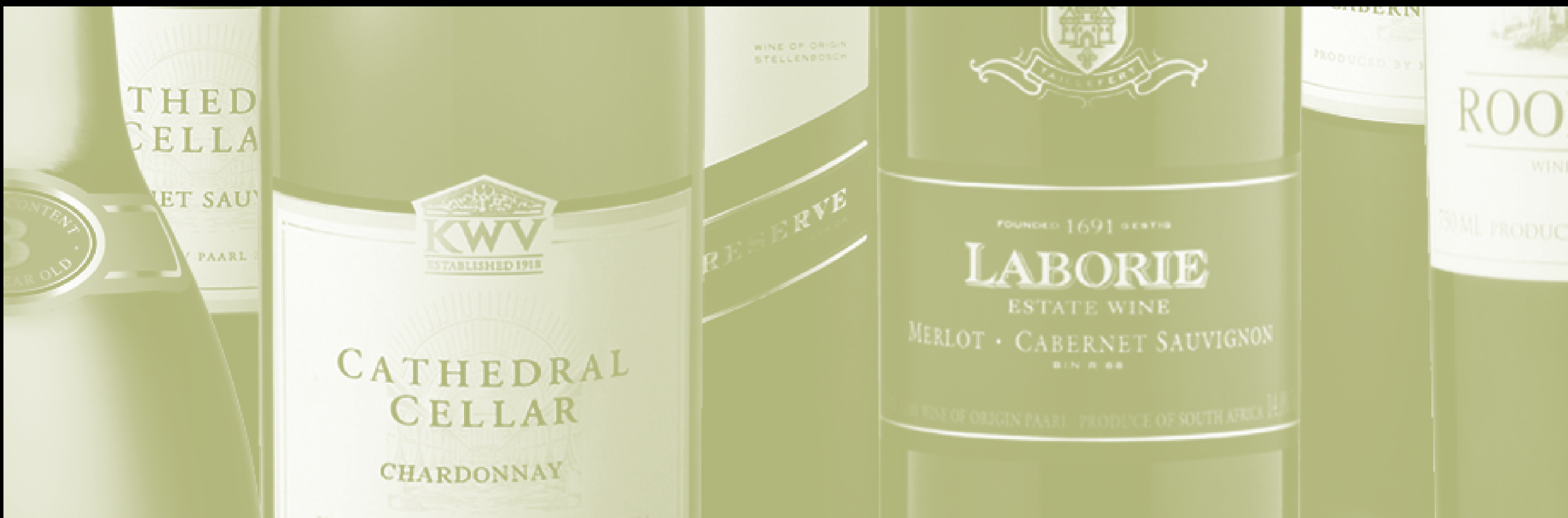


ANNUAL REPORT 2010

KWV
ESTABLISHED 1918

KWV HOLDINGS LIMITED


KWV
ESTABLISHED 1918

CONTENTS

SALIENT FEATURES – GROUP FINANCIAL RESULTS
for the year ended 30 June 2010

		2010 R'000 Audited	2009 R'000 *Illustrative	% change
GROUP SUMMARY				
Revenue: continuing operations		**728 994**	693 494	5,1
Profit before taxation: continuing operations		**73 793**	(47 785)	
Profit for the year: continuing operations		**63 874**	(41 110)	
Headline earnings: continuing operations		**51 272**	(30 281)	
Net profit attributable to ordinary shareholders		**78 103**	(9 485)	
Total equity	**	**1 280 623**	1 058 060	21,0
Shares				
Issued shares		**68 526**	44 454	
Used in the calculation of earnings per share		**61 885**	44 439	
PERFORMANCE PER ORDINARY SHARE		**Cents**	Cents	
Attributable earnings: continuing operations		**103,2**	(92,5)	
Headline earnings: continuing operations		**82,9**	(68,1)	
Dividend		**27,0**	n/a	
Special dividend		**7,0**	n/a	
Net asset value	**	**1 868,8**	2 380,1	(21,5)
Share price		**1 027,0**	n/a	

* **Illustrative results**
These illustrative results are unaudited and have been extracted from the 2009 results of the KWV group in order to assist users in interpreting the results. Refer to page 14 of the chief executive officer's report for more detail in this regard.

** Total equity increased as a result of profits for the year, as well as a rights issue. The rights issue at R6,23 a share on 9 October 2009 resulted in a decline in the net asset value per share.

BOARD OF DIRECTORS

Non-executive		
MM du Toit (Chairman)	Appointed as chairman	22 July 2009
AEvZ Botha	Appointed	22 July 2009
F-A du Plessis	Appointed	3 August 2009
NL Ellis	Appointed	22 July 2009
AE Jacobs	Appointed	22 July 2009
KI Mampeule	Appointed	22 July 2009
JF Mouton	Appointed	22 July 2009
PB Retief	Appointed	2 July 2009
LA van Dyk	Appointed	1 February 2010
CH Wiese	Appointed	22 July 2009
	Resigned	3 December 2009
Executive		
MJ Loubser	Appointed	2 July 2009

BOARD COMMITTEES

Audit and risk management committee
PB Retief (Chairman)
F-A du Plessis
AE Jacobs

Empowerment committee
KI Mampeule (Chairman)
AEvZ Botha
MJ Loubser
LA van Dyk

Human resources and remuneration committee
MM du Toit (Chairman)
AE Jacobs
LA van Dyk

ABRIDGED GROUP STRUCTURE

KWV HOLDINGS LIMITED
(Operational business unbundled from the KWV group on 18 August 2009)

- **100%** KWV INTERNATIONAL (PTY) LTD
- **100%** KWV SOUTH AFRICA (PTY) LTD
  - **28%** PAARL VALLEY BOTTLING COMPANY (PTY) LTD
  - **50%** VITITEC (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.

CHAIRMAN'S REPORT

It is a privilege to be able to report back on KWV Holdings first year of operations.

During this past financial year we started a new KWV chapter which was initiated with the unbundling of its investment in Distell to shareholders. This was the final and radical leap towards a new commercial platform for KWV.

With the unbundling in August 2009, the company cut the last cords with its regulatory role of the past. KWV is evolving as a purely commercial company which contributes and competes on the same basis as any other player in the wine industry. KWV now has one important goal, and that is to deliver a yield and growth that is acceptable to its shareholders.

This is particularly challenging. The wine and brandy industry is notorious for low return on capital and the wine industry is particularly fragmented with low brand loyalty. In addition, KWV is now a small player compared to most of the bigger names in the industry. While KWV is "big" in terms of reputation, infrastructure and history, it is only now coming to grips with what it truly is.

It is also exciting. KWV's excellent brands, its strong balance sheet and committed employees form the foundation from which we envisage to drive our dream of success for KWV going forward. A lot of progress has been made over the past year and I believe that we shall see the rewards from the resizing and the restructuring of KWV in many different and unexpected ways. It is becoming a flexible and dynamic company exclusively focused on its wine and spirits brands.

The past year, on a like-for-like comparison basis, has been both significant and disappointing. If we compare 2010 with 2009 it is significant that we have moved from a loss making business to one that has generated a profit. Disappointing, however, because the profit was well short of expectations and potential. The return on capital and equity has only shown modest improvements. The second half in particular has been slow and the strength of the rand due to our high exposure to foreign earnings has made matters worse.

While our aim is improvement over all periods, we cannot only focus exclusively on performance improvement over the next couple of years: we have to consider a longer-term horizon to ensure that KWV at 100 is even more of an icon than it ever was. This requires that we have the support and understanding of all our stakeholders in working towards a long-term sustainable business – particularly from our shareholders, our employees and our suppliers.

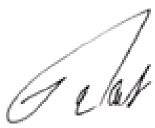
We are acutely aware of the importance of the wine and spirits industry in the Western Cape and take full responsibility for the role we can play to sustain this as an employer, competitor, partner, buyer and supplier.

I want to thank all the people in the KWV circle – from producers to customers to employees – for their support during the past year. Many of you have encouraged us to take on new challenges in order to grow. I want to thank our major shareholders in particular for their support and patience.

While KWV has been changing and will continue to change (Change is the only constant – Heraclitus a Greek philosopher), I would like to give all stakeholders, both current and past, the assurance that the board and management are sensitive towards and about KWV's heritage and history. Although KWV belongs to its shareholders, we realise that KWV remains a proud brand and business. As such, it is much bigger than any number of individuals.

On a personal note, I want to thank my colleagues on the board for their support, advice and contributions. All our directors are retiring at this annual general meeting in terms of the company's articles. Other than Messrs Mouton and Retief, all the others are eligible and available for re-election. I would like to make use of this opportunity to thank both Mr Mouton and Mr Retief for their unique and valuable contributions and the diligent way in which it was done.

I also want to thank management for their tenacity through a difficult period. We are ready for new opportunities and challenges towards growth and we are well aware that the journey has just begun.



Thys du Toit
Chairman: KWV Holdings Limited

CHIEF EXECUTIVE OFFICER'S REPORT

THE KWV CONTEXT

The past year at KWV has been dynamic and challenging. The changes we made and the decisions we took were often difficult, but ultimately brought us to the final long-envisioned stage of a process that was started in the middle 1990s.

1997	KWV converted from a co-operative to a company – with its wine farmer members becoming shareholders.
2002	We saw the establishment of VinPro which took over all wine farmer lobbying and consulting services.
2003	The restrictions on share trading, previously only between bona fide wine farmers, were lifted. KWV shares now traded freely over the counter.
2004	KWV entered the South African local market as a competitor, and concluded the first major black economic empowerment transaction in the wine industry. A total of 25,1% of shares were now in the hands of the Phetogo consortium and an employee empowerment trust.
2007 to 2009	KWV was placed on a stronger commercial track – its structure was simplified and its distribution restructured. In the process KWV sold all of its non-performing subsidiaries.
2009	The last corporate restructuring took place with the unbundling of KWV's interest in the Distell group. A new, commercially focused board and shareholders took up the reigns at KWV Holdings Ltd.

Following the unbundling of the KWV group's indirect shareholding in the Distell group in August last year, KWV has established itself as KWV Holdings Ltd with a new board of directors, a new chairman and a strong balance sheet following a rights issue.

The company is now completely independent of Capevin Holdings Limited (the former holding company), but due to the nature of the unbundling, the financial reporting for 2009 was reflected as that of Capevin Holdings Limited. This is the first time that KWV Holdings Limited is reporting on a full year for its operational business. To assist the investor and reader, a summarised income statement and balance sheet with unaudited illustrative comparative figures have been included.

One of the major driving forces behind the unbundling of the group's operational assets was to allow management to focus on improving operational performance and to allow the market to better evaluate and price the operational business. We are already seeing the benefits in this regard – the focus was driven by an extensive restructuring of the business and the market has reacted by a 65% improvement in the share price since the unbundling.

KEY ELEMENTS OF KWV'S STRATEGY

KWV follows an organic growth strategy with the focus on premiumisation, profitability and volume increases – aiming to triple the company's market value by 2014 (measured from R6,23 at the unbundling of the company in August 2009).

The strategy directs all decisions towards brand driven growth, strong cost management and performance based on the KWV Way. In the past year the emphasis has been on creating a healthy platform in wine and brandy as a launching pad for future diversification. The company had an opportunistic approach to brands outside of wine and related areas.

GLOBAL ECONOMIC AND BUSINESS OVERVIEW

For KWV to be debt free in the current economic climate has been a benefit – one thing we did not have to be concerned about. There were many others. Retailers were trimming their portfolios, reducing their stock and following the consumer trend towards much cheaper offerings. Consumers were buying cheaper, ordering less wines in bars, clubs and restaurants and are becoming more aware of the carbon footprint created by a bottle of wine sourced from the other side of the world. Competitors have been challenging us in markets where we believed we were strongly entrenched.

Markets did not recover after the recession to the extent that we were hoping for – and remain unpredictable. This is especially true of the UK, western and northern Europe, which were traditionally strong markets for South African wine. While trying to maintain market share, KWV has had to protect margins, which had a negative impact on volumes in a few markets. And, as always, the business remains very vulnerable to the Rand – which in the past year has not been in our favour.

