KWV

ESTABLISHED 1918

KWV HOLDINGS LIMITED

SUMMARISED GROUP REPORT 2013

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

These summarised financial statements are a summary of the annual financial statements of the group for the period ended 31 March 2013.

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

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

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

PROFILE

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

KWV is known internationally for brands such as Roodeberg, KWV wines, Laborie, Golden Kaan, Cathedral Cellar, The Mentors, Café Culture, Wild Africa Cream and the KWV 3, 5, 10, 15 and 20 Year Old brandies.

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

The company sources wines and grapes from the best and most sought-after viticultural regions in South Africa.

KWV is a founder member of the Industry Association for the Responsible Use of Alcohol (ARA).

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In the period under review, KWV's wines and brandies were rewarded an impressively wide number of trophies, medals and awards in local and international competitions.

TOP AWARDS INCLUDED

- *KWV Classic Red Muscadel NV and KWV Heritage Red Muscadel 1930 both received Platinum at the 2012 Muskadel SA Awards.*
- *KWV The Mentors Shiraz 2009 and KWV Heritage White Jerepigo 2005 also received Platinum, whilst Gold was awarded to KWV The Mentors Sauvignon Blanc/Semillon 2009 and KWV The Mentors Orchestra 2009 on the 2012 SA Wine Index.*
- *KWV The Mentors Semillon 2011, KWV The Mentors Grenache Blanc 2011, KWV The Mentors Canvas 2010, KWV The Mentors Orchestra 2010 and Cathedral Cellar Triptych 2010 all secured Gold Medals at the 2012 Michelangelo International Wine Awards.*
- *The KWV Classic NV Tawny further secured its reputation as one of South Africa's most celebrated fortified wines by winning Double Gold at the 2012 Veritas Awards and Gold Outstanding at the International Wine and Spirit Competition.*
- *The 2012 Veritas Awards was a "KWV show" with KWV winning 38 awards. KWV The Mentors Pinotage 2010, KWV The Mentors Shiraz 2010, KWV Heritage White Muscadel 1933 and KWV Heritage Hanepoot Jerepigo 1969 were awarded Double Gold, with Gold awarded to the Cathedral Cellar MCC Brut 2010, Cathedral Cellar Pinotage 2010, KWV Classic Cape Full Cream NV, KWV Heritage Hanepoot Jerepigo 1973 and Laborie Jean Taillefert 2010.*
- *KWV received three Gold Medals at the 2012 MUNDIS VINI International Wine Awards for Roodeberg Rosé 2012, Laborie Jean Taillefert 2010 and KWV Classic Chardonnay 2011.*
- *KWV The Mentors Grenache Blanc 2011 was awarded a Trophy at the 2012 Five Nations Wine Challenge with Double Gold awarded to KWV The Mentors Chardonnay 2011.*
- *Cathedral Cellar Pinotage 2009 was recognised as one of the Top 20 wines at the annual Top 10 Pinotage Competition.*
- *Recently Cathedral Cellar Chenin Blanc 2011 received Five Stars at the 2013 Platter Awards.*

While market conditions remain challenging in the short term, we are confident that the plans for the group are sound and geared towards delivering long-term value to shareholders.

For many years, KWV has not had the benefit of a single, controlling shareholder to provide stability to the board and management. The acquisition by Niveus of a controlling interest is an important milestone in KWV's history. Not only does KWV now have the stabilising benefit of a controlling shareholder that provides long-term support for its business strategy but it is also significant that the controlling shareholder is a BBBEE shareholder born of a trade union investment company. More than 60% of KWV's shares are now owned by entities that have BEE shareholders as controlling shareholders.

Our initial goal was to return the business to profitability in the short term, where profits are not based on asset sales but on the core business operations. This was achieved in the reporting period. While the return to profitability remains fragile in a business that has a high cost base, it is an important milestone.

Long-term profitability is dependent on the achievement of our goal to become a diversified alcoholic beverage business. This will require a long-term view of the business and our brands and will require substantial investment in current and new products. We need to balance our financial solvency and liquidity requirements against this investment.

