KWV Holdings Limited
Group report 2016

PROUD PIONEERS

Contents

Salient features - group financial results

for the year ended 31 March 2016

	Audited 2016 R'000	Audited 2015 R'000
GROUP SUMMARY		
Revenue	**1 224 214**	1 147 911
Profit before income tax	**37 088**	63 715
Total comprehensive income	**27 700**	46 273
Headline earnings	**30 358**	47 772
Total equity	**1 294 812**	1 267 112
Shares		
Issued shares	**68 001**	68 001
Used in the calculation of earnings per share	**68 001**	68 188
PERFORMANCE PER ORDINARY SHARE	**Cents**	Cents
Basic earnings	**40.9**	67.8
Headline earnings	**44.6**	70.1
Net asset value	**1 904**	1 863
Share price	**550**	651

Board of directors

Non-executive
MJA Golding (Chairman)
JA Copelyn
F-A du Plessis
NL Ellis
MN Joubert
KI Mampeule
KR Moloko (resigned 22 May 2015)
LA van Dyk
MM Mhlarhi (appointed 21 August 2015)

Executive
A van der Veen
DP Smit

Board committees

Group Audit and risk management committee
F-A du Plessis (Chairman)
LA van Dyk (appointed 22 July 2015)
JA Copelyn
KR Moloko (resigned 22 May 2015)

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

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

Analysis of shareholders

as at 31 March 2016

RANGE OF SHAREHOLDINGS		Number of shareholders	%	Number of shares	%
0 - 1 000	shares	1 663	58.10	633 054	0.9
1 001 - 10 000	shares	965	33.70	3 244 309	4.7
10 001 - 50 000	shares	205	7.20	3 773 081	5.5
50 001 - 100 000	shares	11	0.40	717 422	1.0
100 001 - 1 000 000	shares	13	0.50	4 431 633	6.4
more than 1 000 000	shares	6	0.10	56 180 875	81.5
		2 863	100.00	68 980 374	100.0

TYPE OF SHAREHOLDERS

KWV Employee Empowerment Trust	1	0.03	3 020 344	4.4
Niveus Investments Ltd	1	0.03	38 849 891	56.3
Total share of BEE shareholders	2	0.06	41 870 235	60.7
KWV SA (Pty) Ltd	1	0.03	979 427	1.4
Other	2 860	99.91	26 130 712	37.9
	2 863	100.00	68 980 374	100.0

TRADING STATISTICS	**2016**	2015
Number of shares traded	**1 207 151**	1 653 675
Percentage of issued shares traded	**1.75%**	2.40%
Value of shares traded	**R 7 209 109**	R 12 814 564
Number of transactions	**64**	183
Market price per ordinary share		
- average	**R 5.97**	R 7.75
- highest	**R 6.99**	R 8.50
- lowest	**R 5.00**	R 6.50
- closing	**R 5.50**	R 6.51

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

We have consistently said that our aim is to build KWV into a global, diversified, alcoholic beverage business. This is ambitious, but nonetheless achievable given the strength of the KWV brands. KWV again ranked the highest of all South African wine brands in Drinks International's Top 50 World's Most Admired Wine Brands.

Our profits do not yet reflect the progress being made in transforming the business and building our brands over the past five years. We can, however, say with confidence that our business processes, the quality of our products and the relationships with our local and international partners have never been better. We have managed to contain our overhead costs without significant staff retrenchments, and have improved the profitability and professionalism of our South African operations. Overhead costs are lower now (2016: R74 million) than five years ago (2011: R78 million) and salary cost increased with percentages below inflation since 2013 despite revenue growing by more than 50%.

Despite these improvements, we are dealing with a changing brandy market in South Africa, and an international wine market that is increasingly being commoditised at its lower end. Our business was built on a South African brandy market of more than 50 million litres. This market has halved in the last 10 years and for a business that ages its products for up to 20 years, this does create significant challenges. While our competitors seem to have come to the conclusion that discounting brandy products will retain volumes, we consider the opposite to hold true. Premiumisation is the only way that the profitability and growth of the brandy category will improve.

The largest portion of KWV wine is sold internationally, where the South African wine category is under pressure. This is predominantly the result of vast quantities of low-priced South African wine being sold in bulk, or in manufactured brands that aim to provide products at low price points. We are not sure if this trend will continue. Cooperative wine producers are focused on selling their wine to bulk buyers as fast as possible, and often these cooperative cellars have the ability to balance their selling prices by reducing or maintaining the price paid to their producer members. In general, cooperative producer members have very little leverage with the cellars they sell to, have to wait long periods of time to be paid, and frequently do not have the benefit of brands that command price premiums.

Despite the declining South African wine category, KWV has grown its wine volumes and has increased the gross profit earned from wine sales, both locally and internationally. This is as a result of the strength of the KWV wine brands, with brands like Roodeberg and KWV retaining their shelf position and price points.

The wine industry has benefited tremendously from the improvement in quality and yield of grape production. Viticultural improvements have enabled the industry to increase production despite limited new vineyard planting during the last five years. We expect the incremental benefits of these improvements to diminish significantly in the future. As the ability of producers to improve income through yield management declines, the industry will face pressure to increase the price paid for quality grapes. Increasingly, alternative products also provide farmers with better returns. KWV prides itself on its producer relationships, and one of its business priorities is to ensure that these relationships are secure through sustainable business models.

Our brandy premiumisation strategy has required us to adapt our procurement plans and, as a result of this, we will reduce the amount of wine we procure for the production of brandy in future. We will focus on our best suppliers and aim to secure the long-term availability of raw material for premium brandy production. Our current brandy inventory exceeds our requirements and over the last four years we have systematically sold bulk brandy. We will continue with this strategy in selected aged brandy categories as we aim to balance our working capital with our long-term sales plans.

KWV is striving to position its brandies at aspirational levels higher than that of our direct competitors, and to premiumise our offering. In the year under review, this strategy has started to bear fruit and, although our volumes are down, the profitability of our brandy portfolio has shown a significant improvement. In addition, we have been able to reduce our packed and blended brandy inventories, which improved cash flow.

Increasingly other brandy companies are also claiming the 'best brandy in the world' accolade in an effort to counter our reputation as the best brandy producer, but these accolades are based on awards in nondescript competitions with a low number of entries. In our opinion, the International Spirits Challenge and the International Wine & Spirit Competition are the only representative competitions in the world that warrant the claim of Best Brandy and we believe that most respected industry professionals would agree with this.

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

Sales and Marketing

During the year, we have revisited our overhead cost structure, and the effect of a simplified and more efficient management structure is already evident. In addition, the focus of our advertising and promotional spend has also improved from 15% of Revenue in 2012 to 10% in 2016, and we are moving resources towards brand-building activities, such as the Currie Cup campaign of September 2015, and away from aggressive discounting and price promotions.

We continue to strive for a better balance between volume growth, profit margins and building the KWV brand. South African packed exports to Europe have declined by 3% from the previous year, but in spite of this, KWV has managed to grow its volumes in Europe with 8%.

Exports to Africa remain constrained as almost all countries experience slow or zero growth due to low commodity prices, political turmoil and pressure on exchange rates. We managed to maintain sales volumes, but our aspirations for growth did not materialise.

Route to market

KWV continues to invest in its route to market resources. Sales in Russia have almost doubled and are benefiting from the focus of having our own Russian sales team. Our sales volumes in the USA have grown by 33%, albeit from a low base, and we are continuing to grow the size of our small inmarket sales force.

In most other regions, we make use of agents and importers. We have developed long-standing relationships across several decades and we regard these partners as a valuable extension of our business. We have made a few changes to our importers in the year under review, and we believe that the quality standards of our importers and our relationships with them continue to improve.

Operations

KWV also continued to improve quality specifications during the year, and has reduced its production variances by R9,8 million. Improvements in production efficiencies over the past five years have resulted in cost savings of R30 million. Packed and dry inventories were reduced without impacting order satisfaction, and inventory losses were also reduced. At the same time, the number of trophies, medals and awards attest to our ongoing improvement in product quality and desirability.

Exchange rate

A significant percentage of the KWV group’s revenue is derived from export sales, and a significant portion of our cost of goods is fixed in rands well in advance of a given financial year. This means the group’s results are very sensitive to the fluctuations in the ZAR exchange rate. Our strategy is to hedge a significant portion of budgeted sales in advance of a financial year so that we ensure that we achieve the margins budgeted for in our business plan.

The rand weakened significantly from 1 April 2015 to 31 March 2016, particularly towards the latter part of the financial year. As a result, significant foreign exchange losses were incurred on the hedge book, while the benefit of the weaker rand reflected in improved gross margins.

Inventory

KWV has an excessively high investment in inventory – a total of R1,03 billion at historical cost. During the year under review, all inventories, with the exception of bulk spirits, were reduced. While reducing surplus bulk spirit inventories remain an area of focus going forward, we will do this in a responsible way, at price points that ensure long-term profitability.

Proposed transaction to sell operational assets

On 11 May 2016, we announced a transaction with the Vasari Group whereby KWV will dispose of its operational assets for a consideration of R1,15 billion. This transaction is subject to various conditions, including the passing of a special resolution by KWV shareholders. Shareholders are referred to the detailed transaction announcement, and are advised to consult KWV’s website for further details and ongoing announcements.

André van der Veen	**Marcel Golding**
Chief Executive Officer	*Chairman*

FINANCIAL REPORT

Revenue grew by 6,6% to R1 224 million in the current year. Volumes decreased by 5%, but export sales benefited from an 11,6% trade-weighted weakening of the rand.

Wine
Revenue from wine sales increased by 13,1%, even though volumes remained flat. We achieved revenue growth of 8% in the South African market, with our core brands, KWV and Laborie, performing particularly well. Export wine sales to Europe delivered volume growth of 8%, further boosted by an 8,5% strengthening of the euro. Our Roodeberg, KWV and Pearly Bay brands are proving to be well established in the European market, and are category leaders in many countries.