Although the South African wine harvest of 2010 was smaller than in previous years, KWV had to compete in a global market where over supply in wine producing countries such as Australia and Argentina has smoothed input prices downward. Going into a shortage situation, we are paying more – not only for grapes, but also significantly more for energy and other resources.

However, the 2010 harvest delivered grapes with good flavours and KWV was once again in the position to source some of the best grapes in the industry for its range of wines. Excellent grape selection was evident in the number of awards won by KWV during the past year – most notably for its KWV The Mentors range of wines. The brandy category also did extremely well, with the Laborie Alambic brandy selected as the best brandy in the world at the International Wine & Spirit Challenge.

This year will be remembered as the year of the 2010 FIFA World Cup™ for South Africa. For KWV, 2010 was the year of brands, cost management and the KWV Way. These three focus areas directed all decisions and behaviour of employees, management and the board of directors. A lowlight for the year was the mothballing of KWV's potstill distillery facility in Worcester, due to the decline in brandy sales locally. The acquisition of Wild Africa Cream, however, balanced this move and brings new impetus and growth potential to the spirits side of the business.

FINANCIAL PERFORMANCE

These results represent the first report for a full year of the new KWV Holdings group comprising the results of the unbundled KWV operating business. Shareholders and readers are referred to note 1 of the audited financial statements for background on the basis of preparation of the figures presented. This review focuses mainly on the results of the continuing operations.

As indicated in the interim report to December 2009, KWV expected the second half of the financial year to be particularly challenging in all markets. This proved to be the case, with revenue for the second six months of the year being 15,63% lower than for the first half of the year.

Due to the economic slowdown and focus of authorities on inflation targets, input costs were well contained and even lowered in real terms. Focused cost cutting was also necessitated by competitive market conditions. At the same time, more focus was placed on brand building through the appointment of specialised staff.

The prolonged and surprising strength of the Rand has had a significant negative impact on wine exports, which is the single biggest reason for the marginal growth in revenue for the year. The industrial action at Transnet towards the end of the financial year also impacted volumes and put some business deals at risk.

Revenue from continuing operations amounted to R729,0 million, an increase of 5,1% over the prior year. This modest growth was mainly due to the decline of 3,7% in revenue from total wine sales but on the other hand was bolstered by sales revenue from spirits which increased by 18,9%.

CHIEF EXECUTIVE OFFICER'S REPORT continued

Despite difficult market conditions globally, sales volumes generally held up well with healthy growth achieved in certain regions and brands. Sales volumes of packed products declined by 1,4% while the bulk spirits volumes were more than 50% higher than the previous year. Branded wine volumes were 2,3% lower but packed spirits were up by more than 10%. From a brand perspective Roodeberg continued its stellar growth with double digit growth while the Café Culture and Cathedral Cellar brands achieved growth in excess of 20%.

On a regional basis, volume growth of between 7% and 10% was achieved in Europe (including Germany), the Americas, Canada and the local market. Growth in excess of 20% was achieved in Africa and Japan while volumes in Scandinavia were marginally up on the prior year.

The group succeeded in improving its gross profit margin from 36,6% for the prior year to 38,0%, resulting in an increase of 9,1% in gross profit. This was achieved largely due to cost reductions achieved in the manufacturing environment. Other operating expenses were also well contained, increasing by less than one per cent over the prior year. The operating profit from continuing operations amounted to R61,2 million, an improvement of R72,6 million over the comparable prior year operating loss of R11,4 million.

Other income from continuing operations amounting to R16,6 million (prior year R13,8 million) consists largely of rental income (R5,9 million), a capital distribution of R4,0 million received on the winding up of the KWV Share Incentive Trust and a number of smaller items detailed in the notes to the financial statements.

Net other gains in the income statement amount to R28,7 million compared to a loss of R19,5 million for the prior year. The major items included in this amount are profits on disposal of property, plant and equipment of R11,3 million (prior year profit R2,3 million), foreign exchange gains of R8,2 million (prior year loss R18,6 million) and impairments of loans and receivables written back of R8,1 million (prior year impairments R13,3 million).

Due to the change in the cash situation of the group following the rights issue and the sale of assets and discontinued operations, the current year reflects net interest income amounting to R14,5 million compared to net finance costs of R31,1 million for the prior year, representing a favourable turnaround of R45,6 million.

The group's share in the net profits of associated companies and joint ventures is no longer a material item in the income statement and amounted to a loss of R1,9 million which represents an improvement of R3,3 million compared to the comparable prior year figure. This result is attributable to the group's interest in Vititec, Paarl Valley Bottling Company and Golden Kaan.

The net profit attributable to shareholders from continuing operations amounted to R63,9 million which is an increase of R105 million over the comparable prior year figure while the headline earnings from continuing operations amounted to R51,3 million compared to the prior year loss of R30,3 million. The improvement of R81,6 million in headline earnings is substantially less than the increase in attributable profit due largely to the significant impairments written off in the prior year and the profit on sale of unproductive assets.

Discontinued operations

The profit from discontinued operations is represented largely by the profit in the sales of the grape juice concentrate business to Orange River Wine Cellars amounting to R16,5 million and a small operating loss of R2,3 million that was incurred prior to the date of sale.

Earnings and dividends

The headline earnings per share from continuing operations increased from a loss of 68,1 cents to a profit of 82,9 cents.

The board of directors have resolved to declare a maiden ordinary dividend of 27 cents per share as well as a special dividend of 7 cents per share, based on the profit on sale of non-core assets, resulting in a total dividend of R23,5 million. In future the group will endeavour to maintain a dividend cover of approximately three times its headline earnings, according to the then prevailing circumstances, capital adequacy, risks and cash requirements of KWV.

Investments and funding

Total assets at 30 June 2010 amounted to R1,52 billion, an increase of 13,0% over the prior year. The growth in total assets is due primarily to an increase of R165,9 million in bank and cash balances. Other assets which also show significant increases are loans and receivables (sale of property in Robertson), intangible assets (trademarks purchased) and trade receivables while assets held for sale declined by R46,3 million.

The group experienced positive cash flows of R194,5 million derived mainly from the rights issue, the sale of the grape juice concentrate business and from operating activities. The most significant outflows were in respect of the acquisition of the Golden Kaan and Wild Africa Cream brands (totalling R54 million) and capital expenditure of R22,4 million.

The net asset value per share declined by 21,5% to R18,69 due to the dilutionary effect of the rights issue.

Prospects

The outlook for the domestic economy has recently been described by the Governor of the Reserve Bank as "relatively unfavourable", given the loss of momentum in global growth, particularly in our trading partners with austerity measures in the key industrialised economies likely to result in persistently low growth for some time to come.

Concerns about the prospects for global growth have also been underpinned by recent economic indicators which have raised questions about the durability of the recovery.

KWV will continue to be sensitive to the impact of fluctuating exchange rates and its financial risk profile will remain high while its profitability is relatively low.

However, following the rights issue and the sale of discontinued operations and certain other assets, the group has a healthy cash position and is well positioned to pursue potential growth opportunities.

With the continued focus on successful implementation of its strategy, KWV is more streamlined towards growth from a leaner base. Premiumisation and brand focus will continue to drive growth in the hands of a new cadre of brand directors.

KWV Holdings' ongoing continuing business shows promise and management is optimistic about the quality of its products and significant growth opportunities for its fine wine and brandy brands: Café Culture, KWV wines, Cathedral Cellar, Golden Kaan, Laborie, Pearly Bay, Roodeberg and the KWV 3, 5, 10, 15 and 20 Year Old brandies, as well as Imoya and Wild Africa Cream.

Business risks

The main risks for KWV's business going forward relate to the company's ability to implement its strategy and achieve its goals. This is impacted by a number of external and internal factors, and includes KWV's ability to enter new markets, to maintain its market share in current critical markets and to plan with increased accuracy. The latter is crucial for optimum inventory management and security of supply. The global economic state and the exchange rate also continue to contribute significantly to KWV's risk profile.

SUSTAINABILITY

As part of its new strategy, KWV developed a value and behavioural statement, the KWV Way. The KWV Way focuses on ownership and performance, and includes the following statement on sustainability:

"We all depend on a sustainable, profitable KWV, and therefore we work to reduce waste, cost and inefficiencies. We deliver on expectations and take all our stakeholders with us."

KWV's approach to sustainability has been informed, not only by the King III report, but also by interaction with a number of consumer and community groups, who have been putting increasing pressure on the producers of alcoholic beverages to evaluate and improve their practices in all areas of business. KWV has been no exception.

Lighter bottles, lower alcohol and more responsibility programmes are symptoms of a much broader initiative that drives KWV's behaviour as a good corporate citizen. We recognise that we are dependent on the environment and surrounding communities for the resources that we use in the production, marketing and distribution of our brands. In addition to KWV's focus on profitability, the company is therefore also continually changing the way in which it interacts with the environment, communities and consumers.

ENVIRONMENT

KWV's environmental programme forms part of the company's Integrated Management System which focuses on quality, food safety, personnel safety, and sustainable development. KWV and all of its raw material suppliers are members of the IPW Scheme (Integrated Production of Wine) and as such controls the use of pesticides and herbicides. The KWV environmental programme comprises the following:

- Effluent treatment
- Waste management and recycling
- Biodiversity
- Carbon footprint
- Energy consumption and operational efficiencies
- Environmental networking

EFFLUENT TREATMENT

KWV's operational activities in making wine and brandy in Paarl and Worcester generate effluent that could affect the environment.

In Worcester, KWV is involved in a collaborative effluent treatment project with Distell and Brenn-O-Kem. The Solamoyo Processing Company was established between the three parties and launched an effluent project in May 2010. The objective is to establish a world class distillery effluent disposal site on a 60 ha section of municipal ground in January 2011. KWV has invested R900 000 to date in this project, with a further amount of R3,5 million planned for 2011.

Effluent water leaving the Paarl and Worcester sites are regularly monitored and analysed to ensure good distilling and cellar practices are maintained. Facilities for pre-treatment of industrial effluent on the Paarl site that complies with new municipal regulations will be implemented in 2011.

All cleaning chemicals used are food grade and environmentally friendly.

Storage areas in both Paarl and Worcester for spirits products will be upgraded in 2011 by constructing buffer dams to ensure that any spillage or run-off water is collected. This project will include additional bunding in the maturation stores to reduce KWV's risk profile. In Paarl the company already has an 80 000 ℓ buffer dam constructed on the storm water drainage to ensure that no contamination can reach the Berg River.

Waste management and recycling

In collaboration with a solid packaging waste recycling partner, KWV recycles 97% of glass, 95% of paper/cartons and 95% of plastics used in the manufacturing process. Recycling rates improved by 60%, with approximately 285 tons of solid waste recycled compared to 170 tons for the previous period, despite a reduction in volumes produced.

Other waste removal practices include:

- All metallic waste is sorted and sold to approved scrap dealers on a tender basis
- Winery by-products (stems, pips and skins) are removed by an approved contractor for the production of compost
- Lees from the fermentation process and wine intake at distilleries is sold to Brenn-O-Kem for the recovery of chemical compounds
- Used oil is collected and recycled by an approved recycling company
- Medical waste is disposed of as per contract and a certificate obtained
- Filter powder is collected and disposed of at the municipal site
- Coal ash is sold to a brick-making company
- By-products of spirits distillation is sold to an organisation providing heat fuel for people in rural areas where electricity is not available

Biodiversity

The Laborie estate is the central focus and is a member of the BWI (Biodiversity Wine Initiative). A farm action management plan exists with one of the actions being an on-going alien tree clearing project. It also includes:

- Spraying of chemicals with alternative and more eco-friendly active ingredients, as from September 2009
- Establishment of neighbourhood data base to inform them of spraying activities
- Establishment of a compost system to have better quality control over the final product and being more cost effective in both production and transport costs

- Promoting biodiversity in farm soils by correcting critical element ratios
- Quiet emergency generators have been installed to reduce noise levels near residential areas

Carbon footprint

KWV is measuring 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 produced
- 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 and covered the period from July 2007 to June 2008. During this period the overall footprint of KWV was 44 874 ton CO_2 equivalent units. The comparative figures for 2009 and 2010 are 37 944 and 22 220 ton CO_2 respectively.

