



GROUP INTERIM
REPORT
(UNAUDITED)

for the six months ended 31 December 2009

KWV HOLDINGS

CONDENSED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2009 R'000	Illustrative 2008 R'000	Illustrative 30 June 2009 R'000
ASSETS			
Non-current assets	321 427	353 310	295 228
Property, plant and equipment	224 911	248 035	229 461
Intangible assets	22 716	4 678	888
Investment in associates	10 249	31 874	11 649
Held to maturity financial assets	35 165	45 971	35 556
Available-for-sale financial assets	12 462	–	–
Deferred income tax assets	15 924	22 752	17 674
Current assets	1 180 226	1 017 865	994 351
Inventories	660 982	668 848	731 435
Trade and other receivables	294 764	304 915	259 960
Bank and cash balances	224 480	44 102	2 956
Assets held for sale	–	47 481	54 949
Total assets	1 501 653	1 418 656	1 344 528
EQUITY			
	1 245 414	802 937	1 059 350
Equity attributable to owners of the company	1 245 414	802 937	1 059 350
Minority interest	–	–	–
LIABILITIES			
Non-current liabilities	78 730	113 218	90 944
Non-current borrowings	–	15 246	–
Deferred income tax liabilities	78 730	97 972	90 944
Current liabilities	177 509	502 501	194 234
Current portion of non-current borrowings	–	30 480	30 484
Current borrowings and loans	14 501	296 856	38 988
Trade and other payables	143 920	171 219	121 375
Current income tax liabilities	19 088	3 946	3 387
Total equity and liabilities	1 501 653	1 418 656	1 344 528
Net asset value per share (cents)	1 818,8	1 792,6	2 365,0
	R'000	R'000	R'000
Capital commitments			
Contracted	8 606	14 016	979
Authorised, not contracted	12 648	16 246	30 544

* *Interest-bearing borrowings*

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 31 December 2009 R'000	Illustrative 2008 R'000	%	Illustrative Year ended 30 June 2009 R'000
				Change	
CONTINUING OPERATIONS					
Revenue		395 271	358 471	10,3	693 495
Cost of sales		<u>(245 886)</u>	<u>(204 274)</u>		<u>(438 794)</u>
Gross profit		149 385	154 197	(3,1)	254 701
Other income		6 663	4 851		26 317
Dividends received		2 368	–		–
Other gains and losses – net		5 053	(6 410)		(31 977)
Promotion, marketing and distribution expenses		(89 859)	(89 941)		(164 984)
Operational and administrative expenses		<u>(38 826)</u>	<u>(40 377)</u>		<u>(93 207)</u>
Operating profit/(loss)	3	34 784	22 320	55,8	(9 150)
Net finance income/(costs)		4 074	(20 660)	(119,7)	(31 132)
Share of post-tax profits/(losses) of associates		<u>1 756</u>	<u>2 229</u>	(21,2)	<u>(5 227)</u>
Profit before income tax		40 614	3 889		(45 509)
Income tax expense		<u>(11 340)</u>	<u>(205)</u>		<u>6 038</u>
Profit/(loss) from continuing operations		29 274	3 684		(39 471)
DISCONTINUED OPERATIONS					
Profits/(losses) from discontinued operations	4	14 792	18 882	(21,7)	31 814
Profit on sale of discontinued operations		(1 683)	5 160		18 092
		<u>16 475</u>	<u>13 722</u>		<u>13 722</u>
Profit/(loss) for the period		44 066	22 566	95,3	(7 657)
Other comprehensive income		(4 296)	678		(1 201)
Change in foreign currency translation reserve		74	678		(1 201)
Fair value adjustments to available-for-sale investments		(4 370)	–		–
Total comprehensive income		<u>39 770</u>	<u>23 244</u>	71,1	<u>(8 858)</u>
(Attributable to equity holders of the company)					
		Cents	Cents		Cents
Earnings per share					
– Attributable earnings	2	79,6	50,4	57,9	(17,1)
– Headline earnings	2	48,5	18,6	160,8	6,2

Note: The impact of dilution on the earnings per share due to share options is negligible.

