44 791
– Rights issue		**–**	24 188
– Treasury shares	26.5	**(443)**	(454)
– Net issued shares at end of the year		**68 538**	68 526
Used in the calculation of earnings per share		**68 537**	61 885

	Gross 2011 R'000	Tax 2011 R'000	**Net amount 2011 R'000**	Net amount 2010 R'000
Continuing operations				
Net profit/(loss) attributable to ordinary shareholders	(7 416)	4 468	**(2 948)**	63 874
Adjusted for:				
– Profit on sale of property, plant and equipment	(17 116)	521	**(16 595)**	(10 054)
– Loss on available-for-sale of investment	–	–	**–**	2 472
– Loss on sale of joint-venture company	–	–	**–**	958
– Reversal of tax provision in prior years on sale of subsidiary	–	–	**–**	(2 310)
– Impairment of trademark	14 355	–	**14 355**	–
– Profit on sale of joint-venture company	(12 394)	–	**(12 394)**	–
– Capital distribution received from the KWV Share Incentive Trust	–	–	**–**	(3 668)
Headline earnings: continuing operations	(22 571)	4 989	**(17 582)**	51 272
Discontinued operations				
Net profit attributable to ordinary shareholders			**–**	14 229
Adjusted for: Profit on sale of grape juice concentrate			**–**	(16 475)
Headline earnings: discontinued operations			**–**	(2 246)
Total				
Net profit/(loss) attributable to ordinary shareholders			**(2 948)**	78 103
Adjusted as above			**(14 634)**	(29 077)
Headline earnings			**(17 582)**	49 026

	Continuing operations 2011 Cents	Continuing operations 2010 Cents	Discontinued operations 2011 Cents	Discontinued operations 2010 Cents	**Total 2011 Cents**	Total 2010 Cents
Earnings per share						
– Attributable earnings	(4,3)	103,2	–	23,0	**(4,3)**	126,2
– Headline earnings	(25,7)	82,9	–	(3,7)	**(25,7)**	79,2
Diluted earnings per share						
– Attributable earnings	(4,3)	103,2	–	23,0	**(4,3)**	126,2
– Headline earnings	(25,7)	82,9	–	(3,7)	**(25,7)**	79,2

	Group 2011 R'000	Group 2010 R'000
23. COMMITMENTS		
23.1 Capital commitments		
Incomplete contracts for capital expenditure	**5 180**	1 647
Capital expenditure authorised by the board not yet contracted for	**27 405**	52 452
	32 585	54 099

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

23.2 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 19.

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

	Group 2011 R'000	Group 2010 R'000
No later than one year	**2 251**	1 770
Later than one year and no later than five years	**1 784**	1 237
Later than five years	**2 357**	1 911
	6 392	4 918

23.3 Credit facility supplied to joint-venture company

In terms of a shareholders agreement the group was obliged to provide financial support, pro rata to its shareholding, to Vititec (Proprietary) Limited, in order to enable the joint-venture company to meets its obligations in the normal course of business. The required support was limited to an amount of R4,85 million in the prior year; and was effective until the date of sale of the interest in Vititec on 30 June 2011.

24. CONTINGENT LIABILITIES

Guarantees

	Group 2011 R'000	Group 2010 R'000
Employee housing loans	**138**	152

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

	Note	Group 2011 R'000	Group 2010 R'000
25. RELATED PARTY TRANSACTIONS			
In accordance with the requirements of IAS 24 – Related Party Disclosure, transactions with related parties in the group that are eliminated on consolidation are not disclosed.			
25.1 Trading activities			
The company's subsidiaries enter into various sales transactions with associates and wine and grapes are sometimes purchased from directors. These transactions occur under terms no more favourable than those negotiated with third parties.			
Sales to associates		**–**	9
Due by associates at end of the year		**1**	1
Sales to a joint-venture company		**11**	4 813
Services rendered to a joint-venture company		**2 199**	2 066
Due by joint-venture companies at end of the year		**–**	–
Other amounts owing by joint-venture company	7	**–**	2 605
Sales to directors		**–**	27
Due by directors at end of the year		**–**	–
Purchases from directors		**–**	–
Purchases from joint-venture company		**1 061**	1 322
Purchases from associates		**703**	1 601
Due to associate at end of the year		**–**	282
The above are included with income and receivables, investments in associates, as well as inventory or cost of sales, in the group financial statements.			
25.2 Key management personnel compensation (including executive directors' remuneration)			
– Short-term benefits		**15 694**	14 593
– Termination benefits		**1 640**	306
– Share-based payments		**2 992**	532
		20 326	15 431

	Company 2011 R'000	Company 2010 R'000

25. RELATED PARTY TRANSACTIONS (continued)

25.3 Directors' remuneration

	Salaries and fees	Performance incentives	Retirement contributions	Realised gain relating to share incentive scheme	Other allowances	**Total**	Total
Executive							
MJ Loubser	2 126	–	444	1 126	265	**3 961**	4 109
Non-executive	1 192	–	–	–	–	**1 192**	922
MJA Golding *(Chairman)*	48	–	–	–	–	**48**	–
JA Copelyn	38	–	–	–	–	**38**	–
MM du Toit	153	–	–	–	–	**153**	158
F-A du Plessis	119	–	–	–	–	**119**	107
NL Ellis	96	–	–	–	–	**96**	82
AE Jacobs	77	–	–	–	–	**77**	88
MN Joubert	67	–	–	–	–	**67**	–
KI Mampeule	112	–	–	–	–	**112**	96
JF Mouton	56	–	–	–	–	**56**	78
KR Moloko	71	–	–	–	–	**71**	–
PB Retief	83	–	–	–	–	**83**	107
AEvZ Botha	112	–	–	–	–	**112**	120
A van der Veen	50	–	–	–	–	**50**	–
LA van Dyk	110	–	–	–	–	**110**	67
CH Wiese	–	–	–	–	–	**–**	19
Retired directors (pensions)	–	–	–	–	19	**19**	19
Total directors' emoluments	3 318	–	444	1 126	284	**5 172**	5 050
Less: Paid by subsidiaries						**(5 172)**	(5 050)
						–	–