Spirits
Revenue from spirit sales decreased by 17,5% compared to that of the prior year. This was mainly due to a decline in bulk spirit volumes. The fierce competition in the South African market remains a challenge. Volumes of our KWV 3 and KWV 5 brands have reduced as we have refrained from participating in excessive discounting in the category. Careful management of our sales and marketing expenses, together with our premiumisation strategy have, however, resulted in a significant improvement in the profitability of these brands. Volumes of our KWV 10 brand grew by 7%, which resulted in an 18% increase in revenue from the previous year.

Contract bottling
Revenue from contract bottling was up 151,8%, but volumes were only 11% higher. This is as a result of KWV now bottling spirits products for which the excise value is included in revenue. Although these increased volumes are contributing to the absorption of surplus capacity at our operating facilities, contract bottling does not contribute significantly to the profitability of the group.

Other sales (mainly Ready-to-drink (RTD))
Investment in KWV's RTD portfolio is finally starting to show improved results, with R17,6 million in revenue added by our new Hooch brand. The Ciao brand is showing similar promise, with revenue growth of 27% for the year.

South Africa
South African revenue increased by 6,6% from the previous year. The relatively small increase masks significant changes in the sales mix. Revenue from contract bottling increased substantially, sales of RTDs and wines grew satisfactorily, and brandy sales declined. Despite the net decline in volumes, a trading profit improvement of R22,2 million was achieved on packed sales due to the increased focus on maintaining profitable price points, and by curtailing sales and marketing costs.

Europe
Revenue and trading profit in Europe decreased with 6,9% and 10,6% respectively, mainly as a result of lower bulk spirit exports compared to that of the prior year. Packed volumes, however, increased by 8%, despite poor economic growth and increasing pressure on the South African category abroad. Strong volume growth was achieved in Sweden, Finland and Belgium. Our investment in our own Russian office is showing promise, with a 97% volume growth from the prior year. Trading profit from packed sales improved with 57% as a result of the stronger euro, volume growth and improved efficiency in promotional spend and overhead sales expenses.

FINANCIAL REPORT *(continued)*

Africa and the rest of the world

Revenue from sales in Africa showed moderate growth of 3,3%, which was significantly less than what we had aimed for. Sales in Asia and America were more encouraging as it increased with 16,6% from the prior year, mostly as a result of the stronger US dollar and yen. Trading profit in Africa, Asia and America improved as a result of product mix and the weaker rand.

Statement of comprehensive income

The group's gross profit margin increased from 29,5% in the prior year to its current 30,3%. If the effect of contract bottling is excluded, KWV increased its gross profit margin from 31,0% in 2015, to 34,7% in 2016. The main contributing factors were the weakening of the rand, as well as the improved product mix in Europe, Asia and South Africa.

Other gains and losses contain significant exchange rate losses of R39,6 million compared to a profit of R31,1 million in the prior year. Both the prior year profits (when the rand strengthened significantly) and the current year losses (when the rand weakened throughout the year, particularly against the dollar) are as a result of our strategy to hedge a significant portion of our expected exports in advance of a financial year.

Operating expenses decreased by 2,5%. This is despite inflationary pressure and revenue growth of 6,6%.

The net effect is that the group made an operating profit of R36,6 million compared to R62,3 million in the prior year, and generated headline earnings of R30,3 million compared to R47,7 million in the prior year. If bulk spirit sales are excluded, an operating profit of R28,1 million was generated, compared to R27,9 million in 2015.

Statement of financial position

The total assets and liabilities as per the statement of financial position are stable. The most noticeable change is the lower payables caused by the earlier harvest in 2016, along with a decrease in the excise payable. The increased liability for derivative financial instruments reflects the impact of the weaker rand on KWV's forward hedge book.

KWV's net asset value improved from R18,63 to R19,04 per share.

SUSTAINABILITY

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

The objectives of KWV's sustainability policy are:
- to have a positive and sustainable impact on communities through investment;
- to improve the quality of life and welfare of disadvantaged people;
- to build and improve relationships with the group's existent as well as potential stakeholders; and
- to advocate and promote the responsible use of the group's products, as well as other alcoholic beverages, within the self-regulatory environment in which KWV operates.

COMMUNITY DEVELOPMENT AND SOCIAL UPLIFTMENT

KWV implements its social sustainability strategy through enterprise and socio-economic development.

Enterprise Development

The Clothing Bank
The Clothing Bank is a best practice example of sustainable enterprise development. This entrepreneurial initiative has assisted more than 218 women in the Winelands region and 1 100 nationally to start small retail businesses. The focus of The Clothing Bank's programme is holistic as it assists the participants with a transformation of both their emotional and economic states. The programme trains specifically unemployed mothers so that they may break their dependence on external sources by being able to earn a sufficient income to provide for their family's basic needs. In the process, the initiative also aims to build the self-esteem of the participants on their way to becoming confident, skilful and financially independent women.

Coaching plays a fundamental role in the upliftment and emotional empowerment of the women who participate. Participants start running a small business within weeks of joining the programme and life coaches meet with participants regularly during the two-year training period. When participants exit the training programme, they are supported to find alternative micro franchise business solutions, and are mentored in making the shift from their small retail business to new "business in a box" opportunities. KWV sponsored six women to participate in this initiative during the 2016 financial year.

Fleet Coffee Company
Fleet Coffee Company, a mobile business which sells barista-styled coffee, was established in January 2015 as an employment opportunity for youths in surrounding communities. Currently, the company operates in the KWV Sensorium, with Cheslin in the position of local barista. KWV assisted Fleet with a start-up loan of R80 571.

The Team Café
The Team Café is a black-owned enterprise which provides a canteen service at KWV Head Office and caters for functions. KWV assisted The Team Café by providing and refurbishing the premises for the canteen.

SUSTAINABILITY *(continued)*

Socio-economic Development

Masikhule Childcare (Masikhule)
Masikhule's staff training programme is focused on early childhood development (ECD) at designated rural and township centres. The implementation of a sound ECD programme requires that centres have access to basic resources such as educational materials and stationery. Masikhule's mission is to ensure that infants and young children from disadvantaged communities receive valuable and appropriate stimulation, which is vital for rounded development and future learning. The programme offers accessible, community-based training in ECD skills to crèche and community workers. Masikhule aims to improve the lives of unemployed women in these communities by providing training in childcare skills, and placements in suitable jobs as child minders. The KWV Foundation Trust donated R37 787 towards the programme for in-house training and mentoring at three Klapmuts crèches, and R15 713 towards renovations and building materials for the ABC Daycare crèche in Klapmuts.

The Pebbles project
The purpose of this project is to enrich the lives of children with special educational needs from disadvantaged backgrounds. It provides support and training to local wine farm and township crèches, and has established after-school supervision for older children living in the Winelands region. The Trust sponsored R50 000 towards the Pebbles School Leavers Programme. The aim of this project is to provide learners with not only sufficient information to make responsible and informed career decisions, but also with the means to further their studies after graduation.

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

Pinotage Youth Development Academy (PYDA)
The PYDA develops young talent for employment in the wine industry and related sectors. The academy aims to transform the lives of the students and their communities, as well as contribute to broader transformation efforts. The PYDA's high-quality youth development programme dovetails with the government's education initiatives, such as the provision of further education and training to those unable to access a university education. The Trust has partnered with the academy on its journey by sponsoring the attendance of one Paarl-based individual, as well as assisting with work placements and practical support from specialist employees.

Khula Development Group
Khula Development Group equips fieldworkers with the competences needed to reintegrate children into the school system after they have dropped out. The school sends the fieldworkers to the homes of the learners to determine the cause of their truancy. With support from the Khula Group, the fieldworkers remain in contact with and monitor the children to ensure continued school attendance. The Trust has sponsored Khula Development Group with R120 000 to continue with this programme at Klapmuts Primary School.

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

SUSTAINABILITY *(continued)*

The KWV Foundation Trust supports, among others, the following organisations:
- Boland School for Autism - www.bolandautism.org.za
- Durbanville Children's Home
- Klapmuts Primary School
- Ligstraal School for Learners with Special Educational Needs - www.ligstraalschool.com
- The Institute for the Blind - www.blind-institute.org.za
- Thembinkosi Daycare Centre
- Valcare Trust - www.valcare.org.za

Responsible use of alcohol

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

The primary targets for ARA's interventions are two broad groups, which includes younger individuals and adults who are most vulnerable and thus most at risk of suffering the negative consequences of alcohol abuse.

The ARA is one of the main funders of the Foundation for Alcohol Related Research, which undertakes extensive inquiry into the areas of foetal alcohol syndrome and foetal alcohol spectrum disorders.

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

ENVIRONMENT

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

In addition to practices concerning sustainability, KWV's IMS also places an emphasis on product quality, food safety, employee health and safety, and waste management.

KWV and all its grape and wine product suppliers are accredited members of the Integrated Production of Wine (IPW) scheme, an internationally leading, extensive and strict sustainability programme. In addition to comprehensive requirements relating to agricultural best practices, the IPW also contains guidelines dedicated to the conservation of biodiversity in the Winelands.

The sustainability principles of the IPW scheme continue to be a focus of KWV, and the group has invested time with the suppliers of its raw materials to discuss the application of the principles.

Under supervision of the manager for sustainability, the environmental sustainability programme is implemented by the group's environmental champions whose roles are to evaluate, measure and monitor certain environmental aspects and the impacts these have on the various areas of responsibility.

This year, KWV again participated in the annual HCI Carbon Disclosure Project.

Biodiversity

KWV successfully passed both IPW and Biodiversity Wine Initiative (BWI) audits. The Laborie Estate is a member of the BWI, thus its farming activities are conducted in a manner which is environmentally sustainable. Areas have also been set aside for the preservation of endemic plant species such as Spekboom, and alien vegetation is cleared frequently.

SUSTAINABILITY *(continued)*

Water and Energy Management

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

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

KWV continues investigating and implementing techniques and technologies to improve operational efficiencies and, in the process, reducing the impact of its carbon footprint and fossil fuel consumption.

The group made a capital investment of R1,2 million to install a small-scale solar power plant. This plant will act as a pilot to examine the feasibility of a bigger initiative in the future. A further energy conservation initiative resulted in the incandescent security flood lights being replaced with LED flood lights.

KWV is also investigating and has budgeted for variable speed drivers for selected compressors.