CONDENSED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 31 December 2009 R'000
Notes	
CASH FLOW FROM OPERATING ACTIVITIES	
Cash from operations	41 982
Changes in working capital	45 287
Cash generated from operations	87 269
Net interest	2 790
Taxation refunded	13 254
Net cash flow from operating activities	103 313
CASH FLOW FROM INVESTING ACTIVITIES	
Property, plant and equipment acquired	(9 825)
Proceeds on disposal of property, plant and equipment	1 344
Proceeds on disposal of discontinued operations	4 54 156
Acquisition of Golden Kaan trademark	(21 309)
Other items	3 216
Net cash flow from investing activities	27 582
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from rights offer	146 722
Share repurchased	(1 122)
Dividends paid	-
Non-current borrowings repaid	(30 484)
Net cash flow from financing activities	115 116
Net increase in cash resources	246 011
Cash resources at beginning of the period	-
Cash resources of subsidiaries at date of acquisition	(36 032)
Cash resources at end of the period *	209 979
* Cash resources at end of the period	
<i>Cash and cash equivalents</i>	<i>224 480</i>
<i>Other short-term borrowings</i>	<i>(14 501)</i>
	209 979

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 December 2009 R'000
Ordinary shareholders' interest at beginning of the period	–
Acquisition of subsidiaries and associates at below book values	780 366
Shares issued/(repurchased)	422 561
Changes in distributable reserves	
<i>Retained earnings</i>	42 531
Net profit attributable to ordinary shareholders	44 066
Equity accounted earnings transferred to equity reserve	(1 535)
Dividends paid	–
<i>Equity reserve</i>	1 535
Transfer of equity accounted earnings from retained earnings	1 535
Changes in reserves of associate	–
Changes in non-distributable reserves	(1 579)
Changes in currency translation reserve	74
Revaluation of available-for-sale financial assets	(4 370)
Change in share-based payment reserve	2 717
Ordinary shareholders' interest at end of the period	1 245 414
Minority interest	–
Total equity	1 245 414

NOTES TO THE INTERIM REPORT

for the six months ended 31 December 2009

1. BASIS OF PREPARATION

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

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

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

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

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

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

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

1.2 Illustrative comparative results

As a result of the above accounting policy the group does not have comparative results for prior periods. However, management has compiled illustrative comparative results, extracted from prior period results of the KWV group, to assist users in interpreting the results.

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

1.3 Application of accounting policies

The interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting and should be read in conjunction with the annual financial statements of Capevin Holdings Limited (the former holding company of the KWV group) for the year ended 30 June 2009, which had been prepared in accordance with IFRS.

1.3 Application of accounting policies (continued)

The accounting policies and the methods of computation used in the preparation of the interim financial statements are consistent with those applied by Capevin Holdings in previous financial periods, with the exception of note 1.1 above, as well as the following statements, amendments and interpretations to IFRS that became effective during the current reporting period:

IAS 1 (revised): Presentation of Financial Statements

IFRS 8: Operating segments

IFRIC 17: Distribution of non-cash assets to owners

IAS 38 (amended): Intangible assets

IAS 27 (revised): Consolidated and Separate Financial Statements

The application of IFRS 8 and IAS 1 (revised) has introduced certain changes to the presentation of the financial statements and segment information. The amendment to IFRS 8 which allows an entity to not disclose segmental assets, if not reviewed by management in that format, has been adopted early.

The various changes in accounting policies had no effect on the reported results for the period.