The decrease is due to lower production activities as well as a focus on the reduction of energy consumption and efficiency improvements.

Another initiative to reduce the impact on KWV's carbon footprint was a dramatic move to lightweight bottles which also brought about substantial product cost savings.

KWV has also been involved in a tree planting project, as carbon off-setting, where 2 670 trees were planted in a low cost housing community in Paarl. This long-term project over 15 years will result in an estimated off-setting of 1 000 tons which is about 5% of our total emissions.

Energy consumption and operational efficiencies:

KWV is continuously investigating techniques and technologies to improve operational efficiencies and in the process to also reduce the impact on our carbon footprint as well as on the immediate environment.

We have implemented a real time monitoring system of water- and electrical power consumption in Paarl. In Worcester, over the past year, emphasis was put on more efficient use of steam (produced by coal boilers) and steam lines have been upgraded resulting in a net reduction of 15% in coal consumption. The three coal boilers in Worcester were also automated during the last half of 2009 and were in full operation during the distilling season in 2010 from February to July.

A 20% immediate saving on coal was achieved within the first distilling season. This saving was more than 50% of the capital layout. The automated boilers thus also had an immediate positive impact on KWV's carbon footprint.

KWV Worcester also conducted successful trials with bio-fuel during November 2009 as an alternative fuel to coal. The results of the tests proved that:

- 25% more Bio-coal is needed versus coal to create equal efficiency
- 2% ash content versus 10–12% ash content of coal

Although the breakeven financials of Bio-coal versus coal could not be met, it was proven that alternative fuels are an option for further investigation. Other alternatives are now being investigated.

Environmental networking

Environmental networking forms an integrated part of our environmental strategy to ensure that KWV is experienced as being a responsible corporate citizen.

KWV is part of a newly established work group to monitor and improve the air quality of the Paarl and Wellington region.

KWV also plays a leading role with several other industry role-players in respect of environmental matters and maintains good relationships with the Department of Water Affairs and Forestry (DWAF) and local authorities. In this regard KWV was a founder member of the Waste Minimisation Club for large companies in Paarl and Robertson. From this platform, KWV played a leading role in the DWAF/Netherlands initiative called the "SANOW" project. This resulted in a pilot bio-membrane effluent treatment plant being provided to do extensive effluent treatment studies on winery effluent at Robertson. With the sale of the Robertson site, KWV's participation has ended.

KWV also serves on the "By and Waste products" committee of Winetech. This committee was specifically formed to manage research projects to eliminate or minimise possible negative impacts wine industry operations may have on the environment.

COMMUNITY

KWV's social investment for the past year was focused on the communities in which the company operates; namely Worcester and Paarl.

KWV's socio-economic development initiatives comprise the following projects:

- KWV Khula Hospitality Skills Programme
- The Pebbles Project Life Skills and Staff Volunteer Programme
- Wines with Heart
- Miqlat

KWV Khula Hospitality Skills Training Programme

The aim of the KWV Khula Hospitality Skills socio-economic development programme was to empower selected members of the local community by equipping them with the skills necessary to enter the hospitality industry.

Young men and women from previously disadvantaged backgrounds were recruited and completed a course that spanned over a period of two months, with six weeks dedicated to gaining practical experience in various hospitality establishments.

The training course is designed around the basic understanding of food and wine in a hospitality establishment. The course equipped the trainees with a new understanding coupled with skills in basic customer relation, up-selling and tailoring through food and wine pairing and transforms the wine waiter's ability to create an unrivalled experience for any guest.

The overall benefits of the training include:

- Creating a pool of employable people in Paarl and Worcester
- SETA accreditation, which means that the certificate will enable candidates to apply for new and/or better jobs with their new qualification
- Skills and knowledge transfer
- Creating a new and exciting way of talking about wine that is not intimidating
- Setting the stage to progress to further wine training and the development of a new career path (professional waiters and/or sommeliers)

KWV furthermore supports a number of projects that address education and health:

- KWV funded the Pebbles Project's Life Skills programme, specifically for a teens and young adults. This life skills programme prepares 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.
- KWV contributes to Wines with Heart – a social enterprise that collects wines, repackages them into mixed mystery boxes of six bottles and then sells them to customers. All proceeds go to various NGOs working in the winelands. The main beneficiaries are FASFacts, Little Angels, Pebbles and the Association for the Sensory Disabled.
- Miqlat is a community upliftment organisation that concentrates on delivering numerous community development programmes. KWV donated 40 computer screens that will be used for an internet café and computer centre at the Hope Centre which is situated in Paarl East.

ARA

KWV continues to play an active role in the Industry Association for the Responsible Use of Alcohol (ARA), which in the past year interacted on alcohol policy issues in numerous areas – from the World Health Organisation strategy to local NGOs, and continue to promote strong self-regulation and the improvement of awareness around the risks associated with the abuse of alcohol. ARA continues to fund the Foundation for Alcohol Related Research, Lifetalk forum and the Ignite foundation. The association also launched a highly acclaimed television campaign to support the work that has been done around the theme of Teenagers and Alcohol.

Human resources

In addition to the restructuring of the business during the year under review, KWV recruited and appointed four brand directors to take full accountability of newly created brand portfolios throughout the value chain. A total new reward scheme was developed, which includes a sales incentive scheme driving trading profits per portfolio. An extensive change management process supported the overall transformation of the business. At the time of this report, KWV employs 363 employees, down from 455 in the previous year, based predominantly in Paarl, Worcester and Johannesburg.

KWV is a level 5 BBBEE (broad-based black economic empowerment) contributor – one of the best in the liquor industry.

Thys Loubser

CEO: KWV Holdings Limited

ILLUSTRATIVE FINANCIAL STATEMENTS
Consolidated statement of financial position as at 30 June

	Note	2010 R'000 *Audited	2009 R'000 **Illustrative
ASSETS			
Non-current assets		**324 783**	295 228
Property, plant and equipment	4	**197 017**	229 461
Intangible assets	5	**35 485**	888
Interest in associates and joint ventures	7	**12 008**	11 649
Loans and receivables	8	**63 692**	35 556
Deferred taxation	13	**16 581**	17 674
Current assets		**1 185 424**	994 351
Inventory	9	**728 081**	731 435
Trade and other receivables	10	**266 420**	232 006
Current income tax assets		**9 499**	21 324
Derivative financial instruments	11	**2 077**	6 630
Loans and receivables	8	**10 511**	–
Bank and cash balances		**168 836**	2 956
Assets held for sale		**8 699**	54 949
Total assets		**1 518 906**	1 344 528
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**1**	–
Share premium		**425 722**	–
Reserves		**854 900**	1 058 044
Total equity		**1 280 623**	1 058 044
Non-current liabilities			
Deferred taxation	13	**76 765**	90 944
Current liabilities		**161 518**	195 540
Short-term portion of long-term borrowings		**–**	30 484
Borrowings	14	**10 477**	38 988
Trade and other payables	15	**150 191**	122 253
Derivative financial instruments	11	**440**	428
Current income tax liabilities		**410**	3 387
Total equity and liabilities		**1 518 906**	1 344 528
Net asset value per share (cents)		**1 868,8**	2 380,1

* These results were extracted from the audited financial statements for 2010.

** **Illustrative results**
As a result of the restructuring of the KWV group and the group's accounting policy (as detailed in note 1.1) the group does not report comparative results for the 2009 financial year. However, these illustrative results have been extracted from prior year results of the KWV group in order to assist users in interpreting the results.

In general these illustrative results correspond with the extracted information that was included in the Prospectus for KWV Holdings (dated 24 August 2009), as well as the board report of the 2009 annual report of Capevin Holdings Limited. There are, however, small differences and refinements, mainly stemming from the fact that the KWV Employee Empowerment Trust and the KWV Share Incentive Trust, that formed part of the old KWV group, are not consolidated into the new KWV group.

ILLUSTRATIVE FINANCIAL STATEMENTS

Consolidated income statement for the year ended 30 June

	Note	2010 R'000 *Audited	2009 R'000 **Illustrative	
CONTINUING OPERATIONS				
Revenue	16	**728 994**	693 494	
Cost of sales		**(451 998)**	(439 564)	
Gross profit		**276 996**	253 930	
Gross profit %		**38,0%**	36,6%	
Other income	17	**16 591**	13 793	
Other gains and losses – net	18	**28 650**	(19 453)	
Operating expenses		**(261 082)**	(259 696)	
Promotion, marketing and distribution		**(169 317)**	(167 159)	
Operational and administrative expenses		**(91 765)**	(92 537)	#
Operating profit	19	**61 155**	(11 426)	
Operating profit %		**8,4%**	-1,6%	
Finance income	20	**16 548**	3 456	
Finance costs	20	**(2 018)**	(34 588)	
Share of profit/(loss) of associates and joint ventures		**(1 892)**	(5 227)	
Profit before taxation		**73 793**	(47 785)	
Taxation expense	21	**(9 919)**	6 675	
Profit for the year: continuing operations		**63 874**	(41 110)	
DISCONTINUED OPERATIONS				
Profits from discontinued operations	3.2	**14 229**	31 625	
Profit for the year		**78 103**	(9 485)	
Net profit from continuing operations		**63 874**	(41 110)	
Adjusted for:				
Profit on sale of property, plant and equipment		**(10 054)**	(1 949)	
Loss on available-for-sale of investment		**2 472**	–	
Loss on sale of joint-venture company/(profit) on sale of associate		**958**	(3 557)	
Reversal of tax provision in prior years on sale of subsidiary		**(2 310)**	–	
Impairment of property, plant and equipment and software		**–**	16 335	
Capital distribution received from the KWV Share Incentive Trust		**(3 668)**	–	
Headline earnings from continuing operations	22	**51 272**	(30 281)	
Shares issued		**68 526**	44 454	
Used in the calculation of earnings per share		**61 885**	44 439	
Earnings per share from continuing operations		**Cents**	Cents	
(Attributable to equity holders of the company)				
– Attributable earnings	22	**103,2**	(92,5)	
– Headline earnings	22	**82,9**	(68,1)	

Included in the above cost savings are a decrease in non-executive directors remuneration of 70,2%.

ANALYSIS OF SHAREHOLDERS
as at 30 June 2010

	Number of shareholders	%	Number of shares	%
RANGE OF SHAREHOLDINGS				
0 – 1 000 shares	1 902	51,5	739 955	1,1
1 001 – 10 000 shares	1 355	36,7	4 844 218	7,0
10 001 – 50 000 shares	390	10,6	7 460 191	10,8
50 001 – 100 000 shares	26	0,7	1 836 032	2,7
100 001 – 1 000 000 shares	15	0,4	5 114 755	7,4
more than 1 000 000 shares	3	0,1	48 985 223	71,0
	3 691	100,0	68 980 374	100,0

	Number of shareholders	%	Number of shares	%
TYPE OF SHAREHOLDERS				
KWV Employee Empowerment Trust	1	–	4 674 097	6,8
Withmore 1 Investments (Pty) Ltd (previously Phetogo)	1	–	12 639 929	18,3
– Total BEE shareholders			17 314 026	25,1
Zeder Investments Limited	1	–	24 198 426	35,1
KWV SA (Pty) Ltd	1	–	454 224	0,7
Directors	4	0,1	1 713 344	2,5
Other	3 683	99,9	25 300 354	36,6
	3 691	100,0	68 980 374	100

TRADING STATISTICS	**2010**
Number of shares traded	**1 293 024**
Percentage of issued shares traded	**1,87%**
Value of shares traded	**R11 758 164**
Number of transactions	**298**
Market price per class A ordinary share	
– average	**R9,09**
– highest	**R12,00**
– lowest	**R7,01**
– closing	**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.)

CORPORATE GOVERNANCE

The group is committed to the principles of good corporate governance and upholds the highest standards of integrity and ethics.

BOARD OF DIRECTORS

Board composition and operation

The company maintains a unitary board and the majority of directors are non-executive. 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 among the members necessary to meet the company's strategic objectives.

The board elects a chairman from its own ranks for a period determined by the board, but not exceeding 12 months. 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.

The directors assume ultimate accountability and responsibility for the performance and affairs of the group. They provide strategic direction by reviewing and approving the plans and strategies prepared by management and ensuring that they are executed according to the agreed underlying values. By granting such approval the board empowers management to implement the plans and strategies and to provide the board with timeous, accurate and relevant feedback regarding progress.

