KWV Holdings Limited
Group report 2014

Contents

Salient features - group financial results

for the year ended 31 March 2014

	Audited 2014 R'000 12 months	Audited 2013 R'000 9 months
GROUP SUMMARY		
Revenue	**1 110 212**	800 741
Profit before income tax	**1 371**	6 792
Total comprehensive income	**1 607**	7 946
Headline earnings	**1 754**	7 099
Total equity	**1 225 154**	1 223 547
Shares		
Issued shares	**68 538**	68 538
Used in the calculation of earnings per share	**68 538**	68 538
PERFORMANCE PER ORDINARY SHARE	**Cents**	Cents
Attributable earnings	**1.4**	10.8
Headline earnings	**2.6**	10.4
Net asset value	**1,788**	1,785
Share price	**780**	910

Board of directors

Non-executive
MJA Golding (Chairman)
JA Copelyn
F-A du Plessis
NL Ellis
MN Joubert
KI Mampeule
KR Moloko
LA van Dyk

Executive
A van der Veen
DP Smit (Appointed 7 May 2013)

Board committees

Group Audit and risk management committee
F-A du Plessis (Chairman)
KR Moloko
JA Copelyn

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 2014

RANGE OF SHAREHOLDINGS		Number of shareholders	%	Number of shares	%
0 - 1 000	shares	2 516	83.6	2 585 232	3.7
1 001 - 10 000	shares	218	7.2	1 537 308	2.2
10 001 - 50 000	shares	246	8.2	4 747 675	6.9
50 001 - 100 000	shares	12	0.4	760 421	1.1
100 001 - 1 000 000	shares	10	0.3	2 922 195	4.2
more than 1 000 000	shares	7	0.2	56 427 543	81.8
		3 009	100	68 980 374	100

TYPE OF SHAREHOLDERS				
KWV Employee Empowerment Trust	1	-	3 020 345	4.4
Withmore 1 Investments (Pty) Ltd (previously Phetogo)	1	-	2 639 929	3.8
Niveus Investments Ltd	1	-	37 365 648	54.2
Total share of BEE shareholders	3	-	43 025 922	62.4
KWV SA (Pty) Ltd	1	-	442 711	0.6
Other	3 005	99.9	25 511 742	37.0
	3 009	100.0	68 980 374	100.0

TRADING STATISTICS	**2014**	2013
Number of shares traded	**1 817 565**	2 111 292
Percentage of issued shares traded	**2.63%**	3.06%
Value of shares traded	**R 15 201 075**	R 19 340 267
Number of transactions	**295**	256
Market price per ordinary share		
- average	**R 8.36**	R 9.13
- highest	**R 9.26**	R 9.50
- lowest	**R 7.30**	R 8.80
- closing	**R 7.80**	R 9.10

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

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

CHAIRMAN's REPORT

For many years, KWV did not have stability in its shareholding and control structure. This impacted its performance and was often a distraction to management. Fortunately those days are behind us, and we can now focus on building the group into a global, diversified, alcoholic beverage business.

The KWV brand is very strong and is associated with quality and heritage. During the year, the group changed its logo and adopted "Proud Pioneers" as part of its future identity. We think that "Proud Pioneers" incapsulates the group's role historically and provides inspiration for the future.

However, much work remains to be done to place the group on a sound footing. The financial performance of the group and the group's reliance on brandy in the South African market are challenges that will be addressed.

Cost management in the group has improved significantly with our largest cost, advertising and marketing, being managed strictly in accordance with our sales methodology.

Our group remains committed to a volume-growth strategy, with growth driven by our key KWV, Laborie and Roodeberg brands. Achieving branded growth requires an investment in marketing and advertising and the board has committed to this strategy even if it reduces profitability in the short term.

While the unrest that plagued the industry last year has largely subsided the damage of the events will be with us for some time. We have, however, discussed with all our suppliers the need to promote fair labour practices and general ethical conduct as necessary steps to sustain our industry in the long term. This also applies to our procurement policies. We have encouraged all stake holders to work together to build, nurture and expand our industry in ways and means which promote sustainability, profitability and reciprocity for all.

We encourage all role players to present a fair and balanced view of our industry. We believe the majority of the stakeholders are very committed to fair-trade principles and our industry could be considered a leader in the independent accreditation of fair-trade suppliers.

The retail selling price pressure and margin degradation of our products as a result of increases in excise duty continue. Excise duties on brandy increased by a further 12% in February 2014. These increases, if they continue, will eventually lead to the demise of the declining brandy category. We do not think that higher prices and tariffs will results in people consuming less alcohol, rather, they will merely change their consumption patterns to cheaper and illegal products.

Our interaction with government on brandy tariffs will hopefully bear fruit. It appears that brandy consumption has largely shifted to whisky, with most products in the category being imported. As brandy is replaced by whisky the economic benefits of wine production for brandy will be reduced, leading, in our opinion, to job losses and negatively affected trade balance.

The proposed government plans to ban alcohol advertising are detrimental to the industry. We will continue to engage authorities on this matter. The effect of the ban will merely entrench existing brands and make them stronger.

Despite all these challenges, we are fortunate to have a loyal supplier base and dedicated staff who support and believe in the KWV way and vision.

We thank the board for their continued support and guidance.

Marcel Golding
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

The first 12-month reporting period of KWV under the control of the Niveus group was below our expectations. While many good reasons can be advanced for our performance, we have to recognise that many of the issues we faced were within our control or could have been foreseen with better planning and management. I hope to report next year that we are fast learners and that the business continues to move forward.

The business managed to deliver a small headline profit and substantially improve its working capital management. The improvement in our performance is better than it appears, as the prior reporting period was for nine months only and excluded the April to June period, which traditionally is not a very robust trading period and which was particularly bad in the current reporting period.

Our business model received a substantial gift during the year with the rand depreciating by more than 20% against our major trading currencies. We did not receive the benefit of this depreciation as we had hedged our forward sales going into the financial year. Had we not done this, we would have improved our profitability significantly. That said, we are not in the business of receiving gifts, we are in the wine and spirits business, and going into the year we were comfortable that the hedged exchange rates gave us an acceptable profit margin on our budgeted sales.

Our business model will, however, benefit from the weaker currency and many of our shareholders remain invested in KWV for this reason. The wine business is described by many people as a bad business given its low return on assets – the currency will hopefully make it less so.

We continue to hedge a portion of our future sales. Our overall business operates close to breakeven. Our priority must be to stay in business rather than to bet on the currency. We set our sales prices in advance of our selling cycle and, as far as possible, we would like to be certain that the margin we calculate then is the margin we achieve when we receive payment for our sales.

The main reasons for not meeting our budgeted profits were an under-performance in the anticipated volume growth and a substantial write-down of inventory due to the slower than expected sales.

Inventory write-downs are a risk inherent in the wine business as sourcing decisions for wine are made well in advance of the financial period. In the current period we had to sell wine at reduced prices as the ability to store wine in bulk is limited and extended storage also affects the quality of the wine. In addition, white wine is not often sold after the current vintage expires. As our portfolio grows and we sell wine into more markets, our ability to manage this risk will improve. Unfortunately we had the same problems in our 2012 reporting period. We constantly work on our early warning systems to enable us to limit the cost when planned volumes do not materialise.

The global wine market remains unstable with the most significant change in the South African market still being the growth in bulk wine exports. Bulk wine exports can be beneficial to the industry, as higher volumes benefit the value chain through lower unit costs and increased profitability. Unfortunately, the bulk export wines are often low-price wine. These lower priced wines are bottled overseas, often under concept labels, but sold as South African wine. The risk is that South African wine is seen increasingly as good quality lower-priced wine, relegating South Africa to a perceived lower-priced wine country.

We believe that the international strength of our brands provide some insurance against this threat. KWV was rated 32nd on the list of most admired international wine brands by Drinks International. We remain the only South African wine brand on this list.

As I have indicated in my previous reports our strategy is to improve profitability through volume growth. The volume challenges in traditional wine markets were less severe than in the prior year, mainly due to the improvement in economic conditions in our key export markets and the depreciation in our exchange rate, making our products more attractive than our international competitors.

Our South African wine sales are improving in our key branded categories, and, as we indicated in 2012, the growth in sales under the KWV brand demonstrates our brand strength. The investment in our own sales force and merchandising management continues to deliver. It is also pleasing to see local market growth in our Laborie and Roodeberg brands. Roodeberg is an iconic South African product and our premiumisation strategy requires us to manage constantly the pricing and position of this brand in order to retain its status.

CHIEF EXECUTIVE OFFICER'S REPORT *(continued)*

In 2012 we indicated that we plan to premiumise our portfolio increasingly. The investment behind our Mentors range is part of this strategy. The international awards achieved by this range reinforces its position as South Africa's most awarded wine. We have also launched our new Cathedral Cellar website, changing the way in which we communicate with our consumers.

Brandy remains important to KWV in the local market. The decline in brandy consumption is placing significant pressure on the profitability of our local operations. Unfortunately, there appears to be no end in sight to the decline and, while the industry will continue to promote brandy, and try to premiumise the category, this will not change fortunes in the near term.

Competition in the brandy sector remains fierce with aggressive pricing from our competitors. Brand positioning is important to us. We cannot hand the category to our competitors and have countered with our own pricing strategies in order to remain relevant in the category, even at the expense of profitability. While our volumes have declined, the KWV brand has grown market share. The release of our 12-year old brandy was very well received in the market.

While the volumes of our ready-to-drink (RTD) portfolio continue to be small in our overall universe, we remain committed to the portfolio. The marketing investment in the portfolio is managed to be aligned with volumes and we do not spend too far ahead of volume growth.

In line with our volume-growth strategy, we have continued to invest in the sales and marketing of our brands in Africa and the USA. The USA is the largest wine market in the world and, in comparison with UK, offers reasonable margins. However, doing business in the USA is both difficult and expensive, even for the large wine companies, as the fragmentation of the market and the state-specific legislation is complex. We will continue to assess our go-to-market (GTM) strategies and the investment in the market.

Our plans for 2015

- Improve the profitability of the South African business by increasing volume of our own and third-party products;
- Continue to develop Africa and Asia. Where required invest in own infrastructure in Africa to drive growth;
- Increase volume through our US sales office;
- Continue to manage advertising and marketing spend in line with volumes;
- Improve inventory and procurement management to reduce the cost of inventory write-downs;
- Premiumise the KWV portfolio.

André van der Veen
Chief Executive Officer

FINANCIAL REPORT

In the prior year, KWV changed its financial year-end to 31 March and, as a result, the comparative period is for nine months only, which impacts the comparability of the income statement information. The group also changed its accounting policy with regard to excise duties (see note 35,) as duties are now included in Revenue, Cost of Sales and Inventory. This change had no effect on KWV's profit or net asset value, and relevant comparative numbers have been restated.

Revenue of R1 110 million is roughly 4% above that of the prior period, if it is adjusted for only nine months. However, the nine months from July 2012 to March 2013 excludes the slow quarter of April to June 2012. On a year-on-year comparison, revenue increased by 10,5%.

Total revenue growth was disappointing in light of the fact that export sales received a significant boost from the rand being around 20% weaker than in the prior year.

Wine sales did well during the year, mainly because of solid volume growth in Europe and South Africa. KWV also increased the sales of packed wines by about 1 million literes compared to the preceding 12-month period. In addition, revenues and margins were boosted by an improved sales mix as our core brands, Roodeberg and KWV, performed well. Export revenue was boosted by the weaker rand.