Our prediction that growth in the European market will be minimal proved to be true and, coupled with the general decline in brandy consumption, placed the group under significant pressure. Management managed costs better than in previous reporting periods and developed new markets in order to compensate for the decline in traditional markets. Our increased market share in the South African brandy category helped to buffer the effect of a declining category.

The unrest in the farming communities which provide product to KWV and the acrimonious relations between organised and unorganised labour and employers placed the industry under significant pressure. Undoubtedly, damage was done to the image of our country and industry internationally. Conditions under which farm workers operate have been a contentious and vexing issue for many years. At KWV we have policies that govern our procurement and we have committed ourselves to ethical trade principles.

The pressure on the retail selling prices of our products through increases in excise duty is continuing, and the recent 10% increase in duties on brandy will further diminish volumes in this category. We don't believe the increase is likely to reduce absolute consumption volume as is government's stated intention, but will unfortunately rather result in the growing consumption of lower priced substitution products and stimulate illegal imports and trading. In other markets where governments determine excise rates, a key consideration is the effect that excise increase will potentially have on illegal trading.

CHAIRMAN'S REPORT *(continued)*

Our government appears to have disregarded this and is only focusing on higher prices, limited trading hours and advertising limits as methods to reduce consumption.

The ban on alcohol advertising is likely to be implemented by government and the effect on the industry will be significant. Established brands will become stronger and launching a new brand will become very difficult. When the ban is implemented investment is likely to be focused on countries outside of our borders.

While market conditions remain challenging, and are not expected to improve in the short term, we remain confident that the plans for the group are sound and geared towards delivering long-term value to shareholders.

Our employees and suppliers are the pillars upon which the group's successes are built and we thank them for their efforts and hard work in a challenging year.

My fellow board members continued to provide stability and insight that enabled management to return the business to profitability. Their contributions during the reporting period were invaluable.

Marcel Golding
Chairman

As indicated in 2013, the high investment in local market distribution infrastructure and new markets is not without risk, especially in a business such as KWV where we have a comparatively high fixed cost base and where we are trading close to break-even levels.

During the reporting period, Niveus Investments Limited (a subsidiary of the HCI group) acquired control of KWV which resulted in KWV changing its financial year-end to 31 March and its reporting period being for nine months. This change makes commenting on results, especially when comparing to prior periods, complex.

The business managed to deliver a profitable nine-month operating trading result, which is pleasing when we compare our performance to the prior period (12 months) where we incurred a significant loss. That said, we benefited in that the two most profitable trading months in the industry were included in the nine months and that our prior period had some substantial non-recurring items.

Our work, however, is far from done and, given that we operate so close to our break-even, our return to profitability will be temporary if we do not maintain the momentum that we have initiated. Our results, while positive, remain below our forecast and expectations and far below an acceptable return on our substantial assets.

As indicated in previous reports, our strategy remains to grow volume rather than to cut costs in order to balance the revenue/cost equation. Most CEOs would like to manage larger rather than smaller businesses and when faced with this equation the default answer is volume growth. For KWV, with its substantial facilities and a brand name bigger than its current volumes, the default answer is probably the correct one.

In order to grow volume, we need new markets which are growing and have the potential to grow at even faster rates in future. We also need to have products in our portfolio which have a shorter working capital cycle such as RTDs.

Traditional wine markets will continue to be highly competitive, especially when volume growth and price increases in these markets are non-existent as poor economic conditions continue and competition from more wine-growing regions becomes more significant.

Our results contain impairment provisions against our wine inventory as a result of lower than expected sales. In some instances wine was sold below cost. These provisions reflect the difficulty of the wine market where sourcing decisions often have to be made two to three years in advance of expected market and consumer demand.

