

**BOSCHENDAL (PROPRIETARY) LIMITED**

**ANNUAL FINANCIAL STATEMENTS**

**AT**

**30 JUNE 2011**

**BOSCHENDAL (PROPRIETARY) LIMITED**

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**ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2011**

<b>DIRECTORS</b>	T J M A R Al-Bahar (Kuwaiti) S W Burger P W Cyster D M P S Daly (Appointed 10 August 2010) P G R da Sylva P H Gray G P Johnson L A Maxwell A C Nissen (Chairman) C G Sutherland (Appointed 9 November 2010) P R S Thomas (Appointed 12 August 2010) W P Witthuhn (Appointed 9 November 2010) (Resigned 31 January 2012)
<b>ALTERNATE DIRECTORS</b>	G E Larson (Resigned 17 November 2011) V M Nkosi
<b>RESIGNED DIRECTORS</b>	S Baker (Resigned 29 October 2010) C B Venning (Resigned 29 October 2010)
<b>COMPANY SECRETARY</b>	A C Schoeman
<b>NATURE OF BUSINESS</b>	Farming, Property investment, Property development, Tourism and Leasing of land
<b>AUDITORS</b>	Ernst & Young Inc.
<b>REGISTERED OFFICE</b>	De Waterkant Building 10 Helderberg Street Stellenbosch 7800 P O Box 920 Stellenbosch 7599
<b>COMPANY REGISTRATION NUMBER</b>	2002/023534/07
<b>FINANCIAL STATEMENT PREPARATION</b>	R Herron CA (SA) Financial Manager

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**APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

The annual financial statements set out on pages 3 to 38 were approved by the board of directors on 9 July 2012 and are signed on its behalf by:

  
**DIRECTOR**

  
**DIRECTOR**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BOSCHENDAL (PROPRIETARY) LIMITED****Report on the Financial Statements**

We have audited the consolidated and separate annual financial statements of Boschendal (Proprietary) Limited, which comprise the statement of financial position as at June 30 2011, and the consolidated and separate statements of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and directors report, as set out on pages 3 to 38.

*Directors' Responsibility for the Financial Statements*

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and 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 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 the 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Boschendal (Pty) Ltd of June 30 2011, and its consolidated and separate financial performance and 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.

*Emphasis of Matter*

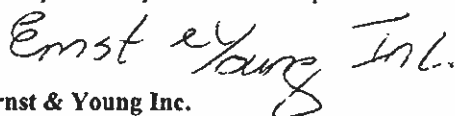
Without qualifying our opinion, we draw attention to the going concern uncertainty section in the director's report in the financial statements. These conditions, if not resolved, indicate the existence of a material uncertainty that may cast significant doubt about the Group and company's ability to continue as a going concern.

*Report on Other and Regulatory Requirements*

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified certain unlawful acts or omissions committed by persons responsible for the management of Boschendal (Proprietary) Limited which constitute reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in the directors' report in the financial statements.

*Other reports required by the Companies Act*

As part of our audit of the financial statements for the period ended 31 December 2011, we have read the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the preparer. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.



Ernst & Young Inc.  
Director – Pierre Du Plessis  
Registered Auditor  
Chartered Accountant (SA)  
19 July 2012

Chief Executive: Ajen Sita  
A full list of Directors is available from the website

A member firm of Ernst & Young Global Limited

## **BOSCHENDAL (PROPRIETARY) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011**

#### **NATURE OF BUSINESS**

The business of the company is Property Investment, Property development, Farming Tourism and Leasing of land.

#### **STATEMENT OF RESPONSIBILITY**

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. Ernst & Young Inc., the auditors, are responsible to report on the fair presentation of the financial statements, which are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2008, as amended, in South Africa.

The directors are also responsible for the company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

#### **REVIEW OF OPERATIONS**

For the year ended 30 June 2011, the company made a loss after tax of R214 607 973 (2010: profit of R7 784 699). The company derived revenue from the sale of grapes and wine and its hospitality business.

#### **SHARE CAPITAL**

There has been an increase in the issued shares for the year review with 1 379 308 shares being issued, amounting to R0.0001; with 864 415 shares issued to JCI Investment Finance (Proprietary) Limited and 442 479 shares to IFA Boschendal Investments (Proprietary) Limited.

In the prior year the shares in issue were 1 379 367 as follows; with 864 415 shares issued to JCI Investment Finance (Proprietary) Limited, and 72 414 shares to Citation Holdings (Proprietary) Limited and 442 479 shares to IFA Boschendal Investments (Proprietary) Limited.

#### **THE PURPLE PLUM AMALGAMATION**

Prior to May 2008 the land which falls within Boschendal ("Boschendal Estate") was owned by 2 parties: - the company and Purple Plum Properties 59 (Pty) Ltd ("Purple Plum"). Purple Plum's Boschendal Land ("The residual lands") was acquired by Purple Plum utilising a loan to Purple Plum in August 2007 from the company, which loan was sourced by the company from its Nedbank facility (Note 13).

In pursuance of the company's strategy that the Boschendal Estate should all be owned by it, the company concluded an agreement of sale ("The agreement") in May 2008 with Purple Plum in terms of which the company acquired The residual land for R165,3m. ("The Amalgamation Transaction").

The Amalgamation transaction provided that in terms of Section 44 of the Income Tax Act:

- The residual land was sold to the company and paid for via the issue of 1 379 308 new ordinary shares in the company ("The consideration shares") to Purple Plum at par (R138) plus a premium.
- The loan from the company to Purple Plum which had been utilised by Purple Plum to acquire the residual lands was assigned (i.e. ceded) back to the company by Purple Plum
- The consolidation shares, once issued to and received by Purple Plum, were to be distributed to the shareholders of Purple Plum, who are identically the same as the shareholders of the company, as a dividend in specie. (Note 18)

The abovementioned issue of the consolidation shares only took place in December 2009 due to the intervention of the South African Reserve Bank, which delayed the issue of the said shares until that date.