Packed spirit sales were flat compared to the prior year and volumes declined. The main reason was fierce competition in the South African market, especially as whiskey continues to grow at the expense of the brandy category. Not only were volumes under pressure, but the sales mix deteriorated and profit margins were squeezed due to pricing pressure. This slowdown and pressure on our spirits business was mitigated to an extent by continued growth in exports of bulk spirits into Europe.

KWV's RTD portfolio faces many of the same challenges as spirits, as it is also focused on the SA market. Sales volumes were flat, with a 5% decrease in revenue. There was, however, a much smaller spend on advertising and promotion. On a marginal cost basis the portfolio contributed to profitability as opposed to the prior year, when it still required significant investment.

Contract bottling volumes and revenues were significantly less than in the prior year. The business has low margins. The loss of volume did not impact the group's profitability significantly, but it did result in less recoveries of our fixed production costs.

From a regional perspective sales in Europe performed well and volumes, revenues and profitability improved above expectation. However, export volumes to the rest of the world, Africa in particular, were flat and improved profitability resulted mainly from the weaker rand.

Sales of packed beverages in South Africa are seasonal. This adds significantly to the apparent decline in revenue as the comparative nine-month period excludes the slowest quarter. As mentioned above, contract bottling, packed spirits and RTD's all struggled with only our wine sales growing in SA. Although top-line growth was below expectation, our SA business continued to improve the management of sales and distribution costs, resulting in improved efficiencies and profitability improved.

The group’s gross profit margin improved from 29,8% (restated due to the inclusion of excise duties into revenue and cost of sales) in the prior period to 31,5%. The main contributors were the weakening of about 20% in the rand, increased volumes and an improved sales mix with regard to wine sales and increased bulk spirit sales. Lower throughput and increased inventory write-offs detracted from performance.

Other gains and losses contain significant exchange rate losses of R48,2 million compared to a loss of R16,4 million in the prior period. The losses resulted from foreign exchange contracts that KWV used to hedge its budgeted export sales for 2014. When the rand weakened sharply in 2013, it benefited the group's export revenue and gross margins, but resulted in exchange rate losses with regard to these hedging contracts.

Operating expenses have increased from 28,0% of revenue to 28,3%. Sales, marketing and distribution expenses decreased, in particular in the SA market, while operational and administrative expenses were impacted by a few one-off items and increased above inflation.

The net effect is that the group made an operating loss of R2,2 million compared to a profit of R3,5 million in the comparative nine months and generated headline earnings of R1,8 million compared to R7,1 million in the prior period.

With regard to the group’s financial position, the total assets and liabilities are stable. The most noticeable change is the improved cash position, and increased payables.

KWV’s net asset value improved marginally from R17.85 to R17.88 per share.

Daniël P Smit
Financial Director

SUSTAINABILITY

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

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

COMMUNITY DEVELOPMENT AND SOCIAL UPLIFTMENT

The key building blocks of our Social Sustainability Strategy are enterprise development and socio-economic development.

Enterprise Development

The Clothing Bank:

The Clothing Bank is considered a best practice example of sustainable enterprise development. The Clothing Bank's holistic programme focuses on the training and development of unemployed mothers – from demotivated brokenness, low self-esteem and dependence on handouts to empowered, confident and financially independent women.

Coaching plays a vital role in the upliftment and emotional empowerment of the participating women. Life coaches continue to meet with participants during the two-year training period. Participants start running a small business within weeks of joining the programme. The objective is that they should earn sufficient income to provide for their family's basic needs. When participants exit The Clothing Bank, they are supported to find alternative micro-franchise business solutions and are mentored to migrate from their small retail business to new "business in a box" opportunities. KWV sponsored 10 women to participate in this initiative in the 2014 financial year.

Masikhule Childcare ("Masikhule"):

The main focus of Masikhule's training is early childhood development (ECD), especially for staff at rural and township ECD centres. Implementation of a sound ECD programme requires that the centres should have the basic resources, including equipment, 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 holistic development and future learning. They offer accessible, community-based training in ECD skills to crèche and community workers. Masikhule aims to enrich the lives of unemployed women in these communities by providing training in childcare skills and placing them in suitable jobs as child minders. KWV sponsored a group of 14 women from Klapmuts for this training during February 2014.

Socio-Economic Development:

The Pebbles Project:

The purpose of the Pebbles Project is to enrich the lives of children with special educational needs from disadvantaged backgrounds. They provide support and training to local wine farms and township crèches and establish after-school supervision for older children living in the Winelands. Funding from KWV was used for the after-school club sport programme as well as the after-school computer programme to enable children to do homework and research needed for school projects.

SUSTAINABILITY *(continued)*

The Klapmuts Community Centre:
The aim of supporting this centre is to create an environment in which disadvantaged and challenged children and mothers can be stimulated and taught. KWV is working in partnership with the social worker from the Dutch Reformed Church Suider-Paarl, who is responsible for the counselling sessions and the running of a soup kitchen.

KWV is also able to run other social upliftment projects from this property. The women are using recycled materials like wine corks to create crafts which they sell to the public. They create decorative cushions, children's tracksuits, clothing and soft toys in their sewing project.
Staff from KWV donated their 67 minutes on Mandela Day at the Centre to paint the kitchen container as well as a mural inside the centre.

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

Pinotage Youth Development Academy (PYDA)
PYDA develops young talent for employment in the wine industry and related sectors. It is intended that the Academy will transform the lives of the students and their communities, as well as contribute to broader transformation efforts. Its high-quality youth development programme dovetails with the government's education initiatives, such as the provision of further education and training (FET) to those unable to access a university education. KWV has partnered with them on this journey by assisting with work placements and practical support from specialist employees.

KWV also supports the following organisations:
- Boland School for Autism - www.bolandautism.org.za
- Drakenstein Association for Persons with Disabilities (APD)
- The Institute for the Blind - www.blind-institute.org.za
- Klapmuts Primary School
- Ligstraal School for Learners with Special Educational Needs (LSEN) www.ligstraalschool.com
- Valcare Trust - www.valcare.org.za

Responsible use of Alcohol
KWV, as a founding member of the Industry Association for Responsible Alcohol Use (ARA), is committed to supporting the ARA in its objectives to reduce alcohol-related harm through combating the misuse and abuse of alcoholic beverages.
The ARA is one of the main funders of the Foundation for Alcohol Related Research (FARR), which does extensive research in the area of Fetal Alcohol Syndrome (FAS) and Fetal Alcohol Spectrum Disorders (FASD).

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

SUSTAINABILITY *(continued)*

ENVIRONMENT

KWV's commitment to the environment is reflected in its environmental policy and the Integrated Management System (IMS). Practices and procedures relating to the purchase of raw materials as well as production and packaging operations are evaluated to ensure minimal detrimental effect on the environment.
The IMS also places an emphasis on product quality, food safety, employee health and safety as well as sustainable practices.

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

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

KWV has embarked on implementing an environmental sustainability programme. The programme is driven by our sustainability manager. KWV has identified environmental champions, who will evaluate, measure and monitor the environmental aspects and impacts in their various areas of responsibility. These champions will also identify environmental initiatives and measure the progress on a regular basis at their multi-disciplinary team meetings.

KWV has submitted the required inputs and outputs for the HCI Carbon Disclosure Project.

Biodiversity
The Laborie Estate is a member of the Biodiversity Wine Initiative (BWI). We successfully passed both IPW and BWI audits. Our farming activities at Laborie are conducted in an environmentally sustainable manner. Further initiatives include:
- Setting aside areas where natural plant life can be preserved.
- Actively clearing alien vegetation to create an environment where natural fynbos can be re-established.

Water and energy management
The real-time monitoring devices which were installed on the respective electricity and water distribution networks at KWV Paarl production site have been used to establish a consumption baseline for these resources.

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

Further energy management initiatives include the following:
- The lighting energy audit was updated and consolidated to include a life cycle cost analysis.
- KWV is continuously investigating and implementing techniques and technologies to improve operational efficiencies and, in the process, reducing the impact of our carbon footprint and fossil fuel consumption.
- Further investigation into energy saving will be done with respect to solar energy and biomass technologies.

SUSTAINABILITY *(continued)*

Waste management and Recycling

By actively managing and monitoring our waste management programme, KWV has, in collaboration with recycling partners, improved recycling rates by recycling a total of 520 tons of solid waste. Liquid waste has also been added to the KWV recycling programme.

As required by the National Environmental Management: Waste Act, KWV has successfully registered its production site in Paarl on the South African Waste Information System (IPWIS), as regulated by the Minister of Water and Environmental Affairs.

Effluent treatment

Paarl

As per the Drakenstein Municipal Industrial Effluent By-law No 18/2007, KWV has applied for and has obtained an Industrial Effluent Disposal Permit. This permit is valid for a period of five years. Alternative methods of treating our industrial effluent are being investigated.

Upington

In terms of the new National Environmental Management: Waste Act, the legal process has been completed. 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 ongoing.

Worcester

The Solamoyo Processing Company, consisting of KWV, Distell and Brenn-O-Kem on a 40/40/20% partnership basis, has completed the effluent disposal project. The management of the site is done as per the Management Services Agreement between Solamoyo Process Company and the Breede Valley Municipal Council.
The Management of the site is done as per the Management Services Agreement between Solamoyo Process Company and the Breede Valley Municipal Council.

KWV safety and process risk management

Afri Compliance has conducted their annual audit at KWV and has awarded KWV with a certificate of compliance with Afri Compliance Protocol for practices in terms of local legislation and regulations promulgated as per all the applicable Acts.

Environmental Initiatives:

KWV is a proud pioneer of and contributor to The Glass Recycling Company (TGRC).
KWV's contribution is another way of demonstrating our commitment to sustain a "greener" environment. We serve on the board to ensure that funding is used to maintain a sustainable future.
TGRC aims to improve recycling of glass through:

- providing glass banks to recycle glass and to minimise the glass taken to landfill;
- raising public awareness; and
- providing funding for entrepreneurs to recycle glass.

TRANSFORMATION

Broad Based Black Economic Empowerment (BBBEE)

KWV's level 4 BBBEE rating makes it one of the most empowered companies in the wine industry. KWV's black ownership status is without peer in the industry, as the company has significant shareholding by Niveus Investments and the KWV Employee Empowerment Trust (KEET), the latter being a trust held by black employees.

One of the company's key transformation objectives is to develop the communities in which it operates in. In partnership with the Food and Beverage SETA (Foodbev) and KWV staff members, the company employed 30 unemployed black youths into a formal learning programme. The intention of the programme is to appoint the youths for a period of 12 months during which they will gain valuable industry experience and knowledge.

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 nine directors (one of whom is the chief executive officer) with sufficient non-executive directors independent of management to ensure that shareholder interests (including minority interests) are protected. The size of the board is sufficiently large to ensure the presence of a wide range of skills, knowledge and experience without compromising common purpose, involvement participation and a sense of responsibility amongst the members necessary to meet the company’s strategic objectives.