Unexercised phantom shares of executive director: MJ Loubser

	Date granted	Number of unexercised phantom shares: 1-Jul-10	Exercise price per share	Market value at grant date	Phantom shares taken up	Proceeds per phantom share	Number of unexercised phantom shares: 30-Jun-11	Cumulative unrealised gain: 30-Jun-11
*	1-Jul-2009	324 737	R0,00	R6,23	91 438	R12,31	233 299	R2 449 640
	1-Oct-2009	212 143	R6,23	R8,00	–		212 143	R905 851
	27-Oct-2010	–	R0,00	R11,25	–		201 343	R2 114 102
		536 880			91 438		646 785	R5 469 592

* These instruments were granted in lieu of share options and phantom shares foregone when the group was unbundled from Capevin Holdings. (Note 26.2)

Market value per share – 30 June 2011 **R10,50**

					Company 2011 R'000	Company 2010 R'000

25. RELATED PARTY TRANSACTIONS (continued)

25.4 Prescribed officers' remuneration

	Salaries and fees	Retirement contri-butions	Share incentive scheme	Other allowances*	**Total**	Total
Executive	11 567	1 202	1 866	1 730	**16 365**	11 323
LM Barnard	955	175	34	251	**1 415**	283
EE Böhme	1 258	191	218	157	**1 824**	1 647
J Gradwell	909	132	–	135	**1 176**	213
GB Haarhoff	909	132	–	141	**1 182**	95
H Krige	723	101	69	144	**1 037**	926
BS Matthews	932	131	75	163	**1 301**	1 175
MG Modise	66	10	–	11	**87**	–
RJ Rowe	2 049	–	–	340	**2 389**	2 143
M Smit	–	–	–	–	**–**	1 329
FDB Steenkamp	875	126	–	140	**1 141**	83
CC Stewart **	2 003	76	1 470	97	**3 646**	2 462
W Swanepoel	888	128	–	151	**1 167**	87
JFC von Wielligh	–	–	–	–	**–**	880

* Comprising travel and medical allowances and products supplied to directors

** Includes termination benefit of R1 639 662.

Note: Above remuneration was paid by subsidiaries.

26. SHARE-BASED COMPENSATION BENEFITS

26.1 Share appreciation rights ("SARs")

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

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.

SARs granted in terms of the CEO scheme, differ from the above in that it is exercisable after the 1st (first), 2nd (second) and 3rd (third) years respectively from the date the right is granted.

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.

	Exercise price	Group 2011 Number	Group 2010 Number
26. SHARE-BASED COMPENSATION BENEFITS (continued)			
26.2 SARs allotted during the year			
1 July 2009 ("Roll over") Employees of the group had share options and phantom share rights linked to KWV Ltd (Capevin Holdings) before the unbundling of the group. The fair value of these instruments were calculated as R7,7 million at 30 June 2009; and employees' rights were "rolled over" into SARs linked to KWV Holdings.	**R0,00**	**–**	1 229 204
1 October 2009 ("Rights offer") KWV Holdings issued a rights offer during October 2009. Participants were offered additional rights at the rights offer price in the ratio of 54 SARs for every 100 unexercised SARs they held.	**R6,23**	**–**	689 802
1 June 2010 ("Normal") Selected employees were offered SARs with an exercise price equal to the prevailing share price.	**R10,00**	**–**	450 000
27 October 2010 ("CEO scheme") The CEO of KWV was offered SARs with an exercise price of Rnil in exchange for a reduction in his remuneration.	**R0,00**	**201 343**	–
		201 343	2 369 006

26.3 SARs held by employees	Group 2011 Number	Group 2010 Number
Outstanding at 1 July	**2 012 990**	–
Allotted: ("Roll-over")	**–**	1 229 204
Allotted: ("Rights offer" and "Normal")	**–**	1 139 802
Allotted: ("CEO scheme")	**201 343**	–
Exercised/taken up in terms of contracts	**(356 517)**	(108 390)
Lapsed	**(31 833)**	(247 626)
Outstanding at 30 June 2010	**1 825 983**	2 012 990

Terms of the SARs outstanding at 30 June 2011 and the financial years in which they become payable:

Unconditional during the year ended	@ Rnil	@ R6,23	@ R10,00	Total 2011	Total 2010
30 June 2011	30 551	–	–	**30 551**	218 759
30 June 2012	394 674	166 052	150 000	**710 726**	715 725
30 June 2013	335 749	166 052	150 000	**651 801**	683 097
30 June 2014	116 854	166 051	150 000	**432 905**	395 409
	877 828	498 155	450 000	**1 825 983**	2 012 990

	Group 2011	Group 2010

26. SHARE-BASED COMPENSATION BENEFITS (continued)

26.4 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 30 June 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 30 June the key inputs into this model were:

		Group 2011	Group 2010
Market price		R10,50	R10,27
Exercise price	Various, as per note 26.3		
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%	0,0%
Expected volatility of the share price		30,0%	30,0%
Risk free rate		8,59%	9,04%

	R'000	R'000
Total estimated value of qualifying share options granted as at year-end	13 451	14 601
Amount recognised as a liability (included in 'Other payables' in note 15)	(8 872)	(6 810)
Estimated amount to be recognised in future years	4 579	7 791
Share-based payment expense relating to options, recognised for the year		
Actual amount paid (either in cash or in shares) to employees	3 613	970
Increase in accrual for share-based expense payable	2 062	4 442
	5 675	5 412

26.5 Treasury shares owned by the group

Balance at 1 July	454 224		
Received as a dividend in specie from Capevin Holdings Ltd on the unbundling of the KWV group	–		
Acquired through participation in the rights offer of KWV Holdings Ltd	–		
Delivered to employees in terms of SARs exercised	(11 513)		
Balance at 30 June	442 711		
Fair value of shares		4 648	4 665

27. 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.