The net financial effect of the above to the company at 30 June 2008 and 30 June 2009 was the acquisition in 2008 by the company of the residual lands financed by a loan from Nedbank: -The loan by the company to Purple Plum utilised by Purple Plum to acquire the residual lands being offset by the debt owed by the company to Purple Plum for the acquisition of the residual land

## **BOSCHENDAL (PROPRIETARY) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)**

#### **THE PURPLE PLUM AMALGAMATION (CONTINUED)**

The abovementioned issue of the consideration shares in December 2009 did not in fact result in any increase to the company's net asset value. Consequently, in the year ended 30 June 2010, the financial statements were prepared reporting no change in the company's issued share capital (note 9) as the company was pursuing the cancellation of those shares. In the current financial year, it was decided that these shares should not be cancelled and the company has reported an increase in share capital of R138, with the change in the percentage shareholding with JCI Investment Finance (Proprietary) Limited holding 63% and to IFA Boschendal Investments (Proprietary) Limited holding 37%. The previous shareholding was as follows: JCI Investment Finance (Proprietary) Limited holding 63% and to IFA Boschendal Investments (Proprietary) Limited holding 32% and Citation Holdings (Proprietary) Limited of 5%.

#### **DIVIDENDS**

No dividends have been declared or recommended.

#### **AUDITORS**

Ernst & Young Inc. will continue in office in terms of S90 (6) of the Companies Act 2008, as amended.

#### **PROPERTY, PLANT AND EQUIPMENT**

Additions and disposals have been detailed in note 6 to the statement of financial position. There have been no changes to the accounting policy relating to their use.

#### **GOING CONCERN UNCERTAINTY**

The group and company has incurred a total comprehensive loss of R190.6m (2010: R19.3m) and R214.6m (2010: profit R7.8m) and as at 30 June 2011 its total liabilities exceeded its total assets by R277.8m (2010: R87.2m) and R245.5m (2010: R30.9m) respectively.

Whilst the group continued with limited property sales during the 2011 financial year, the company and group is currently unable to generate sufficient cash flow to continue with infrastructure developments, service finance charges and repay loans which have now fallen due. The group requires access to appropriate funding to continue as a going concern which is currently being negotiated but subject to a number of suspensive conditions which still need to be met.

In the interim the Company's majority shareholders have put in place financial measures necessary to ensure the Company's ability to continue as a going concern. These measures include:

- Subordination of both shareholder loan accounts in favour of Nedbank to the value of R428m as set out in note 12 to the financial statements;
- Negotiating with Nedbank to delay the repayment of the balance of the interest bearing loan in the amount of R171m; and
- Undertaking to pay operating costs and finance charges for the foreseeable future until such time as the assets can be realised

The company's shareholders are in negotiations with various parties to sell some or all of their interest in the company, in part to ensure that the funding necessary to develop the estate will be obtained. Should such negotiations yield a successful conclusion, the liquidity concerns of the company will be alleviated.

The above matters constitute a material uncertainty that may, if not resolved, cast significant doubt on the company and group's ability to continue as a going concern. In the event the company is unable to secure the necessary funds, the company and group may no longer be a going concern and as such may not be able to realise its assets at values reflected in the financial statements and discharge its liabilities in the ordinary course of business.

Despite the above uncertainty, the directors still believe that there are reasonable prospects for the company and group to meet its commitments in the ordinary course of business and have consequently prepared the financial statements on a going concern basis.

**BOSCHENDAL (PROPRIETARY) LIMITED****DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)****SUBSEQUENT EVENTS**

The company's shareholders are in negotiations with various parties to sell some or all of their interest in the company, in part to ensure that the funding necessary to develop the estate will be obtained. Should such negotiations yield a successful conclusion, the liquidity concerns of the company will be alleviated.

No other material event subsequent to the year end and up to the approval of the financial statements occurred.

**REPORTABLE IRREGULARITY**

On 15th December 2011 the external auditors issued a reportable irregularity to the Independent Regulatory Board for Auditors explaining that during the conduct of their audit, it came to their attention that the Company may be in contravention of S 128 of the Companies Act 2008 insofar as it appears to be financially distressed and it is reasonably unlikely that the company will be able to pay all of its debts as they fall due within the immediately ensuing six months which if not resolved could also lead to Reckless Trading as considered in Section 22 of the Companies Act 2008.

We as directors disagree with the auditors' point of view and believe we have never been in non-compliance of the Act.

**CERTIFICATE BY COMPANY SECRETARY**

In terms of Section 88(2)(e) of the South African Companies Act 71 of 2008, I certify that the company has lodged with the Commissioner all such returns and notices required by the Companies Act and that all such returns and notices are true, correct and up to date.