The board considers all of the circumstances relevant to a director, in determining whether he or she is free from any material interest and any substantial business or other relationship which could, or could reasonably be perceived to, interfere with the director's ability to act in the best interests of the company. The board reviews the independence of directors annually and is satisfied that, from a practical point of view, there are sufficient directors 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 once per quarter, 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	7 May	12 June	1 Nov	20 Mar
JA Copelyn	√	√	√	√
FA du Plessis	√	√	√	√
NL Ellis	√	√	√	√
MJA Golding	√	√	√	√
MN Joubert	√	√	√	√
KI Mampeule	√	√	√	√
KR Moloko	√	√	√	√
DP Smit	√	√	√	√
A van der Veen	√	√	√	√
LA van Dyk	√	√	√	√

√ 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 group's business.

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

The risk management process is designed to ensure that:

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

During the period 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 associate, Paarl Valley Bottling Company (Pty) Ltd and thereby ensures that satisfactory risk management and internal control procedures are maintained.

Information technology

The board assumes responsibility for the governance of information technology ("IT") and has established and implemented an IT charter and policies. IT forms an integral part of the company's risk management, and the 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.

CORPORATE GOVERNANCE *(continued)*

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*
- *Appointment or dismissal of the chief internal auditor*
- *The independence and effectiveness of the internal audit function, particularly in respect of objectively reporting on the operational efficiency of the group's system of internal control and reporting*
- *The internal control system implemented by management to ensure that accounting systems and related controls are adequate and operating efficiently*
- *Risk management*
- *Important findings by internal and external auditors*
- *Material issues relating to accounting measurements and disclosure*
- *Differences and disputes between management and auditors*
- *Significant transactions not in the ordinary course of business*
- *Special investigations and, if required, making use of expert advice*
- *Other supervisory functions requested by the board*

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

Internal auditors

The internal audit function is divided into two, namely:

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

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

CORPORATE GOVERNANCE *(continued)*

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

External auditors

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

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

Human Resources and Remuneration Committee (Remuneration Committee)

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

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

The Remuneration Committee, which operates under a board approved charter, comprises at least two other non-executive directors and meets at least twice per year. The chief executive officer attends all committee meetings. The committee is chaired by Prof L A van Dyk.

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

Director	**19 Aug**
LA van Dyk	√
MJA Golding	√

√ Present A Absent with apologies

The Remuneration Committee ensures that directors are appropriately remunerated in a manner aimed at aligning the interests of directors with those of shareholders. The committee is responsible for reviewing, evaluating and making recommendations to the board on the following issues:

- *The group's remuneration policy in general and in particular for executive management (the executive responsible for human resources acts in an advisory capacity to the committee in this respect and the committee may also consult independent experts if required.)*
- *Remuneration packages for executive management (The chief executive officer is excluded from and does not participate in discussions or decisions related to his own remuneration.)*
- *Incentive schemes, including share incentive schemes and plan*
- *Annual assessment of the performance of individual directors, excluding the chairman*
- *Criteria for the performance assessment of directors and executives*
- *The general level of remuneration of directors and board committee members*
- *Labour legislation which may be applicable to the group*
- *Relevant human resource policies*

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

CORPORATE GOVERNANCE *(continued)*

Social and Ethics Committee

In terms of the new Companies Act, Act 71 of 2008, as amended, the public interest score of the company is of such a magnitude that the establishment of a social and ethics committee is required. The board has appointed such a committee which is chaired by the chairman of the board, and consists of four non-executive directors.

The operation and activities of the committee are regulated by its terms of reference approved by the board. The functions of the committee which are contained in its terms of reference are prescribed by regulation, and its main role is to monitor the company's activities regarding social and economic development, good corporate citizenship, the environment, health and public safety, consumer relations and labour and employment.

The committee met twice in the year under review and attendance was as follows:

Director	19 Aug
MJA Golding	√
JA Copelyn	√
KI Mampeule	√
LA van Dyk	√

√ Present A Absent with apologies

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 22 to 63 were approved by the board of directors on 8 May 2014 and are signed on their behalf by:

Marcel Golding
Chairman

André van der Veen
Chief executive officer

Declaration by the company secretary

I hereby confirm, in my capacity as company secretary of KWV Holdings Ltd that for the year ended 31 March 2014, 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	7 May	1 Nov
F-A du Plessis (chairman)	√	√
KR Moloko	√	√
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 2014 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

8 May 2014

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 23 to 63, which comprise the statements of financial position as at 31 March 2014, 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 2014, 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 financial statements for the year ended 31 March 2014, we have read the Directors’ Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited 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 financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: TS Bruwer
Registered Auditor
Paarl

8 May 2014

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 (2013: 0 cents) per ordinary share is declared for the year under review.

EVENTS AFTER REPORTING PERIOD

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

DIRECTORS

The complete board of directors as at 8 May 2014 is set out on page 3.

SHAREHOLDING ANALYSIS

Disclosure by the directors indicates that at 31 March 2014 the direct interest of directors and those of their families amounted to 0% of the issued shares of the company and this remains unchanged as at the date of this report.(See analysis of shareholders on page 4.)

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.

Statement of financial position

as at 31 March 2014

	Note	Group 2014 R'000	Group 2013 R'000 *Restated*	Group 2012 R'000 *Restated*	Company 2014 R'000	Company 2013 R'000
ASSETS						
Non-current assets		**253 320**	245 258	249 605	**746 637**	746 246
Property, plant and equipment	4	**217 469**	204 988	204 696	**-**	-
Intangible assets	5	**17 964**	19 472	20 040	**-**	-
Investments in subsidiaries	6	**-**	-	-	**746 637**	746 246
Interest in associates and joint ventures	7	**15 272**	15 141	15 094	**-**	-
Loans and receivables	8	**-**	-	2 000	**-**	-
Deferred taxation	15	**2 615**	5 657	7 775	**-**	-
Current assets		**1 355 787**	1 323 092	1 245 076	**661**	-
Inventory	9	**1 002 707**	977 579	938 479	**-**	-
Trade and other receivables	10	**212 738**	211 220	201 706	**-**	-
Current income tax assets		**687**	2 023	1 713	**661**	-
Derivative financial instruments	11	**5 952**	2 544	2 422	**-**	-
Loans and receivables	8	**2 523**	22 208	45 453	**-**	-
Bank and cash balances		**131 180**	107 518	55 303	**-**	-
Total assets		**1 609 107**	1 568 350	1 494 681	**747 298**	746 246
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	14	**1**	1	1	**1**	1
Share premium		**425 722**	425 722	425 722	**425 722**	425 722
Reserves		**799 431**	797 824	789 878	**321 130**	319 775
Total equity		**1 225 154**	1 223 547	1 215 601	**746 853**	745 498
Non-current liabilities						
Deferred taxation	15	**31 194**	34 760	38 608	**-**	-
Current liabilities		**352 759**	310 043	240 472	**445**	748
Trade and other payables	16	**328 848**	285 628	233 811	**445**	424
Derivative financial instruments	11	**23 911**	24 091	5 156	**-**	-
Current income tax liabilities		**-**	324	1 505	**-**	324
Total equity and liabilities		**1 609 107**	1 568 350	1 494 681	**747 298**	746 246

Statement of comprehensive income

for the year ended 31 March 2014

	Note	**Group 2014 R'000 12 months**	Group 2013 R'000 9 months *Restated*	**Company 2014 R'000 12 months**	Company 2013 R'000 9 months
Revenue	17	**1 110 212**	800 741		
Cost of sales		**(760 482)**	(562 479)		
Gross profit		**349 730**	238 262		
Other income	18	**9 437**	4 898	**-**	2 843
Other gains and (losses) - net	19	**(47 388)**	(15 598)	**1 619**	-
Operating expenses		**(313 975)**	(224 089)	**(264)**	(205)
Promotion, marketing and distribution		**(229 004)**	(170 407)	**-**	-
Operational and administrative expenses		**(84 971)**	(53 682)	**(264)**	(205)
Operating profit / (loss)	20	**(2 196)**	3 473	**1 355**	2 638
Interest received	21	**3 871**	3 626	**-**	-
Finance costs	21	**(635)**	(449)	**-**	-
Share of profit of associates and joint ventures	7	**331**	142	**-**	-
Profit before income tax		**1 371**	6 792	**1 355**	2 638
Income tax	22	**(431)**	596	**-**	(390)
Profit for the year		**940**	7 388	**1 355**	2 248
Other comprehensive income		**667**	558	**-**	-
Total comprehensive income		**1 607**	7 946	**1 355**	2 248
(Attributable to equity holders of the company)					

Earnings per share		**Cents**	Cents
(Attributable to equity holders of the company)			
- Attributable earnings	28	**1.4**	10.8
- Diluted earnings	28	**1.4**	10.8

Statement of changes in equity

for the year ended 31 March 2014

	Group 2014 R'000 12 months	Group 2013 R'000 9 months	**Company 2014 R'000 12 months**	Company 2013 R'000 9 months
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	**9 371**	1 925	**319 775**	317 527
Net profit attributable to ordinary shareholders	**940**	7 388	**1 355**	2 248
Equity accounted earnings transferred to equity reserve	**(131)**	58	**-**	-
Balance at end of the year	**10 180**	9 371	**321 130**	319 775
Treasury shares				
Balance at beginning and end of the year	**(2 923)**	(2 923)		
Equity reserve				
Balance at beginning of the year	**2 566**	2 624		
Transfer of equity accounted earnings from retained earnings	**131**	(58)		
Balance at end of the year	**2 697**	2 566		
Currency translation reserve				
Balance at beginning of the year	**1 580**	1 022		
Movement during the year	**667**	558		
Balance at end of the year	**2 247**	1 580		
Total reserves at end of the year	**799 431**	797 824	**321 130**	319 775
Equity at end of the year	**1 225 154**	1 223 547	**746 853**	745 498

Statement of cash flows

for the year ended 31 March 2014

	Note	**Group 2014 R'000 12 months**	Group 2013 R'000 9 months	**Company 2014 R'000 12 months**	Company 2013 R'000 9 months
CASH FLOW FROM OPERATING ACTIVITIES					
Cash from / (utilised in) operations before changes in working capital	23	**53 005**	52 138	**(264)**	(205)
Changes in working capital	24	**(14 845)**	(9 463)	**21**	204
Cash from / (utilised) in operations		**38 160**	42 675	**(243)**	(1)
Interest received	25	**3 871**	3 626	**-**	-
Finance costs	25	**(771)**	(379)	**-**	-
Taxation (paid) / refunded	26	**57**	(2 625)	**(985)**	(207)
Net cash inflow / (outflow) from operating activities		**41 317**	43 297	**(1 228)**	(208)
CASH FLOW FROM INVESTING ACTIVITIES					
Replacement of property, plant and equipment		**(22 463)**	(9 171)	**-**	-
Additions to property, plant and equipment		**(16 196)**	(8 326)	**-**	-
Acquisition of property, plant and equipment		**(38 659)**	(17 497)	**-**	-
Proceeds on disposal of property, plant and equipment		**990**	1 267	**-**	-
Acquisition of software		**(441)**	(877)	**-**	-
Investment in joint venture		**(497)**	(106)	**-**	-
Capital repayments received from group companies		**-**	-	**3 542**	2 843
Repayments of loans receivable		**20 752**	25 931	**-**	-
Dividends received		**200**	200	**-**	-
Loans made to group entities		**-**	-	**(2 314)**	(2 635)
Net cash inflow / (outflow) from investing activities		**(17 655)**	8 918	**1 228**	208
Net increase in cash and cash equivalents		**23 662**	52 215	**-**	-
Cash and cash equivalents at beginning of the year		**107 518**	55 303	**-**	-
Cash and cash equivalents at end of the year	27	**131 180**	107 518	**-**	-

Notes to the financial statements

for the year ended 31 March 2014

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 the revaluation of available-for-sale financial assets and 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 of 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 the income statement.