Water Management and Recycling Projects

- Waste water from the rinsing process during bottling is recycled and reused for conveyor lubrication.
- A project is currently underway to capture run-off water from the demineralization plant.
- The installation of an effluent equalization plant is the first step towards treating water for re-use in elementary washing and gardening. At present, the plant is geared towards addressing the pH and COD fluctuations of the effluent.
- Water used for the preservation and cleaning of barrels before utilisation in the maturation process is reused in the gardens at the Worcester processing plant.

KWV, in collaboration with its recycling partners, steadily reduces the group's solid and liquid waste by actively managing and monitoring volumes through the group's recycling programme. In accordance with the National Environmental Management Waste Act, No. 59 of 2008, the KWV production site in Paarl is registered on the South African Integrated Pollution and Waste Information System (iPWIS).

Effluent Treatment

Paarl
As prescribed by the Drakenstein Municipality Water Supply, Sanitation Services and Industrial Effluent By-law, No. 18 of 2007, KWV applied for and obtained an Industrial Effluent Disposal permit which is valid for a period of five years. KWV completed the installation of the effluent equalizing plant.

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

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

A mechanical evaporator was acquired, which functions similarly to a demister, but causes less effluent to land on the ground before evaporation.

SUSTAINABILITY *(continued)*

Environmental Initiatives

- The installation of a 42,6 kW peak PV plant in Paarl which could lead to the generation of 65 278 kW per year.
- Energy efficiency was improved at the Paarl plant by insulating steam lines. This resulted in a saving of 690 metric tons of steam.

KWV Safety and Process Risk Management

KWV has realigned the safety and risk management structure of the group to ensure compliance with legislation.

The group contracted a new security service provider in Paarl and Worcester, and additional security systems were upgraded.

TRANSFORMATION

Broad-based Black Economic Empowerment (BBBEE)

KWV is proud of its qualification for a Level 3 BBBEE rating. Recent changes to BBBEE codes will pose a significant challenge to the group’s rating going forward, but KWV is committed to exploring proactive solutions to ensure that it remains the group with some of the best empowerment statistics in the wine industry. Enterprise and supplier development form a significant part of KWV’s BBBEE focus, and procurement from smaller entities is emphasised. Through Niveus Investments Limited and the KWV Employee Empowerment Trust, the black empowerment group, Hosken Consolidated Investments, which holds shares on behalf of black employees, has a significant shareholding in KWV.

The group remains committed to fostering opportunities for the youth and greater communities in which it operates. KWV’s internship programme continues to grant young graduates the opportunity to gain valuable exposure to a workplace environment. In addition, the group has embarked on learnerships for physically disabled youths and also aims to provide enrollees with practical experience in the workplace. The internal supervisory learnership has paved the way for the promotion for two learners. KWV keeps graduated learners on its database and was able to appoint four former learners as part of the group’s 2016 Harvest team.

CORPORATE GOVERNANCE

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

Board of directors

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

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

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

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

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

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

Director	15 May	5 Nov	17 Mar
JA Copelyn	A	A	√
FA du Plessis	√	A	√
NL Ellis	√	A	A
MJA Golding	√	√	√
MN Joubert	A	√	√
KI Mampeule	√	√	A
MM Mhlarhi (Appointed 21/08/2015)	-	√	√
KR Moloko (resigned 22/05/2015)	A	-	-
DP Smit	√	√	√
A van der Veen	√	√	√
LA van Dyk	A	√	A

√ Present A Absent with apologies

Risk management and internal control

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

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

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

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

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

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

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

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

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

Information technology

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

Board committees

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

Group Audit and Risk Management Committee (Audit Committee)

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

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

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

CORPORATE GOVERNANCE *(continued)*

Internal auditors

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

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

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

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

External auditors

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

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

Remuneration

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

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

The group does not have a remuneration committee.

CORPORATE GOVERNANCE *(continued)*

Social and Ethics Committee
During the course of the year under review it was decided to transfer the commitments of the committee to Niveus Investments Limited, being the holding company of KWV Holdings Limited, in terms of the provisions of regulation 43 (2) (a) of the Companies Regulations.

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

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

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

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

The board reviews the going concern status of the group at least once per year with reference to, among others, the following:

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

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

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

Contents of the financial statements

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

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

Directors' responsibility for financial reporting

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

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

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

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

The financial statements which appear on pages 23 to 65 were approved by the board of directors on 19 May 2016 and are signed on their behalf by:

Marcel Golding
Chairman

André van der Veen
Chief executive officer

Declaration by the company secretary

I hereby confirm, in my capacity as company secretary of KWV Holdings Limited that for the year ended 31 March 2016, the company has filed all required returns and notices in terms of the Companies Act, 2008 and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

Albert Eksteen
Company Secretary

Report of the Group Audit and Risk Management Committee

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

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

Director	**15 May**	**5 Nov**
F-A du Plessis (chairman)	√	√
KR Moloko (resigned 22/05/2015)	A	-
LA van Dyk (appointed 22/07/2015)	-	√
JA Copelyn	√	A

√ Present A Absent with apologies

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

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

The committee has evaluated the financial statements of KWV Holdings Limited and the group for the year ended 31 March 2016 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

19 May 2016

Independent Auditor's Report

to the shareholders of KWV Holdings Limited

We have audited the consolidated and separate financial statements of KWV Holdings Limited set out on pages 24 to 65, which comprise the statements of financial position as at 31 March 2016, and the statements of comprehensive income, statements of changes in equity, statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of KWV Holdings Limited as at 31 March 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and seperate financial statements for the year ended 31 March 2016, we have read the Directors' Report, the Audit and Risk Management Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: DG Malan
Registered Auditor
Paarl

19 May 2016

Directors' report

NATURE OF ACTIVITIES

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

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

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

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

FINANCIAL RESULTS

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

DIVIDEND

No dividend (2015: 0 cents) per ordinary share is declared for the year under review.

EVENTS AFTER REPORTING PERIOD

On 11 May 2016 an announcement was made of the conditional disposal of the operational assets of the KWV Group. Refer to note 34 for more information.

DIRECTORS

The complete board of directors as at 19 May 2016 is set out on page 3.

CONTINGENT LIABILITIES

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

AUDITORS

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

Statements of financial position

as at 31 March 2016

	Note	**Group 2016 R'000**	Group 2015 R'000	**Company 2016 R'000**	Company 2015 R'000
ASSETS					
Non-current assets		**274 916**	261 000	**823 138**	823 410
Property, plant and equipment	4	**241 577**	227 427	**-**	-
Intangible assets	5	**15 162**	16 610	**-**	-
Interest in subsidiaries	6	**-**	-	**823 138**	823 410
Investments in associates and joint ventures	7	**18 177**	16 798	**-**	-
Deferred taxation	14	**-**	165	**-**	-
Current assets		**1 314 254**	1 320 089	-	-
Inventory	8	**1 029 116**	1 035 493	**-**	-
Trade and other receivables	9	**222 449**	210 139	**-**	-
Current income tax assets		**43**	35	**-**	-
Derivative financial instruments	10	**18 319**	3 715	**-**	-
Bank and cash balances		**44 327**	70 707	**-**	-
Total assets		**1 589 170**	1 581 089	**823 138**	823 410
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	**1**	1	**1**	1
Share premium		**425 722**	425 722	**425 722**	425 722
Reserves		**869 089**	841 389	**396 922**	397 234
Total equity		**1 294 812**	1 267 112	**822 645**	822 957
Non-current liabilities		**63 942**	45 090	-	-
Deferred taxation	14	**53 042**	45 090	**-**	-
Deferred revenue: government grant	15	**10 900**	-	**-**	-
Current liabilities		**230 416**	268 887	**493**	453
Trade and other payables	16	**181 117**	267 302	**493**	453
Deferred revenue: government grant	15	**1 875**	-	**-**	-
Derivative financial instruments	10	**47 424**	1 585	**-**	-
Total equity and liabilities		**1 589 170**	1 581 089	**823 138**	823 410

Statements of comprehensive income

for the year ended 31 March 2016

	Note	**Group 2016 R'000**	Group 2015 Restated R'000	**Company 2016 R'000**	Company 2015 R'000
Revenue	17	**1 224 214**	1 147 911	**-**	-
Cost of sales		**(852 837)**	(807 916)	**-**	-
Gross profit		**371 377**	339 995	**-**	-
Other income	18	**14 821**	7 671	**-**	76 613
Other gains and (losses) - net	19	**(42 290)**	29 519	**-**	(251)
Operating expenses		**(307 325)**	(314 875)	**(312)**	(261)
Promotion, marketing and distribution		**(231 855)**	(237 476)	**-**	-
Operational and administrative expenses		**(75 470)**	(77 399)	**(312)**	(261)
Operating profit / (loss)	20	**36 583**	62 310	**(312)**	76 101
Interest received	21	**1 886**	1 923	**-**	4
Finance costs	21	**(1 620)**	(2 097)	**-**	-
Share of profit of associates and joint ventures	7	**239**	1 579	**-**	-
Profit / (loss) before income tax		**37 088**	63 715	**(312)**	76 105
Income tax	22	**(9 302)**	(17 494)	**-**	(1)
Profit / (loss) for the year		**27 786**	46 221	**(312)**	76 104
Other comprehensive income / (loss) for the year					
Items that will subsequently be reclassified to profit or loss		**(86)**	52	**-**	-
Change in foreign currency translation reserve		**(86)**	52	**-**	-
Total comprehensive income / (loss)		**27 700**	46 273	**(312)**	76 104
(Attributable to equity holders of the company)					

Earnings per share		**Cents**	Cents
(Attributable to equity holders of the company)			
- Basic earnings	28	**40.9**	67.8
- Diluted earnings	28	**40.9**	70.1