For the first time in many years the global wine market is in a supply equilibrium. The harvests in France, Italy and Spain were below expectation and down on prior vintages. The effect of global warming may now be showing itself in the traditional and largest wine-growing regions in the world. The poor harvests have had an effect on wine prices in South Africa, with international buyers active in the local market. The increase in bulk wine exports, at 49% year-on-year to 31 March according to South African Wine Industry Statistics (SAWIS), is evidence of the effect of the shortage. Bulk wine exports, while useful in the short term, do not create long-term value and are often damaging to the South African wine brand in export markets.

We expect a higher than inflationary increase in the cost of wine in South Africa for the next harvest, especially in the lower-tiered wine categories. For our export business some portion of the price increase may be compensated by the exchange rate.

Our South African wine sales are improving in the key branded categories, with wines marketed under the KWV brand showing consistent growth. Our strategy of improved on-shelf execution and brand availability is delivering results and we need to continue to build on this. Undoubtedly consumers trust the KWV brand in a very confusing and over-supplied segment.

Our next challenge is to ensure that our plans to sell more premium wines gain momentum. Most South African wines are sold in the value category, and in boxed format. The margins are very tight in this segment and in order to grow profits we need to become more relevant in the premium wine arena. The awards we have won in 2012, when KWV was again recognised as the most awarded producer at Veritas, are evidence that our quality is comparable to that of the best producers in the market.

The brandy category in South Africa is in decline, with whisky now selling more litres than brandy. KWV has continued to increase its market share through our investment in a dedicated sales force and more dynamic pricing. We expect the competition in this category to become even fiercer and we constantly have to review our production efficiencies, costing and selling prices to ensure that we maximise the contribution from brandy. Cognac consumption is growing significantly in South Africa and our challenge is to convince consumers that our premium brandies are equal to or better than their Cognac counterparts. Our brandy standards and production methods are equal to or exceed the Cognac standards and we should be able to deliver products which can compete with Cognac. Success in this category is ultimately a marketing challenge where the deepest pockets often win.

Our RTD portfolio remains a work in progress and our Jimmijagga wine spritzer has gained acceptance in niche categories but has yet to achieve mainstream awareness. Our challenge in 2014 is to ensure that we move the product further along this awareness continuum. We remain vigilant in our management of marketing spend to ensure that we do not commit too far ahead of volume growth. Our recently launched KWV3 & Cola has set a new benchmark for the category and received an award for the most innovative product in 2013. Initial volumes are promising and the perception that the KWV product is a premium product compared to its competitors is gaining acceptance.

Market conditions are expected to remain competitive and depressed in our largest markets, with growth coming from the new markets which have comparatively small volumes. As indicated in 2013, the high investment in local market distribution infrastructure and new markets is not without risk, especially in a business such as KWV where we have a comparatively high fixed-cost base and where we are trading close to break-even levels. We are confident that our strategy to increase our margin through premiumisation, to build a more substantial RTD portfolio and to develop sales in new higher-growth markets is the most appropriate for KWV. It reflects our belief in the value of KWV, embodied not only by our brand but also in our people.

Our plans for 2014 are to:

- *Improve the profitability of the South African business by leveraging our investment in our sales force and by adding additional products to our portfolio*
- *Continue to grow and develop high-growth and high-margin markets such as Africa and Asia*
- *Manage advertising and marketing spend as a ratio of sales and ensure that our investment yields an appropriate return*
- *Continue to build our RTD portfolio while managing the overall investment relative to sales*
- *Manage our margin in key markets and in key product categories by eliminating low-margin/loss-making products and investing behind branded higher-margin products*
- *Premiumise the KWV product portfolio*

André van der Veen
Chief Executive Officer

The net effect is that the group made an operating profit of R3,5 million in the nine months versus a loss of R80 million in the prior year and generated headline earnings of R7,1 million.

Due to the change in financial year-end to 31 March 2013, the current reporting period is for nine months only. In addition, KWV's new financial year-end is just after harvest season; the nature of inventories (significant wine volumes are still "work-in-progress") and the magnitude of payables (there are significant creditors regarding purchases from the 2013 harvest) impact the composition of the balance sheet. As a result, the financial statements are not readily comparable to those of the prior financial year.