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.

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'.

1.1 **Basis of consolidation** (continued)

Foreign subsidiaries *(continued)*

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 venture 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.

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 the income statement, 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 the income statement.

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 the income statement.

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

Depreciation of property (excluding land), plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

The assets’ residual values and useful lives are reviewed annually at reporting date and adjusted where necessary.
Assets under construction are not depreciated.

1.2 **Property, plant and equipment** *(continued)*

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 the asset's carrying amount is greater than its estimated recoverable amount. (Refer to note 1.4)

1.3 **Intangible assets (Annexure C)**

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. Each unit or group of units to which the goodwill 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 a derivative contract is entered into and are subsequently premeasured 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 available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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.

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

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.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months after the reporting date.

Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade date, the date on which the 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 in the income statement. 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. Available-for-sale financial assets and 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 the income statement 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 the income statement as part of other income when the company’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as ‘gains and losses from investment securities’.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group’s right to receive payments is established.

Impairment of financial assets
(a) 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.

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 the consolidated income statement. 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.

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

(b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial asset the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through 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 the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Sales of goods is accounted for when the risks and rewards pass to the customer and collectability of related receivables is reasonably assured. It excludes excise duty to the extent that it was directly recovered from clients and also value added tax, sales tax, rebates and discounts. Sales within the group are eliminated.

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 are 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.

1.16 **Revenue recognition** *(continued)*

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

1.18 **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.

1.19 **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'.

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.

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

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

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

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

1.21 **Employee benefits** *(continued)*

Share-based payments

The group operates a cash-settled share appreciation rights scheme (as per note 32). The cost of cash-settled transactions is measured initially at fair value at the grant date, taking into account the terms and conditions upon which the instruments were granted. The fair value of the employee services received is recognised as an expense over the vesting period, with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in the fair value recognised in profit or loss.

Termination benefits

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

Leave pay policy

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

1.22 **Statement of cash flows**

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

1.23 **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.

1.24 **Earnings per share**

Earnings and headline earnings per share are calculated by dividing the net profit attributable to shareholders and headline earnings respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the group as treasury shares.

2. Standards, interpretations and amendments to published standards, not yet effective

Several new standards, amendments and interpretations to IFRS are mandatory for the company’s accounting periods beginning after 31 March 2014.

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

- IFRS 9: Financial instruments
- Amendment to IFRS 10, IFRS 12 and IAS 27 - Investment entities
- Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 36: Recoverable amount disclosures for non-financial assets
- Amendment to IAS 39: Novation of derivatives and continuation of hedge accounting
- IFRIC 21: Levies

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 impairment of receivables, useful life and impairment of property, plant and equipment, inventory provisions and deferred and current income taxes.

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

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

- **Property, plant and equipment, excluding land**
  Changes in business landscape or technological innovations may impact 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, joint ventures and of goodwill**
  This determination requires significant judgement. The main indicators of possible impairment are profitability and cash flows that are poor or significantly below expectations.

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

  Where goodwill is evaluated it is allocated to the group's cash generating units. The recoverable amount of such a unit is determined based on value-in-use calculations.

Notes to the financial statements *(continued)*
for the year ended 31 March 2014

		Group 2014 R'000	Group 2013 R'000	**Company 2014 R'000**	Company 2013 R'000
4.	**PROPERTY, PLANT AND EQUIPMENT (Annexure B)**				
	Carrying value at end of the year				
	Land and buildings	**35 828**	31 935		
	Machinery and equipment	**158 709**	148 341		
	Furniture and fittings	**18 569**	19 912		
	Vehicles	**3 052**	3 235		
	Plant under construction	**1 311**	1 565		
		217 469	204 988		
5.	**INTANGIBLE ASSETS (Annexure C)**				
	Carrying value at end of the year				
	Trademarks	**15 377**	16 372		
	Computer software	**2 587**	3 100		
		17 964	19 472		
6.	**INVESTMENTS IN SUBSIDIARIES (Annexure A)**				
6.1	**Unlisted equity interests**			**412 283**	414 206
	KWV Intellectual Property (Pty) Ltd			**28 786**	28 786
	KWV International (Pty) Ltd			**57 664**	57 664
	KWV International Holding GmbH			**823**	2 746
	KWV South Africa (Pty) Ltd			**325 010**	325 010
6.2	**Loans**			**334 354**	332 040
	KWV International (Pty) Ltd			**81 358**	81 358
	KWV South Africa (Pty) Ltd			**252 996**	250 682
	These loans are unsecured, interest free and repayment are reviewed annually.				
				746 637	746 246
7.	**INTEREST IN ASSOCIATES AND JOINT VENTURES (Annexure A)**				
	Equity interests				
	Unlisted shares at cost less impairment	**3 500**	3 500		
	Interest in post acquisition reserves	**6 334**	6 203		
		9 834	9 703		
	Loans				
	Solamoyo Processing Company (Pty) Ltd	**5 438**	5 438		
	The loan is unsecured, interest free and repayment are reviewed annually.				
		15 272	15 141		
	Reconciliation of equity interest:				
	Balance at beginning of the year	**9 703**	9 762		
	Share of profit of associates and joint ventures	**331**	141		
	Dividends received from associates	**(200)**	(200)		
	Balance at end of the year	**9 834**	9 703		

		Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
8.	**LOANS AND RECEIVABLES**				
8.1	**Loan: Eggers & Franke GmbH & Co. KG**	**387**	1 208		
	The loan amounts to EUR 42 899 (2013: EUR 102 003) is unsecured and bears interest at average European Central Bank interest rates of 2,000% (2013: 2,625%). It is repayable in quarterly instalments of EUR 62 500.				
	The loan is carried at an impaired amortisation valuation.				
8.2	**Loan: Orange River Wine Cellar Co-op Ltd**	**2 136**	2 000		
	This loan is unsecured and bears interest at prime rate less 2% per annum. The capital portion of the loan is repayable in annual instalments of R 2m at the end of March. The accrued interest is also paid at the end of March annually. The loan was settled on 11 April 2014.				
8.3	**Loan: Freewheel Trade and Invest 23 (Pty) Ltd**	**-**	19 000		
	This loan was secured by mortgage of R38m over property held by Freewheel. Interest was charged at a fixed amount of R150 000 (2013: R150 000) per month and the loan was settled in June 2013.				
		2 523	22 208		
	Current portion of loans and receivables	**2 523**	22 208		
	Non-current loans and receivables	**-**	-		
9.	**INVENTORY**				
	Liquid inventory	**943 573**	910 501		
	Auxiliary material	**59 134**	67 078		
		1 002 707	977 579		
	Inventory carried at net realisable value	**11 973**	5 956		
	Cost of inventories recognised as expense and included in "cost of sales"	**697 922**	366 442		
	Inventory have been restated. Refer to note 35 for details.				
10.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**202 291**	205 691		
	Less: Provision for impairment of trade receivables	**(3 668)**	(3 843)		
	Trade receivables - net	**198 623**	201 848		
	Other receivables	**14 115**	9 372		
		212 738	211 220		

Trade and other receivables have been restated. Refer to note 35 for details.

Refer to note 33 for detailed disclosure on Trade receivables.

Notes to the financial statements *(continued)*
for the year ended 31 March 2014

	Group 2014 R'000	Group 2013 R'000
11. DERIVATIVE FINANCIAL INSTRUMENTS		
- Foreign exchange options	**19 981**	18 199
- Forward exchange contracts	**(2 022)**	3 348
	17 959	21 547
The amounts disclosed in the statement of financial position are as follows:		
Current assets	**5 952**	2 544
- Foreign exchange options	**3 930**	450
- Forward exchange contracts	**2 022**	2 094
Current liabilities	**23 911**	24 091
- Foreign exchange options	**23 911**	18 649
- Forward exchange contracts	**-**	5 442
	17 959	21 547

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

12. 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 2014			
Loans and receivables	**2 523**	**-**	**2 523**
Trade and other receivables	**201 959**	**-**	**201 959**
Derivative financial instruments²	**-**	**5 952**	**5 952**
Cash and cash equivalents	**131 180**	**-**	**131 180**
	335 662	**5 952**	**341 614**
31 March 2013			
Loans and receivables	**22 208**	**-**	**22 208**
Trade and other receivables	**205 458**	**-**	**205 458**
Derivative financial instruments²	**-**	**2 544**	**2 544**
Cash and cash equivalents	**107 518**	**-**	**107 518**
	335 184	**2 544**	**337 728**

COMPANY	**Loans and receivables R'000**	**Total R'000**
31 March 2014		
Loans to group companies	**334 354**	**334 354**
31 March 2013		
Loans to group companies	332 040	332 040

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.

13. 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 2014			
Trade and other payables	**169 683**	**-**	**169 683**
Derivative financial instruments ²	**-**	**23 911**	**23 911**
	169 683	**23 911**	**193 594**
31 March 2013			
Trade and other payables	160 373	-	160 373
Derivative financial instruments ²	-	24 091	24 091
	160 373	24 091	184 464

COMPANY	Financial liabilities at amortised cost R'000	Total R'000
31 March 2014		
Trade and other payables	**445**	**445**
31 March 2013		
Trade and other payables	424	424

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.

Notes to the financial statements *(continued)*
for the year ended 31 March 2014

	2014 R'000 12 months	2013 R'000 9 months	**2014 R'000 12 months**	2013 R'000 9 months
14. SHARE CAPITAL				
Shares authorised				
200 000 000 Ordinary profit-sharing shares of R 0,00001 each	**2**	2	**2**	2
Shares issued				
Ordinary profit-sharing shares of R 0,00001 each				
Issued and fully paid (opening and closing balance)	**1**	1	**1**	1
15. DEFERRED TAXATION				
Attributable to temporary differences:				
Balance at beginning of the year	**29 103**	30 833		
- Charged against profit or loss	**(524)**	(1 730)		
Balance at end of the year	**28 579**	29 103		
The balance comprises:				
- Capital allowances	**43 947**	43 476		
- Inventory revaluation	**34 528**	36 551		
- Provisions and accruals	**(11 476)**	(10 388)		
- Computed taxation losses	**(38 420)**	(40 536)		
	28 579	29 103		
The amounts disclosed in the statement of financial position are as follows:				
- Group companies with net deferred tax assets	**(2 615)**	(5 657)		
- Group companies with net deferred tax liabilities	**31 194**	34 760		
	28 579	29 103		
16. TRADE AND OTHER PAYABLES				
Trade payables	**131 864**	143 864	**-**	-
Excise duty payable	**157 317**	123 506	**-**	-
Other payables and accruals	**39 667**	18 258	**445**	424
	328 848	285 628	**445**	424
17. REVENUE				
Turnover	**886 235**	623 893		
Plus: Excise duty charged	**223 977**	176 848		
Revenue including excise duty	**1 110 212**	800 741		

Revenue including excise duty have been restated, refer to note 35 for details on change in accounting policy.