Statements of changes in equity

for the year ended 31 March 2016

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Share capital				
Balance at beginning and end of the year	**1**	1	**1**	1
Share premium				
Balance at beginning and end of the year	**425 722**	425 722	**425 722**	425 722
Reserves				
Common control reserve				
Balance at beginning and end of the year	**787 230**	787 230	**-**	-
Retained earnings				
Balance at beginning of the year	**57 270**	10 180	**397 234**	321 130
Net profit / (loss) attributable to ordinary shareholders	**27 786**	46 221	**(312)**	76 104
Transferred from currency translation reserve	**-**	2 212	**-**	-
Equity accounted earnings transferred to equity reserve	**15**	(1 343)	**-**	-
Balance at end of the year	**85 071**	57 270	**396 922**	397 234
Treasury shares				
Balance at beginning of the year	**(7 238)**	(2 923)	**-**	-
Treasury shares acquired by the group	**-**	(4 315)	**-**	-
Balance at end of the year	**(7 238)**	(7 238)	**-**	-
Equity reserve				
Balance at beginning of the year	**4 040**	2 697	**-**	-
Transfer of equity accounted earnings from retained earnings	**(15)**	1 343	**-**	-
Balance at end of the year	**4 025**	4 040	**-**	-
Currency translation reserve				
Balance at beginning of the year	**87**	2 247	**-**	-
Transferred to retained earnings	**-**	(2 212)	**-**	-
Movement during the year	**(86)**	52	**-**	-
Balance at end of the year	**1**	87	**-**	-
Total reserves at end of the year	**869 089**	841 389	**396 922**	397 234
Equity at end of the year	**1 294 812**	1 267 112	**822 645**	822 957

Statements of cash flows

for the year ended 31 March 2016

	Note	**Group 2016 R'000**	Group 2015 R'000	**Company 2016 R'000**	Company 2015 R'000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash from operations before changes in working capital	23	**116 278**	93 079	**(312)**	(261)
Changes in working capital	24	**(111 975)**	(112 964)	**40**	8
Cash from / (utilised in) operations		**4 303**	(19 885)	**(272)**	(253)
Interest received	25	**1 863**	1 923	**-**	4
Finance costs	25	**(1 620)**	(2 097)	**-**	-
Taxation (paid) / refunded	26	**(1 193)**	(496)	**-**	660
Net cash flow from operating activities		**3 353**	(20 555)	**(272)**	411
CASH FLOW FROM INVESTING ACTIVITIES					
Replacement of property, plant and equipment		**(43 706)**	(33 152)	**-**	-
Additions to property, plant and equipment		**(922)**	(5 187)	**-**	-
Acquisition of property, plant and equipment		**(44 628)**	(38 339)	**-**	-
Proceeds on disposal of property, plant and equipment		**444**	1 345	**-**	-
Acquisition of software		**(347)**	(451)	**-**	-
Proceeds on disposal of subsidiary		**-**	-	**-**	572
Investments in joint ventures and associates		**(1 852)**	(1 648)	**-**	-
Repayments of loans receivable		**-**	3 254	**-**	-
Dividends received		**255**	236	**-**	69
Loans made to group entities		**-**	-	**272**	(1 052)
Net cash flow from investing activities		**(46 128)**	(35 603)	**272**	(411)
CASH FLOW FROM FINANCING ACTIVITIES					
Re-purchase of shares		**-**	(4 315)	**-**	-
Government grant received		**16 395**	-	**-**	-
Net cash flow from financing activities		**16 395**	(4 315)	**-**	-
Net decrease in cash and cash equivalents		**(26 380)**	(60 473)	**-**	-
Cash and cash equivalents at beginning of the year		**70 707**	131 180	**-**	-
Cash and cash equivalents at end of the year	27	**44 327**	70 707	**-**	-

Notes to the financial statements

for the year ended 31 March 2016

1. BASIS OF PREPARATION

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

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

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

1.1 Basis of consolidation

Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

Changes in ownership interests in subsidiaries without change in control

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

1.1 **Basis of consolidation** (continued)

Disposal of subsidiaries

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

Foreign subsidiaries

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
(b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions); and
(c) all resulting exchange differences are recognised in 'other comprehensive income'.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity, and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Joint Arrangements

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

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

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

Associates

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

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

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interest in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

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

1.2 **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes all costs directly attributable to bringing the asset into operation for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

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

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

Barrels are depreciated at 15% to 40% per year on the deminishing balance method.

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

1.3 **Intangible assets**

Goodwill

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

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

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

Trademarks and intellectual property

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

Computer software

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

1.4 **Impairment of non-financial assets**

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

1.5 **Inventory**

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

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

1.6 **Derivative financial instruments**

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

Derivative financial instruments are initially recognised at fair value on the date it 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 33.

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets. The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade date, the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in profit or loss within ‘other (losses)/gains – net’ in the year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the company’s right to receive payments is established.

Impairment of financial assets
Assets carried at amortised cost
The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

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

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

1.8 **Trade receivables**

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

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

1.9 **Bank and cash balances**

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

1.10 **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of any tax, from the proceeds.

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

1.11 **Reserves**

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

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

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

1.12 **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

1.13 **Borrowings**

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

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

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

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance costs.

1.15 **Taxation**

Current and deferred income taxation
The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In these cases the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the group’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.15 **Taxation** *(continued)*

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.16 **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of Value Added Tax, returns, rebates and discounts.

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

Sale of goods
Sale of goods is accounted for when the risks and rewards pass to the customer and collectability of related receivables is reasonably assured. Sales within the group are eliminated.

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

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

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest are income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

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

1.17 **Dividend distribution**

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

1.18 **Foreign currency translation**

Functional and presentation currency
Items included in the financial statements of each of the group’s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rands, which is the holding company's functional currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised within 'Other gains and losses - net'.

1.18 **Foreign currency translation** *(continued)*

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale, are included in other comprehensive income.

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

1.19 **Segment reporting**

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

1.20 **Employee benefits**

Pension obligations
It is the group's policy to provide retirement benefits for its employees. For this purpose all staff are members of a defined contribution fund which is regulated by the Pension Fund Act of 1956. A defined contribution plan is a pension plan under which the group pays fixed contributions to 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 group's employees are members of the fund and contribute to the fund on a monthly basis.

The contributions to the pension fund 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.

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

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

1.21 **Statement of cash flows**

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

1.22 **Leases**

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

1.23 **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.

1.24 **Government grants**

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred revenue government grants and are credited to profit or loss over the expected lives of the related assets. The portion of the government grant which will be realised within 12 months after year-end is disclosed under current liabilities.

2. Standards, interpretations and amendments to published standards

The following standards have been adopted by the group for the first time for the financial year ended 31 March 2016:

- Amendment to IAS 19 Employee benefits: Simplifying the accounting for contributions that are independent of the number of years of employee service (effective 1 July 2014)
- Improvements to IFRSs: 2010 - 2012 cycle and 2011 - 2013 cycle (effective 1 July 2014)

Several new standards, amendments and interpretations to IFRS are mandatory for the company's accounting periods beginning after 31 March 2016.

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

- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (postponed, initially 1 January 2016)
- Amendments to IFRS 10 and IAS 28: Applying the Consolidation Exception (effective 1 January 2016)
- Amendment to IFRS 11: Acquisition of interest in joint operations (effective 1 January 2016)
- IFRS 14: Regulatory deferral accounts (effective 1 January 2016)
- Amendments to IAS 1: Disclosure initiative (effective 1 January 2016)
- Amendment to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer plants (effective 1 January 2016)
- Amendments to IAS 27: Equity method in separate financial statements (effective 1 January 2016)
- Amendment to IAS 12: Clarify the requirements for recognising deferred tax assets on unrealised losses (effective 1 January 2017)
- Amendment to IAS 7: Additional disclosure under financing activities in the cash flow statement (effective 1 January 2017)
- IFRS 15: Revenue from contracts with customers (effective 1 January 2018)
- IFRS 9: Financial instruments (effective 1 January 2018)
- Amendment to IFRS 9: Financial instruments on general hedge accounting (effective 1 January 2018)
- IFRS 16: Leases (effective 1 January 2019)
- Annual Improvements 2014 (effective 1 January 2016)

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

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

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

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
4. PROPERTY, PLANT AND EQUIPMENT (Annexure B)				
Carrying value at end of the year				
Land and buildings	**40 853**	36 699		
Machinery and equipment	**175 127**	167 362		
Furniture and fittings	**18 363**	17 821		
Vehicles	**4 568**	4 270		
Plant under construction	**2 666**	1 275		
	241 577	227 427		
5. INTANGIBLE ASSETS (Annexure C)				
Carrying value at end of the year				
Trademarks	**13 387**	14 382		
Computer software	**1 775**	2 228		
	15 162	16 610		
6. INTEREST IN SUBSIDIARIES (Annexure A)				
6.1 **Unlisted equity interests**			**411 460**	411 460
KWV Intellectual Properties (Pty) Ltd			**28 786**	28 786
KWV International (Pty) Ltd			**57 664**	57 664
KWV South Africa (Pty) Ltd			**325 010**	325 010
6.2 **Loans**				
KWV South Africa (Pty) Ltd			**411 678**	411 950
These loans are unsecured, interest free and repayable on demand.				
			823 138	823 410

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Annexure A)				
The amounts recognised in the statement of financial position are as follows:				
Associates	**18 173**	16 798		
Joint ventures	**4**	-		
	18 177	16 798		
The amounts recognised in profit or loss are as follows:				
Associates	**297**	1 585		
Joint ventures	**(58)**	(6)		
	239	1 579		
7.1 Investments in associates				
Balance at beginning of the year	**16 798**	15 272		
Additional interest acquired	**1 223**	740		
Increase / (decrease) in loan balance	**110**	(563)		
Share of profit after tax	**297**	1 585		
Dividends received	**(255)**	(236)		
Balance at end of the year	**18 173**	16 798		
7.2 Investments in joint ventures				
Balance at beginning of the year	**-**	-		
Joint ventures acquired	**462**	909		
Impairment of investment	**(400)**	(903)		
Share of loss after tax	**(58)**	(6)		
Balance at end of the year	**4**	-		