Revenue of R624 million is roughly 9% above that of the prior year if one adjusts for the shorter reporting period. However, on a year-to-date basis, sales volumes for packed products are less than in the nine months to March 2012 and revenue is flat.

The main reason for lower sales is weak demand for wines from Europe, KWV's most important export market. A weaker rand and exports of bulk spirits into Europe helped to mitigate against this slowdown.

Exports to the rest of the world, Africa in particular, continued to grow in both revenue and profitability.

Competition remains fierce in the South African market, especially in the brandy category which continues to decline. Despite this trend, the group has managed to grow its volumes and revenue but profit margins were squeezed due to a poorer sales mix and pricing pressure. In addition, KWV invested significantly in its sales and distribution capacity in recent months which put upward pressure on sales expenses.

Notwithstanding these challenges, the group's gross profit margin improved from 30,8% in the prior year to 36,0% and this is the main reason for a return to profitability. A significant area of improvement was cost of sales where production variances, quality provisions and inventory write-offs were reduced. In addition, an improvement in the profit margins of bulk spirit sales and a weakening of about 8% in the rand also boosted the group's gross profit.

Other income shows an increase as KWV continues to rent out more of its surplus office space.

Other gains and losses contain significant exchange rate losses of R16,4 million compared to a loss of R4,5 million in the prior year. The bulk of these losses (R11 million; 2012: R2 million) relates to a strategic decision to hedge a significant percentage of budgeted sales for future periods in order to lock in exchange rates that are deemed favourable and thereby reduce the group's exposure to exchange rate fluctuations. These foreign currency hedges were revalued at year-end and, due to rand weakness in the first quarter of 2013, this resulted in significant unrealised losses in the current reporting period. The R13,7 million excise recovery in the current period stems mainly from the sharp increase in excise taxes in February 2012.

Operating expenses were reduced from 42,7% of revenue to 35,9%. The main saving with regard to marketing and distribution expenses was a decrease in advertising and promotional activities in particular in the South African market where the focus has shifted towards improved sales execution in the marketplace. Operational and administrative expenses were also well contained and show a relative improvement even after adjusting for exceptional costs of the prior year (R16 million for retrenchments and R6 million for bad debts).

The net effect is that the group made an operating profit of R3,5 million in the nine months versus a loss of R80 million in the prior year and generated headline earnings of R7,1 million (10,4 cents per share) compared to a headline loss of R50,1 million (72,3 cents per share) in the prior year.

With regard to the group's financial position and cash flows, the most noticeable changes were an increase in receivables – primarily as a result of significant growth in excise duty recoverable – and an increase in trade payables relating to purchases from the 2013 harvest that were still owing as at 31 March.

Loans and receivables of R26 million were collected during the period and, as a result of all of the above, cash resources improved from R55,3 million to R107,5 million at the end of the financial period.

KWV's net asset value improved marginally from R17,74 to R17,85 per share.

Sustainability of the environment, our suppliers and our communities is a high priority for the group. The key building blocks of our social sustainability strategy are enterprise development and socio-economic development.

SUSTAINABILITY

Being a responsible and contributing corporate citizen is a key component of KWV's business strategy. We are committed to the empowerment, development and growth of disadvantaged communities. The company's Sustainability Strategy is aligned with the Millennium Development Goals, the King III Report and the company's overall mission and vision.

The objectives of KWV's sustainability policy are to:

- *Create a positive, sustainable impact on communities through investment in improving the quality of life and prosperity of disadvantaged communities*
- *Build and improve relationships with the company's existing and potential stakeholders and create strategic partnerships*
- *Advocate and promote the responsible use of our products and other alcoholic beverages within the self-regulatory environment in which KWV operates*

COMMUNITY DEVELOPMENT AND SOCIAL UPLIFTMENT

The key building blocks of our social sustainability strategy are enterprise development and socio-economic development.