27.1 Foreign exchange risk

	Group			
	2011		2010	
Exchange rates used in these financial statements	**Closing rate**	**Average rate for the year**	Closing rate	Average rate for the year
Euro	**9,83**	**9,52**	9,34	10,57
CAD	**7,01**	**7,00**	7,21	7,19
GBP	**10,92**	**11,14**	11,49	12,00
USD	**6,79**	**7,01**	7,64	7,60

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 forward 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.

Group

27. FINANCIAL RISK MANAGEMENT (continued)

27.1 Foreign exchange risk (continued)

Forward foreign exchange options and contracts

Contracts and options to sell foreign currency	Contracted foreign amount FC'000	Average exchange rate	Total contracted amount R'000	Foreign currency receivables R'000	Contracts to cover cash balances/ (uncovered receivables) R'000
as at 30 June 2011					
Euro	**5 953**	**9,86**	**58 711**	**52 044**	**6 667**
CAD	**780**	**7,06**	**5 508**	**5 256**	**252**
USD	**1 239**	**6,93**	**8 582**	**8 085**	**497**
GBP	**156**	**11,11**	**1 737**	**1 691**	**46**
JPY	**14 144**	**0,09**	**1 223**	**1 184**	**39**
			75 761	**68 260**	**7 501**
as at 30 June 2010					
Euro	7 488	9,67	72 388	72 388	–
CAD	1 749	7,30	12 766	12 642	124
USD	1 082	7,56	8 184	8 184	–
GBP	505	11,36	5 735	5 735	–
JPY	15 763	0,08	1 315	1 315	–
AUD	7	6,79	49	49	–
			100 437	100 313	124

Group

27. FINANCIAL RISK MANAGEMENT (continued)

27.1 Foreign exchange risk (continued)

Forward foreign exchange options and contracts (continued)

Contracts to buy foreign currency	Contracted foreign amount FC'000	Average exchange rate	Total contracted amount R'000	Foreign currency payables R'000	Uncovered payables R'000
as at 30 June 2011					
Euro	**461**	**9,95**	**4 592**	**12 130**	**(7 538)**
CAD	**–**		**–**	**64**	**(64)**
USD	**–**		**–**	**103**	**(103)**
GBP	**–**		**–**	**997**	**(997)**
			4 592	**13 294**	**(8 702)**
as at 30 June 2010					
Euro	–		–	8 757	(8 757)
CAD	–		–	3 067	(3 067)
USD	–		–	359	(359)
GBP	–		–	233	(233)
DKK	–		–	1	(1)
			–	12 417	(12 417)

The fair value of these financial instruments are disclosed in note 11.

		Group 2011 R'000	Group 2010 R'000

27. FINANCIAL RISK MANAGEMENT (continued)

27.1 Foreign exchange risk (continued)

Sensitivity analysis

		Group 2011 R'000	Group 2010 R'000
Net foreign currency exposure: 30 June		**(5 083)**	(5 372)
Operational assets:	Trade receivables	**68 260**	100 313
	Bank and cash balances	**6 022**	438
Hedging instruments:	Forward exchange contracts	**(53 525)**	(100 437)
	Options	**(17 644)**	–
Loans and receivables:		**5 813**	6 731
Operational liabilities:	Payables and accruals	**(14 009)**	(12 417)

Impact of movements in exchange rates

As at 30 June, 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:

		Group 2011 R'000	Group 2010 R'000
Increase/(decrease) in profit after tax			
	5% strengthening of ZAR	**183**	193
	10% strengthening of ZAR	**366**	387
	5% weakening of ZAR	**(183)**	(193)
	10% weakening of ZAR	**(366)**	(387)

	Note	Group 2011 R'000	Group 2010 R'000
27. FINANCIAL RISK MANAGEMENT (continued)			
27.2 Cash flow interest rate risk			

Details of all borrowings incurred by the group are provided in notes 8 and 14.

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 ongoing 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.

The effective interest rates at year-end were as follows:

	Note	Group 2011 R'000	Group 2010 R'000
At floating rates			
Call borrowings	14	–	454
Sensitivity analysis			
Unhedged interest rate exposure: 30 June		**178 557**	179 985
Borrowings at floating rates		–	(454)
Loan: Eggers & Franke GmbH & Co. KG	8.1	**3 688**	3 442
Loan: Orange River Wine Cellar Co-op Ltd	8.4	**6 105**	8 161
Bank and cash balances		**168 764**	168 836

Impact of movements in interest rates

Based on the statement of financial position as at 30 June, had there been a change in interest rates, the impact on profit after tax for the year would have been as follows:

	Group 2011 R'000	Group 2010 R'000
1% increase in interest rates	**1 286**	1 296
2% increase in interest rates	**2 571**	2 592
1% decrease in interest rates	**(1 286)**	(1 296)
2% decrease in interest rates	**(2 571)**	(2 592)

27. FINANCIAL RISK MANAGEMENT (continued)

27.3 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 regard 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 ongoing basis.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Analysis of credit risk	Note	Impaired R'000	Fully performing R'000	**Group 2011 Total R'000**
27.3.1 Loans and receivables: 30 June 2011				
Gross amounts owing		9 070	62 722	**71 792**
Less: Provision for impairment		(3 257)	–	**(3 257)**
Net amount owing	8	5 813	62 722	**68 535**
Security for amounts owing		–	38 000	**38 000**
Credit insurance for amounts owing		–	–	**–**
Unsecured debt/exposure to credit risk		5 813	24 722	**30 535**
Credit rating on unsecured debt:				
Aa: No caution needed for credit transaction		–	18 617	**18 617**
Ba: Capable of meeting normal commitments		5 813	–	**5 813**
C: Good for the amount quoted		–	6 105	**6 105**
Loans and receivables: 30 June 2010				
Gross amounts owing		15 524	67 472	82 996
Less: Provision for impairment		(8 793)	–	(8 793)
Net amount owing	8	6 731	67 472	74 203
Security for amounts owing		–	38 000	38 000
Credit insurance for amounts owing		–	–	–
Unsecured debt/exposure to credit risk		6 731	29 472	36 203
Credit rating on unsecured debt:				
Aa: No caution needed for credit transaction		–	21 311	21 311
Ba: Capable of meeting normal commitments		6 731	–	6 731
C: Good for the amount quoted		–	8 161	8 161

	Group 2011 R'000	Group 2010 R'000
27. FINANCIAL RISK MANAGEMENT (continued)		
27.3 Analysis of credit risk (continued)		
27.3.1 Loans and receivables (continued)		
Reconciliation of provision for impairment		
Provision at beginning of the year	8 793	–
Subsidiaries acquired	–	16 861
Provision utilised during the year	(582)	–
Provision written back	(4 954)	(8 068)
Provision at end of the year	3 257	8 793
27.3.2 Bank and cash balances: Fully performing		
Gross amounts owing	168 764	168 836
Less: Provision for impairment	–	–
Net amount owing (Unsecured debt/exposure to credit risk)	168 764	168 836

Credit rating on unsecured debt (Fitch credit rating):

F1: Highest short-term credit quality.