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

		Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
8.	**INVENTORY**				
	Liquid inventory	**979 777**	994 079		
	Auxiliary material	**49 339**	41 414		
		1 029 116	1 035 493		
	Inventory carried at net realisable value	**4 008**	12 547		
	Cost of inventories recognised as expense and included in "cost of sales"	**833 066**	784 492		
9.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**213 281**	198 670		
	Less: Provision for impairment	**(2 372)**	(4 591)		
	Trade receivables - net	**210 909**	194 079		
	Other receivables	**11 540**	16 060		
		222 449	210 139		
	Refer to note 33 for detailed disclosure on Trade receivables.				
10.	**DERIVATIVE FINANCIAL INSTRUMENTS**				
	- Foreign exchange options	**(28 044)**	(76)		
	- Forward exchange contracts	**(1 061)**	2 206		
		(29 105)	2 130		
	The amounts disclosed in the statement of financial position are as follows:				
	Current assets	**18 319**	3 715		
	- Foreign exchange options	**18 155**	901		
	- Forward exchange contracts	**164**	2 814		
	Current liabilities	**47 424**	1 585		
	- Foreign exchange options	**46 199**	977		
	- Forward exchange contracts	**1 225**	608		
		(29 105)	2 130		

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

11. FINANCIAL ASSETS BY CATEGORY

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

GROUP	Loans and receivables R'000	Financial assets at fair value through profit and loss R'000	Total R'000
31 March 2016			
Trade and other receivables	**219 944**	**-**	**219 944**
Derivative financial instruments - Level 2	**-**	**18 319**	**18 319**
Cash and cash equivalents	**44 327**	**-**	**44 327**
	264 271	**18 319**	**282 590**
31 March 2015			
Trade and other receivables	201 267	-	201 267
Derivative financial instruments - Level 2	-	3 715	3 715
Cash and cash equivalents	70 707	-	70 707
	271 974	3 715	275 689

COMPANY	Loans and receivables R'000	Total R'000
31 March 2016		
Loans to group companies	**411 678**	**411 678**
31 March 2015		
Loans to group companies	411 950	411 950

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

Valuation techniques used to determine fair values:
The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

12. FINANCIAL LIABILITIES BY CATEGORY

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

GROUP	Financial liabilities at amortised cost R'000	Financial liabilities at fair value through profit and loss R'000	Total R'000
31 March 2016			
Trade and other payables	**133 979**	**-**	**133 979**
Derivative financial instruments - Level 2	**-**	**47 424**	**47 424**
	133 979	**47 424**	**181 403**
31 March 2015			
Trade and other payables	140 672	-	140 672
Derivative financial instruments - Level 2	-	1 585	1 585
	140 672	1 585	142 257

COMPANY	Financial liabilities at amortised cost R'000	Total R'000
31 March 2016		
Trade and other payables	**493**	**493**
31 March 2015		
Trade and other payables	453	453

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

Valuation techniques used to determine fair values:
The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

13. SHARE CAPITAL

	Group 2016 R'000	Group 2015 R'000	**Company 2016 R'000**	Company 2015 R'000
Shares authorised				
200 000 000 Ordinary profit-sharing shares of R 0,00001 each	**2**	2	**2**	2
Shares issued				
68 980 374 (2015: 68 980 374) ordinary profit-sharing shares of R 0,00001 each				
Issued and fully paid (opening and closing balance)	**1**	1	**1**	1

Notes to the financial statements *(continued)*

for the year ended 31 March 2016

		Group 2016 R'000	Group 2015 R'000	**Company 2016 R'000**	Company 2015 R'000
14.	**DEFERRED TAXATION**				
	Attributable to temporary differences:				
	Balance at beginning of the year	**44 925**	28 579		
	- Charged against profit or loss	**8 098**	16 346		
	- Change in CGT inclusion rate	**19**	-		
	Balance at end of the year	**53 042**	44 925		
	The balance comprises:				
	- Capital allowances	**44 064**	43 275		
	- Inventory revaluation	**23 019**	34 528		
	- Provisions and accruals	**(5 977)**	(8 843)		
	- Computed taxation losses	**(8 064)**	(24 035)		
		53 042	44 925		
	The amounts disclosed in the statement of financial position are as follows:				
	- Group companies with net deferred tax assets	**-**	(165)		
	- Group companies with net deferred tax liabilities	**53 042**	45 090		
		53 042	44 925		
15.	**GOVERNMENT GRANT**				
	- During the current year a DTI grant of R16,4 million (2015: R nil) was received in terms of the Manufacturing Competitiveness Enhancement Programme of the South African government.	**12 775**	-		
	The amounts disclosed in the statement of financial position are as follows:				
	Current liabilities: Revenue to be recognised within 12 months	**1 875**	-		
	Non-current liabilities	**10 900**	-		
16.	**TRADE AND OTHER PAYABLES**				
	Trade payables	**98 416**	105 826	**-**	-
	Excise duty payable	**45 422**	124 654	**-**	-
	Other payables and accruals	**37 279**	36 822	**493**	453
		181 117	267 302	**493**	453
17.	**REVENUE**				
	Turnover	**915 668**	877 277		
	Excise duty recovered	**308 546**	270 634		
		1 224 214	1 147 911		

		Group 2016 R'000	Group 2015 Restated R'000	Company 2016 R'000	Company 2015 R'000
18.	**OTHER INCOME**				
	Rental income	**4 040**	3 088	**-**	-
	Dividend income	**-**	-	**-**	76 613
	Government grant recognised in profit or loss	**3 620**	-	**-**	-
	Insurance income	**601**	-	**-**	-
	Other	**6 560**	4 583	**-**	-
		14 821	7 671	**-**	76 613
19.	**OTHER GAINS AND (LOSSES) - NET**				
	Loss on sale of property, plant and equipment	**(2 260)**	(776)	-	-
	Foreign currency gains / (losses)	**(39 630)**	31 198	-	-
	Impairment of investment in joint venture	**(400)**	(903)	-	-
	Loss with disposal of subsidiary	**-**	-	**-**	(251)
		(42 290)	29 519	**-**	(251)
20.	**EXPENSES BY NATURE**				
	Raw materials and consumables used	**833 066**	787 605	-	-
	Employee remuneration and benefits	**155 683**	154 994	-	-
	Depreciation of property, plant and equipment	**27 775**	26 260	-	-
	Amortisation of intangible assets	**1 795**	1 805	-	-
	Bad debts recovered and written off	**(1 580)**	(617)	-	-
	Inventory written off	**20 951**	21 900	-	-
	Auditors' remuneration	**1 774**	1 971	312	261
	Advertising and promotions	**98 831**	104 059	**-**	-
	Repairs and maintenance	**17 921**	19 728	-	-
	Operating lease expense	**3 364**	4 784	-	-
	Other expenses	**582**	302	-	-
		1 160 162	1 122 791	**312**	261
20.1	**Auditors' remuneration**				
	Audit fees - provision for the current year	**1 660**	1 540	**274**	234
	Audit fees - under provision of prior year	**14**	3	**38**	27
	Other audit services	**100**	428	**-**	-
		1 774	1 971	**312**	261
20.2	**Staff costs**	**155 683**	154 994		
	Included in staff costs are:				
	Retirement benefits - employer contributions	**13 504**	13 353		

	Note	**Group 2016 R'000**	Group 2015 R'000	**Company 2016 R'000**	Company 2015 R'000
21. FINANCE INCOME AND COSTS					
Interest received					
Investments and deposits		**1 860**	1 912	**-**	-
Loans and receivables		**-**	3	**-**	-
Loan to associate: Brannas Draught (Pty) Ltd		**23**	-	**-**	-
Other		**3**	8	**-**	4
		1 886	1 923	**-**	4
Finance costs					
Borrowings: current		**1 620**	2 097	**-**	-
		1 620	2 097	**-**	-
Net finance income and cost		**266**	(174)	**-**	4

22. INCOME TAX

	Note	**Group 2016 R'000**	Group 2015 R'000	**Company 2016 R'000**	Company 2015 R'000
South African normal taxation		**(9 283)**	(17 563)	**-**	(1)
- Current		**(1 185)**	(1 148)	**-**	(1)
- Deferred		**(8 098)**	(16 415)	**-**	-
Change in rate of taxation		**(19)**	-	**-**	-
Overprovision previous years		**-**	69	**-**	-
- Current		**-**	-	**-**	-
- Deferred		**-**	69	**-**	-
Taxation for the year		**(9 302)**	(17 494)	**-**	(1)

Reconciliation of the tax rate	**%**	%	**%**	%
Normal rate for companies	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
- Exempt income	**(3.04)**	(0.21)	**-**	(28.14)
- Income from associates	**(0.18)**	(0.69)	**-**	-
- Change in rate of taxation	**0.05**	-	**-**	-
- Consolidation adjustments	**(0.14)**	0.05	**-**	-
- Income of a capital nature	**(1.73)**	(0.28)	**-**	-
- Disallowed expenditure	**0.35**	0.25	**(28.00)**	0.10
- Adjustment for foreign taxation	**1.77**	0.45	**-**	-
- Overprovision previous years	**-**	(0.11)	**-**	-
Net reduction	**(2.92)**	(0.54)	**(28.00)**	(28.04)
Effective rate	**25.08**	27.46	**-**	(0.04)

	Note	**R'000**	R'000
Gross calculated tax losses available for utilisation against future taxable income		**36 789**	85 840
Tax relief calculated at current tax rates		**10 301**	24 035
Utilised to reduce deferred taxation	14	**(10 301)**	(24 035)
Tax relief available for offset against future taxation		**-**	-