	Unaudited Six months ended 31 December 2009 Number '000	Illustrative 2008 Number '000	Illustrative Year ended 30 June 2009 Number '000
2. EARNINGS PER SHARE			
Number of shares			
– issued	68 473	44 792	44 792
– used in calculation of earnings per share	55 380	44 792	44 792
	R'000	R'000	R'000
2.1 Combined operations			
Reconciliation of headline earnings			
Net profit attributable to ordinary shareholders	44 066	22 566	(7 657)
– profit on sale of non-current assets	(739)	(506)	(1 949)
– impairments of non-current assets	–	–	29 682
– profit on sale of discontinued operations	(16 475)	(13 722)	(17 279)
Headline earnings	26 852	8 338	2 797
	Cents	Cents	Cents
Earnings per share			
– Attributable earnings	79,6	50,4	(17,1)
– Headline earnings	48,5	18,6	6,2

NOTES TO THE INTERIM REPORT (CONTINUED)

for the six months ended 31 December 2009

	Unaudited Six months ended 31 December 2009 R'000	Illustrative 2008 R'000	Illustrative Year ended 30 June 2009 R'000
2.2 Continuing operations			
Reconciliation of headline earnings			
Net profit attributable to ordinary shareholders	29 274	3 684	(39 471)
– profit on sale of non-current assets	(739)	(506)	(1 838)
– impairments of non-current assets	–	–	29 682
Headline earnings: continuing	28 535	3 178	(11 627)
	Cents	Cents	Cents
Earnings per share: continuing operations			
– Attributable earnings	52,9	8,2	(88,1)
– Headline earnings	51,5	7,1	(26,0)
	R'000	R'000	R'000
3. SEGMENTAL ANALYSIS (continuing operations)			
Sales of wine and spirits	395 271	358 471	693 495
South Africa	210 654	184 701	345 951
Europe and the United Kingdom	132 136	121 884	252 334
Rest of the world	52 481	51 886	95 210
Operating profit on wine and spirits	34 784	22 320	(9 150)
Trading profit:			
• South Africa	43 818	32 575	50 495
• Europe and the United Kingdom	20 696	32 599	48 699
• Rest of the world	9 513	13 867	19 297
Items not allocated to segments:			
• Other income, gains and losses	14 084	(1 559)	(5 660)
• Operational and administrative expenses and a portion of sales and marketing expenses	(53 327)	(55 162)	(121 981)

Unaudited	Illustrative	Illustrative
Six months ended	Six months ended	Year ended
31 December	31 December	30 June
2009	2008	2009
R'000	R'000	R'000

4. DISCONTINUED OPERATIONS

Effective 31 August 2009 the group disposed of its grape juice concentrate business. The business is classified as discontinued operations and disclosed separately.

Readers should be cognisant of the fact that the illustrative balance sheets as at 31 December 2008 and 30 June 2009 include balances relating to discontinued operations and is therefore not readily comparable to the statements of financial position (balance sheets) as at 31 December 2009.

4.1 Condensed statement of comprehensive income for discontinued operations

Revenue	14 806	82 931	176 110
Cost of sales	(17 206)	(76 211)	(152 099)
Gross profit	(2 400)	6 720	24 011
Operational and administrative expenses	62	447	1 117
Profit before income tax	(2 338)	7 167	25 128
Income tax expense	655	(2 007)	(7 036)
Profit/(loss) for the period (attributable to equity holders of the company)	(1 683)	5 160	18 092

4.2 Effect of the disposal on the group

Net identifiable assets and liabilities sold	44 999
Property, plant and equipment	44 629
Inventory	614
Payables	(244)
Purchase consideration	64 156
Cash consideration	54 156
Deferred consideration (payable over 5 years)	10 000
Profit on disposal of grape juice concentrate business	19 157
Taxation	(2 682)
Net profit	16 475

4.3 Net profit on disposal of plant propagation business in the prior period (on 1 July 2008)

13 722	13 722
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NOTES TO THE INTERIM REPORT (CONTINUED)

for the six months ended 31 December 2009

5. OPERATING RESULTS

The sales volumes from continued operations for the six months under review increased by 12,3%. Revenue growth in the South African market was encouraging at 14,1%, while business in Europe and the United Kingdom also grew by 8,4%.