A C Schoeman  
Company Secretary

Cape Town

9 July 2012

## BOSCHENDAL (PROPRIETARY) LIMITED

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2011

	Note	GROUP		COMPANY	
		2011 R	2010 R	2011 R	2010 R
<b>REVENUE</b>	2	<u>14 222 996</u>	<u>10 690 964</u>	<u>13 788 363</u>	<u>10 373 111</u>
<b>TURNOVER</b>	2	7 131 540	8 028 840	6 696 907	7 710 987
Less: Cost of sales		<u>(909 629)</u>	<u>(936 091)</u>	<u>(909 629)</u>	<u>(936 091)</u>
<b>GROSS PROFIT</b>		6 221 911	7 092 749	5 787 278	6 774 896
<b>OTHER INCOME</b>	2	10 829 586	33 987 833	18 953 427	70 700 020
<b>EXPENSES</b>		(163 047 544)	(31 212 865)	(178 193 688)	(31 171 471)
Selling and distribution expenses		(297 150)	(4 463 490)	(297 150)	(4 463 490)
Other expenses		(10 738 180)	(11 966 060)	(10 632 221)	(11 924 666)
Administration expenses		(18 776 185)	(14 783 315)	(18 557 800)	(14 783 315)
Impairment		(133 236 029)	-	(148 706 517)	-
<b>PROFIT FROM OPERATIONS</b>	3	(145 996 047)	9 867 717	(153 452 983)	46 303 445
Finance costs	4	<u>(31 305 610)</u>	<u>(31 443 001)</u>	<u>(39 815 396)</u>	<u>(40 834 469)</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(177 301 657)	(21 575 284)	(193 268 379)	5 468 976
Taxation	5	<u>(31 574 487)</u>	<u>2 315 723</u>	<u>(33 616 111)</u>	<u>2 315 723</u>
<b>(LOSS)/PROFIT FOR THE YEAR</b>		(208 876 144)	(19 259 561)	(226 884 490)	7 784 699
<b>OTHER COMPREHENSIVE INCOME</b>					
Revaluation of biological assets		25 342 520	-	17 050 718	-
Deferred tax on revaluation of biological asset		<u>(7 095 905)</u>	<u>-</u>	<u>(4 774 201)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME VFOR THE YEAR</b>		<u>(190 629 529)</u>	<u>(19 259 561)</u>	<u>(214 607 973)</u>	<u>7 784 699</u>

## BOSCHENDAL (PROPRIETARY) LIMITED

## STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	GROUP		COMPANY	
		2011 R	2010 R	2011 R	2010 R
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	102 398 330	232 025 207	102 398 330	232 025 207
Biological assets	7	36 850 099	8 474 835	21 084 501	2 566 690
Loans to subsidiaries	23	-	-	236 309 955	251 443 894
Deferred tax asset	8	-	38 390 312	-	38 390 312
		<u>139 248 429</u>	<u>278 890 354</u>	<u>359 792 786</u>	<u>524 426 103</u>
<b>Current assets</b>					
Inventory	9	132 976 336	124 493 567	1 279 262	1 306 279
Trade and other receivables	10	61 690 507	55 495 288	61 429 518	55 202 572
Prepayments		1 000 000	2 153 334	1 000 000	2 153 334
Cash and bank	19.3	1 499 066	11 584 816	1 498 434	11 584 816
		<u>197 165 909</u>	<u>193 727 005</u>	<u>65 207 214</u>	<u>70 247 001</u>
<b>Total assets</b>		<u><u>336 414 338</u></u>	<u><u>472 617 359</u></u>	<u><u>425 000 000</u></u>	<u><u>594 673 104</u></u>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	11	276	138	276	138
Accumulated loss		<u>(277 785 202)</u>	<u>(87 155 673)</u>	<u>(245 489 964)</u>	<u>(30 881 991)</u>
		<u>(277 784 926)</u>	<u>(87 155 535)</u>	<u>(245 489 688)</u>	<u>(30 881 853)</u>
<b>Non-current liabilities</b>					
Shareholders' loans	12	428 645 121	371 599 287	428 645 121	371 599 287
Long term portion of interest bearing loan	13	-	171 440 349	-	171 440 349
		<u>428 645 121</u>	<u>543 039 636</u>	<u>428 645 121</u>	<u>543 039 636</u>
<b>Current liabilities</b>					
Short term portion of interest bearing loan	13	171 470 621	-	171 470 621	-
Trade and other payables	15	6 326 280	8 230 106	6 267 451	8 230 106
Provisions	16	7 477 162	8 445 574	64 106 495	73 199 364
Receiver of Revenue		280 080	-	-	-
Loan from subsidiary		-	-	-	1 028 273
Short term portion of lease liability	14	-	57 578	-	57 578
		<u>185 554 143</u>	<u>16 733 258</u>	<u>241 844 567</u>	<u>82 515 321</u>
<b>Total equity and liabilities</b>		<u><u>336 414 338</u></u>	<u><u>472 617 359</u></u>	<u><u>425 000 000</u></u>	<u><u>594 673 104</u></u>



## BOSCHENDAL (PROPRIETARY) LIMITED

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011

GROUP	Share capital R	Accumulated loss R	Total R
<b>Balance at 30 June 2009</b>	138	(67 896 112)	(67 895 974)
Loss for the year	-	(19 259 561)	(19 259 561)
<b>Balance at 30 June 2010</b>	138	(87 155 673)	(87 155 535)
Issue of share capital	138	-	138
Loss for the year	-	(190 629 529)	(190 629 529)
<b>Balance at 30 June 2011</b>	<u>276</u>	<u>(277 785 202)</u>	<u>(277 784 926)</u>

COMPANY	Share capital R	Accumulated loss R	Total R
<b>Balance at 30 June 2009</b>	138	(38 666 690)	(38 666 552)
Profit for the year	-	7 784 699	7 784 699
<b>Balance at 30 June 2010</b>	138	(30 881 991)	(30 881 853)
Issue of share capital	138	-	138
Loss for the year	-	(214 607 973)	(214 607 973)
<b>Balance at 30 June 2011</b>	<u>276</u>	<u>(245 489 964)</u>	<u>(245 489 688)</u>