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 committees so established were an Audit and Risk Management Committee, a Human Resources and Remuneration Committee, and an Empowerment Committee. All committees operate under approved terms of reference.

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. 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.

The board meets at least once per quarter, or more frequently if required by circumstances. In total, six scheduled board meetings were held during the year under review and were attended by the appropriate directors.

DEALING IN SECURITIES

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

GROUP SECRETARY

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

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

GOING CONCERN

In accordance with Companies Act requirements, the board records its opinion on the group as a going concern in the annual report.

CORPORATE GOVERNANCE
continued

The board reviews the going concern status of the group at least once per year with reference to, among other, 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 21.

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.

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 10 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 manageable risks to acceptable levels. These systems are designed to manage and provide reasonable assurance against, rather than eliminate absolutely, the risk of not achieving the group's stated objectives.

The 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.

In respect of the group's associate, Paarl Valley Bottling Company (Pty) Ltd and its joint venture, Vititec (Pty) Ltd, the group had board representation and thereby ensured that satisfactory risk management and internal control procedures were maintained.

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 KWV 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 programme 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 auditors. The internal auditors report comprehensively to management on an ongoing basis, with copies directly to the chief executive officer. The internal auditors are required to regularly submit a complete written report of their activities to the Audit Committee. However, the internal auditors retain the authority to submit specific detailed reports to the committee should they deem it necessary. This enables the internal auditors 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

CONTENTS

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 have 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 26 to 64 were approved by the board of directors on 7 September 2010 and are signed on their behalf by:

Thys du Toit
Chairman

Thys Loubser
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, 1973, 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 committee consists of a minimum of three directors, the majority of whom are independent non-executive directors. The board chairman and the chief executive officer attend meetings by invitation while the external and internal auditors, together with relevant members of management, also attend meetings by invitation. Directors who are not members of the audit committee may attend committee meetings. The internal and external auditors enjoy unrestricted access to the audit committee.

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

Director	**8 Sept**	**8 Mar**	**6 Sept**
PB Retief (chairman)	√	√	√
F-A du Plessis	√	√	√
AE Jacobs	√	√	√

√ Present
A Absent with apologies

The committee reports that it has considered the matters set out in section 270A(5) of the Companies Act, 61 of 1973, as amended by the Corporate Laws Amendment Act, 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 2010 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, 61 of 1973, as amended, and International Financial Reporting Standards (IFRS).

Phillip Retief
Chairman of the audit committee

7 September 2010

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

We have audited the group 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 2010, 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 notes, and the directors' report, as set out on pages 26 to 64.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of KWV Holdings Limited as at 30 June 2010, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: H Zeelie
Registered auditor

PO Box 215
Paarl
7620

7 September 2010

DIRECTORS' REPORT

INTRODUCTION

The structure of the KWV Holdings Limited group as at 7 September 2010 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). Subsequently, 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.

Comparative information

As a result of the above mentioned restructuring of the KWV group and the group's accounting policy (as detailed in note 1.1) the group does not report comparative results for the 2009 financial year.

However, management has compiled unaudited illustrative results for the 2009 financial year, included in the CEO's report, to assist users interpreting the results for the current financial year.

Composition of net profit attributable to equity holders of the company:

	2010 R'000
Results of the holding company, excluding dividends from group companies and profit on sale of interests in group companies	10 108
Profits of subsidiaries	73 726
Losses of subsidiaries	(3 839)
Attributable profits/(losses) of associates and joint ventures	(1 892)
	78 103

DIVIDEND

Going forward KWV Holdings Limited's policy will be to maintain a dividend cover of approximately three times its headline earnings.

An ordinary dividend (dividend number 1) of 27 cents per ordinary share is declared for the year under review.

Last day to trade cum dividend	Friday	1 October 2010
Trading ex dividend commences	Monday	4 October 2010
Record date	Friday	15 October 2010
Dividend payment date	Monday	18 October 2010

In addition a special dividend (special dividend number 1) of 7 cents per ordinary share is declared out of capital profits from the sale of non-core assets during the year under review.

Last day to trade cum dividend	Friday	1 October 2010
Trading ex dividend commences	Monday	4 October 2010
Record date	Friday	15 October 2010
Dividend payment date	Monday	18 October 2010

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.

DIRECTORS

The complete board of directors as at 7 September 2010 is set out on page 3.

In terms of the articles all non-executive directors will retire at the company's first annual general meeting. More detail in this regard is included in the notice to shareholders on page 70.

SHAREHOLDING ANALYSIS

Disclosure by the directors indicates that at 30 June 2010 the interest of directors and those of their families amounted to 2,5% of the issued shares of the company and this remains unchanged as at the date of this report. (See analysis of shareholders on page 16.)

CONTINGENT LIABILITIES

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

STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	Group 2010 R'000	Company 2010 R'000
ASSETS			
Non-current assets		**324 783**	842 650
Property, plant and equipment	4	**197 017**	–
Intangible assets	5	**35 485**	–
Investments in subsidiaries	6	**–**	842 650
Interest in associates and joint ventures	7	**12 008**	–
Loans and receivables	8	**63 692**	–
Deferred taxation	13	**16 581**	–
Current assets		**1 185 424**	–
Inventory	9	**728 081**	–
Trade and other receivables	10	**266 420**	–
Current income tax assets		**9 499**	–
Derivative financial instruments	11	**2 077**	–
Loans and receivables	8	**10 511**	–
Bank and cash balances		**168 836**	–
Land and buildings: held for sale	4	**8 699**	–
Total assets		**1 518 906**	842 650
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**1**	1
Share premium		**425 722**	425 722
Reserves		**854 900**	416 892
Total equity		**1 280 623**	842 615
Non-current liabilities			
Deferred taxation	13	**76 765**	–
Current liabilities		**161 518**	35
Borrowings	14	**10 477**	–
Trade and other payables	15	**150 191**	–
Derivative financial instruments	11	**440**	–
Current income tax liabilities		**410**	35
Total equity and liabilities		**1 518 906**	842 650

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2010

	Note	Group 2010 R'000	Company 2010 R'000
CONTINUING OPERATIONS			
Revenue	16	728 994	
Cost of sales		(451 998)	
Gross profit		276 996	
Other income	17	16 591	11 755
Other gains and losses – net	18	28 650	–
Operating expenses		(261 082)	–
Promotion, marketing and distribution		(169 317)	–
Operational and administrative expenses		(91 765)	–
Operating profit	19	61 155	11 755
Finance income	20	16 548	48
Finance costs	20	(2 018)	–
Share of profit/(loss) of associates and joint ventures	7	(1 892)	–
Profit before taxation		73 793	11 803
Taxation expense	21	(9 919)	(1 695)
Profit for the year: continuing operations		63 874	10 108
DISCONTINUED OPERATIONS			
Profits from discontinued operations	3.2	14 229	–
Profit for the year		78 103	10 108
Other comprehensive income			
Change in foreign currency translation reserve		355	–
Total comprehensive income		78 458	10 108
(Attributable to equity holders of the company)			
Earnings per share		Cents	
(Attributable to equity holders of the company)			
– Attributable earnings	22	126,2	
– Diluted earnings	22	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 2010

	Group 2010 R'000	Company 2010 R'000
Share capital		
Balance at beginning of the year	–	–
Shares issued	1	1
Balance at end of the year	1	1
Share premium		
Balance at beginning of the year	–	–
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
Reserves		
Common control reserve		
Acquisition of subsidiaries, associates and joint-venture companies from former holding company, below their book values	779 060	
Transferred to retained earnings regarding share incentives	(1 853)	
Balance at end of the year	777 207	
Retained earnings		
Balance at beginning of the year	–	–
Acquisition of subsidiaries below their carrying values in the accounts of the former holding company	–	406 784
Net profit attributable to ordinary shareholders	78 103	10 108
Profit on sale of treasury shares	347	–
Transferred from common control reserve regarding share incentives	1 853	–
Equity accounted earnings transferred to equity reserve	(2)	–
Balance at end of the year	80 301	416 892
Treasury shares		
Balance at beginning of the year	–	
Treasury shares acquired via dividend in specie	(2 078)	
Treasury shares via rights-offer	(1 122)	
Treasury shares sold/(acquired) by the group	235	
Balance at end of the year	(2 965)	
Equity reserve		
Balance at beginning of the year	–	
Transfer of equity accounted earnings from retained earnings	2	
Balance at end of the year	2	
Currency translation reserve		
Balance at beginning of the year	–	
Movement during the year	355	
Balance at end of the year	355	
Total reserves at end of the year	854 900	416 892
Equity at end of the year	1 280 623	842 615

STATEMENT OF CASH FLOWS
for the year ended 30 June 2010

	Note	Group 2010 R'000	Company 2010 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash from operations before changes in working capital	29	**59 149**	–
Changes in working capital	30	**10 171**	–
Cash generated from operations		**69 320**	–
Interest received	31	**16 548**	48
Finance costs	31	**(4 095)**	–
Taxation paid	32	**(15 038)**	(1 660)
Net cash inflow/(outflow) from operating activities		**66 735**	(1 612)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment			
– replacements		**(11 073)**	
– additions		**(11 335)**	
		(22 408)	
Proceeds on disposal of property, plant and equipment		**982**	–
Proceeds on disposal of grape juice concentrate business	3.2	**56 156**	–
Acquisition of software		**(1 694)**	–
Acquisition of Wild Africa Cream liqueur	35	**(20 446)**	–
Acquisition of the Golden Kaan brand	34	**(33 557)**	–
Capital repayment received from joint venture		**12 441**	11 755
Investments sold		**11 172**	–
Loan repayments received		**9 175**	–
Dividends received		**777**	–
Loans repaid by/(made to) group entities		**–**	(156 866)
Net cash inflow/(outflow) from investing activities		**12 598**	(145 111)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds on rights offer		**146 723**	146 723
Repurchase of shares		**(1 122)**	–
Borrowings repaid		**(30 484)**	–
Net cash inflow from financing activities		**115 117**	146 723
Net increase in cash and cash equivalents		**194 450**	–
Translation of foreign currency opening balances		**(74)**	–
Cash resources of subsidiaries on date of acquisition	36	**(36 017)**	–
Cash and cash equivalents at beginning of the year		**–**	–
Cash and cash equivalents at end of the year	33	**158 359**	–

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

1. BASIS OF PREPARATION

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

The restructuring of the group during the period involved an exchange of shares in KWV Holdings for the equity and loan interests in several group entities of Capevin Holdings Limited (previously KWV Limited and the former holding company of the KWV group). The shares in KWV Holdings were subsequently distributed to shareholders as a dividend in specie, thereby establishing a new group and holding company, with the same ultimate shareholders immediately after the transaction.

1.1 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 1973, as amended.

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:

- IFRS 3, Business Combinations – Revised
- IFRS 8, Operating Segments
- IAS 1, Presentation of Financial Statements – Revised
- IAS 23, Borrowing costs – Revised
- IAS 27, Consolidated and Separate Financial Statements – Revised
- Amendment to IFRS 2, Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations
- Amendment to IAS 32 and IAS 1, Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendment to IFRS 1 and IAS 27, Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to IAS 39, Amendments to IAS 39 Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting
- Amendments to IFRS 7, Amendments to IFRS 7 – Financial Instruments disclosures: Improving disclosure about Financial Instruments
- Improvements to IFRS 2008

- Improvements to IFRS 2009
- IFRIC 15, Agreements for the Construction of Real Estate
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation
- IFRIC 17, Distributions of Non-cash Assets to Owners
- IFRIC 18, Transfers of assets from customers
- Revised AC 503, Accounting for Black Economic Empowerment Transactions – Revised
- AC 504, IAS 19 (AC 116) The limit on a defined-benefit asset, minimum funding requirements and their interaction in the South African Pension Fund Environment

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.

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 spesific 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.

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	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 acquisition 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 the specific software into use. 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 in 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 collectibility 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2010

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, which are both regulated by the Pension Fund Act of 1956. A defined-contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. All the company's employees are members of the funds and contribute to the funds monthly.