						Group 2011
27.	**FINANCIAL RISK MANAGEMENT (continued)**					
27.3	**Analysis of credit risk (continued)**					

27.3.3 Trade receivables: 30 June 2011	Note	Impaired R'000	Past due, but not impaired R'000	Fully performing R'000	**Total R'000**
Gross amounts owing	10	1 767	8 769	155 983	**166 519**
Less: Provision for impairment		(1 767)	–	–	**(1 767)**
Net amount owing		–	8 769	155 983	**164 752**
Credit insurance for amounts owing		–	2 288	90 674	**92 962**
Unsecured debt/exposure to credit risk		–	6 481	65 309	**71 790**
Credit rating on unsecured debt:					
Aa: No caution needed for credit transaction			271	3 920	**4 191**
A: General unfavourable factors will not cause fatal effect			–	42	**42**
Ba: Capable of meeting normal commitments			4 876	16 421	**21 297**
B: Good for the amount quoted			–	58	**58**
C: Good for the amount quoted – if strictly in the way of business			1 334	44 868	**46 202**
Trade receivables: 30 June 2010					
Gross amounts owing	10	3 526	17 434	187 087	208 047
Less: Provision for impairment		(3 526)	–	–	(3 526)
Net amount owing		–	17 434	187 087	204 521
Credit insurance for amounts owing		–	14 907	81 548	96 455
Unsecured debt / Exposure to credit risk		–	2 527	105 539	108 066
Credit rating on unsecured debt:					
Aa: No caution needed for credit transaction			533	5 338	5 871
A: General unfavourable factors will not cause fatal effect			–	451	451
Ba: Capable of meeting normal commitments			1 335	45 207	46 542
B: Good for the amount quoted			367	–	367
C: Good for the amount quoted – if strictly in the way of business			292	54 543	54 835

		Note	Group 2011 R'000	Group 2010 R'000 (Restated)
27.	**FINANCIAL RISK MANAGEMENT (continued)**			
27.3.3	**Trade receivables: 2011 (continued)**			
	Age analysis for trade debt that is overdue, but not impaired		**8 769**	17 434
	Less than 30 days		**5 606**	7 617
	Less than 60 days		**2 136**	3 254
	Less than 90 days		**506**	1 248
	More than 90 days		**521**	5 315
	Reconciliation of provision for bad debt			
	Provision at beginning of the year		**3 526**	–
	Subsidiaries acquired		**–**	5 273
	Provision utilised during the year		**(365)**	(1 102)
	Decrease in provision		**(1 394)**	(645)
	Provision at end of the year		**1 767**	3 526

The company has guaranteed various revolving credit facilities of R250 million in the group of which the undrawn balance is available to fund future investments. These guarantees have also been disclosed as part of the company's liquidity risk below.

27.4 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.

	Note	Group 2011 R'000	Group 2010 R'000 (Restated)
Gross contractual financial liabilities			
Borrowings	39	**–**	454
Trade and other payables		**129 592**	150 191
Derivative financial instruments		**110**	440
		129 702	151 085
Maturity analysis of contractual financial liabilities			
No later than one year		**129 702**	151 085
Between 1 and 2 years		**–**	–
Between 2 and 5 years		**–**	–
Later than 5 years		**–**	–
The group has the following undrawn, uncommitted borrowing facilities:			
Uncommitted facilities at banks and financial institutions		**248 400**	250 000
Utilisation		**–**	–
Undrawn facilities		**248 400**	250 000

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.

27. FINANCIAL RISK MANAGEMENT (continued)

27.5 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.

27.6 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.

27.7 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 equal to their values on the statement of financial position. The fair values of borrowings are disclosed in note 14.

28. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in accordance with IFRS requires 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 impairment of receivables, useful life and impairment of property, plant and equipment, inventory provisions 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 judgements 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.

– **Business combinations, acquisitions and disposals**
The group was involved in several business combinations. In accounting for these transactions management had to apply judgement in allocating the purchase price to the tangible and intangible assets of the acquired businesses, as well as to goodwill.

In addition, the tests for impairment of subsidiaries and associates require the use of various valuation assumptions regarding these businesses and their environment, mainly relating to their future profitability and cash flows.

– **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 has 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 associates and 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 ratios 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.