## BOSCHENDAL (PROPRIETARY) LIMITED

STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2011

	Note	GROUP		COMPANY	
		2011 R	2010 R	2011 R	2010 R
<b>Cash flows from operating activities</b>					
Cash (utilised)/generated by operations	19.1	(18 112 747)	(6 268 728)	(18 223 034)	6 875 935
Movements in working capital	19.2	(15 428 480)	(49 077 332)	(7 009 250)	(52 830 527)
Cash utilised by operating activities		(33 541 227)	(55 346 060)	(25 232 284)	(45 954 592)
Interest received		5 315 242	975 668	5 314 624	975 668
Finance costs		(31 305 610)	(31 443 001)	(39 815 396)	(40 834 469)
Net cash outflow from operating activities		(59 531 595)	(85 813 393)	(59 733 056)	(85 813 393)
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment		-	65 020 100	-	65 020 100
Purchase of property, plant and equipment		(4 540 077)	(5 215 052)	(4 540 077)	(5 215 052)
Biological assets capitalised/acquired		(3 032 744)	(13 650)	(1 467 093)	(13 650)
Net cash (outflow)/inflow from investing activities		(7 572 821)	59 791 398	(6 007 170)	59 791 398
<b>Cash flows from financing activities</b>					
Increase in long term liabilities		57 076 106	35 672 996	55 711 284	35 672 996
Increase in share capital		138	-	138	-
Decrease in lease liability		(57 578)	(72 564)	(57 578)	(72 564)
Net cash inflow from financing activities		57 018 666	35 600 432	55 653 844	35 600 432
Net movement in cash and cash equivalents for the year		(10 085 750)	9 578 437	(10 086 382)	9 578 437
Cash and cash equivalents at beginning of year		11 584 816	2 006 379	11 584 816	2 006 379
Cash and cash equivalents at end of year	19.3	1 499 066	11 584 816	1 498 434	11 584 816

**BOSCHENDAL (PROPRIETARY) LIMITED**
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011**
**1 ACCOUNTING POLICIES**

The financial statements set out on pages 3 to 38 are prepared on the historical cost basis, except for certain financial instruments and biological assets which are measured at fair value. The Group annual financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IASB).

The policies are consistent with those applied in the previous year except as follows:

The company has adopted the following revised standard during the year and comparative figures have been amended as required.

Title	Statement No.	Effective Date*	About
2008 Annual Improvements Project	IAS 1	01-Jan-10	Current/non-current classification when settling in equity
	IAS 7	01-Jan-10	Only expenses that results in the recognition of asset can be investing activities
	IAS 17	01-Jan-10	Deletes statement on land always being an operating lease
	IAS 36	01-Jan-10	CGU is operating segment before aggregation
	IAS 39	01-Jan-10	Prepayment penalties as EDs/scope exemption for BC/ recognise in period CFHA affect P&L
	IFRS 5	01-Jan-10	Only IFRS 5 disclosures unless otherwise stated
Amendment Additional exemptions for first time adopters	IFRS 1	01-Jan-10	Exempt full retrospective application for oil and gas assets/ leases
Amendment Classification of rights issues	IAS 32	01-Feb-10	Equity if given pro rata to all classes to acquire fixed amount of shares in any currency
2010 Annual Improvements Project	IAS 27	01-Jul-10	Are consequential amendments to IAS 21, 28, 31
	IFRS 7	01-Jan-10	Qualitative discls, max exposure to Cr risk, removing certain collateral discl
Amendment	IFRS 1	01-Jul-10	Utilise transitional provisions in IFRS 7
Amendment	IFRS 1	01-Jul-10	Limited exemption from comparative IFRS 7 disclosures
New	IFRIC 19	01-Jul-10	Extinguishing financial liabilities with equity instruments

This amendment is required to be applied for annual periods beginning on or after 1 July 2010.

Adoption of the new and amended standards and interpretations did not have any impact on the financial performance or position of the company or Group

**BOSCHENDAL (PROPRIETARY) LIMITED****NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)****1 ACCOUNTING POLICIES (CONTINUED)****1.1 Revenue recognition**

Revenue is recognised at the fair value of the consideration received net of any discounts and related taxes and to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Interest is recognised on the time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

Revenue from rental agreements is recognised on a straight line basis over the rental term.

Revenue from the hosting of functions is recognised once of the function has been held.

**1.2 Cost of sales**

Cost of sales includes the historical costs of inventory expensed during the year, inventory losses and other direct costs of sales.

**1.3 Retirement benefits**

Contributions in respect of defined contribution plans are the best estimate of current service costs and are charged against income as incurred.

**1.4 Finance costs**

Finance costs are recognised as an expense when incurred. Finance costs related to properties held for the sale have been capitalised to the cost of the asset and will be expensed when the assets are sold.

**1.5 Expenses**

Expenses are accounted for on accrual basis. Expenses are charged to the income statement. The expenses on acquisition of investments not at fair value through profit or loss are included within the cost of that investment while the expenses arising on the disposal of these investments are deducted from the disposal proceeds in arriving at the gain or loss on disposal.

**1.6 Taxation****Normal taxation**

Income tax and capital gains tax on the profit or loss for the year comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates that have been enacted or substantially enacted by the balance sheet date, and any adjustments to tax payable in respect of previous years.

**Deferred taxation**

Deferred taxation is provided using the liability method on all temporary differences at the balance sheet date, between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities. Deferred taxation is calculated using the taxation rates that have been enacted at the balance sheet date that are expected to apply when the asset is realised or the liability settled. Deferred tax assets are recognised to the extent that it is probable that the future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets and liabilities are not discounted.

**BOSCHENDAL (PROPRIETARY) LIMITED****NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)****1 ACCOUNTING POLICIES (CONTINUED)****1.6 Taxation (continued)**

Deferred tax relating to items which are charged or credited directly to equity, is also charged or credited directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Value added tax**

Revenue, expenses and assets are recognised net of the amount of value added tax.

**1.7 Foreign currencies****Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (functional currency). Boschendal (Proprietary) Limited's functional and presentation currency is rands and all amounts, unless otherwise indicated, are stated in rands.

**Transactions and balances**

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All exchange differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**1.8 Property, plant and equipment**

Property, plant and equipment is stated at historic cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the company and the cost of the item can be measured reliably. Maintenance and repairs, which do not meet these criteria, are charged against income as incurred. Gains and losses on disposal of assets are included in the income statement.