		Note	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
23.	**CASH FROM / (UTILISED IN) OPERATIONS BEFORE CHANGES IN WORKING CAPITAL**					
	Profit / (loss) before taxation		**37 088**	63 715	**(312)**	76 105
	Adjusted for:					
	- Share of profits from associates and joint ventures	7	**(239)**	(1 579)	**-**	-
	- Net finance expense / (income)	25	**(266)**	174	-	(4)
	- Dividends received	18	**-**	-	-	(76 613)
	- Impairment of investment in joint venture	19	**400**	903	-	-
	- Non-cash movement on loans to subsidiaries and associates		**479**	(169)	-	-
	- Depreciation of property, plant and equipment	20	**27 775**	26 260	-	-
	- Amortisation of intangible assets	20	**1 795**	1 805	-	-
	- Unrealised exchange rate (gains) / losses		**31 235**	(20 089)	-	-
	- Loss on sale of property, plant and equipment	19	**2 260**	776	-	-
	- Bad debts recovered and written off		**(1 580)**	(617)	-	-
	- Inventory written off	20	**20 951**	21 900	-	-
	- Government grant recognised in profit or loss		**(3 620)**	-	-	-
	- Loss on disposal of subsidiary		**-**	-	-	251
			116 278	93 079	**(312)**	(261)
24.	**CHANGES IN WORKING CAPITAL**					
	(Excluding the effects of acquisitions, disposals and exchange differences on consolidation)					
	Change in inventory		**(14 574)**	(54 686)	**-**	-
	Change in trade and other receivables		**(10 730)**	3 216	-	-
	Change in trade and other payables		**(86 671)**	(61 494)	**40**	8
			(111 975)	(112 964)	**40**	8
25.	**NET INTEREST**					
	Net interest per statement of comprehensive income	21	**266**	(174)	**-**	**4**
	Adjusted for:					
	- Other non-cash flow items		**(23)**	-	**-**	**-**
			243	(174)	**-**	**4**
	Disclosed in the statement of cash flows as:					
	Finance costs		**(1 620)**	(2 097)	-	-
	Interest received		**1 863**	1 923	-	4
26.	**TAXATION (PAID) / REFUNDED**					
	Refundable at beginning of the year		**35**	687	-	661
	Accounted for in the statement of comprehensive income		**(9 302)**	(17 494)	-	(1)
	Adjustment for deferred taxation		**8 117**	16 346	**-**	-
	Refundable at end of the year		**(43)**	(35)	-	-
			(1 193)	(496)	-	660
27.	**COMPOSITION OF CASH AND CASH EQUIVALENTS**					
	Bank and cash balances		**44 327**	70 707	-	-

	Group 2016 R'000	Group 2015 R'000

28. EARNINGS PER SHARE

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

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

	Gross amount 2016 R'000	Tax 2016 R'000	Net amount 2016 R'000	Net amount 2015 R'000
Profit / (loss) for the year	37 088	(9 302)	**27 786**	46 221
Adjusted for:				
Impairment of investments in joint ventures	400	(90)	**310**	734
Loss on sale of property, plant and equipment	2 260	2	**2 262**	817
Headline earnings	39 748	(9 390)	**30 358**	47 772

	Cents	Cents
Earnings per share		
- Basic earnings	**40.9**	67.8
- Headline earnings	**44.6**	70.1
Diluted earnings per share		
- Basic earnings	**40.9**	67.8
- Headline earnings	**44.6**	70.1

29. COMMITMENTS

29.1 Capital commitments

	R'000	R'000
Incomplete contracts for capital expenditure	**2 586**	3 292
Capital expenditure authorised by the board not yet contracted for	**38 785**	36 327
	41 371	39 619

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

29.2 Operating lease commitments

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

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

	R'000	R'000
No later than one year	**1 873**	2 382
Later than one year and no later than 5 years	**1 656**	2 866
Later than 5 years	**2 145**	3 046
	5 674	8 294

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
30. CONTINGENT LIABILITIES				
Guarantees				
Employee housing loans	**69**	130		

Other guarantees

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

31. RELATED-PARTY TRANSACTIONS

Relationships

Ultimate holding company
- HCI Ltd

Holding company
- Niveus Investments Ltd

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

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

Joint ventures
- Red Dawn IP Holdings (Pty) Ltd
- Red Dawn Wine Licensing (Pty) Ltd

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

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
31.1 **Loans to related parties**				
KWV South Africa (Pty) Ltd			**411 678**	411 950

31. RELATED-PARTY TRANSACTIONS *(continued)*

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

	Group 2016 R'000	Group 2015 R'000
Trade receivables		
Related to HCI Ltd		
Tsogo Sun Holdings Ltd	**36**	36
Vukani Gaming Corporation (Pty) Ltd	**396**	241
HCI Managerial Services (Pty) Ltd	**-**	63
Niveus Investments Ltd	**-**	1
Niveus Managerial Services (Pty) Ltd	**-**	273
Galaxy Bingo (Pty) Ltd	**730**	729
Cherry Moss Trade and Invest 188 (Pty) Ltd	**137**	-
VBET Africa (Pty) Ltd	**78**	-
Other		
Paarl Valley Bottling Company (Pty) Ltd	**2**	-
Brannas Draught (Pty) Ltd	**599**	-
	1 978	1 343
Trade payables		
Related to HCI Ltd		
HCI Managerial Services (Pty) Ltd	**32**	-
Niveus Managerial Services (Pty) Ltd	**93**	24
Niveus Investments Ltd	**1**	-
Syntell (Pty) Ltd	**1**	-
Other		
Solamoyo Processing Company (Pty) Ltd	**-**	91
	127	115

31.3 Sale of goods and services

	Group 2016 R'000	Group 2015 R'000
Related to HCI Ltd		
Tsogo Sun Holdings Ltd	**267**	374
Cherry Moss Trade and Invest 188 (Pty) Ltd	**168**	161
Vukani Gaming Corporation (Pty) Ltd	**2 772**	1 665
HCI Managerial Services (Pty) Ltd	**33**	164
Niveus Investments Ltd	**96**	308
Niveus Managerial Services (Pty) Ltd	**922**	1 584
Galaxy Bingo (Pty) Ltd	**2 934**	1 665
VBET Africa (Pty) Ltd	**716**	562
Other		
Paarl Valley Bottling Company (Pty) Ltd	**11**	16
Brannas Draught (Pty) Ltd	**1 235**	-
	9 154	6 499

	Group 2016 R'000	Group 2015 R'000
31. RELATED-PARTY TRANSACTIONS *(continued)*		
31.4 **Purchases of goods and services**		
Related to HCI Ltd		
HCI Managerial Services (Pty) Ltd	**321**	224
Niveus Investments Ltd	**3 286**	3 017
Niveus Managerial Services (Pty) Ltd	**528**	1 095
Syntell (Pty) Ltd	**8**	23
Other		
Paarl Valley Bottling Company (Pty) Ltd	**1 664**	1 715
Solamoyo Processing Company (Pty) Ltd	**686**	394
Brandsrock Marketing (Pty) Ltd (related to a director of KWV Holdings Ltd until October 2014)	**-**	3 552
	6 493	10 020
31.5 **Key management personnel compensation**		
(includes directors and members of the executive committee's remuneration)		
Salaries	**9 251**	12 654
HCI Managerial Services	**3 210**	2 940
Short-term benefits	**12 461**	15 594
Retirement contributions	**969**	1 180
	13 430	16 774

31. RELATED-PARTY TRANSACTIONS *(continued)*

31.6 Directors' remuneration - KWV Holdings Limited

31 March 2016	Salaries and fees R'000	Performance incentives R'000	Retirement contributions R'000	Realised gain relating to share incentive scheme R'000	Other allowances R'000	Company 2016 Total R'000
Executive						
A van der Veen *	**3 210**	-	-	-	-	**3 210**
DP Smit	**1 344**	-	**191**	-	**6**	**1 541**
	4 554	-	**191**	-	**6**	**4 751**
Non-executive						
MJA Golding (Chairman)	**150**	-	-	-	-	**150**
JA Copelyn	**91**	-	-	-	-	**91**
F-A du Plessis	**120**	-	-	-	-	**120**
NL Ellis	**90**	-	-	-	-	**90**
MN Joubert	**90**	-	-	-	-	**90**
KI Mampeule	**90**	-	-	-	-	**90**
M Mhlarhi (appointed 21 August 2015)	**45**	-	-	-	-	**45**
KR Moloko (resigned 22 May 2015)	**23**	-	-	-	-	**23**
LA van Dyk	**110**	-	-	-	-	**110**
	809	-	-	-	-	**809**
Total directors' emoluments	**5 363**	-	**191**	-	**6**	**5 560**
Less: Paid by a subsidiary of the KWV group	**(5 363)**	-	**(191)**	-	**(6)**	**(5 560)**
	-	-	-	-	-	-

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

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

31. RELATED-PARTY TRANSACTIONS *(continued)*

31.7 Directors' remuneration - HCI Limited group of companies

31.7.1 Share options granted during the year

	Number of options	Fair value of the option R	Total Value R' 000
31 March 2016			
JA Copelyn - HCI shares	**102 442**	38.20	**3 913**
A van der Veen - Niveus shares	**283 233**	6.83	**1 934**
	385 675		**5 848**
31 March 2015			
MJA Golding - HCI shares	12 631	43.77	553
JA Copelyn - HCI shares	12 631	43.77	553
JA Copelyn - HCI shares	72 864	38.43	2 800
A van der Veen - Niveus shares	43 828	8.02	352
A van der Veen - Niveus shares	414 795	6.58	2 730
A van der Veen - Niveus shares	1 068 082	9.94	10 617
	1 624 831		17 605

31.7.2 Directors' emoluments

31 March 2016	**Salaries and fees R'000**	**Gains from share options* R'000**	**Performance incentives R'000**	**Other allowances or benefits R'000**	**Total R'000**
JA Copelyn	**6 114**	**3 488**	**2 751**	**876**	**13 229**
A van der Veen	**3 970**	**10 599**	**1 548**	**744**	**16 861**
Total directors' emoluments	**10 084**	**14 087**	**4 299**	**1 620**	**30 090**
Paid by HCI Limited group of companies	**(10 084)**	**(14 087)**	**(4 299)**	**(1 620)**	**(30 090)**
	-	-	-	-	-

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

Notes:

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

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

* Recognised as IFRS 2 expense.

	Group 2016 Number	Group 2015 Number
32. SHARE-BASED COMPENSATION BENEFITS		

32.1 Share appreciation rights ("SARs")

The group offerred phantom shares to selected employees in prior years. These phantom shares were linked to the share price of KWV Holdings Limited. The scheme is not operational any more.