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

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

Share-based payments
The group operates a cash-settled share-appreciation-rights scheme (as per note 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 2010.

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

- Amendments to IFRS 2, Group cash-settled share-based payment transactions (effective 1 January 2010)
- Amendments to IAS 32 – Classification of right issues (effective 1 February 2010)
- Amendments to IAS 24 – Related party disclosures (effective 1 January 2011)
- 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 IFRS 2009 (effective 1 January 2010)
- Improvements to IFRS 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)

		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 from 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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2010

		Group 2010 R'000	Company 2010 R'000
4.	**PROPERTY, PLANT AND EQUIPMENT (Annexure B)**		
	Carrying value at end of the year		
	Land and buildings	**33 735**	
	Machinery and equipment	**154 152**	
	Furniture and fittings	**12 803**	
	Vehicles	**3 850**	
	Plant under construction	**1 176**	
		205 716	
	Land and buildings: held for sale	**8 699**	
	Property, plant and equipment	**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	**33 855**	
	Computer software	**1 630**	
		35 485	
6.	**INVESTMENTS IN SUBSIDIARIES (Annexure A)**		
6.1	**Unlisted equity interests**		523 495
	Golden Kaan South Africa (Proprietary) Limited		–
	KWV Intellectual Property (Proprietary) Limited		130 000
	KWV International (Proprietary) Limited		57 664
	KWV International Holding GmbH		10 821
	KWV Projects (Proprietary) Limited		–
	KWV South Africa (Proprietary) Limited		325 010
6.2	**Loans**		319 155
	Loan: KWV International (Proprietary) Limited		81 358
	Loan: KWV South Africa (Proprietary) Limited		237 797
	These loans are unsecured, interest free and not subject to any specific repayment terms.		
			842 650

		Group 2010 R'000
7.	**INTEREST IN ASSOCIATES AND JOINT VENTURES (Annexure A)**	
	Equity interests	
	Unlisted shares at cost less impairment	5 464
	Interest in post-acquisition reserves	3 939
		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.	
		12 008
	Reconciliation of equity interest	
	Balance at beginning of the year	–
	Associates and joint venture acquired	11 515
	Share of loss of associates and joint ventures	(1 892)
	Dividends received from associates	(220)
	Balance at end of the year	9 403

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2010

		Group 2010 R'000
8.	**LOANS AND RECEIVABLES**	
8.1	**Loan: Eggers & Franke GmbH & Co. KG**	**3 442**
	The loan amounts to €822 952 is unsecured and bears interest at average European Central Bank interest rates of 2,875%. It is repayable in quarterly instalments of €62 500.	
	The loan is carried at impaired valuation as there are doubts with regard to its recoverability.	
8.2	**Loan: Edward Cavendish & Sons Ltd ("ECS")**	**3 289**
	The loan amounts to £682 354 and bears interest at 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 are doubts with regard to its recoverability.	
8.3	**Loan: KWV Employee Empowerment Trust**	**21 311**
	The loan is interest free and repayable by November 2014. It has a nominal value of R27 917 211 and is carried at amortised cost at a discount rate of 11%.	
	The trust is the owner of 18 987 664 (2009: 30 351 280) shares in Capevin Holdings, the former holding company of the KWV group and 4 674 097 shares in KWV Holdings, the current holding company of the KWV group. Of all cash dividends received on these shares, 80% are used to repay the loan.	
8.4	**Loan: Orange River Wine Cellar Co-op Ltd**	**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	**Loan: Freewheel Trade and Invest 23 (Pty) Ltd**	**38 000**
	This loan is secured by the property in Robertson sold. Interest is charged at R300 000 per month and the loan will be repaid in June 2013.	
		74 203
	Current portion of loans and receivables: amount receivable within 12 months	**10 511**
	Non-current loans and receivables	**63 692**
9.	**INVENTORY**	
	Liquid inventory	**695 746**
	Auxiliary material	**32 335**
		728 081
	Inventory carried at net realisable value	**2 029**
	Cost of inventories recognised as expense and included in "cost of sales"	**425 466**

			Group 2010 R'000	Company 2010 R'000
10.	**TRADE AND OTHER RECEIVABLES**			
	Trade receivables		**208 047**	
	Excise duty recoverable		**56 046**	
	Other receivables		**5 853**	
			269 946	
	Less: Provision for impairment		**(3 526)**	
			266 420	
11.	**DERIVATIVE FINANCIAL INSTRUMENTS**			
	Forward exchange contracts			
	Current assets		**2 077**	
	Current liabilities		**(440)**	
			1 637	
	The fair value of forward exchange contracts are determined by using forward exchange rates at 30 June 2010. 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 liabilites)		**–**	
	Level 2 (inputs other than quoted prices)		**1 637**	
	Level 3 (inputs for assets and liabilities – not based on observable market data)		**–**	
			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 0,00001 cents each		**2**	2
	Shares issued			
	200 000 000 ordinary profit-sharing shares of 0,00001 cents each			
	Issued	68 980 374		
	Held by a subsidiary	(454 224)		
	Net	68 526 150	**1**	1

		Group 2010 R'000
13.	**DEFERRED TAXATION**	
	Attributable to temporary differences	
	Balance at beginning of the year	–
	– Subsidiaries acquired	73 270
	– Accounted for against income	(13 086)
	Balance at end of the year	60 184
	The balance comprises	
	– Capital allowances	43 059
	– Inventory revaluation	40 909
	– Provisions and accruals	(6 650)
	– STC credits	(2 365)
	– Computed taxation losses	(14 769)
		60 184
	The amounts disclosed in the statement of financial position are as follows:	
	– Group companies with net deferred tax assets	(16 581)
	– Group companies with net deferred tax liabilities	76 765
		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 2010 R'000	Company 2010 R'000
14.	**BORROWINGS**			
	Unsecured call borrowings		**10 477**	
	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		**60 200**	
	Excise duty payable		**53 362**	
	Other payables and accruals		**36 629**	
			150 191	
	The carrying amounts of trade and other payables approximate their fair value.			
16.	**REVENUE**			
	Continuing operations			
	Gross sales		**881 072**	
	Less: Excise duty directly recovered		**(152 078)**	
			728 994	
17.	**OTHER INCOME**			
	Rental received		**5 935**	–
	Capital distribution received on wind-up of the KWV Share Incentive Trust		**4 014**	–
	Dividend income: Capevin Holdings Limited		**2 635**	–
	Other		**4 007**	–
	Capital distribution from joint-venture company		**–**	11 755
			16 591	11 755
18.	**OTHER GAINS AND LOSSES – NET**			
	Profit on sale of property, plant and equipment		**11 305**	
	Foreign currency gains		**8 183**	
	Write-back of impairment of loans and receivables		**8 068**	
	Excise recovered in excess of excise paid		**2 942**	
	Profit on sale of associate		**688**	
	Loss on sale of unlisted investments: Capevin Holdings Limited		**(2 536)**	
	Profit on disposal of grape juice concentrate business		**19 157**	
			47 807	
	Continuing operations		**28 650**	
	Discontinued operations	3	**19 157**	

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2010

		Note	Group 2010 R'000	Company 2010 R'000
19.	**OPERATING PROFIT**			
	Operating profit is stated after taking into account the following expenses:			
	Depreciation			
	Land and buildings		900	
	Machinery and equipment		17 596	
	Furniture and fittings		4 157	
	Vehicles		640	
			23 293	
	Amortisation of intangible assets		1 534	
	Inventory written off		646	
	Auditors' remuneration			
	Audit fees		1 293	
	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	
	Accounting and legal services – foreign subsidiaries		21	
			2 197	
	Operating lease contracts			
	Land and buildings		1 870	
	Equipment		219	
	Vehicles		712	
	Fees for external services			
	Management, technical and administrative services		7 558	
	Staff costs		133 259	
	Included in staff costs are:			
	Retirement benefits – employer contributions		11 010	
20.	**FINANCE INCOME AND COSTS**			
	Finance income			
	Investments and deposits		11 791	–
	Loan to joint-venture company		148	48
	Loans and receivables		1 485	–
	Fair value adjustment of loan to KWV Employee Empowerment Trust		2 129	–
	Payments and changes in valuation: Interest rate collar	27.2	62	–
	Other		933	–
			16 548	48
	Finance costs			
	Borrowings: non-current		430	
	current		1 588	
			2 018	
	Net finance (costs)/income		14 530	48

	Note	Group 2010 R'000	Company 2010 R'000
21. TAXATION			
South African normal taxation		**(16 394)**	(1 695)
– Current		**(27 255)**	(1 695)
– Deferred		**10 861**	–
Underprovision previous years		**(8)**	
– Current		**132**	
– Deferred		**(140)**	
Foreign taxation		**2 310**	
– Current		**2 310**	
– Deferred		**–**	
Secondary Tax on Companies (STC)		**2 365**	
– Current		**–**	
– Deferred		**2 365**	
Taxation for the year		**(11 727)**	(1 695)
Continuing operations		**(9 919)**	
Discontinued operations	3	**(1 808)**	
Reconciliation of the tax rate			
		%	%
Normal rate for companies		**28.00**	28.00
Adjusted for:			
– Exempt income		**(0,82)**	–
– Income from associates		**0,59**	–
– Income of a capital nature		**(7,45)**	(13,94)
– Disallowed expenditure		**0,18**	–
– No deferred tax asset created for assessed loss		**0,02**	–
– Adjustment for foreign taxation		**(4,84)**	–
– Profits of foreign subsidiary taxed in South Africa		**–**	0,30
– Adjustment for STC		**(2,63)**	–
– Underprovision previous years		**0,01**	–
Net reduction		**(14,94)**	(13,64)
Effective rate		**13,06**	14,36
		R'000	
Gross calculated tax losses available for utilisation against future taxable income		**52 747**	
Tax relief calculated at current tax rates		**14 769**	
Utilised to reduce deferred taxation		**(14 769)**	
Tax relief available for offset against future taxation		**–**	
Secondary Tax on Companies (STC)			
STC credits available for utilisation against future dividend payments		**23 650**	
Tax relief calculated at current STC rates		**2 365**	
Utilised to reduce deferred taxation		**(2 365)**	
Tax relief available for offset against future taxation		**–**	

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2010

	Note	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		1
– Shares issued to KWV Ltd (Capevin Holdings) for acquisition of subsidiaries, associates and joint venture companies		44 791
– Rights issue		24 188
– Treasury shares	26.5	(454)
– Net issued shares at end of the year		68 526
Used in the calculation of earnings per share		61 885

	Gross amount 2010 R'000	Tax 2010 R'000	Net amount 2010 R'000
Continuing operations			
Net profit attributable to ordinary shareholders	73 793	(9 919)	63 874
Adjusted for			
Profit on sale of property, plant and equipment	(11 305)	1 251	(10 054)
Loss on available-for-sale of investment	2 536	(64)	2 472
Loss on sale of joint-venture company	688	270	958
Reversal of tax provision in prior years on sale of subsidiary	–	(2 310)	(2 310)
Capital distribution received from the KWV Share Incentive Trust	(4 014)	346	(3 668)
Headline earnings: continuing operations	61 698	(10 426)	51 272
Discontinued operations			
Net profit attributable to ordinary shareholders	16 037	(1 808)	14 229
Adjusted for:			
Profit on sale of grape juice business unit	(19 157)	2 682	(16 475)
Headline earnings: discontinued operations	(3 120)	874	(2 246)
Total			
Net profit attributable to ordinary shareholders	89 830	(11 727)	78 103
Adjusted for:			
Profit on sale of property, plant and equipment	(11 305)	1 251	(10 054)
Loss on available-for-sale of investment	2 536	(64)	2 472
Profit on sale of grape juice business unit	(19 157)	2 682	(16 475)
Loss on sale of joint-venture company	688	270	958
Reversal of tax provision in prior years on sale of subsidiary	–	(2 310)	(2 310)
Capital distribution received from the KWV Share Incentive Trust	(4 014)	346	(3 668)
Headline earnings	58 578	(9 552)	49 026

	Group 2010 R'000

22. EARNINGS PER SHARE (continued)

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

23. COMMITMENTS

23.1 Capital commitments

	Group 2010 R'000
Incomplete contracts for capital expenditure	1 647
Capital expenditure authorised by the board not yet contracted for	52 452
	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 2010 R'000
No later than one year	1 770
Later than one year and no later than five years	1 237
Later than five years	1 911
	4 918

23.3 Credit facility supplied to joint-venture company

In terms of a shareholders agreement the group is obliged to provide financial support, pro rata to its shareholding, to Vititec (Proprietary) Limited, in order to enable the joint-venture company to meet its obligations in the normal course of business. The required support is limited to an amount of R4,85 million in the 2011 financial year.