Plant and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to the current values of their expected residual values. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The useful lives of the assets have been estimated to be as follows:

Motor vehicles	- 4 to 6 years
Office equipment	- 6 years
Furniture and fixtures	- 4 to 10 years
Computer equipment - desktops	- 3 years
Computer equipment - software	- 2 years
Plant and equipment	- 4 to 17 years
Permanent irrigation and reticulation	- 10 years

**BOSCHENDAL (PROPRIETARY) LIMITED**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)**

**1 ACCOUNTING POLICIES (CONTINUED)**

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

Land and buildings consist of residual lands and first purchase. Residual lands are not depreciated as residual value exceeds cost. Buildings are not depreciated as their residual values exceed the carrying amount.

Depreciation has not been provided on antiques as the residual value exceeds the carrying amount.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement in the cost of sales line item.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the item is derecognised.

**1.9 Biological assets**

Biological assets comprise the vineyard and orchard and livestock and are carried at fair value less estimated point-of-sale costs with the fair value adjustment included in profit and loss.

In the prior year biological assets were primarily maintained for their aesthetic value rather than for agricultural activity. As a result they fell out the scope of IAS 41 and were accounted for in terms of IAS 16 at cost less accumulated depreciation and impairment.

The following estimates are used in the valuation of vineyards and orchards.

	<b>2011 R/hectare</b>
Land	
- Vineyards	162,285
- Orchards	206,239

The carrying values of biological assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

A biological asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the item is derecognised.

**BOSCHENDAL (PROPRIETARY) LIMITED**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)**

**1 ACCOUNTING POLICIES (CONTINUED)**

**1.10 Inventory**

**Properties**

Certain properties acquired as part of the acquisition of the Boschendal Estate have been earmarked for resale. These properties are reflected as inventory and are stated at the lower of cost and net realisable value at the date of acquisition plus all costs incurred at acquisition as well as the costs required to prepare the asset for its intended use. These activities include obtaining the approvals for subdivision and rezoning from the relevant authorities. The borrowing costs related to these properties have also been capitalised.

**Other inventories**

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

**1.11 Financial instruments**

Financial instruments recognised on the balance sheet include cash and bank, trade and other receivables, trade and other payables, cash due to bank, shareholders' loan and interest bearing loans.

The classes of financial instruments are as detailed on the balance sheet and are categorised as follows:

Loans and receivables: Trade and other receivables

Financial liabilities at amortised cost: Interest bearing loans, trade and other payables and shareholders' loans.

Financial instruments are recognised when the company becomes a party to the contractual provisions of the instrument.

When a financial asset or financial liability is recognised initially, they are measured at fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The trade date method of accounting has been adopted for 'regular way' purchase or sale of financial assets. A 'regular way' contract is a contract for the purchase or sale of financial assets that requires delivery of the assets within the time frame generally established by regulation or convention in the market place concerned. The trade date is the date that the company commits to purchase or sell an asset.

Subsequent to initial recognition, financial instruments are measured as follows:

**Cash and bank**

Cash and bank in the balance sheet comprise of cash at banks and in hand and short-term deposits with an original maturity of three months or less. Subsequent to initial recognition cash and cash equivalents are carried at amortised cost.

Cash on hand in banks and short term deposits reflect bank statement balances net of unrepresented cheques.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and bank defined above, net of outstanding bank overdrafts.

**Trade and other receivables**

Trade and other receivables, which generally have 30-90 days' terms, are recognised and carried at amortised cost using the effective interest rate method. Short-term receivables and payables with no stated interest rate may be measured at the original invoice amount if the effect of discounting is immaterial. An impairment provision is made when there is objective evidence that the company will not be able to collect the debts. Gains and losses are recognised in profit and loss when the receivables are derecognised through the amortisation process and when an impairment provision is raised or reversed.

**BOSCHENDAL (PROPRIETARY) LIMITED****NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)****1 ACCOUNTING POLICIES (CONTINUED)****1.11 Financial instruments (continued)****Trade and other payables**

After initial recognition, trade and other payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the amortisation process.

**Interest bearing loans shareholders' loans**

Interest bearing loans and shareholders' loans are subsequently measured at amortised cost using the effective interest rate method, being original debt value less principal repayments and amortisations. Gains and losses are recognised in income when the liabilities are derecognised as well as through the amortisation process.

The carrying values of financial instruments are reviewed at each balance sheet date to assess whether there is any indication of impairment. For example not receiving payments in terms of the payment terms or other indication that the debtor will not be able to pay. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred and reliably measured, 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 (ie the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced by the allowance for impairment. The amount of the loss is recognised in profit or loss.

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, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**Impairment****Derecognition of financial assets and liabilities**

A financial asset is derecognised where:

- The rights to receive cash flows from the asset have expired,
- The company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or
- The company has transferred its right to receive cash flows from the asset or either (a) has transferred substantially all the risks and rewards of the asset or (b) as neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the assets.

A financial liability is derecognised where:

- The obligation under the liability is discharged or cancelled or expires.

**Offset**

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to realise the assets and settle the liabilities on a net basis.

**1.12 Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.



**BOSCHENDAL (PROPRIETARY) LIMITED****NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)****1 ACCOUNTING POLICIES (CONTINUED)****1.13 Leased assets**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the company as lessee. Finance leases are capitalised at the inception of the lease at the fair value or, if lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in financing costs, and the capital repayment, which reduces the liability to the lessee. Leases of assets are classified as operating leases if the lessor effectively retains all the risks and benefits. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**1.14 Prepayments**

Expenses paid in advance of being accrued are recognised as prepayments. The prepayment is released to the income statement once the expense has accrued.