	2014 R'000 12 months	2013 R'000 9 months	**2014 R'000 12 months**	2013 R'000 9 months
18. OTHER INCOME				
Rental received	**2 558**	2 511	**-**	-
Other	**6 879**	2 387	**-**	-
Capital distribution from group companies	**-**	-	**-**	2 843
	9 437	4 898	**-**	2 843

Notes to the financial statements *(continued)*
for the year ended 31 March 2014

	Group 2014 R'000 12 months	Group 2013 R'000 9 months	Company 2014 R'000 12 months	Company 2013 R'000 9 months
19. OTHER GAINS AND (LOSSES) - NET				
Profit on sale of property, plant and equipment	**43**	305	-	-
Foreign currency gains / (losses)	**(48 156)**	(16 357)	-	-
Write back of impairment of loans and receivables	**725**	454	-	-
Reversal of impairment of investment in subsidiary	**-**	-	**1 619**	-
	(47 388)	(15 598)	**1 619**	-
20. EXPENSES BY NATURE				
Raw materials and consumables used	**697 922**	529 549	-	-
Employee remuneration and benefit expense	**155 205**	111 642	-	-
Depreciation of property, plant and equipment	**24 051**	16 243	-	-
Amortisation of intangible assets	**1 949**	1 445	-	-
Impairment of property plant and equipment	**1 179**	-	-	-
Impairment of trade receivables	**1 081**	1 449	-	-
Inventory written off	**31 297**	10 568	-	-
Auditors' remuneration	**1 582**	1 619	-	-
Advertising and promotions	**94 171**	66 302	**264**	205
Repairs and maintenance	**16 688**	9 659	-	-
Operating lease expense	**5 601**	3 576	-	-
Other expenses	**43 731**	34 516	-	-
	1 074 457	786 568	**264**	205
20.1 **Auditors' remuneration**				
Audit fees - provision for the current year	**1 481**	1 389	**-**	-
Audit fees - under / (over) provision of prior year	**52**	117	**264**	205
Other audit services	**49**	113	**-**	-
	1 582	1 619	**264**	205
20.2 **Staff costs**	**155 205**	111 642		
Included in staff costs are:				
Retirement benefits - employer contributions	**11 798**	8 920		
Retrenchment costs	**2 443**	71		
21. FINANCE INCOME AND COSTS				
Interest received				
Investments and deposits	**3 448**	2 004		
Loans and receivables	**328**	1 618		
Other	**95**	4		
	3 871	3 626		
Finance costs				
Borrowings: current	**635**	449		
	635	449		
Net finance income	**3 236**	3 177		

	Note	**Group 2014 R'000 12 months**	Group 2013 R'000 9 months	**Company 2014 R'000 12 months**	Company 2013 R'000 9 months
22. INCOME TAX					
South African normal taxation		**(415)**	(2 528)	**-**	(539)
- Current		**(955)**	(1 351)	**-**	(539)
- Deferred		**540**	(1 177)	**-**	-
Over/(Under) provision previous years		**(16)**	3 124	**-**	149
- Current		**-**	217		149
- Deferred		**(16)**	2 907	-	-
Taxation for the year		**(431)**	596	**-**	(390)

Reconciliation of the tax rate	**%**	%	**%**	%
Normal rate for companies	**28.00**	28.00	**28.00**	28.00
Adjusted for:				
- Exempt income	**(7.43)**	(1.01)	**-**	-
- Income from associates	**(6.76)**	(0.59)	**-**	-
- Consolidation adjustments	**(7.34)**	0.01	**-**	-
- Income of a capital nature	**(13.87)**	5.57	**(33.45)**	(10.07)
- Disallowed expenditure	**40.03**	5.06	**5.45**	2.18
- No deferred tax asset created for assessed loss	**0.08**	0.05	**-**	-
- Adjustment for foreign taxation	**(2.44)**	0.13	**-**	-
- Profits of foreign subsidiary taxed in South Africa	**-**	-	**-**	0.32
- (Over) / under provision previous years	**1.17**	(46.00)	**-**	(5.65)
Net reduction	**3.44**	(36.78)	**(28.00)**	(13.22)
Effective rate	**31.44**	(8.78)	**-**	14.78

	Note	**R'000**	R'000
Gross calculated tax losses available for utilisation against future taxable income		**137 215**	144 771
Tax relief calculated at current tax rates		**38 420**	40 536
Utilised to reduce deferred taxation	15	**(38 420)**	(40 536)
Tax relief available for offset against future taxation		**-**	-

	Note	**Group 2014 R'000 12 months**	Group 2013 R'000 9 months	**Company 2014 R'000 12 months**	Company 2013 R'000 9 months
23. CASH FROM / (UTILISED IN) OPERATIONS BEFORE CHANGES IN WORKING CAPITAL					
Profit before taxation		**1 371**	6 792	**1 355**	2 638
Adjusted for:					
- Share of profits from associates	7	**(331)**	(142)	**-**	-
- Net interest	25	**(3 236)**	(3 177)	**-**	-
- Impairment of property plant and equipment	20	**1 179**	-	-	-
- Write back of impairment of loans and receivables	19	**(725)**	(454)	-	-
- Impairment of investment in subsidiary	19	**-**	-	**(1 619)**	-
- Capital distribution from group companies		**-**	-	**-**	(2 843)
- Depreciation	20	**24 051**	16 243	**-**	-
- Unrealised exchange rate losses / (gains)		**(3 588)**	18 813	**-**	-
- Amortisation of intangibles	20	**1 949**	1 445	**-**	-
- Profit on sale of property, plant and equipment	19	**(43)**	(305)	**-**	-
- Bad debts provided / written off		**1 081**	2 355	**-**	-
- Inventory variances and write-offs	20	**31 297**	10 568	**-**	-
		53 005	52 138	**(264)**	(205)
24. CHANGES IN WORKING CAPITAL					
(Excluding the effects of acquisitions, disposals and exchange differences on consolidation)					
Change in inventory		**(56 425)**	(49 668)	**-**	-
Change in trade and other receivables		**(2 598)**	(11 869)	**-**	-
Change in trade and other payables		**44 178**	52 074	**21**	204
		(14 845)	(9 463)	**21**	204

Inventory and Receivables have been restated as detailed in note 35

	Note	**Group 2014 R'000 12 months**	Group 2013 R'000 9 months	**Company 2014 R'000 12 months**	Company 2013 R'000 9 months
25. NET INTEREST					
Net interest per statement of comprehensive income	21	**3 236**	3 177		
Adjusted for:					
- Other non-cash flow items		**(136)**	70		
		3 100	3 247		
Disclosed in the statement of cash flows as:					
Finance costs		**(771)**	(379)		
Interest received		**3 871**	3 626		
26. TAXATION (PAID) / REFUNDED					
(Payable) / refundable at beginning of the year		**1 699**	208	**(324)**	(141)
Accounted for in the statement of comprehensive income		**(431)**	596	**-**	(390)
Adjustment for deferred taxation		**(524)**	(1 730)	**-**	-
Payable / (refundable) at end of the year		**(687)**	(1 699)	**(661)**	324
		57	(2 625)	**(985)**	(207)
27. COMPOSITION OF CASH AND CASH EQUIVALENTS					
Bank and cash balances		**131 180**	107 518	**-**	-

	Group 2014 R'000 12 months	Group 2013 R'000 9 months

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		
- Net issued shares at beginning and end of the year	**68 538**	68 538
- Used in the calculation of earnings per share	**68 538**	68 538

	Gross 2014 R'000	Tax 2014 R'000	Net amount 2014 R'000	Net amount 2013 R'000
Profit for the year	1 371	(431)	**940**	7 388
Adjusted for:				
Profit on sale of property, plant and equipment	(43)	8	**(35)**	(289)
Impairment of property, plant & equipment	1 179	(330)	**849**	-
Headline earnings	2 507	(753)	**1 754**	7 099

	Cents	Cents
Earnings per share		
- Attributable earnings	**1.4**	10.8
- Headline earnings	**2.6**	10.4
Diluted earnings per share		
- Attributable earnings	**1.4**	10.8
- Headline earnings	**2.6**	10.4

29. COMMITMENTS

	R'000	R'000
29.1 Capital commitments		
Incomplete contracts for capital expenditure	**5 763**	4 434
Capital expenditure authorised by the board not yet contracted for	**38 914**	14 270
	44 677	18 704

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:

No later than one year	**3 540**	3 940
Later than one year and no later than 5 years	**4 695**	7 636
Later than 5 years	**3 376**	3 463
	11 611	15 039

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
30. CONTINGENT LIABILITIES				
Guarantees				
Employee housing loans	**130**	130		

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

31. RELATED-PARTY TRANSACTIONS

Relationships

Ultimate holding company (1 January 2013)
- HCI Ltd

Holding company (1 January 2013)
- Niveus Investments Ltd

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

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

	Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000
31.1 Loans to related parties				
KWV International (Pty) Ltd			**81 358**	81 358
KWV South Africa (Pty) Ltd			**252 996**	250 682
			334 354	332 040
31.2 Year end balances from the sale/purchase of goods and services				
Trade receivables				
Related to HCI Ltd				
Tsogo Sun Holdings Ltd	**40**	55		
Vukani Gaming Corporation (Pty) Ltd	**51**	107		
HCI Managerial Services (Pty) Ltd	**1**	-		
Niveus Investments Ltd	**25**	-		
Niveus Managerial Services (Pty) Ltd	**1 368**	-		
Galaxy Bingo	**44**	-		
Cherry Moss Trade and Invest 188 (Pty) Ltd	**272**	-		
	1 801	162		
Trade payables				
Related to HCI Ltd				
HCI Managerial Services (Pty) Ltd	**13**	-		
Cherry Moss Trade and Invest 188 (Pty) Ltd	**-**	150		
Syntell (Pty) Ltd	**28**	-		
Other				
Paarl Valley Bottling Company (Pty) Ltd	**180**	82		
Solamoyo Processing Company (Pty) Ltd	**-**	-		
Brandsrock Marketing (Pty) Ltd (related to a director of KWV Holdings Ltd)	**179**	-		
	401	232		

	Group 2014 R'000 12 months	Group 2013 R'000 9 months
31. RELATED-PARTY TRANSACTIONS *(continued)*		
31.3 **Sale of goods and services**		
Related to HCI Ltd		
Tsogo Sun Holdings Ltd	**369**	361
Cherry Moss Trade and Invest 188 (Pty) Ltd	**573**	446
Vukani Gaming Corporation (Pty) Ltd	**1**	181
HCI Managerial Services (Pty) Ltd	**1**	75
Niveus Investments Ltd	**255**	-
Niveus Managerial Services (Pty) Ltd	**6 128**	-
Galaxy Bingo (Pty) Ltd	**38**	-
VBET Africa (Pty) Ltd	**117**	-
Other		
Paarl Valley Bottling Company (Pty) Ltd	**12**	-
	7 494	1 064
31.4 **Purchases of goods and services**		
Related to HCI Ltd		
HCI Managerial Services (Pty) Ltd	**311**	1 214
Niveus Investments Ltd	**2 964**	1 642
Niveus Managerial Services	**1 112**	-
Syntell (Pty) Ltd	**48**	46
Other		
Paarl Valley Bottling Company (Pty) Ltd	**2 772**	1 493
Solamoyo Processing Company (Pty) Ltd	**50**	106
Brandsrock Marketing (Pty) Ltd (related to a director of KWV Holdings Ltd)	**5 262**	758
	12 519	5 258
31.5 **Key management personnel compensation**		
(including executive directors' remuneration)		
Salaries	**11 999**	7 991
Retrenchment cost	**775**	-
HCI Managerial Services	**2 940**	2 205
Short-term benefits	**15 714**	10 196
Retirement contributions	**1 186**	793
Share-based payments	**317**	377
	17 217	11 366