Enterprise development

Infinity Culinary Training (ICT) and Let's Sell Lobster

Infinity Culinary Training is a non-profit school training young men and women during a 12-week programme which focuses on basic kitchen skills and the professional tools needed to obtain job placements within the hospitality industry. Let's Sell Lobster presented an additional course on food and wine pairing. KWV has sponsored nine students who have completed their studies and are all currently employed.

Klapmuts Ladies: Sewing, arts and crafts

KWV has donated sewing machines to a group of ladies from Klapmuts who have started their own income-generating project within the community. They are using recycled materials to create crafts which they sell to the public. With their sewing project they create decorative cushions, children's tracksuits, clothing and soft toys. They are currently producing decorative cushions for the Salvation Army's offices in Stellenbosch. The aim of the project is to empower the women to expand their offering incrementally to a commercially sustainable business.

Socio-economic development

Perdeberg Crèche Project

The Association for the Responsible use of Alcohol (ARA) launched a Wine Industry Project in the Perdeberg area in August 2011. The aim of the programme is to address alcohol abuse among the farmworker community. This is achieved through holistic, cost-effective life skills and intervention programmes. KWV strongly supports this programme and has played a critical role in the development of the project scope. During the past financial period KWV has donated educational toys and books to three crèches in the Perdeberg area: Feetjieland, Vryguns and Zwartfontein.

Grace

This NGO operates within the Klapmuts community and its mission is to uplift the poverty-stricken community of Klapmuts, to educate the community on all aspects of HIV/Aids and TB and to support and empower the community to take a stand against addiction and substance abuse. KWV has supported Grace during the last financial period. KWV staff donated food parcels to 19 families affected by HIV and Aids during the 2012 Christmas period. The team from the Emporium donated toys and clothes to the children of these families.

Immanuel's Haven

Immanuel's Haven provides a sanctuary for children at risk and is a place of skills development for disadvantaged youth and adults. Their mission is to uplift children and their parents, rehabilitate them and ultimately reunite them. They run a training facility for people from the surrounding community where adults are trained in computer skills and sewing classes and parenting workshops are held regularly. KWV has donated 20 desktop computers to enable Immanuel's Haven to expand their computer skills training initiative.

Responsible use of alcohol

KWV, as a founding member of the ARA, is committed to supporting the ARA in its objectives to reduce alcohol-related harm through combating the misuse and abuse of alcoholic beverages.

The ARA is one of the main funders of the Foundation for Alcohol Related Research (FARR) which does extensive research in the area of foetal alcohol syndrome (FAS) and foetal alcohol spectrum disorders (FASD). Their intervention programme in De Aar has led to a 30% reduction in the incidence of FAS and FASD in the area. Their intervention project in Prince Alfred Hamlet is currently making excellent progress despite the farmworker unrest last year.

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

ENVIRONMENT

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

The IMS also places emphasis on product quality, food safety, personnel health and safety, as well as sustainable practices.

KWV and its suppliers of grapes and wine products are accredited members of the Integrated Production of Wine Scheme (IPW). The IPW Scheme is an international forerunner of sustainable and responsible viticulture farming and production practices.

KWV has a continuous focus on the sustainable principles of the IPW Scheme and has spent time with suppliers of raw material to understand and apply the principles.

KWV has established an Environmental Sustainability Steering Committee under the auspices of an executive manager. This committee will oversee and direct the steps to obtain ISO 14001:2004 accreditation.

KWV has also commenced a programme to calculate and report on our carbon footprint.

Biodiversity

The Laborie Estate is a member of the Biodiversity Wine Initiative (BWI). During the course of the 2012 financial year, the Laborie farming activities were successfully contracted out to a service provider who is IPW- and WIETA-accredited.