**1.15 Significant accounting judgements and estimates****Judgements**

In the process of applying the accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

**Trade accounts receivable**

Judgement is used to determine whether the company will not be able to collect all amounts due according to the original terms of receivables. This is determined on a line by line basis by management. A provision is raised accordingly.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, within the next financial year, are discussed below.

**Property, plant and equipment valuation/impairment**

The property, plant and equipment valuation/impairment is dependent on a number of assumptions/variables which are subjective in nature in the current market. Final realisable amounts may differ.

**Depreciation rates**

Expected useful lives and residual values are estimated based on the expected use of the assets.

**Inventory obsolescence**

Judgement is used to determine the net realisable value of slow-moving items. A provision for inventory obsolescence is raised where this is calculated at less than cost.

**Leave pay and bonus**

Provision is made for the cost to company of accumulated leave days not taken by employees as at June 30 2010. Provision for bonus paid to staff is determined by management and is based on a constructive obligation as created by past actions.

**Biological assets**

The key assumptions used to determine the fair value of the biological assets is used from the valuation performed by an independent valuer. This adjustment is recorded appropriately.

**BOSCHENDAL (PROPRIETARY) LIMITED**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)**

**1 ACCOUNTING POLICIES (CONTINUED)**

**1.16 Accounting Statements and Interpretations issued, not yet effective**

The company has not early adopted any of the standards or interpretations that have been issued with an effective date later than 1 July 2010. Furthermore, the company has not early applied any amendments to existing statements that are not yet effective. A list of these statements, interpretations and amendments is as follows. The impact of applying these standards is expected to be minimal, except for additional disclosure.

<b>Title</b>	<b>Statement No.</b>	<b>Effective Date*</b>	<b>About</b>
2010 Annual Improvements Project	IAS 1	01-Jan-11	Components of equity
	IFRS 1	01-Jan-11	Event driven FV, rate regulated exemption, link to IAS 34
	IFRIC 13	01-Jan-11	Calculation of FV
Amendment	IFRS1	01-Jul-11	How to resume presenting IFRS when stop being hyperinflationary/remove legacy fixed dates
Amendment	IFRS 7	01-Jul-11	Financial assets not entirely derecognised/continuing involvement
Revised Standard	IAS 24	01-Jan-11	Defn of related party, partial exemption for Govt entities
Amendment	IFRIC 14	01-Jan-11	Permits prepayments of minimum funding required as an asset.
Amendment Recovery of underlying assets	IFRS 12	01-Jan-12	Rebuttable presumption to use sale rate for investment property/non-depreciable assets on rev model measured on sale rate
New	IFRS 10	01-Jan-13	Consolidated financial statements
New	IFRS 12	01-Jan-13	Disclosures of interests in other entities
New	IFRS 13	01-Jan-13	Fair value measurement
New	IFRS 9	01-Jan-15	This standard will replace the currently effective IAS 39: Financial Instruments: recognition and Measurement. The new standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets; amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.
Amendment	IAS 1	01-Jan-13	Financial statement presentation
Revised Standard	IAS 27	01-Jan-13	Separate financial statements

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

## 2 TURNOVER AND REVENUE

Turnover represents the sale of properties, wine, grapes, meals levies and sales. Sales include shop sales, functions and events, manor house and other sales. Turnover is stated net of value added tax.

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
Turnover comprises:				
Wine sales	420 385	386 173	420 385	386 173
Grape sales	3 162 687	4 667 211	2 728 054	4 349 358
Cattle sales	283 857	-	283 857	-
Functions, rentals and other wine services	1 229 629	1 006 985	1 229 629	1 006 985
Levies	509 472	509 472	509 472	509 472
Sales	1 525 510	1 458 999	1 525 510	1 458 999
	<u>7 131 540</u>	<u>8 028 840</u>	<u>6 696 907</u>	<u>7 710 987</u>
Total revenue comprises:				
Turnover	7 131 540	8 028 840	6 696 907	7 710 987
Interest received	6 016 487	975 668	6 016 487	975 668
Rental income	1 074 969	1 686 456	1 074 969	1 686 456
	<u>14 222 996</u>	<u>10 690 964</u>	<u>13 788 363</u>	<u>10 373 111</u>
Other income includes:				
Interest received	6 017 103	975 668	6 016 487	975 668
Rental income	1 074 969	1 686 456	1 074 969	1 686 456
Commissions and discounts	3 039	11 906	3 039	11 906
Reversal of provision for infrastructure	1 018 433	-	9 142 890	-
Reversal of impairment of loans	-	-	-	31 616 500
Profit on sale of plant and equipment	-	25 699 525	-	25 699 525
Profit on sale of shares and loan account	-	3 540 249	-	8 635 936
Recoveries	1 984 245	1 961 804	1 984 245	1 961 804
Sundry other income	731 797	112 225	731 797	112 225
	<u>10 829 586</u>	<u>33 987 833</u>	<u>18 953 427</u>	<u>70 700 020</u>

## 3 (LOSS)/PROFIT FROM OPERATIONS

The profit from operations is stated after:

## Expenses

Auditor's remuneration	605 511	814 195	387 216	814 195
- current year - company	387 216	380 000	387 216	380 000
- current year - group	218 295	-	-	-
- prior year underprovision	-	434 195	-	434 195
Legal fees	262 433	473 321	262 433	473 321
Professional fees	2 119 176	270 127	2 119 176	270 127
Staff costs	9 489 812	10 176 584	9 489 812	10 176 584
- salaries and wages	8 788 744	9 615 800	8 788 744	9 615 800
- contributions to retirement funds	579 402	382 157	579 402	382 157
- medical aid contributions	109 185	121 911	109 185	121 911
- other	12 481	56 716	12 481	56 716