	Note	**Group 2011 R'000**	Group 2010 R'000	**Company 2011 R'000**	Company 2010 R'000
29. CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL					
Profit/(loss) before taxation		**(7 416)**	89 830	**20 056**	11 803
Adjusted for:					
– Share of losses from associates	7	**(2 832)**	1 892	**–**	–
– Net interest	20	**(11 617)**	(14 530)	**–**	(48)
– Dividends received	17	**(3 599)**	(2 635)	**(23 453)**	–
– Impairment of trademark	18	**14 355**	–	**–**	–
– Profit on sale of joint venture	18	**(12 394)**	–	**–**	–
– Profit on sale of discontinued operations	3.2	**–**	(19 157)	**–**	–
– Writeback of impairment of loans and receivables	18	**(4 954)**	(8 068)	**–**	–
– Impairment of investment in subsidiary	18	**–**	–	**3 044**	–
– Capital distribution received on wind-up of the KWV Share Incentive Trust	17	**–**	(4 014)	**–**	–
– Capital distribution from group companies	17	**–**	–	**–**	(11 755)
– Depreciation	19	**21 756**	23 293	**–**	–
– Amortisation of intangibles	19	**2 215**	1 534	**–**	–
– Profit on sale of property, plant and equipment	18	**(17 116)**	(11 305)	**–**	–
– Loss on sale of unlisted investments: Capevin Holdings Limited	18	**–**	2 536	**–**	–
– Bad debts provided/(written back)		**(1 489)**	(660)	**–**	–
– Inventory variances and write-offs	19	**6 876**	646	**–**	–
– Other non-cash flow items		**–**	(213)	**–**	–
		(16 215)	59 149	**(353)**	–
30. CHANGES IN WORKING CAPITAL					
(Excluding the effects of acquisitions, disposals and exchange differences on consolidation)					
Change in inventory		**(6 026)**	14 083	**–**	–
Change in trade and other receivables		**26 840**	(30 089)	**–**	–
Change in trade and other payables		**(21 655)**	26 177	**220**	–
		(841)	10 171	**220**	–
31. NET INTEREST					
Net interest per the statement of comprehensive income	20	**11 617**	14 530	**–**	48
Adjusted for:					
– Fair value adjustments		**(1 032)**	(2 129)	**–**	–
– Other non-cash flow items		**56**	52	**–**	–
		10 641	12 453	**–**	48
Disclosed in the cash flow statement as:					
Finance costs		**(1 614)**	(4 095)	**–**	–
Interest received		**12 255**	16 548	**–**	48
32. TAXATION PAID					
(Payable)/refundable at beginning of the year		**9 089**	–	**(35)**	–
Refundable taxation of subsidiaries on acquisition date		**–**	17 938	**–**	–
Accounted for in the statement of comprehensive income		**4 468**	(11 727)	**(325)**	(1 695)
Adjustment for deferred taxation		**(9 803)**	(13 086)	**–**	–
Translation of foreign currency taxation liabilities		**43**	926	**–**	–
Payable/(refundable) at end of the year		**(3 862)**	(9 089)	**(8)**	35
		(65)	(15 038)	**(368)**	(1 660)

		Note	Group 2011 R'000	Group 2010 R'000 (Restated)	Company 2011 R'000	Company 2010 R'000
33.	**COMPOSITION OF CASH AND CASH EQUIVALENTS**					
	Bank and cash balances		**168 764**	168 836	**221**	–
	Call borrowings	14, 39	**–**	(454)	**–**	–
			168 764	168 382	**221**	–
34.	**ACQUISITION OF THE GOLDEN KAAN BRAND**					
	During the previous year KWV Intellectual Property (Proprietary) Limited acquired the Golden Kaan brand from the Golden Kaan joint-venture company, for a consideration of €3 million. In the current year the distribution rights in the USA were acquired for a further amount of $50 000.		**357**	33 557		
	Subsequent to the acquisition of the brand and distribution rights the group exited from its investment in the joint-venture company.					
35.	**ACQUISITION OF WILD AFRICA CREAM LIQUEUR**					
	During the previous year the group acquired the Wild Africa cream liqueur brand.					
	Purchase consideration:			20 446		
	Fair value of assets acquired					
	Property, plant and equipment			3 000		
	Inventory			2 066		
	Trademark/brand			15 380		
36.	**ACQUISITION OF SUBSIDIARIES**					
	On 15 July 2009 KWV Holdings Ltd acquired the operating subsidiaries of the KWV group from its former holding company Capevin Holdings Limited (previously KWV Limited) in exchange for shares.					
	Net identifiable assets and liabilities acquired			1 094 077		
	Property, plant and equipment			229 461		
	Intangible assets			888		
	Interest in associates and joint ventures			11 649		
	Loans and receivables			35 556		
	Deferred taxation			17 674		
	Inventory			731 435		
	Trade and other receivables			232 006		
	Current income tax assets			21 325		
	Derivative financial instruments			6 630		
	Assets held for sale			54 949		
	Deferred taxation			(90 944)		
	Borrowings			(30 484)		
	Trade and other payables			(122 253)		
	Derivative financial instruments			(428)		
	Current income tax liabilities			(3 387)		
	Cash and cash equivalents of subsidiaries on date of acquisition	39		(25 994)		
	Acquisition below net asset values (Common control reserve)			(789 083)		
	Fair value of consideration, settled in shares			(279 000)		
				(1 094 077)		

	Group 2011 R'000	Group 2010 R'000

37. DISPOSAL OF JOINT-VENTURE COMPANY

On 30 June 2011 KWV Holdings Ltd sold its 50% investment in Vititec (Pty) Ltd.

	Group 2011 R'000	Group 2010 R'000
Proceeds on disposal	**15 000**	–
Carrying value of associate on date of sale	**(2 606)**	–
Profit on sale of joint-venture company	**12 394**	–

38. EVENTS AFTER YEAR-END

Shortly after year-end the group has implemented a wide-ranging internal restructuring in order to further reduce its cost base and improve its competitiveness.

As part of this process several members of staff, including the CEO, Thys Loubser, were offered and accepted voluntary retrenchment packages. André van der Veen is currently the acting CEO and will function in this regard until the restructuring process has been finalised and a permanent CEO appointed.

The restructuring process is ongoing and it is expected that more staff will still be affected. The current estimate of the restructuring costs is R12,6 million, as well as a further R1,2 million resulting from the early vesting of phantom shares of the affected staff members.

39. PRIOR YEAR ADJUSTMENTS

The prior year results were restated in order to comply with the latest interpretations of the consolidation requirements of IFRS. In terms thereof it has been determined that the group controls the KWV Opleiding en Navorsingstrust and that this entity should thus be consolidated.

No third statement of financial position is prepared, as 2010 was the first year of operation for the group and thus there are no prior year figures relating to 2009 to restate.