Water and energy management

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

From the electricity consumption baseline the following actions have been taken:

- *A lighting energy audit has been completed on the production site. From this audit it was found that lighting amounts to 14,6% of KWV's electrical consumption. Further investigation was done on the high-cost and continuous light energy consumption units. Improvements will be implemented in a phased process.*
- *The refrigeration compressors and warehouses consume the most electrical energy in the production process. Further investigation will be done to install SCADA systems, soft starters and other means to enhance the functioning and utilisation of the refrigeration compressors. The outcome of the investigations will be included in our Objects and Targets for our Sustainability Programme.*
- *A new optimally sized HFO boiler has been installed to replace an oversized boiler. The new boiler has upgraded control systems which enhance boiler efficiency and reduce fuel consumption. This positive achievement is reflected in the actual reduction of HFO consumed by the boiler since its installation.*

Waste management and recycling

By actively managing and monitoring our waste management system, KWV has, in collaboration with recycling partners, improved rates by recycling a total of 520 tons of solid waste.

Liquid waste has also been added to the KWV recycling programme.

As required by the National Environmental Management: Waste Act, KWV submitted its industry waste management plan to the Western Cape Department of Environmental Affairs and Development Planning. This was a voluntary submission and KWV is awaiting further feedback from this department.

KWV safety and process risk management

Afri Compliance has conducted its annual audit at KWV and has once again awarded KWV with a certificate of compliance with Afri Compliance Protocol for practices in terms of local legislation and regulations promulgated under applicable Acts.

Effluent treatment

Paarl

As per the Drakenstein Municipal Industrial Effluent By-law No 18/2007, KWV has applied for and has obtained an Industrial Effluent Disposal Permit. This permit is valid for a period of five years.

Upington

As part of determining alternative effluent treatment methods, management has approved and made resources available for the establishment of a wetlands pilot plant to conduct trials.

Both these initiatives are long-term projects and are still ongoing.

Worcester

The Solamoyo Processing Company, consisting of KWV, Distell and Brenn-O-Kem on a 40/40/20 partnership basis, has completed the effluent disposal project.

TRANSFORMATION

Broad-based black economic empowerment (BBBEE)

After KWV completed its BBBEE verification process, it was confirmed that the company is again one of the leading empowered companies in the wine and spirits industry. The company's black ownership and social enterprise development levels are surpassed by few in the industry.

KWV's black employees still hold a significant stake in the company through the KWV Employee Empowerment Trust (KEET holds 4,4% shareholding) as well as another investment in the wine industry (3% in Capevin).

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 period, and the net income and cash flows for that period. The directors are also responsible for the other information included in the group report and for both its accuracy and its consistency with the financial statements.

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

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

Based on the information and explanations given by management and the internal auditors, the directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the group, has occurred during the period 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 summarised financial statements which appear on pages 15 to 20 were approved by the board of directors on 17 May 2013 and are signed on their behalf by:

Marcel Golding
Chairman

André van der Veen
Chief Executive Officer

DECLARATION BY THE COMPANY SECRETARY

I hereby confirm, in my capacity as company secretary of KWV Holdings Ltd, that for the period ended 31 March 2013, the company has filed all required returns and notices in terms of the Companies Act, 2008, and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

Albert Eksteen
Company Secretary

REPORT OF THE GROUP AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

Director	Aug	Mar
F-A du Plessis (chairman)	√	√
KR Moloko	√	√
JA Copelyn	A	√

A = absent
√ = present

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

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

The Audit Committee has evaluated the audited financial statements of KWV Holdings Limited and the group for the period ended 31 March 2013 and, based on the information provided to the committee, considers that the group complies, in all material respects, with the requirements of the Companies Act, 2008 and International Financial Reporting Standards (IFRS).

F-A du Plessis
Chairman of the Audit Committee

17 May 2013

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

to the shareholders of KWV Holdings Limited

The summarised consolidated financial statements, which comprise the summarised consolidated statement of financial position as at 31 March 2013, and the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the period then ended, and related notes, as set out on pages 16 to 20 are derived from the audited consolidated financial statements of KWV Holdings Limited for the period ended 31 March 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 17 May 2013.