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

## 3 PROFIT FROM OPERATIONS CONTINUED)

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>Impairment</b>	133 236 029	-	148 706 517	(31 616 500)
Impairment of property, plant and equipment	133 236 029	-	133 236 029	-
Impairment/(reversal) on loan to subsidiary	-	-	15 470 488	(31 616 500)
Directors' emoluments:	2 270 575	778 086	2 270 575	778 086
Executive directors	2 270 575	793 086	2 270 575	793 086
Non-executive directors	-	(15 000)	-	(15 000)
Profit on sale of plant and equipment	-	25 699 525	-	36 679 425
Disposal of biological assets	-	98 445	-	98 445
Profit on sale of share and loan account	-	3 540 249	-	8 635 936
Depreciation	930 925	2 303 862	930 925	2 303 862
- Land and buildings	-	1 555 205	-	1 555 205
- Computer equipment	34 347	30 261	34 347	30 261
- Equipment	328 907	327 061	328 907	327 061
- Furniture and fixtures	312 349	260 077	312 349	260 077
- Motor vehicles	255 322	131 258	255 322	131 258
(Revaluation)/amortisation of biological assets (note 7)	(25 342 520)	62 358	(17 050 718)	62 358
Operating lease	700 655	687 503	694 319	687 503
Equipment	683 748	668 265	683 748	668 265
Other	16 907	19 238	10 571	19 238

Rental of farm equipment is on an adhoc basis with no fixed terms entered into.

Rental of office equipment is on a fixed contract relating to photocopiers.

	2011	2010	2011	2010
Number of employees at period end	97	97	97	97

## 4 FINANCE COSTS

	2011 R	2010 R	2011 R	2010 R
Total finance costs for the year	39 815 396	40 834 469	39 815 396	40 834 469
Capitalised to inventory	(8 509 786)	(9 391 468)	-	-
	<u>31 305 610</u>	<u>31 443 001</u>	<u>39 815 396</u>	<u>40 834 469</u>

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>5 TAXATION</b>				
No provision for current taxation has been made as the company has an estimated tax loss of R125 289 452 (2010: R63 724 771) available for set off against future taxable income.				
South African normal tax	280 080	-	-	-
Deferred taxation	38 390 312	2 315 723	38 390 312	2 315 723
<b>Total taxation</b>	<b>38 670 392</b>	<b>2 315 723</b>	<b>38 390 312</b>	<b>2 315 723</b>
<b>Tax rate reconciliation:</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Effective tax rate	(20.01%)	(42.34%)	(19.86%)	(42.34%)
Disallowable expense	0.46%	70.34%	0.31%	70.34%
Exempt income	(0.36%)	0.00%	(0.36%)	0.00%
Deferred tax asset not recognised on assessed loss	18.26%	0.00%	18.26%	0.00%
Deferred tax asset not recognised on working capital	19.30%	0.00%	19.30%	0.00%
Deferred tax asset not recognised on investments	10.35%	0.00%	10.35%	0.00%
<b>Standard tax rate</b>	<b>28.00%</b>	<b>28.00</b>	<b>28.00</b>	<b>28.00</b>

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

## 6 PROPERTY, PLANT AND EQUIPMENT

GROUP	2011					Total R
	Land and buildings R	Motor vehicles R	Computer equipment R	Equipment R	Furniture and fixtures R	
Beginning of year						
- assets at cost	235 594 748	1 407 489	760 843	1 890 532	6 389 533	246 043 145
- accumulated depreciation	(9 583 248)	(575 144)	(735 531)	(1 364 275)	(1 759 740)	(14 017 938)
Carrying value	226 011 500	832 345	25 312	526 257	4 629 793	232 025 207
Current period movements						
- additions	4 185 429	100 437	28 636	204 083	21 492	4 540 077
- depreciation	-	(255 322)	(34 347)	(328 907)	(312 349)	(930 925)
- impairment	(133 236 029)	-	-	-	-	(133 236 029)
Balance at end of period	96 960 900	677 460	19 601	401 433	4 338 936	102 398 330
Made up as follows:						
- assets at cost and valuation	239 780 177	1 507 926	789 479	2 094 615	6 411 025	250 583 222
- accumulated depreciation	(9 583 248)	(830 466)	(769 878)	(1 693 182)	(2 072 089)	(14 948 863)
- accumulated impairment	(133 236 029)	-	-	-	-	(133 236 029)
Carrying value	96 960 900	677 460	19 601	401 433	4 338 936	102 398 330

Certain motor vehicles with book value RNil (2010: R57 578) are encumbered as stated in note 14.

Certain properties are encumbered as set out in note 13.

Full details of the company's land and buildings are available at the company's registered address.

The land and buildings were impaired during the current year as the directors received a firm commitment amounting to R425 million to purchase the company, this amount was used to assess recoverability of the cash generating unit, which was below the recent market valuation. The land and buildings were impaired by R133.2 million which was the balance of the value attributable after concluding that all remaining assets are carried at their recoverable amount or lower.

	2010					Total R
	Land and buildings R	Motor vehicles R	Computer equipment R	Equipment R	Furniture and fixtures R	
Beginning of year						
- assets at cost	270 091 072	1 292 127	759 403	1 856 080	6 373 173	280 371 855
- accumulated depreciation	(8 028 043)	(667 073)	(705 270)	(1 104 198)	(1 432 679)	(11 937 263)
Carrying value	262 063 029	625 054	54 133	751 882	4 940 494	268 434 592
Current period movements						
- additions	4 727 019	435 781	1 440	34 452	16 360	5 215 052
- disposals - cost	(39 223 343)	(320 419)	-	-	-	(39 543 762)
- disposals - accumulated depreciation	-	223 187	-	-	-	223 187
- depreciation	(1 555 205)	(131 258)	(30 261)	(260 077)	(327 061)	(2 303 862)
Balance at end of period	226 011 500	832 345	25 312	526 257	4 629 793	232 025 207
Made up as follows:						
- assets at cost and valuation	235 594 748	1 407 489	760 843	1 890 532	6 389 533	246 043 145
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Carrying value	226 011 500	832 345	25 312	526 257	4 629 793	232 025 207