	Group 2016 Number	Group 2015 Number
32.2 SARs allotted during the year	-	-
32.3 Share appreciation rights ("SARs") held by employees		
Outstanding at the beginning of the year	**-**	300 000
Lapsed	**-**	(300 000)
Outstanding at the end of the year	**-**	-
32.4 Treasury shares owned by the group		
Balance at beginning of the year	**979 427**	442 711
Acquired during the year	**-**	536 716
Balance at beginning and end of the year	**979 427**	979 427
	R'000	R'000
Market price	**R 5.50**	R 6.54
Fair value of shares	**5 387**	6 376

33. FINANCIAL RISK MANAGEMENT

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

33. FINANCIAL RISK MANAGEMENT *(continued)*

	Group			
	2016		2015	
	Closing rate	**Avg. rate for the year**	Closing rate	Avg. rate for the year
33.1 **Foreign exchange risk**				
Exchange rates used in these financial statements				
Euro	**16.91**	**15.21**	13.11	13.99
CAD	**11.63**	**10.49**	9.57	9.57
GBP	**21.42**	**20.73**	17.98	17.81
USD	**14.93**	**13.78**	12.16	11.06

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, US dollar, Canadian dollar, Japanese yen and the UK pound. Foreign exchange risk primarily arises as a result of purchases and sales which are denominated in foreign currencies.

Foreign currency contracts are entered into to protect existing assets and liabilities against movements in exchange rates or to hedge future cash flows of high probability. Foreign currency forward contracts or other appropriate derivatives are also entered into when management considers it appropriate to establish economic hedges for future sales transactions. Forward contracts are not entered into for speculative purposes.

A significant portion of the 2017 budgeted export sales were hedged during 2016 as detailed below.

Forward foreign exchange options and contracts

2016	**Contracted foreign amount FC' 000**	**Average exchange rate**	**Total contracted amount R' 000**	**Foreign currency receivables and cash balances R' 000**	**Contracts in excess of receivables / (uncovered receivables) as at 31 March 2016 R' 000**
Contracts and options to sell foreign currency					
Euro	**4 526**	13.85	**62 673**	**92 256**	**(29 583)**
CAD	**316**	10.37	**3 280**	**8 996**	**(5 716)**
GBP	**175**	19.51	**3 413**	**1 577**	**1 836**
JPY	**24 963**	0.11	**2 747**	**9 432**	**(6 685)**
			72 113	**112 261**	**(40 148)**
Zero Cost Foreign Exchange Options		Floor - Cap	**Cap in R**		
USD	**1 124**	12.34 - 13.14	**14 764**	**19 140**	**(4 376)**
			14 764	**19 140**	**(4 376)**
			86 877	**131 401**	**(44 524)**
Hedging iro future sales					
Fixed Rate Contracts & Options					
Euro	**18 500**	17.30	**320 050**	**-**	**320 050**
USD	**246**	15.78	**3 886**	**-**	**3 886**
			323 936	**-**	**323 936**

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.1 Foreign exchange risk *(continued)*

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

Contracts to buy foreign currency	Contracted foreign amount	Average exchange rate	Total contracted amount	Foreign currency payables	Uncovered payables as at 31 March
2016	**FC' 000**		**R' 000**	**R' 000**	**R' 000**
Euro	-	-	-	**8 825**	**(8 825)**
USD	-	-	-	**2 471**	**(2 471)**
GBP	-	-	-	**153**	**(153)**
CAD	-	-	-	**611**	**(611)**
DKK	-	-	-	**50**	**(50)**
HKD	-	-	-	**99**	**(99)**
JPY	-	-	-	**1 976**	**(1 976)**
				14 185	**(14 185)**
2015					
Euro	-	-	-	4 369	(4 369)
USD	-	-	-	1 151	(1 151)
GBP	-	-	-	263	(263)
CAD	-	-	-	728	(728)
DKK	-	-	-	8	(8)
				6 519	(6 519)

		Group 2016 R'000	Group 2015 R'000

33. FINANCIAL RISK MANAGEMENT *(continued)*

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

Sensitivity analysis

		Group 2016 R'000	Group 2015 R'000
Unhedged foreign currency exposure at year end:		**117 216**	(232 173)
Operational assets:	Trade receivables	**125 769**	88 489
	Bank and cash balances	**5 632**	18 218
Hedging instruments:	Forward exchange contracts	**13 877**	(298 625)
	Options	**(13 877)**	(33 736)
Operational liabilities:	Payables and accruals	**(14 185)**	(6 519)

Impact of movements in exchange rates

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

Increase / (decrease) in profit after tax		**Group 2016 R'000**	Group 2015 R'000
5%	strengthening of ZAR (excluding options)	**(4 719)**	7 144
10%	strengthening of ZAR (excluding options)	**(9 439)**	14 288
5%	weakening of ZAR	**4 220**	(8 358)
10%	weakening of ZAR	**8 440**	(16 716)

33.2 **Cash flow interest rate risk**

The group is mainly exposed to interest rate risk related to movements in long and short-term interest rates. This risk is managed on an on going basis by being able to source funding from several competing financial institutions.

Sensitivity analysis

	Group 2016 R'000	Group 2015 R'000
Unhedged interest rate exposure at year-end:		
Bank and cash balances	**44 327**	70 707

Impact of movements in interest rates

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

		Group 2016 R'000	Group 2015 R'000
1%	increase in interest rates	**319**	509
2%	increase in interest rates	**638**	1 018
1%	decrease in interest rates	**(319)**	(509)
2%	decrease in interest rates	**(638)**	(1 018)

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.3 **Credit risk**

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

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

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

33. FINANCIAL RISK MANAGEMENT *(continued)*

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

33.3.1 **Trade receivables: 2016**

		GROUP			
31 March 2016	**Note**	**Impaired R'000**	**Past due, but not impaired R'000**	**Fully performing R'000**	**Total R'000**
Gross amounts owing	**9**	**2 372**	**8 964**	**201 945**	**213 281**
Less: Provision for impairment		**(2 372)**	**-**	**-**	**(2 372)**
Net amount owing		**-**	**8 964**	**201 945**	**210 909**
Credit insurance for amounts owing		**-**	**(7 460)**	**(187 662)**	**(195 122)**
Unsecured debt / Exposure to credit risk		**-**	**1 504**	**14 283**	**15 787**
Credit rating on unsecured debt:		**-**	**1 504**	**14 283**	**15 787**
Aa : No caution needed for credit transaction		**-**	**-**	**-**	**-**
A : General unfavourable factors will not cause fatal effect		**-**	**-**	**-**	**-**
Ba : Capable of meeting normal commitments		**-**	**810**	**5 741**	**6 551**
B : Good for the amount quoted		**-**	**-**	**-**	**-**
C : Good for the amount quoted - if strictly in the way of business		**-**	**694**	**8 542**	**9 236**

- **Trade receivables: 2015**

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

	Group 2016 R'000	Group 2015 R'000
Age analysis for trade debt that is overdue, but not impaired	**8 964**	9 623
Less than 30 days	**7 002**	4 957
Less than 60 days	**1 031**	3 404
Less than 90 days	**882**	793
More than 90 days	**49**	469
Reconciliation of provision for impairment of trade receivables		
Provision at beginning of the year	**4 591**	3 668
Provision utilised during the year	**290**	(246)
Change in provision	**(2 508)**	1 169
Provision at end of the year	**2 372**	4 591

	Group 2016 R'000	Group 2015 R'000

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.3 Credit risk *(continued)*

	Group 2016 R'000	**Group 2015 R'000**
33.3.2 **Bank and cash balances:** Fully performing		
Gross amounts owing	**44 327**	70 707
Less: Provision for impairment	**-**	-
Net amount owing (Unsecured debt / Exposure to credit risk)	**44 327**	70 707

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

33.4 Liquidity risk

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

	Group 2016 R'000	**Group 2015 R'000**
Gross contractual financial liabilities		
Trade and other payables	**135 695**	142 648
Derivative financial instruments	**47 424**	1 585
	183 119	144 233
Maturity analysis of contractual financial liabilities		
No later than one year	**183 119**	144 233
The group has the following undrawn, uncommitted borrowing facilities:		
Uncommitted facilities at banks and financial institutions	**130 000**	120 000
Committed facilities at banks and financial institutions	**10 000**	10 000
Utilisation	**-**	-
Undrawn facilities	**140 000**	130 000

Due to Basel III requirements the group's bankers charge a fee for committed credit lines. In light of the group's current cash surplus "headroom facilities" which only require a fast track credit approval process and can typically be accessed within 2 weeks, are deemed to be sufficient in order to address liquidity risk.

33.5 Capital risk management

The company manages its shareholders' equity, i.e. its issued capital (including share premium), reserves and treasury shares, as capital. The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders in the form of dividends and capital appreciation.

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

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

The own capital ratios are as follows:

	Group 2016 R'000	**Group 2015 R'000**
Total capital and reserves	**1 294 812**	1 267 112
Total assets	**1 589 170**	1 581 089
Own capital ratio	**81%**	80%

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.6 **Price risk**

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

33.7 **Fair value estimation of financial instruments**

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

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

The fair values of receivables, payables, loans, cash and bank balances are disclosed in note 11 to note 12.

34. EVENTS AFTER REPORTING PERIOD

Conditional disposal of the oprational assets of the KWV Group

On 11 May 2016 it was announced that KWV have concluded conditional agreements in terms of which KWV South Africa (Pty) Ltd shall dispose of the operational assets of the KWV group, and that KWV shall dispose of all of its shares in and loan accounts against its wholly-owned subsidiary, KWV Intellectual Properties (Pty) Ltd for an aggregate consideration of approximately R1 150 000 000.

The agreements are subject to a number of conditions, of which the following is the most important:
- Approval of the transactions by a special resolution of the shareholders of KWV;
- Successful completion of a due diligence investigation by the purchaser companies;
- Approval of the transactions by the Competition Authorities.

The consideration will be paid as follows:
- R575 000 000 (50% of the purchase consideration) will be paid on the effective date of the transactions; and the remainder will be deferred and settled in three instalments on each of the first, second and third anniversaries of the effective date.
- The full consideration of R 1 150 000 000 will increase by 6% per annum from 1 May 2016 onwards. This increase will be added to the value of the three deferred instalments.
- These deferred instalments will be secured by way of bank guaranteed promissory notes; and they will carry interest at 8,5%, annually compounded.

The financial effects of this transaction have not been recognised at 31 March 2016. We anticipate reporting a loss on disposal of approximately R220 million in 2017.