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

DIRECTORS' RESPONSIBILITY FOR THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

OPINION

In our opinion, the summarised consolidated financial statements derived from the audited consolidated financial statements of KWV Holdings Limited for the period ended 31 March 2013 are consistent, in all material respects, with those consolidated financial statements, in accordance with the basis described in note 1 and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

This paragraph in our audit report dated 17 May 2013 states that as part of our audit of the consolidated financial statements for the period ended 31 March 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. It states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. This paragraph does not have an effect on the summarised consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Director: TS Bruwer
Registered Auditor

PO Box 215
Paarl
7620

17 May 2013

DIRECTORS' REPORT

NATURE OF ACTIVITIES

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

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

FINANCIAL RESULTS

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

DIVIDEND

No dividend (2012: 0 cents) per ordinary share is declared for the period under review.

EVENTS AFTER REPORTING PERIOD

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

DIRECTORS

The complete board of directors as at 17 May 2013 is set out on the cover of this document.

CHANGE IN YEAR-END

During the period under review, the financial year-end of the group changed to 31 March 2013. These financial statements were therefore prepared for a period of nine months.

AUDITORS

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

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

	31 March 2013 R'000	30 June 2012 R'000
ASSETS		
Non-current assets	**245 258**	249 605
Property, plant and equipment	**204 988**	204 696
Intangible assets	**19 472**	20 040
Interest in associates and joint ventures	**15 141**	15 094
Loans and receivables	–	2 000
Deferred taxation	**5 657**	7 775
Current assets	**1 323 093**	1 245 076
Inventory	**814 613**	809 369
Trade and other receivables	**374 186**	330 816
Current income tax assets	**2 023**	1 713
Derivative financial instruments	**2 545**	2 422
Loans and receivables	**22 208**	45 453
Bank and cash balances	**107 518**	55 303
Total assets	**1 568 351**	1 494 681
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**1**	1
Share premium	**425 722**	425 722
Reserves	**797 824**	789 878
Total equity	**1 223 547**	1 215 601
Non-current liabilities		
Deferred taxation	**34 760**	38 608
Current liabilities	**310 044**	240 472
Trade and other payables	**285 628**	233 811
Derivative financial instruments	**24 092**	5 156
Current income tax liabilities	**324**	1 505
Total equity and liabilities	**1 568 351**	1 494 681

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 March 2013

	2013 9 months R'000	2012 12 months R'000
Revenue	**623 893**	761 907
Cost of sales	**(399 372)**	(526 874)
Gross profit	**224 521**	235 033
Other income	**4 898**	7 305
Other gains and (losses)	**(1 857)**	2 487
Operating expenses	**(224 089)**	(325 036)
Promotion, marketing and distribution	**(170 407)**	(225 388)
Operational and administrative expenses	**(53 682)**	(99 648)
Operating profit/(loss)	**3 473**	(80 211)
Interest received	**3 626**	14 702
Finance costs	**(449)**	(137)
Share of profit of associates and joint ventures	**142**	433
Profit/(loss) before taxation	**6 792**	(65 213)
Income tax	**596**	15 626
Profit/(loss) for the period	**7 388**	(49 587)
Other comprehensive income		
Share of profit of associates and joint ventures	**558**	453
Total comprehensive income/(loss)	**7 946**	(49 134)

(Attributable to equity holders of the company)

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 March 2013

	2013 9 months R'000	2012 12 months R'000
Share capital		
Balance at beginning and end of the period	**1**	1
Share premium		
Balance at beginning and end of the period	**425 722**	425 722
Reserves		
Common control reserve		
Balance at beginning and end of the period	**787 230**	787 230
Retained earnings		
Balance at beginning of the period	**1 925**	51 745
Net profit/(loss) attributable to ordinary shareholders	**7 388**	(49 587)
Equity accounted earnings transferred to equity reserve	**58**	(233)
Dividends paid	**–**	–
Balance at end of the period	**9 371**	1 925
Treasury shares		
Balance at beginning and end of the period	**(2 923)**	(2 923)
Equity reserve		
Balance at beginning of the period	**2 624**	2 391
Transfer of equity accounted earnings from retained earnings	**(58)**	233
Balance at end of the period	**2 566**	2 624
Currency translation reserve		
Balance at beginning of the period	**1 022**	569
Movement during the period	**558**	453
Balance at end of the period	**1 580**	1 022
Total reserves at end of the period	**797 824**	789 878
Equity at end of the period	**1 223 547**	1 215 601