24. CONTINGENT LIABILITIES

Guarantees

	Group 2010 R'000
Employee housing loans	152

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2010

		Note	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**
	Sales to a joint-venture company		**4 813**
	Services rendered to a joint-venture company		**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		**1 322**
	Purchases from associates		**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		**14 593**
	– Termination benefits		**306**
	– Share-based payments		**532**
			15 431

	Company 2010 R'000

25. RELATED-PARTY TRANSACTIONS (continued)

25.3 Directors' remuneration

	Salaries and fees	Perfor-mance incentives	Retirement contri-butions	Realised gain relating to share incentive scheme	Other allowances*	Total
Executive	2 652	–	554	532	371	**4 109**
Non-executive	892	–	–	–	30	**922**
Retired directors (pensions)	–	–	–	–	19	**19**
Total directors' emoluments	3 544	–	554	532	420	**5 050**
Less: Paid by subsidiaries						**(5 050)**
						–

* Comprising travel and medical allowances and products supplied to directors.

Unexercised phantom shares of executive director

Date granted	Number of phantom shares	Exercise price per share	Market value at date exercised	Phantom shares taken up (paid for)	Market value at payment date	Phantom shares not yet taken up (paid for)	Unrealised gain
** 1-Jul-2009	378 040	R0,00	R6,23	53 303	R9,98	324 737	R3 335 049
1-Oct-2009	212 143	R6,23	R8,00	–		212 143	R857 058
	590 183			53 303		536 880	R4 192 107

** 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 2010	**10,27 cents**

	Group 2010

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

Settlement of SARs

The difference between the strike price on the date the SARs 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 SARs 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	Number
26.2 SARs allotted during the year		
1 July 2009 ("Roll over")	**R0,00**	**1 229 204**
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.		
1 October 2009 ("Rights offer")	**R6,23**	**689 802**
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.		
1 June 2010 ("Normal")	**R10,00**	**450 000**
Selected employees were offered SARs with an exercise price equal to the prevailing share price		
		2 369 006

26.3 Share appreciation rights (" SARs") held by employees	
Outstanding at 1 July 2009	–
Allotted: ("Roll-over")	**1 229 204**
Allotted: ("Rights offer and "Normal")	**1 139 802**
Exercised/taken up in terms of contracts	**(108 390)**
Lapsed	**(247 626)**
Outstanding at 30 June 2010	**2 012 990**

	Group 2010 Number

26. EQUITY COMPENSATION BENEFITS (continued)

26.3 Share appreciation rights (" SARs") held by employees (continued)

Terms of the SARs outstanding at 30 June 2010 and the financial years in which they become payable:

Unconditional during the year ended	@ Rnil	@ R6,23	@ R10,00	Total
30 June 2011	218 759	–	–	218 759
30 June 2012	372 062	193 663	150 000	715 725
30 June 2013	339 434	193 663	150 000	683 097
30 June 2014	51 747	193 662	150 000	395 409
	982 002	580 988	450 000	2 012 990

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:

Market price	10,27 cents
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%
Expected volatility of the share price	30,0%
Risk free rate	9,04%

	R'000	Number
Total estimated value of qualifying share options granted as at year-end	**14 601**	
Amount recognised as a liability (included in 'Other payables' in note 15)	**(6 810)**	
Estimated amount to be recognised in future years	**7 791**	
Share-based payment expense relating to options, recognised for the year		
Actual amount paid (either in cash or in shares) to employees	**970**	
Increase in accrual for share based expense payable	**4 442**	
	5 412	
26.5 Treasury shares owned by the group		
Balance at 1 July		–
Received as a dividend in specie from Capevin Holdings on the unbundling of the KWV group		**333 505**
Acquired through participation in the rights offer of KWV Holdings Ltd		**180 093**
Delivered to employees in terms of SARss exercised		**(59 374)**
Balance at 30 June		**454 224**
Fair value of shares	**4 665**	

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2010

	Group 2010

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

Exchange rates used in these financial statements

	Closing rate	Average rate for the year
Euro	9,34	10,57
CAD	7,21	7,19
GBP	11,49	12,00
USD	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 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.

Forward foreign exchange options and contracts

as at 30 June 2010

	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
Contracts and options to sell foreign currency					
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

	Contracted foreign amount FC'000	Average exchange rate	Total contracted amount R'000	Foreign currency payables R'000	Uncovered payables R'000
					Group 2010
Contracts to buy foreign currency					
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.

Sensitivity analysis		Group 2010 R'000	Company 2010 R'000
Net foreign currency exposure: 30 June		(5 372)	–
Operational assets:	Trade receivables	100 313	–
	Bank and cash balances	438	–
Hedging instruments:	Forward exchange contracts	(100 437)	–
Loans and receivables:		6 731	–
Operational liabilities:	Payables and accruals	(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 and the UK pound), the impact on profit after tax would have been as follows:

	Increase/(decrease) in profit after tax
5% strengthening of ZAR	193
10% strengthening of ZAR	387
5% weakening of ZAR	(193)
10% weakening of ZAR	(387)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2010

	Note	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:			
At floating rates			
Call borrowings	14	**10 477**	**5,75**
Sensitivity analysis			
Unhedged interest rate exposure: 30 June		**161 801**	
Borrowings at floating rates		**(10 477)**	
Loan: Eggers & Franke GmbH & Co. KG	8.1	**3 442**	
Bank and cash balances		**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:

	Increase/(decrease) in profit after tax
1% increase in interest rates	**1 165**
2% increase in interest rates	**2 330**
1% decrease in interest rates	**(1 165)**
2% decrease in interest rates	**(2 330)**

	Group 2010

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

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

		Impaired R'000	Fully performing R'000	Total R'000
27.3.1 Loans and receivables				
Gross amounts owing	Note 8	15 524	67 472	**82 996**
Less: Provision for impairment		8 793	–	**8 793**
Net amount owing		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**
Reconciliation of provision for impairment				
Provision at beginning of the year				**–**
Subsidiaries acquired				**16 861**
Provision written back				**(8 068)**
Provision at end of the year				**8 793**
27.3.2 Bank and cash balances				
Gross amounts owing			168 836	**168 836**
Less: Provision for impairment			–	**–**
Net amount owing (Unsecured debt/exposure to credit risk)			168 836	**168 836**

Credit rating on unsecured debt (Fitch credit rating):

F1: Highest short-term credit quality.

					Group 2010
27.	**FINANCIAL RISK MANAGEMENT (continued)**				
27.3	**Credit risk (continued)**				
	Analysis of credit risk (continued)				

27.3.3 Trade receivables		Impaired R'000	Past due, but not impaired R'000	Fully performing R'000	**Total R'000**
Gross amounts owing	Note 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**

Age analysis for trade debt that is overdue, but not impaired	**17 434**
Less than 30 days	**7 617**
Less than 60 days	**3 254**
Less than 90 days	**1 248**
More than 90 days	**5 315**
Reconciliation of provision for bad debt	
Provision at beginning of the year	**–**
Subsidiaries acquired	**5 273**
Provision utilised during the year	**(1 102)**
Decrease in provision	**(645)**
Provision written back	**–**
Provision at end of the year	**3 526**

The company has guaranteed various revolving credit facilities of R250,0m 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.

	Group 2010 R'000
27. FINANCIAL RISK MANAGEMENT (continued)	
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.	
Gross contractual financial liabilities	
Borrowings	10 477
Trade and other payables	150 191
Derivative financial instruments	440
	161 108
Maturity analysis of contractual financial liabilities	
No later than one year	161 108
Between 1 and 2 years	–
Between 2 and 5 years	–
Later than 5 years	–
The group has the following undrawn borrowing facilities	
Facilities at banks and financial institutions	250 000
Utilisation	–
Undrawn facilities	250 000

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 require the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the group's accounting policies and in reporting assets and liabilities, income and expenses. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are mainly 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 judgments and assumptions that are particularly relevant to the group's operations, are:

– Property, plant and equipment, excluding land

Changes in business landscape or technological innovations may impact 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 requires 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 have a lengthy production cycle. The saleability and valuation of work-in-progress-inventories are dependent on market and consumer trends. Stringent quality control, detailed sales planning and forecasting and procurement planning are key factors in ensuring that the valuation of the group's inventory is reasonable.

– Recognition of deferred tax asset

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

– Estimated impairment of investments in 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 2010 R'000	Company 2010 R'000
29.	**CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL**			
	Profit before taxation		**89 830**	11 803
	Adjusted for:			
	– Share of losses from associates	7	**1 892**	–
	– Net interest	20	**(14 530)**	(48)
	– Dividends received	17	**(2 635)**	–
	– Profit on sale of discontinued operations	3.2	**(19 157)**	–
	– Write back of impairment of loans and receivables	18	**(8 068)**	–
	– Capital distribution received on wind-up of the KWV Share Incentive Trust	17	**(4 014)**	–
	– Capital distribution from joint venture company	17	**–**	(11 755)
	– Depreciation	19	**23 293**	–
	– Amortisation of intangibles	19	**1 534**	–
	– Profit on sale of property, plant and equipment	18	**(11 305)**	–
	– Loss on sale of investment	18	**2 536**	–
	– Bad debts provided/(written back)		**(660)**	–
	– Inventory variances and write-offs	19	**646**	–
	– Other non-cash flow items		**(213)**	–
			59 149	–
30.	**CHANGES IN WORKING CAPITAL**			
	(Excluding the effects of acquisitions, disposals and exchange differences on consolidation)			
	Change in inventory		**14 083**	–
	Change in trade and other receivables		**(30 089)**	–
	Change in trade and other payables		**26 177**	–
			10 171	–
31.	**NET INTEREST**			
	Net interest per the statement of comprehensive income	20	**14 530**	48
	Adjusted for:			
	– Fair value adjustments		**(2 129)**	–
	– Other non-cash flow items		**52**	–
			12 453	48
	Disclosed in the cash flow statement as:			
	Finance costs		**(4 095)**	–
	Interest received		**16 548**	48
32.	**TAXATION PAID**			
	(Payable)/refundable at beginning of the year		**–**	–
	Refundable taxation of subsidiaries on acquisition date		**17 938**	–
	Accounted for in the statement of comprehensive income		**(11 727)**	(1 695)
	Adjustment for deferred taxation		**(13 086)**	–
	Translation of foreign currency taxation liabilities		**926**	–
	Payable/(refundable) at end of the year		**(9 089)**	35
			(15 038)	(1 660)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2010

		Group 2010 R'000
33.	**COMPOSITION OF CASH AND CASH EQUIVALENTS**	
	Bank and cash balances	168 836
	Call borrowings	(10 477)
		158 359
34.	**ACQUISITION OF THE GOLDEN KAAN BRAND**	
	During the year KWV Intellectual Properties (Proprietary) Limited acquired the Golden Kaan brand from the Golden Kaan joint-venture company, for a consideration of €3 million.	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 year KWV South Africa (Proprietary) Limited 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
	Trade mark/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	(36 017)
	Acquisition below net asset values (Common control reserve)	(779 060)
	Fair value of consideration, settled in shares	(279 000)
		(1 094 077)

ANNEXURE A: SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATES

as at 30 June 2010

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

	Issued share-capital R'000	Effective percentage interest 2010 %	Company carrying amount 2010 R'000
COMPANY'S INTEREST IN SUBSIDIARY COMPANIES			
Golden Kaan South Africa (Pty) Ltd*	0,1	100,00	–
KWV Intellectual Property (Pty) Ltd*	0,2	100,00	130 000
KWV International (Pty) Ltd*			
– shares	0,5	100,00	57 664
– loan			81 358
KWV International Holding GmbH (incorporated in Germany)	1 194	100,00	10 281
KWV Projects (Pty) Ltd*	0,1	100,00	--
KWV South Africa (Pty) Ltd*			
– shares	10,1	100,00	325 010
– loan			237 797
Note 6			842 650

	Percentage interest 2010 %	Group carrying amount 2010 R'000
GROUP'S INTEREST IN ASSOCIATE AND JOINT VENTURE		
Paarl Valley Bottling Company (Pty) Ltd*	28,09	9 225
Vititec (Pty) Ltd*	50,00	2 783
Note 7		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 Vititec (Pty) Ltd is vine plant improvement and the propagation of vine plant material.