35. RESTATEMENT OF FINANCIAL INFORMATION FOR COMPARITIVE PERIODS

Management reviewed the classification of income statement items in the 2016 financial year. During this process certain amounts were identified which were not classified correctly in prior periods. The most material of these relate to settlement discounts reallocated from promotion, marketing and distribution expenses to revenue, as well as income and cost of sales relating to the Laborie Estate reclassified from expenses to revenue and cost of sales.

The changes in classification had the following effect on the financial statements:

Statement of comprehensive income	**Previously stated R'000**	**Change in classification R'000**	**Restated R'000**
Relating to 31 March 2015			
Revenue	1 155 385	(7 474)	1 147 911
Cost of sales	(803 636)	(4 280)	(807 916)
Promotion, marketing and distribution expenses	(247 505)	10 029	(237 476)
Operational and administrative expenses	(79 124)	1 725	(77 399)
Net effect		-	

The restatement had no impact on the statement of financial position.

Annexure A: Subsidiary companies, joint ventures and associates

as at 31 March 2016

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

COMPANY'S INTEREST IN SUBSIDIARY COMPANIES

	Issued share-capital	Effective percentage interest		Company carrying amount	
		2016	2015	**2016**	2015
	R'000	**%**	%	**R'000**	R'000
Golden Kaan South Africa (Pty) Ltd*	0.1	**100**	100	**-**	-
KWV Intellectual Properties (Pty) Ltd*	0.2	**100**	100	**28 786**	28 786
KWV International (Pty) Ltd*					
- shares	0.5	**100**	100	**57 664**	57 664
- loan				**-**	-
KWV Projects (Pty) Ltd*	0.1	**100**	100	**-**	-
KWV South Africa (Pty) Ltd*					
- shares	10.1	**100**	100	**325 010**	325 010
- loan				**411 678**	411 950
KWV Russia	0.1	**75**	75	**-**	-
KWV USA LLC	0.1	**100**	100	**-**	-
Note 6				**823 138**	823 410

GROUP'S INTEREST IN ASSOCIATES AND JOINT VENTURES

	Effective percentage interest		Group carrying amount	
	2016	2015	**2016**	2015
	%	%	**R'000**	R'000
Paarl Valley Bottling Company (Pty) Ltd*	**30.90**	30.90	**12 734**	12 098
Solamoyo Processing (Pty) Ltd*	**40.00**	40.00	**4 340**	4 700
Red Dawn IP Holdings (Pty) Ltd*	**50.00**	50.00	**-**	-
Red Dawn Wine Licensing (Pty) Ltd*	**50.00**	-	**4**	-
Brannas Draught (Pty) Ltd*	**25.01**	-	**1 099**	-
Note 7			**18 177**	16 798

* Incorporated in South Africa

The main business of Paarl Valley Bottling Company (Pty) Ltd is the contract bottling of beverages, especially wine.
The main business of Solamoyo Processing (Pty) Ltd is the processing of effluent.
The main business of Red Dawn IP Holdings (Pty) Ltd is the holding of patents.
The main business of Red Dawn Wine Licensing (Pty) Ltd is the licensing of patents.
The main business of Brannas Draught (Pty) Ltd is the marketing and supply of brandy in kegs in the on-consumption market.

Annexure A: Subsidiary companies, joint ventures and associates

as at 31 March 2016

(continued)

	Total 2016 R'000	Solomoya Processing Company 2016 R'000	Paarl Valley Bottling 2016 R'000	Brannas Draught 2016 R'000	Total 2015 R'000	Solomoya Processing Company 2015 R'000	Paarl Valley Bottling 2015 R'000
ASSOCIATES AND JOINT VENTURES							
SUMMARY OF ASSETS AND LIABILITIES							
as at 31 March							
Non-current assets							
Property, plant and equipment	**55 475**	**10 843**	**43 703**	**929**	45 949	10 181	35 768
Current assets	**31 290**	**1 482**	**29 053**	**755**	26 954	638	26 316
Inventory	**9 757**	**-**	**9 559**	**198**	7 987	-	7 987
Trade and other receivables	**19 927**	**46**	**19 394**	**487**	13 080	373	12 707
Financial assets	**100**	**-**	**100**	**-**	100	-	100
Deferred tax	**167**	**167**	**-**	**-**	160	160	-
Cash and cash equivalents	**1 339**	**1 269**	**-**	**70**	5 627	105	5 522
Total assets	**86 765**	**12 325**	**72 756**	**1 684**	72 903	10 819	62 084
Total equity							
Ordinary shareholders' funds	**43 490**	**(226)**	**43 667**	**49**	40 384	(436)	40 820
Non-current liabilities	**19 187**	**11 144**	**7 276**	**767**	19 093	10 800	8 293
Long-term liabilities	**17 073**	**11 144**	**5 162**	**767**	16 734	10 800	5 934
Deferred taxation	**2 114**	**-**	**2 114**	**-**	2 359	-	2 359
Current liabilities	**24 088**	**1 407**	**21 813**	**868**	13 426	455	12 971
Trade payables and provisions	**19 910**	**1 407**	**17 635**	**868**	12 808	455	12 353
Interest-bearing borrowings	**3 546**	**-**	**3 546**	**-**	-	-	-
Taxation payable	**632**	**-**	**632**	**-**	618	-	618
Total equity and liabilities	**86 765**	**12 325**	**72 756**	**1 684**	72 903	10 819	62 084
RESULTS OF OPERATIONS							
for the year ended 31 March							
Revenue	**114 681**	**2 585**	**109 274**	**2 822**	91 886	1 953	89 933
Profit / (loss) before taxation	**4 647**	**211**	**5 423**	**(987)**	5 603	1 853	4 670
Taxation	**(1 750)**	**-**	**(1 750)**	**-**	(1 279)	-	(1 279)
Net profit / (loss) attributable to ordinary shareholders	**2 897**	**211**	**3 673**	**(987)**	4 324	1 853	3 391

Financial information of material associates and joint ventures are disclosed above.

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

Annexure B: Property, plant and equipment

as at 31 March 2016

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

	Land and buildings R'000	Machinery and equipment R'000	Furniture and fittings R'000	Vehicles R'000	Plant under construction R'000	GROUP Total **R'000**
Year ended 31 March 2015						
Opening carrying value	35 828	158 709	18 569	3 052	1 311	217 469
Additions / (transfers)	2 108	28 021	6 698	1 548	(36)	38 339
Disposals	-	(2 017)	(86)	(18)	-	(2 121)
Depreciation charge	(1 237)	(17 351)	(7 360)	(312)	-	(26 260)
Carrying value	36 699	167 362	17 821	4 270	1 275	227 427
At 31 March 2015						
Cost	53 236	456 585	77 475	11 037	1 275	599 608
Accumulated depreciation	(16 537)	(289 223)	(59 654)	(6 767)	-	(372 181)
Carrying value	36 699	167 362	17 821	4 270	1 275	227 427
Year ended 31 March 2016						
Opening carrying value	**36 699**	**167 362**	**17 821**	**4 270**	**1 275**	**227 427**
Additions / (transfers)	**5 452**	**29 198**	**7 803**	**784**	**1 391**	**44 628**
Disposals	**-**	**(2 463)**	**(161)**	**(79)**	**-**	**(2 703)**
Depreciation charge	**(1 298)**	**(18 970)**	**(7 100)**	**(407)**	**-**	**(27 775)**
Carrying value	**40 853**	**175 127**	**18 363**	**4 568**	**2 666**	**241 577**
At 31 March 2016						
Cost	**58 688**	**483 320**	**85 117**	**11 742**	**2 666**	**641 533**
Accumulated depreciation	**(17 835)**	**(308 193)**	**(66 754)**	**(7 174)**	**-**	**(399 956)**
Carrying value	**40 853**	**175 127**	**18 363**	**4 568**	**2 666**	**241 577**

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

Annexure C: Intangible assets

as at 31 March 2016

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

	Trademarks	Computer software	GROUP Total
	R'000	R'000	R'000
Year ended 31 March 2015			
Opening carrying value	15 377	2 587	17 964
Additions	-	451	451
Amortisation charge	(995)	(810)	(1 805)
Carrying value	14 382	2 228	16 610
At 31 March 2015			
Cost or valuation	35 293	14 678	49 971
Accumulated amortisation	(20 911)	(12 450)	(33 361)
Carrying value	14 382	2 228	16 610
Year ended 31 March 2016			
Opening carrying value	**14 382**	**2 228**	**16 610**
Additions	**-**	**347**	**347**
Amortisation charge	**(995)**	**(800)**	**(1 795)**
Carrying value	**13 387**	**1 775**	**15 162**
At 31 March 2016			
Cost or valuation	**35 293**	**15 025**	**50 318**
Accumulated amortisation	**(21 906)**	**(13 250)**	**(35 156)**
Carrying value	**13 387**	**1 775**	**15 162**

Annexure D: Segment report

for the year ended 31 March 2016

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

		Group 2016 R'000	Group 2015 Restated R'000	
Functional analysis of sales		**1 224 214**	1 147 911	
Wine	45.0%	**550 726**	486 810	42.4%
Spirits	37.9%	**463 937**	562 411	49.0%
Contract bottling	12.8%	**156 843**	62 274	5.4%
Other	4.3%	**52 708**	36 416	3.2%
Regional analysis of sales		**1 224 214**	1 147 911	
South Africa	60.1%	**736 266**	656 706	57.3%
Europe and the United Kingdom	24.9%	**304 863**	327 573	28.5%
Africa (excl. South Africa)	4.9%	**59 796**	57 891	5.0%
Rest of the world	10.1%	**123 289**	105 741	9.2%
Operating profit per region		**36 583**	62 310	
Trading profit:				
South Africa		**36 962**	6 525	
Europe and the United Kingdom		**63 403**	70 920	
Africa (excl. South Africa)		**11 584**	8 945	
Rest of the world		**27 573**	16 129	
Items not allocated to segments:				
Other income, gains and losses - net		**(27 469)**	37 190	
Operational and administrative expenses		**(75 470)**	(77 399)	

Notes:

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

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