31. RELATED-PARTY TRANSACTIONS *(continued)*

31.6 **Directors' remuneration - KWV Holdings Limited**

31 March 2014	Salaries and fees R'000	Performance incentives R'000	Retirement contri-butions R'000	Realised gain relating to share incentive scheme R'000	Other allowances R'000	**Company 2014 12 months Total R'000**
Executive						
A van der Veen *	**2 940**	-	-	-	-	**2 940**
DP Smit	**991**	-	**141**	**18**	**6**	**1 156**
	3 931	-	**141**	**18**	**6**	**4 096**
Non-executive						
MJA Golding (Chairman)	**153**	-	-	-	-	**153**
JA Copelyn	**105**	-	-	-	-	**105**
F-A du Plessis	**113**	-	-	-	-	**113**
NL Ellis	**93**	-	-	-	-	**93**
MN Joubert	**94**	-	-	-	-	**94**
KI Mampeule	**102**	-	-	-	-	**102**
KR Moloko	**109**	-	-	-	-	**109**
LA van Dyk	**131**	-	-	-	-	**131**
Retired directors (pensions)	**20**	-	-	-	-	**20**
	920	-	-	-	-	**920**
Total directors' emoluments	**4 851**	-	**141**	**18**	**6**	**5 016**
Less: Paid by a subsidiary of the KWV group	**(4 851)**	-	**(141)**	**(18)**	**(6)**	**(5 016)**
	-	-	-	-	-	-

31 March 2013	Salaries and fees R'000	Performance incentives R'000	Retirement contri-butions R'000	Realised gain relating to share incentive scheme R'000	Other allowances R'000	**Company 2013 9 months Total R'000**
Executive						
A van der Veen *	2 205	-	-	-	-	2 205
Prescribed officer						
DP Smit	733	-	102	154	5	994
	2 938	-	102	154	5	3 199
Non-executive						
MJA Golding (Chairman)	113	-	-	-	-	113
JA Copelyn	69	-	-	-	-	69
F-A du Plessis	85	-	-	-	-	85
NL Ellis	69	-	-	-	-	69
MN Joubert	71	-	-	-	-	71
KI Mampeule	79	-	-	-	-	79
KR Moloko	81	-	-	-	-	81
LA van Dyk	102	-	-	-	-	102
Retired directors (pensions)	19	-	-	-	-	19
	688	-	-	-	-	688
Total directors' emoluments	3 626	-	102	154	5	3 887
Less: Paid by a subsidiary of the KWV group	(3 626)	-	(102)	(154)	(5)	(3 887)
	-	-	-	-	-	-

* Management fees paid to Niveus Managerial Services (Pty) 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 2014			
MJA Golding	**103 607**	34.29	**3 553**
JA Copelyn	**103 607**	34.29	**3 553**
A van der Veen	**471 852**	3.64	**1 718**
	679 066		**8 823**
31 March 2013			
MJA Golding	136 471	22.42	3 060
JA Copelyn	136 471	22.42	3 060
A van der Veen	73 848	22.42	1 656
	346 790		7 775

31.7.2 Directors emoluments

31 March 2014	Salaries and fees R'000	Gains from share options* R'000	Perfor-mance incentives R'000	Other allowances or benefits R'000	**Total R'000**
MJA Golding	**5 449**	**3 579**	**4 085**	**1 521**	**14 634**
JA Copelyn	**5 449**	**3 579**	**4 085**	**1 521**	**14 634**
A van der Veen	**3 551**	**13 174**	**2 299**	**893**	**19 917**
Total directors' emoluments	**14 449**	**20 332**	**10 469**	**3 935**	**49 185**
Paid by HCI Limited group of companies	**(14 449)**	**(20 332)**	**(10 469)**	**(3 935)**	**(49 185)**
	-	-	-	-	-

	Salaries and fees R'000	Gains from share options* R'000	Perfor-mance incentives R'000	Other allowances or benefits R'000	Total R'000
31 March 2013	5 143	3 682	3 858	1 084	13 767
MJA Golding	5 143	3 682	3 858	1 091	13 774
JA Copelyn	3 340	883	2 171	273	6 667
A van der Veen	13 626	8 247	9 887	2 448	34 208
	(13 626)	(8 247)	(9 887)	(2 448)	(34 208)
Paid by HCI Limited group of companies	-	-	-	-	-

Notes:

This remuneration is disclosed in terms of the Companies Act due to the fact that KWV is now 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 2014 12 months Number	Group 2013 9 months Number

32. SHARE-BASED COMPENSATION BENEFITS

32.1 Share appreciation rights ("SARs")

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

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

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

Settlement of SARs
The difference between the strike price on the date the SAR is exercised and the exercise price (reduced by all dividends and / or distributions (net of taxation) to shareholders in the period between the granting of the SAR and the vesting thereof) will be settled in cash.

Note: The group has the discretion to choose to settle the net amount owed to any participant by transferring shares in KWV Holdings Limited.

The strike price will be the weighted average market price of KWV Holdings Limited's share for the 2 (two) calendar months preceding the vesting of the offer, as determined from the company's official trading platform.

	Group 2014	Group 2013
32.2 SARs allotted during the year	-	-
32.3 Share appreciation rights ("SARs") held by employees		
Outstanding at the beginning of the year	**359 737**	719 453
Exercised / taken up in terms of contracts	**(59 737)**	(198 753)
Lapsed	**-**	(160 963)
Outstanding at the end of the year	**300 000**	359 737

Terms of the SARs outstanding at 31 March 2014 and the financial years in which they become payable:

Unconditional during the year ended	*@ R nil*	*@ R6.23*	*@ R10.00*	**Total**	Total
31 March 2013	-	-	99 999	**99 999**	103 940
31 March 2014	-	-	99 999	**99 999**	155 795
31 March 2015	-	-	100 002	**100 002**	100 002
	-	-	300 000	**300 000**	359 737

		Group 2014 12 months	Group 2013 9 months

32. SHARE-BASED COMPENSATION BENEFITS *(continued)*

32.4 *Recognition of SARs in the financial statements*

The fair value of services received in return for SARs granted are measured by reference to the fair value of the instruments granted. The estimate of this fair value is based on a binominal option valuation model.

At 31 March the fair value of all outstanding SARs are estimated again. This value is apportioned between an amount related to past services rendered by employees and an amount relating to future services still to be received by the group. A creditor is raised for the amount relating to past services and it is expensed.

For the year ended 31 March the key inputs into this model were:

Market price		**R 7.80**	R 9.10
Exercise price	Various, as per note 32.3		
Contractual life of phantom shares	1/3 (one-third) tranches after the 2nd, 3rd and 4th anniversaries of the grant date		
Dividend yield		**0.0%**	0.0%
Expected volatility of the share price		**30.0%**	30.0%
Risk free rate		**8.40%**	7.41%

	2014 R'000 12 months	2013 R'000 9 months
Total estimated value of qualifying share options granted as at year-end	**11**	564
Amount recognised as a liability	**(11)**	(490)
Estimated amount to be recognised in future years	**-**	74
Share-based payment expense relating to options, recognised for the year:		
Actual amount paid (either in cash or in shares) to employees	**266**	2 103
Increase in accrual for share based expense payable	**(480)**	(1 817)
	(214)	286

32.5 *Treasury shares owned by the group*

	2014 Number	2013 Number
Balance at beginning and end of the year	**442 711**	442 711
	R'000	R'000
Fair value of shares	**3 453**	4 029

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 hedge certain risk exposures.

	Group			
	2014		2013	

33. FINANCIAL RISK MANAGEMENT *(continued)*

33.1 **Foreign exchange risk**

Exchange rates used in these financial statements

	Closing rate	**Avg. rate for the year**	Closing rate	Avg. rate for the year
Euro	**14.55**	**13.57**	11.80	11.14
CAD	**9.57**	**9.60**	9.06	8.60
GBP	**17.61**	**16.10**	13.99	13.63
USD	**10.58**	**10.12**	9.21	8.63

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, US dollar, Canadian dollar, Japanese yen and the UK pound. Foreign exchange risk primarily arises as a result of purchases and sales which are denominated in foreign currencies. There is a translation risk arising from the consolidation of the results of foreign subsidiaries in South African rand, the holding company's reporting currency.

Foreign currency contracts are entered into to protect existing assets and liabilities against movements in exchange rates or to hedge future cash flows of high probability. Although hedge accounting is not applied, group policy provides that all transactions of the South African operating subsidiaries are hedged as soon as any material foreign currency exposure arises.

Foreign currency forward contracts or other appropriate derivatives are also entered into when management considers it appropriate to establish economic hedges for future sales transactions. Forward contracts are not entered into for speculative purposes.

A significant portion of the 2015 budgeted export sales were hedged during 2014 as detailed below.

Forward foreign exchange options and contracts

	Contracted foreign amount	**Average exchange rate**	**Total contracted amount**	**Foreign currency receivables and cash balances**	**Uncovered receivables as at 31 March 2014**
Contracts and options to sell foreign currency					
2014	**FC' 000**		**R' 000**	**R' 000**	**R' 000**
Euro	**3 754**	12.56	**47 154**	**73 049**	**(25 895)**
CAD	**615**	9.96	**6 123**	**7 359**	**(1 236)**
USD	**2 240**	9.65	**21 615**	**19 455**	**2 160**
GBP	**102**	14.12	**1 447**	**4 455**	**(3 008)**
JPY	**22 732**	0.10	**2 385**	**8 345**	**(5 960)**
			78 724	**112 663**	**(33 939)**
2014 (hedging iro future sales)					
Fixed Rate Contracts & Options					
Euro	**9 433**	14.12	**133 216**	**-**	**133 216**
CAD	**2 900**	9.65	**27 986**	**-**	**27 986**
USD	**353**	17.76	**6 272**	**-**	**6 272**
GBP	**1 667**	10.20	**17 001**	**-**	**17 001**
JPY	**229 350**	0.11	**25 106**	**-**	**25 106**
			209 581	**-**	**209 581**
Zero Cost Foreign Exchange Options		Floor - Cap	**Floor in R**		
Euro	**4 424**	14.50 - 17.59	**64 144**	**-**	**64 144**
Euro	**2 000**	14.00 - 15.87	**28 000**	**-**	**28 000**
			92 144	**-**	**92 144**
			301 725	**-**	**301 725**
Total for 2014			**380 449**	**112 663**	**267 786**

33. FINANCIAL RISK MANAGEMENT *(continued)*

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

Contracts and options to sell foreign currency	**Contracted foreign amount**	**Average exchange rate**	**Total contracted amount**	**Foreign currency receivables and cash balances**	**Contracts to cover cash balances / (uncovered receivables) as at 31 March 2013**
2013	**FC' 000**		**R' 000**	**R' 000**	**R' 000**
Euro	8 289	10.80	89 493	83 660	5 833
CAD	843	8.36	7 047	7 054	(7)
USD	1 784	8.55	15 253	15 369	(116)
GBP	257	13.75	3 539	3 499	40
JPY	36 039	0.10	3 732	3 600	132
			119 064	113 182	5 882
2013 (hedging iro future sales)					
Euro	25 297	11.61	293 791	-	293 791
CAD	697	8.26	5 752	-	5 752
USD	13 314	9.05	120 463	-	120 463
GBP	84	13.07	1 103	-	1 103
JPY	33 750	0.11	3 606	-	3 606
			424 715	-	424 715
Total for 2013			543 779	113 182	430 597