Unfortunately the strengthening of the rand impacted negatively on wine exports and the sales mix with regard to spirits deteriorated as relatively less matured brandy were sold. As a result, revenue from continued operations increased by only 10,3% to R395,3 million.

With revenue growing at a slower pace than volumes, and combined with continued cost pressure, the gross profit margin has declined from 43,0% to 37,8% for the six-month period under review. As a result, gross profit from continuing operations declined by 3,1% to R149,4 million.

However, total operating expenses have been reduced and there has been an improvement in other gains and losses which resulted in a 55,8% increase in operating profit from continuing operations to R34,8 million.

Finance costs improved from an expense of R20,7 million to a net income of R4,1 million due to the capitalisation of the group via a recent rights issue and proceeds from the sale of the grape juice concentrate business.

The headline earnings from continuing operations for the period under review amounted to R28,5 million (51,5 cents per share), a strong improvement on the R3,2 million profit of the comparative six months.

6. ASSETS AND FUNDING

Net cash flow from operating activities amounted to R103,3 million which is significantly better than the R26,3 million of the prior interim period.

The strong cash flow for the six months stemmed mainly from improved operating profit, a significant reduction in inventory levels and lower finance costs.

Cash flow from investing activities was strong, mainly due to the sale of the group's grape juice concentrate business. In addition, the group has acquired the Golden Kaan brand from the joint venture it had with the Racke group in Germany and is in the process of disinvesting from its 50% shareholding in the Golden Kaan joint-venture company.

The group raised R150 million via a rights offer during October 2009 in order to strengthen its financial position and to bolster its ability to take advantage of investment opportunities. As a result the group has substantial net cash resources of R210,0 million.

7. PROSPECTS

The global economic recession had an adverse impact on consumer spending in the group's export markets, as well as in the domestic market. The rate of economic recovery and its impact on high levels of unemployment and consumer debt remains uncertain.

South African consumers, in particular, are facing increasing inflationary pressures, which affect their expenditure on alcoholic beverages and it is clear that consumers are still trading down. In addition, the group is concerned about the health of its foreign markets, particularly in Western and Northern Europe.

KWV's short-term strategy is focused on mitigating the impact of the global recession. Contributions from recent brand acquisitions, namely the wine brand Golden Kaan and the cream liqueur brand, Wild Africa, are expected to have a positive impact on the group's business going forward and KWV is confident that it will grow its footprint and brands and deliver on consumer and investor expectations.

The group intends to utilise its cash resources to protect itself against the cyclical nature of the wine industry, currency fluctuations and to invest in the growth of its business.

KWV recently sold property in Robertson and Worcester which is still subject to subdivision and the group will continue to evaluate all its assets in order to determine utilisation potential.

Although the results for the six-month period are encouraging and the revenue from continuing operations is growing, KWV expects the next six months to be particularly challenging in all markets. The group has more ambitious targets to meet over the medium to long term to ensure that it performs in line with the expectations of shareholders.

8. DIVIDENDS

The board will supply guidance on the group's dividend policy at year-end.

Signed on behalf of the board of directors.



Thys du Toit
Chairman

Paarl
9 March 2010



Thys Loubser
Chief executive officer

www.kwv.co.za

Directors

MM du Toit (Chairman), MJ Loubser (Chief executive officer),
AE vZ Botha, Ms FA du Plessis, NL Ellis, AE Jacobs, KI Mampeule,
JF Mouton, PB Retief, Ms LA van Dyk

Company secretary

AW Eksteen

Registered office

La Concorde, 57 Main Street, Suider-Paarl, 7646

Transfer secretaries

Link Market Services (Pty) Ltd

11 Diagonal Street, Johannesburg, 2001

PO Box 4844, Johannesburg, 2000