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 31 March 2013

	2013 9 months R'000	2012 12 months R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from/(used in) operations before changes in working capital	**52 138**	(39 724)
Changes in working capital	**(9 463)**	(83 405)
Cash from/(utilised in) operations	**42 675**	(123 129)
Interest received	**3 626**	9 128
Finance costs	**(379)**	(102)
Taxation paid	**(2 625)**	(306)
Net cash inflow/(outflow) from operating activities	**43 297**	(114 409)
CASH FLOW FROM INVESTING ACTIVITIES		
Replacement of property, plant and equipment	**(9 171)**	(11 118)
Additions to property, plant and equipment	**(8 326)**	(17 653)
Acquisition of property, plant and equipment	**(17 497)**	(28 771)
Proceeds on disposal of property, plant and equipment	**1 267**	1 692
Acquisition of software	**(877)**	(2 049)
Acquisition of trademarks	**–**	(10)
Investment in joint venture	**(106)**	(533)
Repayments of loans receivable	**25 931**	28 350
Dividends received	**200**	2 269
Net cash inflow from investing activities	**8 918**	948
Net increase/(decrease) in cash and cash equivalents	**52 215**	(113 461)
Cash and cash equivalents at beginning of the period	**55 303**	168 764
Cash and cash equivalents at end of the period	**107 518**	55 303

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 March 2013

1. BASIS FOR PREPARATION AND ACCOUNTING POLICY

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

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

	2013 9 months Number '000	2012 12 months Number '000
2. EARNINGS PER SHARE		
Shares issued and used in the calculation of earnings per share	**68 538**	68 538
	R'000	R'000
Net profit/(loss) attributable to ordinary shareholders	**7 388**	(49 587)
Adjusted for:		
– Profit on sale of property, plant and equipment	**(289)**	(1 211)
– Impairment of property, plant and equipment	**–**	716
Headline earnings	**7 099**	(50 082)
	Cents	Cents
Earnings per share		
– Attributable earnings	**10,8**	(72,3)
– Headline earnings	**10,4**	(73,1)
	R'000	R'000
3. SEGMENTAL ANALYSIS		
Functional analysis of sales	**623 893**	761 907
Wine	**286 546**	353 219
Spirits	**254 030**	315 263
Other	**83 317**	93 425
Regional analysis of sales	**623 893**	761 907
South Africa	**325 950**	395 609
Europe and the United Kingdom	**189 327**	242 200
Africa (excl. South Africa)	**54 600**	59 341
Rest of the world	**54 016**	64 757
Operating profit/(loss) of wine and spirits:	**3 473**	(80 211)
Trading profit: South Africa	**7 210**	(10 660)
Trading profit: Europe and the United Kingdom	**31 316**	10 063
Trading profit: Africa (excl. South Africa)	**12 153**	7 714
Trading profit: Rest of the world	**3 435**	2 528
Items not allocated to segments:		
Other income, gains and losses	**3 041**	9 792
Operational and administrative expenses	**(53 682)**	(99 648)

SHAREHOLDERS' DIARY

Annual general meeting	12 June 2013
Record date for the annual general meeting	7 June 2013

ADMINISTRATIVE INFORMATION

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

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

Bankers
Absa Bank Limited
Suider-Paarl

Company secretary
AW Eksteen
Telephone: 021 807 3911

Transfer secretaries
Bill Botha
Link Market Services (Pty) Ltd
Telephone: 011 713 0800

Registered office
La Concorde
57 Main Street
Paarl
7646
South Africa

Postal address
PO Box 528
Suider-Paarl
7624

Website
www.kwv.co.za

Company registration number
2009/012871/06

www.kwv.co.za