Contracts to buy foreign currency	**Contracted foreign amount**	**Average exchange rate**	**Total contracted amount**	**Foreign currency payables**	**Uncovered payables as at 31 March 2014**
2014	**FC' 000**		**R' 000**	**R' 000**	**R' 000**
Euro	-	-	-	**10 648**	**(10 648)**
USD	-	-	-	**1 889**	**(1 889)**
GBP	-	-	-	**280**	**(280)**
CAD	-	-	-	**1 795**	**(1 795)**
				14 612	**(14 612)**
2013					
Euro	-	-	-	6 342	(6 342)
CAD	-	-	-	1 983	(1 983)
USD	-	-	-	88	(88)
GBP	-	-	-	2 939	(2 939)
JPY	-	-	-	1 302	(1 302)
				12 654	(12 654)

		Group 2014 R'000	Group 2013 R'000	Company 2014 R'000	Company 2013 R'000

33. FINANCIAL RISK MANAGEMENT *(continued)*

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

Sensitivity analysis

		Group 2014 R'000	Group 2013 R'000
Unhedged foreign currency exposure at year end:		**(282 011)**	(440 173)
Operational assets:	Trade receivables	**93 668**	68 324
	Bank and cash balances	**18 995**	46 787
Hedging instruments:	Forward exchange contracts	**(288 305)**	(543 779)
	Options	**(92 144)**	-
Loans and receivables:		**387**	1 208
Operational liabilities:	Payables and accruals	**(14 612)**	(12 713)

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 2014 R'000	Group 2013 R'000
5%	strengthening of ZAR (excluding options)	**6 835**	15 846
10%	strengthening of ZAR (excluding options)	**13 670**	31 692
5%	weakening of ZAR	**(10 152)**	(15 846)
10%	weakening of ZAR	**(20 305)**	(31 692)

33.2 **Cash flow interest rate risk**

Details of all borrowings incurred by the group are provided in note 8.

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 entering into fixed interest rate loans, hedging interest rate volatility through the use of derivative financial instruments and by being able to source funding from several competing financial institutions.

Sensitivity analysis

	Group 2014 R'000	Group 2013 R'000
Unhedged interest rate exposure at year end:	**133 703**	110 726
Loan: Eggers & Franke GmbH & Co. KG	**387**	1 208
Loan: Orange River Wine Cellar Co-op Ltd	**2 136**	2 000
Bank and cash balances	**131 180**	107 518

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 2014 R'000	Group 2013 R'000
1%	increase in interest rates	**963**	797
2%	increase in interest rates	**1 925**	1 594
1%	decrease in interest rates	**(963)**	(797)
2%	decrease in interest rates	**(1 925)**	(1 594)

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.

			GROUP	
Analysis of credit risk		**Impaired**	**Fully performing**	**Total**
		R'000	**R'000**	**R'000**
33.3.2 **Loans and receivables: 2014**				
Gross amounts owing		**624**	**2 136**	**2 760**
Less: Provision for impairment		**(237)**	**-**	**(237)**
Net amount owing	Note 8	**387**	**2 136**	**2 523**
Security for amounts owing		**-**	**-**	**-**
Unsecured debt / Exposure to credit risk		**387**	**2 136**	**2 523**
Credit rating on unsecured debt:		**387**	**2 136**	**2 523**
Aa : No caution needed for credit transaction		**-**	**-**	**-**
Ba : Capable of meeting normal commitments		**387**	**-**	**387**
C : Good for the amount quoted		**-**	**2 136**	**2 136**
- **Loans and receivables: 2013**				
Gross amounts owing		2 014	21 000	23 014
Less: Provision for impairment		(806)	-	(806)
Net amount owing	Note 8	1 208	21 000	22 208
Security for amounts owing		-	(19 000)	(19 000)
Unsecured debt / Exposure to credit risk		1 208	2 000	3 208
Credit rating on unsecured debt:		1 208	2 000	3 208
Aa : No caution needed for credit transaction		-	-	-
Ba : Capable of meeting normal commitments		1 208	-	1 208
C : Good for the amount quoted		-	2 000	2 000

	Group 2014 R'000	Group 2013 R'000
Reconciliation of provision for impairment		
Provision at beginning of the year	**(806)**	4 094
Provision utilised during the year	**1 294**	(4 446)
Provision written back	**(725)**	(454)
Provision at end of the year	**(237)**	(806)

33. FINANCIAL RISK MANAGEMENT *(continued)*

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

33.3.2 **Trade receivables: 2014**

		GROUP			
31 March 2014		**Impaired R'000**	**Past due, but not impaired R'000**	**Fully performing R'000**	**Total R'000**
Gross amounts owing	**Note 10**	**3 668**	**14 406**	**198 332**	**216 406**
Less: Provision for impairment		**(3 668)**	**-**	**-**	**(3 668)**
Net amount owing		**-**	**14 406**	**198 332**	**212 738**
Credit insurance for amounts owing		**-**	**(11 045)**	**(182 472)**	**(193 517)**
Unsecured debt / Exposure to credit risk		**-**	**3 361**	**15 860**	19 221
Credit rating on unsecured debt:		**-**	**3 361**	**15 860**	**19 221**
Aa : No caution needed for credit transaction		**-**	**-**	**-**	**-**
A : General unfavourable factors will not cause fatal effect		**-**	**-**	**-**	**-**
Ba : Capable of meeting normal commitments		**-**	**325**	**2 810**	**3 135**
B : Good for the amount quoted		**-**	**-**	**-**	**-**
C : Good for the amount quoted - if strictly in the way of business		**-**	**3 036**	**13 050**	**16 086**

- **Trade receivables: 2013**

31 March 2013					
Gross amounts owing	**Note 10**	3 843	31 890	169 958	205 691
Less: Provision for impairment		(3 843)	-	-	(3 843)
Net amount owing		-	31 890	169 958	201 848
Credit insurance for amounts owing		-	(26 150)	(124 366)	(150 516)
Unsecured debt / Exposure to credit risk		-	5 740	45 592	51 332
Credit rating on unsecured debt:		-	5 740	45 592	51 332
Aa : No caution needed for credit transaction		-	445	2 313	2 758
A : General unfavourable factors will not cause fatal effect		-	-	-	-
Ba : Capable of meeting normal commitments		-	3 177	23 958	27 135
B : Good for the amount quoted		-	-	35	35
C : Good for the amount quoted - if strictly in the way of business		-	2 118	19 286	21 404

	Group 2014 R'000	Group 2013 R'000
Age analysis for trade debt that is overdue, but not impaired	**14 406**	31 890
Less than 30 days	**10 043**	21 857
Less than 60 days	**3 995**	7 825
Less than 90 days	**166**	1 330
More than 90 days	**202**	878
Reconciliation of provision for impairment of trade receivables		
Provision at beginning of the year	**3 843**	8 306
Provision utilised during the year	**(1 256)**	(5 912)
Increase in provision	**1 081**	1 449
Provision at end of the year	**3 668**	3 843

The company has guaranteed various revolving credit facilities of R 130 million (2013: R 180 million) in the group of which the undrawn balance is available to fund future investments. These guarantees have also been disclosed as part of the company's liquidity risk below.

	Group 2014 R'000	Group 2013 R'000

33. FINANCIAL RISK MANAGEMENT *(continued)*

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

33.3.3 **Bank and cash balances:** Fully performing

	Group 2014 R'000	Group 2013 R'000
Gross amounts owing	**131 180**	107 518
Less: Provision for impairment	**-**	-
Net amount owing (Unsecured debt / Exposure to credit risk)	**131 180**	107 518

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 2014 R'000	Group 2013 R'000
Gross contractual financial liabilities		
Trade and other payables	**328 848**	285 628
Derivative financial instruments	**23 911**	24 091
Current income tax liabilities	**-**	324
	352 759	310 043
Maturity analysis of contractual financial liabilities		
No later than one year	**352 759**	310 043
The group has the following undrawn, uncommitted borrowing facilities:		
Uncommitted facilities at banks and financial institutions	**120 000**	120 000
Committed facilities at banks and financial institutions	**10 000**	10 000
Utilisation	**-**	-
Undrawn facilities	**130 000**	130 000

Due to Basel III requirements the group's bankers insist on charging a fee for committed credit lines. In light of the group's current cash surplus "headroom facilities" which only require a fast track credit approval process and can typically be accessed within 48 hours, are deemed to be sufficient in order to address liquidity risk.

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 2014 R'000	Group 2013 R'000
Total capital and reserves	**1 225 154**	1 223 547
Total assets	**1 609 107**	1 568 350
Own capital ratio	**76%**	78%

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 fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The carrying values, less impairment provision of receivables and payables, are assumed to approximate their fair values. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate.

The fair values of receivables, payables, loans, cash and bank balances are disclosed in note 12 to note 13.

34. EVENTS AFTER REPORTING PERIOD

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

35. CHANGES IN ACCOUNTING POLICIES

Excise duty became more and more relevant to KWV in recent years as our business shifted away from packed wine exports and bulk spirit sales in the local market; towards packed product sales (spirits in particular) in the SA market. In addition, the above-inflation increases in SA excise duties over the past few years increased its impact on the business and the relevance of how it is accounted for and managed.

As a result the policy regarding the accounting for excise duties was reviewed during the year and changed to include excise duties in the valuation of inventory; and in Revenue and Cost of sales. The change will result in better visibility on the total investment in inventory and on the impact of inventory losses; and improved management of selling expenses (i.e. discounts and commissions) that are based on gross turnover.