ANNEXURE A: SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATES
as at 30 June 2010 (continued)

	2010 R'000
ASSOCIATE AND JOINT VENTURES	
SUMMARY OF ASSETS AND LIABILITIES	
as at 30 June 2010	
Non-current assets	61 941
Property, plant and equipment	37 242
Other assets	24 699
Current assets	25 162
Inventory	8 389
Trade and other receivables	12 759
Financial assets	107
Cash and cash equivalents	3 907
Total assets	87 103
Total equity	
Ordinary shareholders' funds	57 897
Non-current liabilities	11 214
Long-term liabilities	8 071
Deferred taxation	3 143
Current liabilities	17 992
Trade payables and provisions	11 798
Interest-bearing borrowings	5 422
Taxation payable	772
Total equity and liabilities	87 103
RESULTS OF OPERATIONS	
for the year ended 30 June 2010	
Revenue	29 477
Profit before taxation	12 157
Taxation	(582)
Non-controlling interest	217
Net profit attributable to ordinary shareholders	11 792

As at year-end the group's only associate is Paarl Valley Bottling Company (Pty) Ltd and its joint venture is Vititec (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 2010

(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

ANNEXURE C: INTANGIBLE ASSETS

as at 30 June 2010

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

			Group
	Trade marks/ 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**

ANNEXURE D: SEGMENT REPORT
for the year ended 30 June 2010
(This Annexure is an integral part of the annual financial statements)

		Group 2010 R'000
Functional analysis of sales: continuing operations		**728 994**
Wine	59,8%	**436 316**
Spirits	38,2%	**278 340**
Other	2,0%	**14 338**
Regional analysis of sales: continuing operations		**728 994**
South Africa	48,7%	**355 256**
Europe and the United Kingdom	37,3%	**271 870**
Rest of the world	14,0%	**101 868**
Operating profit of wine and spirits: continuing operations		**61 155**
Trading profit: South Africa		**66 537**
Trading profit: Europe and the United Kingdom		**51 337**
Trading profit: Rest of the world		**21 019**
Items not allocated to segments:		
Other income, gains and losses		**45 241**
Operational and administrative expenses and a portion of sales and marketing expenses		**(122 979)**

Notes:

More than 10% of the group's revenue (R99,9 million) are derived from a single external customer.

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

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

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

Segment income excludes sales between different regions.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the first annual general meeting of the company will be held in the Cathedral Cellar, KWV Cellars, Kohler Street, Paarl at 10:00 on Wednesday 27 October 2010 to consider and, if deemed fit, to pass the following ordinary and special resolutions with or without modification:

1. **ORDINARY RESOLUTION NUMBER 1**
   Approval of annual financial statements
   To receive and adopt the annual financial statements for the year ended 30 June 2010.

2. **ORDINARY RESOLUTION NUMBER 2**
   Re-appointment of independent auditors
   To re-appoint PricewaterhouseCoopers as independent auditors of the company and to appoint Mr TS Bruwer as designated auditor, for the ensuing year.

   ELECTION OF DIRECTORS
   Article 15.1 of the company's articles of association ("the articles") determines that all of the non-executive directors shall retire at the first annual general meeting.

   Article 15.2 of the articles 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 persons for election as directors:

3. **ORDINARY RESOLUTION NUMBER 3**
   To re-elect Mr Abrie Botha who retires at this annual general meeting in terms of the articles and who is eligible and available for re-election.

   Mr Botha is the owner of Goedemoed Boerdery in Vredendal, and is the chairman of VinPro Limited and Namaqua Wines. He has served on the VinPro board of directors since incorporation. He is also Managing Director of Multispan Farming (Proprietary) Limited, A B Packers (Proprietary) Limited and Business Ventures (Proprietary) Limited. He was previously a director of Agri-Western Cape Ministerial Advisory Committee on dam safety.

4. **ORDINARY RESOLUTION NUMBER 4**
   To re-elect Adv Fran du Plessis, who retires at this annual general meeting in terms of the articles and who is eligible and available for re-election.

   Adv du Plessis is a chartered accountant (South Africa) and is an admitted advocate to the Cape High Court. She is an expert on taxation issues and contracts and brings strong legal and financial expertise to the KWV Holdings' board. She currently serves as a board member of Naspers, Sanlam, Kaap-Agri and Palabora Mining.

5. **ORDINARY RESOLUTION NUMBER 5**
   To re-elect Mr Thys du Toit, who retires at this annual general meeting in terms of the articles and who is eligible and available for re-election.

   Mr du Toit was a founding member (1993) of Coronation Fund Managers and former CEO, a position he held from 1997 to 2007. Coronation, under his leadership, grew from a small fund management business to the second largest independent fund manager in South Africa and was listed on the JSE in June 2003. Prior to 1993, he spent four years (1990 – 1993) with Syfrets Managed Assets as a portfolio manager. He started his working career in 1984 with George Huysamer & Partners (stockbrokers) in the field of capital and derivative markets, equity research and portfolio management. In 1985, he was admitted as a member of the JSE and became a partner at George Huysamer & Partners in 1986.

Mr du Toit serves on the boards of a number of companies and runs Rootstock Investment Management, an investment management business for select families, trusts and individuals.

6. **ORDINARY RESOLUTION NUMBER 6**
To re-elect Mr Neil Ellis who retires at this annual general meeting in terms of the articles 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.

7. **ORDINARY RESOLUTION NUMBER 7**
To re-elect Mr Antonie Jacobs, who retires at this annual general meeting in terms of the articles and who is eligible and available for re-election.

Mr Jacobs has many years experience in an investment management capacity in the agricultural sector. He has been a director of Zeder Investments Limited since 2006 and a non-executive director of Capespan Group Limited and MGK Business Investments Limited. He also served on the boards of various investment holding companies with diversified interests.

8. **ORDINARY RESOLUTION NUMBER 8**
To re-elect Mr Khutso Mampeule who retires at this annual general meeting in terms of the articles and who is eligible and available for re-election.

Mr Mampeule graduated with BA, MSC and MBA degrees in the United States of America and is the chairman of Phetogo Investments (Proprietary) Limited as well as Withmore Investments (Proprietary) Limited. He is former CEO and executive director of the South African Post Office. He is the founder and chairman of Lefa Group Holdings (Proprietary) Limited and was formerly the chairman of the Aviation Training and Development Board as well as the deputy chairman of the Airline Association of South Africa.

9. **ORDINARY RESOLUTION NUMBER 9**
To re-elect Prof Laetitia van Dyk who retires at this annual general meeting in terms of the articles and who is eligible and available for re-election.

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

10. **ORDINARY RESOLUTION NUMBER 10**
To elect Mr Mike Joubert as a director of the company.

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

NOTICE OF THE ANNUAL GENERAL MEETING (continued)

11. ORDINARY RESOLUTION NUMBER 11

To elect Ms Keneilwe Moloko as a director of the company.

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

The election and re-election of the above directors is to be voted on individually.

12. ORDINARY RESOLUTION NUMBER 12
Approval of KWV Rainmaker Employee Incentive Scheme

12.1 "Resolved as an ordinary resolution, that the KWV Rainmaker Employee Incentive Scheme ("the Rainmaker Scheme"), the salient features of which are summarised in Annexure 1 to this notice of meeting, be and is hereby approved; and

12.2 so many unissued ordinary shares of one thousandth of one cent each in the capital of the company as are necessary to implement the terms and provisions of the Rainmaker Scheme from time to time, be and they are hereby placed under the control of the directors of the company, who are specifically authorised in terms of section 221(2) and for the purposes of section 222 of the Companies Act No. 61 of 1973, as amended, ("the Act"), subject to the limits contained in the rules of the Rainmaker Scheme, to allot and issue from time to time all or any of such shares in accordance with the terms and conditions of the Rainmaker Scheme and any amendments thereto; and

12.3 the chairman of the remuneration committee of the board (or any person authorised by him for this purpose) is authorised to do all such acts and sign all such documents as are necessary to finally approve, adopt and implement the Rainmaker Scheme."

NOTE: The KWV Rainmaker Employee Incentive Scheme (the "Rainmaker Scheme") is based on the KWV Group Employee Incentive Scheme (the "Group Scheme"), which was adopted by KWV Holdings Limited on 22 July 2009. The salient features of the Group Scheme are set out in Part A of Annexure 1 to this notice of meeting. The salient differences between the Rainmaker Scheme (for which approval is sought) and the Group Scheme are set out in Part B and Part D of Annexure 1 to this notice of meeting. Except where those differences are set out in Annexure 1, the Rainmaker Scheme has the same terms as the Group Scheme after the proposed amendment of the Group Scheme referred to in Ordinary Resolution Number 12 to be proposed at the meeting.

13. ORDINARY RESOLUTION NUMBER 13
Approval of amendments to KWV Group Employee Incentive Scheme

13.1 "Resolved as an ordinary resolution, in accordance with the Companies Act, 1973, as amended, that the amendments to the KWV Group Employee Incentive Scheme ("the Group Scheme"), which was adopted by KWV Holdings Limited on 22 July 2009, the salient features of which and proposed amendments to which are set out in Annexure 1 to this notice, be and are hereby approved; and

13.2 the chairman of the remuneration committee of the board (or any person authorised by him for this purpose) is authorised to do all such acts and sign all such documents as are necessary to finally implement the proposed amendments to the Group Scheme."

NOTE: A summary of the proposed amendments to the Group Scheme (share incentive scheme) is set out in Part D of Annexure 1 to this notice of meeting. The proposed amendments to the Group Scheme are of two types. The first type (contained in the second column of Part D to Annexure 1) are minor amendments, the only important one being the change in the body which approves early retirement of participants, thereby allowing them to exercise their phantom shares. For participants other than the chief executive officer of KWV Holdings and those who report directly to him), it is considered more appropriate that the board of directors of the company which actually employs them should make this decision.

The second type (contained in the third column of Part D to Annexure 1) are amendments to approve an incentive scheme for the chief executive officer of KWV Holdings ("the CEO Scheme") on specific terms regarding exercise periods, grant value of phantom shares and when they lapse on termination of employment (which will occur other than on death or permanent disability). Except for these specific terms applicable only to the chief executive officer of KWV Holdings, the terms of the CEO Scheme are the same as the Group Scheme, as amended by the amendments referred to in the second column of Part D to Annexure 1 to this notice.
It is important to note that the CEO Scheme referred to in the third column of Part D of Annexure 1 to this notice ("CEO Scheme") does not form part of the Rainmaker Scheme. The CEO Scheme may be participated in by the chief executive officer of KWV Holdings only on the terms of the Group Scheme as they are proposed to be amended to incorporate the CEO Scheme.

14. SPECIAL RESOLUTION NUMBER 1
General authority to repurchase shares

"Resolved that, as a general approval contemplated in sections 85 to 89 of the Act, the directors of the company be and are hereby authorised at their discretion to procure that the company or any of its subsidiaries acquire the company's shares, subject to the company's articles of association and the Companies Act, 1973, as amended."

The reason for and effect of this special resolution number 1 is to authorise the directors, by way of a general authority, if they deem it appropriate in the interests of the company, to procure that the company or its subsidiaries acquire or purchase ordinary shares issued by the company subject to the restrictions contained in the resolution.

Currently the directors have no specific intent to utilise this authority which will only be used if the circumstances are appropriate.

Proxies

A shareholder, who is entitled to attend the meeting and vote, is also entitled to nominate a proxy to attend the meeting, speak and vote thereat in his or her stead. Such proxy need not 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 25 October 2010.

On a poll, shareholders will have one vote in respect of each share held.