Prior year results have been restated as follows:	Note	As reported previously R'000	Restatement R'000	Restated amounts R'000
Statement of changes in equity				
Common control reserve		779 060	10 023	789 083
Statement of financial position:				
Borrowings	14	10 477	(10 023)	454
Statement of cash flows				
Cash resources of subsidiaries on date of acquisition		(36 017)	10 023	(25 994)

ANNEXURE A: SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATES

as at 30 June 2011

(This annexure is an integral part of the annual financial statements)

	Note	Issued share capital R'000	Effective percentage interest 2011 %	Effective percentage interest 2010 %	Company carrying amount 2011 R'000	Company carrying amount 2010 R'000
COMPANY'S INTEREST IN SUBSIDIARY COMPANIES						
Golden Kaan South Africa (Pty) Ltd*		0,1	**100,00**	100,00	**–**	–
KWV Intellectual Property (Pty) Ltd*		0,2	**100,00**	100,00	**130 000**	130 000
KWV International (Pty) Ltd*						
– shares		0,5	**100,00**	100,00	**57 664**	57 664
– loan					**81 358**	81 358
KWV International Holding GmbH (incorporated in Germany)		1 257	**100,00**	100,00	**5 455**	10 821
KWV Projects (Pty) Ltd*		0,1	**100,00**	100,00	**–**	–
KWV South Africa (Pty) Ltd*						
– shares		10,1	**100,00**	100,00	**325 010**	325 010
– loan					**239 397**	237 797
	6				**838 884**	842 650

	Note	Percentage interest 2011 %	Percentage interest 2010 %	Group carrying amount 2011 R'000	Group carrying amount 2010 R'000
GROUP'S INTEREST IN ASSOCIATE AND JOINT VENTURE					
Paarl Valley Bottling Company (Pty) Ltd*		**28,09**	28,09	**9 494**	9 225
Solamoyo Processing (Pty) Ltd*		**40,00**	–	**4 834**	–
Vititec (Pty) Ltd*		**–**	50,00	**–**	2 783
	7			**14 328**	12 008

* 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 Vititec (Pty) Ltd is vine plant improvement and the propagation of vine plant material.

	2011 R'000	2011 R'000
ASSOCIATE AND JOINT VENTURE		
SUMMARY OF ASSETS AND LIABILITIES		
as at 30 June 2011		
Non-current assets	**48 404**	61 941
Property, plant and equipment	**48 404**	37 242
Other assets	**–**	24 699
Current assets	**25 420**	25 162
Inventory	**5 611**	8 389
Trade and other receivables	**12 204**	12 759
Financial assets	**100**	107
Cash and cash equivalents	**7 505**	3 907
Total assets	**73 824**	87 103
Total equity		
Ordinary shareholders' funds	**33 818**	57 897
Non-current liabilities	**16 019**	11 214
Long-term liabilities	**13 392**	8 071
Deferred taxation	**2 627**	3 143
Current liabilities	**23 987**	17 992
Trade payables and provisions	**11 829**	11 798
Interest-bearing borrowings	**12 006**	5 422
Taxation payable	**152**	772
Total equity and liabilities	**73 824**	87 103
RESULTS OF OPERATIONS		
for the year ended 30 June 2011		
Revenue	**25 856**	29 477
Profit before taxation	**2 656**	12 157
Taxation	**(163)**	(582)
Non-controlling interest	**–**	217
Net profit attributable to ordinary shareholders	**2 493**	11 792

As at year-end the group's only associate is Paarl Valley Bottling Company (Pty) Ltd and its joint venture is Solamoyo Processing (Pty) Ltd. The group and its associated companies operate in the same market segment and therefore the financial results of associates and joint ventures are grouped together.

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

ANNEXURE B: PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2011
(This annexure is an integral part of the annual financial statements)

Group

	Land and buildings R'000	Machinery and equipment R'000	Furniture and fittings R'000	Vehicles R'000	Plant under construction R'000	Total R'000
Year ended 30 June 2010						
Opening carrying value	–	–	–	–	–	–
Subsidiaries acquired	48 211	208 789	12 244	4 145	1 108	274 497
Additions/(transfers)	1 290	15 207	5 191	651	69	22 408
Acquisition of Wild Africa Cream liqueur	–	3 000	–	–	–	3 000
Disposals	(14 866)	(55 248)	(475)	(306)	(1)	(70 896)
Depreciation charge	(900)	(17 596)	(4 157)	(640)	–	(23 293)
Carrying value	33 735	154 152	12 803	3 850	1 176	205 716
At 30 June 2010						
Cost	49 530	412 306	47 765	9 378	1 176	520 155
Accumulated depreciation	(15 795)	(258 154)	(34 962)	(5 528)	–	(314 439)
Carrying value	33 735	154 152	12 803	3 850	1 176	205 716
Year ended 30 June 2011						
Opening carrying value	**33 735**	**154 152**	**12 803**	**3 850**	**1 176**	**205 716**
Additions/(transfers)	**4 313**	**15 333**	**5 668**	**369**	**(1 101)**	**24 582**
Disposals	**(7 832)**	**(1 971)**	**(55)**	**(134)**	**(29)**	**(10 021)**
Depreciation charge	**(912)**	**(16 326)**	**(3 973)**	**(545)**	**–**	**(21 756)**
Carrying value	**29 304**	**151 188**	**14 443**	**3 540**	**46**	**198 521**
At 30 June 2011						
Cost	**41 590**	**411 418**	**51 821**	**9 192**	**46**	**514 067**
Accumulated depreciation	**(12 286)**	**(260 230)**	**(37 378)**	**(5 652)**	**–**	**(315 546)**
Carrying value	**29 304**	**151 188**	**14 443**	**3 540**	**46**	**198 521**

ANNEXURE C: INTANGIBLE ASSETS
as at 30 June 2011
(This annexure is an integral part of the annual financial statements)