The change in the accounting policy had the following effect on the financial statements:
Impact of changes in accounting policy on consolidated statement of financial position:

	Previously stated R'000	Change in policy R'000	**Restated Group 2012 R'000**	Previously stated R'000	Change in policy R'000	**Restated Group 2013 R'000**	**Group 2014 R'000**
ASSETS							
Non-current assets	249 605	-	**249 605**	245 258	-	**245 258**	253 320
Property, plant and equipment	204 696	-	**204 696**	204 988	-	**204 988**	217 469
Intangible assets	20 040	-	**20 040**	19 472	-	**19 472**	17 964
Interest in associates and joint ventures	15 094	-	**15 094**	15 141	-	**15 141**	15 272
Loans and receivables	2 000	-	**2 000**	-	-	**-**	-
Deferred taxation	7 775	-	**7 775**	5 657	-	**5 657**	2 615
Current assets	1 245 076	-	**1 245 076**	1 323 093	-	**1 323 093**	1 355 787
Inventory	809 369	129 110	**938 479**	814 613	162 966	**977 579**	1 002 707
Trade and other receivables	330 816	(129 110)	**201 706**	374 186	(162 966)	**211 220**	212 738
Current income tax assets	1 713	-	**1 713**	2 023	-	**2 023**	687
Derivative financial instruments	2 422	-	**2 422**	2 545	-	**2 545**	5 952
Loans and receivables	45 453	-	**45 453**	22 208	-	**22 208**	2 523
Bank and cash balances	55 303	-	**55 303**	107 518	-	**107 518**	131 180
Total assets	1 494 681	-	**1 494 681**	1 568 351	-	**1 568 351**	1 609 107

35. CHANGES IN ACCOUNTING POLICIES *(continued)*

Impact of changes in accounting policy on consolidated statement of financial position *(continued)*

	Previously stated R'000	Change in policy R'000	**Restated Group 2012 R'000**	Previously stated R'000	Change in policy R'000	**Restated Group 2013 R'000**	**Group 2014 R'000**
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	1	-	**1**	1	-	**1**	1
Share premium	425 722	-	**425 722**	425 722	-	**425 722**	425 722
Reserves	789 878	-	**789 878**	797 824	-	**797 824**	799 431
Total equity	1 215 601	-	**1 215 601**	1 223 547	-	**1 223 547**	1 225 154
Non-current liabilities							
Deferred taxation	38 608	-	**38 608**	34 760	-	**34 760**	31 194
Current liabilities	240 472	-	**240 472**	310 044	-	**310 044**	352 759
Trade and other payables	233 811	-	**233 811**	285 628	-	**285 628**	328 848
Derivative financial instruments	5 156	-	**5 156**	24 092	-	**24 092**	23 911
Current income tax liabilities	1 505	-	**1 505**	324	-	**324**	-
Total equity and liabilities	1 494 681	-	**1 494 681**	1 568 351	-	**1 568 351**	1 609 107

Impact of changes in accounting policy on consolidated statement of comprehensive income:

	Previously stated R'000	Change in policy R'000	**Restated Group 2012 R'000**	Previously stated R'000	Change in policy R'000	**Restated Group 2013 R'000**	**Group 2014 R'000**
Revenue	761 907	183 519	**945 426**	623 893	176 848	**800 741**	1 110 212
Cost of sales	(526 874)	(178 592)	**(705 466)**	(399 372)	(163 107)	**(562 479)**	(760 482)
Gross profit	235 033	4 927	**239 960**	224 521	13 741	**238 262**	349 730
Other income	7 305	-	**7 305**	4 898	-	**4 898**	9 437
Other gains and (losses)	2 487	(4 927)	**(2 440)**	(1 857)	(13 741)	**(15 598)**	(47 388)
Operating expenses	(325 036)	-	**(325 036)**	(224 089)	-	**(224 089)**	(313 975)
Promotion, marketing and distribution	(225 388)	-	**(225 388)**	(170 407)	-	**(170 407)**	(229 004)
Operational and administrative expenses	(99 648)	-	**(99 648)**	(53 682)	-	**(53 682)**	(84 971)
Operating profit / (loss)	(80 211)	-	**(80 211)**	3 473	-	**3 473**	(2 196)
Interest received	14 702	-	**14 702**	3 626	-	**3 626**	3 871
Finance costs	(137)	-	**(137)**	(449)	-	**(449)**	(635)
Share of profit of associates and joint ventures	433	-	**433**	142	-	**142**	331
Profit / (loss) before income tax	(65 213)	-	**(65 213)**	6 792	-	**6 792**	1 371
Income tax	15 626	-	**15 626**	596	-	**596**	(431)
Profit / (loss) for the year	(49 587)	-	**(49 587)**	7 388	-	**7 388**	940
Other comprehensive income	453	-	**453**	558	-	**558**	667
Total comprehensive income / (loss)	(49 134)	-	**(49 134)**	7 946	-	**7 946**	1 607

The change in accounting policy had no impact on the statement of changes in equity and statement of cash flows.

Annexure A: Subsidiary companies, joint ventures and associates

as at 31 March 2014

(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	
	R'000	**2014 %**	2013 %	**2014 R'000**	2013 R'000
Golden Kaan South Africa (Pty) Ltd*	0.1	**100**	100	**-**	-
KWV Intellectual Property (Pty) Ltd*	0.2	**100**	100	**28 786**	28 786
KWV International (Pty) Ltd*					
- shares	0.5	**100**	100	**57 664**	57 664
- loan				**81 358**	81 358
KWV International Holding GmbH (incorporated	1 860	**100**	100	**823**	2 746
KWV Projects (Pty) Ltd*	0.1	**100**	100	**-**	-
KWV South Africa (Pty) Ltd*					
- shares	10.1	**100**	100	**325 010**	325 010
- loan				**252 996**	250 682
Note 6				**746 637**	746 246

GROUP'S INTEREST IN ASSOCIATE AND JOINT VENTURE	Percentage interest	Percentage interest	Group carrying amount	Group carrying amount
	2014 %	2013 %	**2014 R'000**	2013 R'000
Paarl Valley Bottling Company (Pty) Ltd*	**28**	28	**10 750**	10 258
Solamoyo Processing (Pty) Ltd*	**40**	40	**4 522**	4 883
Note 7			**15 272**	15 141

* Incorporated in South Africa

The main business of Paarl Valley Bottling Company (Pty) Ltd is the contract bottling of beverages, especially wine.
The main business of Solamoyo Processing (Pty) Ltd is the processing of waste water.

Annexure A: Subsidiary companies, joint ventures and associates

as at 31 March 2014

(continued)

ASSOCIATE AND JOINT VENTURE

	Total 2014 R'000	**Solomoya** 2014 R'000	**Paarl Valley Bottling** 2014 R'000	**Total** 2013 R'000	**Solomoya** 2013 R'000	**Paarl Valley Bottling** 2013 R'000
SUMMARY OF ASSETS AND LIABILITIES						
as at 31 March 2014						
Non-current assets						
Property, plant and equipment	**45 421**	10 672	34 749	47 773	11 786	35 987
Current assets	**24 364**	658	23 706	20 787	429	20 358
Inventory	**7 295**	-	7 295	4 708	-	4 708
Trade and other receivables	**9 264**	14	9 250	9 717	47	9 670
Financial assets	**165**	65	100	217	117	100
SARS	**(100)**	-	(100)	8	8.00	-
Deferred tax	**579**	579	-	257	257	-
Cash and cash equivalents	**7 161**	-	7 161	5 880	-	5 880
Total assets	**69 785**	11 330	58 455	68 560	12 215	56 345
Total equity						
Ordinary shareholders' funds	**35 980**	(2 289)	38 269	35 133	(1 386)	36 519
Non-current liabilities	**23 077**	13 594	9 483	25 304	13 330	11 974
Long-term liabilities	**20 718**	13 594	7 124	22 188	13 330	8 858
Deferred taxation	**2 359**	-	2 359	3 116	-	3 116
Current liabilities	**10 728**	25	10 703	8 123	271	7 852
Trade payables and provisions	**10 393**	25	10 368	7 681	7	7 674
Interest-bearing borrowings	**-**	-	-	264	264	-
Taxation payable	**335**	-	335	178	-	178
Total equity and liabilities	**69 785**	11 330	58 455	68 560	12 215	56 345
RESULTS OF OPERATIONS						
for the year ended 31 March 2014						
Revenue	**20 417**	274	20 143	13 118	332	12 786
Profit before taxation	**693**	(322)	1 015	359	(292)	651
Taxation	**(324)**	-	(324)	(156)	-	(156)
Net profit attributable to ordinary shareholders	**369**	(322)	691	203	(292)	495

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

Annexure B: Property, plant and equipment

as at 31 March 2014

(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 2013						
Opening carrying value	30 555	149 942	19 751	3 528	920	204 696
Additions / (transfers)	2 180	10 393	4 273	-	651	17 497
Disposals	-	(890)	(45)	(21)	(6)	(962)
Depreciation charge	(800)	(11 104)	(4 067)	(272)	-	(16 243)
Carrying value	31 935	148 341	19 912	3 235	1 565	204 988
At 31 March 2013						
Cost	46 068	404 209	64 441	9 396	1 565	525 679
Accumulated depreciation	(14 133)	(255 868)	(44 529)	(6 161)	-	(320 691)
Carrying value	31 935	148 341	19 912	3 235	1 565	204 988
Year ended 31 March 2014						
Opening carrying value	**31 935**	**148 341**	**19 912**	**3 235**	**1 565**	**204 988**
Additions / (transfers)	**5 060**	**26 690**	**6 495**	**668**	**(254)**	**38 659**
Disposals	**-**	**(318)**	**(73)**	**(557)**	**-**	**(948)**
Depreciation charge	**(1 167)**	**(16 004)**	**(6 586)**	**(294)**	**-**	**(24 051)**
Impairment of assets	**-**	**-**	**(1 179)**	**-**	**-**	**(1 179)**
Carrying value	**35 828**	**158 709**	**18 569**	**3 052**	**1 311**	**217 469**
At 31 March 2014						
Cost	**51 128**	**430 581**	**70 863**	**9 507**	**1 311**	**563 390**
Accumulated depreciation	**(15 300)**	**(271 872)**	**(52 294)**	**(6 455)**	**-**	**(345 921)**
Carrying value	**35 828**	**158 709**	**18 569**	**3 052**	**1 311**	**217 469**

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 properties on a regular basis.

Annexure C: Intangible assets

as at 31 March 2014

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

			GROUP
	Trade marks / Brands R'000	Computer software R'000	Total R'000
Year ended 31 March 2013			
Opening carrying value	17 118	2 922	20 040
Additions	-	877	877
Amortisation charge	(746)	(699)	(1 445)
Carrying value	16 372	3 100	19 472
At 31 March 2013			
Cost or valuation	35 293	13 786	49 079
Accumulated amortisation	(18 921)	(10 686)	(29 607)
Carrying value	16 372	3 100	19 472
Year ended 31 March 2014			
Opening carrying value	**16 372**	**3 100**	**19 472**
Additions	**-**	**441**	**441**
Amortisation charge	**(995)**	**(954)**	**(1 949)**
Carrying value	**15 377**	**2 587**	**17 964**
At 31 March 2014			
Cost or valuation	**35 293**	**14 227**	**49 520**
Accumulated amortisation	**(19 916)**	**(11 640)**	**(31 556)**
Carrying value	**15 377**	**2 587**	**17 964**

Annexure D: Segment report

for the year ended 31 March 2014

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

		Group 2014 R'000 12 months	Group 2013 R'000 9 months	
Functional analysis of sales		**1 110 212**	800 741	
Wine	42.4%	**471 607**	291 806	36.5%
Spirits	50.2%	**556 944**	415 931	51.9%
Other	7.4%	**81 661**	93 004	11.6%
Regional analysis of sales		**1 110 212**	800 741	
South Africa	54.1%	**601 081**	498 627	62.4%
Europe and the United Kingdom	30.7%	**340 721**	189 327	23.6%
Africa (excl. South Africa)	7.9%	**87 243**	58 771	7.3%
Rest of the world	7.3%	**81 167**	54 016	6.7%
Operating profit / (loss) per region:		**(2 196)**	3 473	
Trading profit: South Africa		**15 434**	20 627	
Trading profit: Europe and the United Kingdom		**85 734**	31 316	
Trading profit: Africa (excl. South Africa)		**14 966**	12 477	
Trading profit: Rest of the world		**4 592**	3 435	
Items not allocated to segments:				
Other income, gains and losses		**(37 951)**	(10 700)	
Operational and administrative expenses		**(84 971)**	(53 682)	

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.