The transfer of shares will be suspended from Monday 18 October 2010 ("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. 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.

By order of the board of directors.

A.W. Eksteen

Albert Eksteen
Company secretary
Paarl
7 September 2010

ANNEXURE 1

A SALIENT FEATURES OF THE EXISTING KWV GROUP EMPLOYEE INCENTIVE SCHEME

1. The KWV Group Employee Incentive Scheme ("the share incentive scheme or the "Group Scheme" referred to in this Annexure 1) was adopted by KWV Holdings Limited ("KWV Holdings") on 22 July 2009.

2. The share incentive scheme is based on movements in the share price of KWV Holdings as well as taking into account all distributions and payments to shareholders in the period between the granting of the rights and the date the rights are exercised. Participants are entitled to be granted rights to "phantom shares" in KWV Holdings based on the market value of shares in KWV Holdings on the date of the grant. One phantom share is equivalent to one share in KWV Holdings for purposes of the share incentive scheme.

3. On the date upon which participants exercise their rights, participants become entitled to receive payment (less taxes) equal to the difference between the market value of the shares in KWV Holdings at the time of grant of the rights, and the market value of shares in KWV Holdings on the date such rights are exercised plus the amount of all dividends, distributions and other payments received, per phantom share, by holders of shares in KWV Holdings who are natural persons (less taxation payable by such shareholders on such dividends, distributions and other payments) in the period between the granting of the rights and the date the rights are exercised. The market value of the shares on exercise will be the weighted average market price per share, for the 2 (two) calendar months preceding the calendar month during which the exercise date falls, in KWV Holdings, determined with reference to the official trading platform upon which the shares of KWV Holdings are traded.

4. The board of directors of KWV Holdings will have the right to approve that shares in KWV Holdings may be delivered to the participant who exercises rights, instead of cash. If shares are to be delivered, then the amount to which a participant would have been entitled in cash on that exercise will be divided by the market value of a share in KWV Holdings and the resultant number of shares will be delivered to the participant.

5. As a result, it is possible that shares in KWV Holdings may be required to be issued to participants in the share incentive scheme.

6. Only employees of the KWV group (including executive directors) are eligible to participate in the share incentive scheme.

7. The aggregate number of phantom shares which may be granted and the allocation thereof to participants will rest with the board (on the recommendation of its remuneration committee) and at any one point in time is limited to that number of phantom shares as is equal to 5% of the number of shares in the entire issued share capital of KWV Holdings at any time.

8. Rights in terms of the share incentive scheme are exercisable by participants in whole tranches as to one third on the second anniversary of the date of grant the rights, a further third on the third anniversary of the date of grant of the rights and the final third on the fourth anniversary of the date of grant of the rights. These rights to exercise are cumulative.

9. All rights granted on any particular date must be exercised within four years and six months after the date of grant of the rights, failing which they lapse.

10. The number of phantom shares held by participants may be adjusted in certain circumstances, such as if the shares in KWV Holdings are consolidated, sub-divided or re-organised, its issued ordinary share capital is reduced, it is involved in a solvent restructuring or amalgamation or merger, it is party to a scheme of arrangement affecting the structure of its share capital or it allots shares by capitalisation of profits, reserves and/or share premium. Any adjustment will be determined by the auditors of the company.

11. Upon a change of control of KWV Holdings, or the sale by it of its interest in any of the subsidiaries, the right to exercise phantom shares by affected participants becomes exercisable.

12. Phantom shares do not entitle participants to receive dividends, distributions nor other payments on shares (although participants will effectively share in the after tax benefit of the value of dividend, distributions and payments, as set out in paragraph 3 above), nor to vote at meetings of shareholders nor to participate in any rights issue or capitalisation issue.

13. The rights to phantom shares lapse upon termination of employment of participants, but on death, permanent disability, ill health, injury, normal or late retirement, early retirement or retrenchment and in any other circumstances approved by the board the participant may become entitled to exercise his/her rights in terms of the scheme.

B THE PROPOSED RAINMAKER SCHEME DIFFERS FROM THE GROUP SCHEME IN THE FOLLOWING RESPECTS:

1. Of the issued share capital of KWV Holdings, 10% will be subject to the Rainmaker Scheme. This is in addition to the 5% of the issued share capital of KWV Holdings which is already subject to the Group Scheme (the share incentive scheme whose salient features are summarised in Part A above). The board will not allow the total number of issued phantom shares of these two schemes together to exceed 10% of KWV Holdings' issued share capital.

2. In terms of the proposed Rainmaker Scheme, all rights to phantom shares granted on any particular date must be exercised within five years and six months after the date of grant of the rights, failing which they lapse.

3. Shareholders are referred to the attached table (Part D of this Annexure 1, fourth column, which highlights and summarises the salient and important differences, in addition to those above, between the proposed Rainmaker Scheme and the Group Scheme (share incentive scheme).

C THE GROUP SCHEME AMENDMENTS ENTAIL THE FOLLOWING:

1. Shareholders are referred to the attached table (Part D of this Annexure 1, second column, which highlights and summarises the proposed amendments to the Group Scheme (share incentive scheme). It also, in the third column of Part D, highlights the salient and important differences between the Group Scheme (as amended) and the proposed "CEO Scheme" which is to apply only to the chief executive officer of KWV Holdings.

2. In addition to what is stated in the table in Part D of the Annexure 1, third column, shareholders should note that the "CEO Scheme" referred to in the table applies only to the chief executive officer of KWV Holdings from time to time and any phantom shares granted to the chief executive officer in terms of the "CEO Scheme" form part of the 5% of the issued share capital of KWV Holdings available for the Group Scheme (share incentive scheme). They are not in addition to the existing 5% limit.

3. The chief executive officer of KWV Holdings will be entitled to participate in both the Group Scheme (share incentive scheme) and the "CEO Scheme".

D PROPOSED AMENDMENTS TO CURRENT GROUP SCHEME AND KEY DIFFERENCES BETWEEN THE SCHEMES

Current KWV Group Employee Incentive Scheme ("current scheme")	Proposed amendments to current scheme	Proposed New CEO Scheme (Based on current scheme, as amended)	Proposed New Rainmaker Scheme
No Deposit	Unchanged (no deposit)	Unchanged (no deposit)	Refundable deposit, not less than 10 % of market value of phantom shares payable up front in cash
Exercisable date – second, third and fourth anniversary of grant date [See summary in Part A of Annexure 1, paragraph 8]	Unchanged	Exercisable date – first, second and third anniversary of grant date	Exercisable date – third, fourth and fifth anniversary of grant date
No performance targets and goals	Unchanged (no targets/ goals)	Unchanged (no targets/ goals)	Achievement of three annual targets/goals over five year period. If targets/ goals are not met all phantom shares lapse. If target met for any year, those phantom shares in that tranche and any earlier tranches still held are exercisable until 5½ years from grant of phantom shares
Dividend – add to market value of shares on the exercise date [See summary in Part A of Annexure 1, paragraph 2 and 3]	Unchanged	Unchanged	Notional Dividend – Payments made to participant in same amount as dividends and other payments to shareholders, when paid, on all phantom shares not yet exercised. Dividends not added to market value of shares on exercise of phantom shares.
Grant value – Market value [See summary in Part A of Annexure 1, paragraph 2]	Unchanged	Grant value – Rnil	Grant value – % of market value on date of grant as determined by the board. Board determines full amount of discount.

If approved by the remuneration committee and the board, phantom shares become exercisable in the event of termination of employment as a result of death, permanent disability, normal-, late- and early retirement, retrenchment and any other circumstances approved by the committee and the board at grant value. [See summary in Part A of Annexure 1, paragraph 13]	Remuneration committee and board approval no longer required except for early retirement (see below) and other circumstances approved by the board.	Phantom shares become exercisable in the event of termination of employment as a result of death and permanent disability at grant value, otherwise they lapse on termination of employment.	Phantom shares become exercisable in the event of termination of employment as a result of death, permanent disability, normal and late retirement, retrenchment and any other circumstances approved by the committee and the board for all phantom shares exercisable at that date **at discounted grant value** and for all phantom shares not exercisable at that date for any reason **at market value as per grant date (discount does not apply).**
Phantom shares become exercisable on early retirement (being retirement other than normal or late retirement) with the prior approval of the **board** [See summary in Part A of Annexure 1, paragraph 13]	Phantom shares become exercisable on early retirement (being retirement other than normal or late retirement) with the prior approval of the board, in the case of the CEO of the company and those reporting directly to him, or if so approved by the board of directors of the relevant employer company, in the case of all the other participants.	Early retirement – phantom shares lapse.	Phantom shares become exercisable on early retirement (being retirement other than normal or late retirement) with the prior approval of the board, in the case of the CEO of the company and those reporting directly to him, or if so approved by the board of directors of the relevant employer company, in the case of all the other participants and same rules as above apply to the discount.
Allocation of phantom share expense between subsidiaries to be determined by the **auditor.**	Allocation of phantom share expense between subsidiaries to be determined by the **chief financial officer.**	Allocation of phantom share expense between subsidiaries to be determined by the **chief financial officer.**	Allocation of phantom share expense between subsidiaries to be determined by the **chief financial officer.**
	New clause the board shall from time to time appoint a compliance officer for the scheme for the purposes of the Companies Act, which compliance officer shall be accountable to the board.	New clause the board shall from time to time appoint a compliance officer for the scheme for the purposes of the Companies Act, which compliance officer shall be accountable to the board.	New clause the board shall from time to time appoint a compliance officer for the scheme for the purposes of the Companies Act, which compliance officer shall be accountable to the board.

SHAREHOLDERS' DIARY

ANNUAL GENERAL MEETING:	27 October 2010

FINANCIAL REPORTS

– Annual report:

Year end:	30 June 2010
Published:	September 2010

– Interim report:

Interim period:	31 December 2010
Published:	March 2011

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 3078

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 2010

A shareholder of the company who is entitled to be present and vote is entitled to appoint one proxy to attend, speak and vote in his stead in a poll.

A proxy need not be a shareholder of the company.

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 on 27 October 2010 at 11:00 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 Nr 1 Approval of annual financial statements			
Ordinary Resolution Nr 2 Re-appointment of independent auditors			
Ordinary Resolution Nr 3 Re-election of Mr Abrie Botha as a director			
Ordinary Resolution Nr 4 Re-election of Adv Fran du Plessis as a director			
Ordinary Resolution Nr 5 Re-election of Mr Thys du Toit as a director			
Ordinary Resolution Nr 6 Re-election of Mr Neil Ellis as a director			
Ordinary Resolution Nr 7 Re-election of Mr Antonie Jacobs as a director			
Ordinary Resolution Nr 8 Re-election of Mr Khutso Mampeule as a director			
Ordinary Resolution Nr 9 Re-election of Prof Laetitia van Dyk as a director			
Ordinary Resolution Nr 10 Election of Mr Mike Joubert as a director			
Ordinary Resolution Nr 11 Election of Ms Keneilwe Moloko as a director			
Ordinary Resolution Nr 12 Approval of the Rainmaker Scheme			
Ordinary Resolution Nr 13 Approval of amendment to Group Scheme			
Special Resolution Nr 1 General authority to repurchase shares			

IMPORTANT NOTICE
PLEASE TAKE NOTE OF THE NOTES ON THE BACK OF THIS PROXY FORM.

Signed at ______________________________ on this the __________ day of ____________________ 2010.

SIGNATURE SHAREHOLDER______________________________SIGNATURE OF WITNESS ______________________________

NOTICE OF THE ANNUAL GENERAL MEETING (continued)

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 is entitled to appoint one proxy to attend, speak and vote in his stead in a poll.

3 A proxy need not be a shareholder of the company.

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

5 Article 11.6 of the company's articles of association determines as follows:

"A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the company at the office before the commencement of the meeting or adjourned meeting at which the proxy is used."

In other words, and in particular, **the revocation of a proxy must be in writing and signed by the person giving the proxy and the witness who originally signed the proxy**, otherwise the proxy will remain valid for purposes of voting by the proxy at the general meeting.

6 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.

7 Proxy forms must be deposited at the registered office of the company (For attention: the company 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 25 October 2010**. 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.**

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

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