				Group
	Note	Trademarks/ Brands R'000	Computer software R'000	Total R'000
Year ended 30 June 2010				
Opening carrying value		–	–	–
Subsidiaries acquired		–	888	888
Additions		34 926	1 694	36 620
Disposals		–	(489)	(489)
Amortisation charge		(1 071)	(463)	(1 534)
Carrying value		33 855	1 630	35 485
At 30 June 2010				
Cost or valuation		34 926	10 888	45 814
Accumulated amortisation		(1 071)	(9 258)	(10 329)
Carrying value		33 855	1 630	35 485
Year ended 30 June 2011				
Opening carrying value		**33 855**	**1 630**	**35 485**
Additions		**357**	**407**	**764**
Impairments	18	**(14 355)**	**–**	**(14 355)**
Amortisation charge		**(1 754)**	**(461)**	**(2 215)**
Carrying value		**18 103**	**1 576**	**19 679**
At 30 June 2011				
Cost or valuation		**35 283**	**11 295**	**46 578**
Accumulated amortisation		**(17 180)**	**(9 719)**	**(26 899)**
Carrying value		**18 103**	**1 576**	**19 679**

Impairment test for trademarks

The recoverable amount of a trademark is determined based on value-in-use calculations. As a rule, these calculations use cash flow projections based on financial budgets covering a three-year period.

However, for brands that are newly acquired or in a stronger growth phase the budgeted cash flows are amended by the relevant brand director, and extended to cover a five-year period.

Cash flows beyond these periods, as detailed above, are extrapolated at a growth rate of 5%; and cash flows are discounted at a rate of 14,5%.

ANNEXURE D: SEGMENT REPORT
for the year ended 30 June 2011
(This annexure is an integral part of the annual financial statements)

		Group 2011 R'000	Group 2010 R'000 (Restated)	
Functional analysis of sales: continuing operations		**677 766**	728 994	
Wine	50,6%	**343 382**	436 316	59,8%
Spirits	43,8%	**296 750**	278 340	38,2%
Other	5,6%	**37 634**	14 338	2,0%
Regional analysis of sales		**677 766**	728 994	
South Africa	55,3%	**374 795**	355 256	48,7%
Europe and the United Kingdom	29,8%	**202 046**	271 870	37,3%
Rest of the world	14,9%	**100 925**	101 868	14,0%
Operating profit of wine and spirits: continuing operations		**(21 865)**	61 155	**
Trading profit: South Africa		**20 701**	51 584	
Trading profit: Europe and the United Kingdom		**(1 620)**	39 800	
Trading profit: Rest of the world		**3 177**	16 295	
Items not allocated to segments:				
Other income, gains and losses		**41 613**	45 241	
Operational and administrative expenses and a portion of sales and marketing expenses		**(85 736)**	(91 765)	

Notes:

More than 10% of the group's revenue (R88,6 million; 2010: R99,9 million) is derived from a single external customer.

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 excludes other income, gains and losses, as well as operational and administrative expenses.

The results of discontinued operations are not included in the measurement basis.

Segment income excludes sales between different regions.

** During the current year management information has been amended and all sales and marketing expenses are now allocated to regions. The 2010 segmental analysis has been restated accordingly.

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 second annual general meeting of the company will be held on Wednesday 26 October 2011 at 10:00 in the Cathedral Cellar, KWV Cellars, Kohler 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:

PRESENTATION OF FINANCIAL STATEMENTS AND REPORTS

1. **ORDINARY RESOLUTION NUMBER 1**
   Presentation of the directors' report
   To receive and adopt the directors' report for the year ended 30 June 2011.

2. **ORDINARY RESOLUTION NUMBER 2**
   Presentation of audited financial statements
   To receive and adopt the audited financial statements for the year ended 30 June 2011.

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 30 June 2011.

ELECTION OF DIRECTORS

Paragraph 15.2 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 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 his willingness to be elected.

The directors have recommended the following:

4. **ORDINARY RESOLUTION NUMBER 4**
   To re-elect Mr Marcel Golding who retires at this annual general meeting in terms of the memorandum of incorporation and who is eligible and available for re-election.

   Marcel Golding is chairman of Hosken Consolidated Investments (listed on the JSE), and is also a director of a number of companies, including Golden Arrow Bus Company, Tsogo Sun Group, Vukani Gaming Corporation (Pty) Limited, YFm and Sabido Investments Group (Pty) Limited. He is also CEO of e.tv.

   He was the founding chairman of the Mineworkers Investment Company (linked to the National Union of Mineworkers), one of the two pioneering trade union investment companies in South Africa.

   Marcel holds a post-graduate degree from the University of Cape Town where he tutored and lectured for a brief period, before joining the National Union of Mineworkers in the mid 1980s. He was elected the first Deputy General Secretary of the union in 1987. Whilst a unionist he served on various Cosatu executive and committee structures, and also served as member of both the Miners International Federation and the Southern African Miners Federation executive committees.

From 1994 to 1997 he served as a member of parliament, where he chaired the Minerals and Energy Committee and the Audit Commission. He pioneered key health and safety legislation for the mining industry, as well as policy papers in both the mining and energy fields. He resigned from parliament to head the only trade union-controlled listed company on the JSE Securities Exchange in 1997.

Marcel is also involved in a number of philanthropic, development and policy organisations as a trustee or director, including the HCI Foundation, The Wheatfield Estate Foundation, and the Minerals and Energy and Policy Centre.

He is currently also chairman of the board of KWV Holdings Limited.

5. **ORDINARY RESOLUTION NUMBER 5**

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

Mr Copelyn is the CEO of Hosken Consolidated Investments and also serves on the boards of e.tv, Tsogo Sun and Seardel, amongst others. He is also a trustee of the HCI Foundation and is a board member of various subsidiaries of the Southern African Clothing and Textile Workers Union.

He holds a BA Hons degree from the University of the Witwatersrand as well as a BProc degree through Unisa. He was admitted as an attorney in 1980, and worked in several different roles in the trade union movement, as well as trade union federal structures. He later became a member of parliament and was a member of the Finance Portfolio, Mineral and Energy Portfolio and Trade and Industry Portfolio Committees.

6. **ORDINARY RESOLUTION NUMBER 6**

To re-elect Mr André van der Veen, who retires at this annual general meeting in terms of the memorandum of incorporation and who is eligible and available for re-election.

Mr van der Veen is a chartered accountant and joined Hosken Consolidated Investments in 2004. He was appointed CEO of Johnnic Holdings Limited in 2006 and holds numerous directorships including Tsogo Sun Holdings, HCI Coal and Montauk Energy Capital. He is currently acting CEO of KWV Holdings Limited.

7. **ORDINARY RESOLUTION NUMBER 7**

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

Mr Ellis is a well-known and respected wine producer and owner of Neil Ellis Wines near Stellenbosch, which he founded in 1986. He launched his career in the corporate environment with KWV (then South Africa's biggest wine co-operative) before taking up residency at the historic Groot Constantia Estate. Mr Ellis then migrated to Zevenwacht. He serves as chairman of the KWV Wine Committee, and is also a member of the Wine and Spirits Board's Technical Committee and the Cape Winemakers Guild.

APPOINTMENT OF AUDITORS AND AUDIT AND RISK MANAGEMENT COMMITTEE

8. **ORDINARY RESOLUTION NUMBER 8**

Re-appointment of independent auditors

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

9. **ORDINARY RESOLUTION NUMBER 9**

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

10. **ORDINARY RESOLUTION NUMBER 10**
To appoint Ms Keneilwe Moloko as a member of the Audit and Risk Management Committee of the company.

11. **ORDINARY RESOLUTION NUMBER 11**
To appoint Mr John Copelyn as a member of the Audit and Risk Management Committee of the company.

INTERCOMPANY LOAN

12. **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:

"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.

DIRECTORS' REMUNERATION

13. **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	R97 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 transfer of shares will be suspended from Tuesday 11 October 2011 ("Record Date") until after the annual general meeting. No share transfers from the Record Date up to the date of the meeting will be recognised for voting purposes at the 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 Monday 24 October 2011.

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.

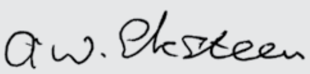
On a poll, any person present and entitled to exercise voting rights shall have the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder.

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
Company Secretary
Paarl
31 August 2011

SHAREHOLDERS' DIARY

ANNUAL GENERAL MEETING:	26 October 2011
FINANCIAL REPORTS	
– Annual report: 30 June 2011	September 2011
– Interim report: 31 December 2011	March 2012

ADMINISTRATIVE INFORMATION

Auditors
PricewaterhouseCoopers Incorporated
PricewaterhouseCoopers 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

KWV HOLDINGS LIMITED
Registration number 2009/012871/06
("the company")
FORM OF PROXY
ANNUAL GENERAL MEETING
WEDNESDAY 26 OCTOBER 2011
Cathedral Cellar, KWV Cellars, Kohler Street, Paarl

I/We (full names) ____

of (address) ____

being a shareholder of KWV Holdings Limited, hereby appoint

____

of (address) ____

or in the event of the absence of the abovementioned proxy or if a specific proxy is not appointed in terms hereof, the chairman of the general meeting, as my/our proxy to vote for me/us and on my/our behalf at the general meeting to be held at Cathedral Cellar, KWV Cellars, Kohler Street, Paarl on Wednesday 26 October 2011 at 10:00 and at any adjournment thereof in respect of the resolutions as set out in the notice of the said meeting, as follows:

	For	Against	Abstain
Ordinary Resolution Number 1 **Approval of directors' report**			
Ordinary Resolution Number 2 **Approval of financial statements**			
Ordinary Resolution Number 3 **Approval of audit committee report**			
Ordinary Resolution Number 4 **Re-election of Mr Marcel Golding as a director**			
Ordinary Resolution Number 5 **Re-election of Mr John Copelyn as a director**			
Ordinary Resolution Number 6 **Re-election of Mr André van der Veen as a director**			
Ordinary Resolution Number 7 **Re-election of Mr Neil Ellis as a director**			
Ordinary Resolution Number 8 **Appointment of Mr Tertius Bruwer as auditor**			
Ordinary Resolution Number 9 **Appointment of Ms Fran du Plessis as member of the audit committee**			
Ordinary Resolution Number 10 **Appointment of Ms Keneilwe Moloko as member of the audit committee**			
Ordinary Resolution Number 11 **Appointment of Mr John Copelyn as member of the audit committee**			
Special Resolution Number 1 **Inter company loan**			
Special Resolution Number 2 **Directors' remuneration**			

IMPORTANT: PLEASE SEE THE NOTES ON THE BACK OF THIS PROXY FORM.

This proxy appointment is	**Revocable**	**Irrevocable**	(please indicate)

Signed at ______________________ on this the ______________ day of October 2011.

Signature of shareholder ______________________ Signature of witness ______________________

NOTES:

1 Indicate instructions to proxy in respect of each resolution by way of a clear cross in the applicable block provided above. Unless otherwise instructed my/our proxy may vote as he or she deems fit.

2 A shareholder of the company who is entitled to be present and vote may appoint any individual, including an individual who is not a shareholder of the company, as a proxy to participate in, and speak and vote at, the meeting on behalf of the shareholder.

3 Any amendment or correction made on this Form of Proxy must be initialled by the signatory.

4 The appointment of a proxy is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.

5 The appointment of a proxy is revocable unless the proxy appointment expressly states otherwise. If the appointment is revocable the revocation of a proxy must be in writing and signed by the person giving the proxy.

6 A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the instrument appointing the proxy provides otherwise.

7 This proxy appointment, unless revoked earlier, remains valid only until the end of the meeting.

8 In the case of a legal person (company, CC, trust, etc), documentary proof confirming the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy provided that the chairman of the general meeting may waive this requirement if he is satisfied that the person had the necessary authority.

9 A copy of the instrument appointing a proxy must be deposited at the registered office of the company (For attention: the Group Secretary) not less than 48 (forty eight) hours (excluding Saturdays, Sundays and public holidays) prior to the time determined for the commencement of the meeting, **i.e. by 10:00 on Monday 24 October 2011**. The registered address of the company is La Concorde, 57 Main Street, Paarl, 7646. For purposes of "depositing" proxy forms sent to the company secretary by fax will be accepted, at **fax number 021 807 3000**.

10 Proxies not complying with the above requirements will be rejected.

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