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

## 6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	2011					
	Land and buildings R	Motor vehicles R	Computer equipment R	Equipment R	Furniture and fixtures R	Total R
Beginning of year						
- assets at cost	235 594 748	1 407 489	760 843	1 890 532	6 389 533	246 043 145
- accumulated depreciation	(9 583 248)	(575 144)	(735 531)	(1 364 275)	(1 759 740)	(14 017 938)
Carrying value	226 011 500	832 345	25 312	526 257	4 629 793	232 025 207
Current period movements						
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- impairment	(133 236 029)	-	-	-	-	(133 236 029)
Balance at end of period	96 960 900	677 460	19 601	401 433	4 338 936	102 398 330
Made up as follows:						
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- accumulated depreciation	(9 583 248)	(830 466)	(769 878)	(1 693 182)	(2 072 089)	(14 948 863)
- accumulated impairment	(133 236 029)	-	-	-	-	(133 236 029)
Carrying value	96 960 900	677 460	19 601	401 433	4 338 936	102 398 330

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COMPANY	2010					
	Land and buildings R	Motor vehicles R	Computer equipment R	Equipment R	Furniture and fixtures R	Total R
Beginning of year						
- assets at cost	270 091 072	1 292 127	759 403	1 856 080	6 373 173	280 371 855
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Carrying value	262 063 029	625 054	54 133	751 882	4 940 494	268 434 592
Current period movements						
- additions	4 727 019	435 781	1 440	34 452	16 360	5 215 052
- disposals - cost	(39 223 343)	(320 419)	-	-	-	(39 543 762)
- disposals - accumulated depreciation	-	223 187	-	-	-	223 187
- depreciation	(1 555 205)	(131 258)	(30 261)	(260 077)	(327 061)	(2 303 862)
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- accumulated depreciation	(9 583 248)	(575 144)	(735 531)	(1 364 275)	(1 759 740)	(14 017 938)
Carrying value	226 011 500	832 345	25 312	526 257	4 629 793	232 025 207

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

## 7 BIOLOGICAL ASSETS

It was identified in the current year that there was a change in intention in the use of the biological assets (vineyards and orchards). In the past the vineyards and orchards were kept as part of the ambience of the development and not managed as a biological asset and therefore did not fall into the scope of IAS 41 Biological assets.

In the current year a decision was taken to actively manage the vineyards and orchards. As a result, the biological assets became actively managed for agricultural processes and therefore fall with the scope of IAS 41 and should be carried at fair value less costs to sell. The following estimates are used in the valuation of vineyards and orchards: vineyards R162 285/ hectare and orchards R206 239/ hectare.

The revisions were accounted for prospectively as a change in intended use of the assets and as a result the carrying value for the Group and Company for the current financial year has increased by R25m (Group) and R16m (Company) respectively. These adjustments were treated as revaluations through other comprehensive income.

2011				
GROUP	Lavender R	Vineyards & orchards R	Livestock R	Total R
Beginning of year				
- assets at cost	145 888	9 357 959	643 923	10 147 770
- accumulated amortisation	-	(1 672 935)	-	(1 672 935)
Carrying value	145 888	7 685 024	643 923	8 474 835
Current period movements				
- additions	-	2 964 934	67 810	3 032 744
- revaluations	-	25 284 253	58 267	25 342 520
Balance at end of period	145 888	35 934 211	770 000	36 850 099
Made up as follows:				
- assets at fair value	145 888	37 607 146	770 000	38 523 034
- accumulated amortisation	-	(1 672 935)	-	(1 672 935)
Carrying value	145 888	35 934 211	770 000	36 850 099
2010				
	Lavender R	Vineyards & orchards R	Livestock R	Total R
Beginning of year				
- assets at cost	145 888	9 344 310	742 368	10 232 566
- accumulated amortisation	-	(1 610 578)	-	(1 610 578)
Carrying value	145 888	7 733 731	742 368	8 621 988
Current period movements				
- development costs capitalised	-	13 650	-	13 650
- impairment	-	(62 358)	-	(62 358)
- disposals in period	-	-	(98 445)	(98 445)
Balance at end of period	145 888	7 685 023	643 923	8 474 835
Made up as follows:				
- assets at cost	145 888	9 357 960	643 923	10 147 771
- accumulated amortisation	-	(1 672 936)	-	(1 672 936)
Carrying value	145 888	7 685 023	643 923	8 474 835





## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>8 DEFERRED TAXATION</b>				
8.1 Opening balance	38 390 312	36 074 589	38 390 312	36 074 589
Movement for the year – income statement	(38 390 312)	2 315 723	(38 390 312)	2 315 723
Closing balance	-	38 390 312	-	38 390 312
8.2 Deferred taxation comprises temporary differences in respect of:				
Accumulated capital allowances	(37 191 307)	127 352	(37 191 307)	127 352
Investments	(22 281 417)	(17 949 680)	(22 281 417)	(17 949 680)
Working capital allowances	2 165 553	(2 637 053)	2 165 553	(2 637 053)
Estimated tax loss	(35 292 241)	(17 930 931)	(35 292 241)	(17 930 931)
Deferred tax asset on assessed loss not recognised	35 292 241	-	35 292 241	-
Deferred tax asset on working capital allowances not recognised	37 306 088	-	37 306 088	-
Deferred tax asset on investments not recognised	20 001 083	-	20 001 083	-
	-	(38 390 312)	-	(38 390 312)
<b>9 INVENTORY</b>				
Inventory comprises:				
Land and buildings held for resale	131 697 074	123 187 288	-	-
Wine	41 223	20 276	41 223	20 276
Brochures	670 594	739 472	670 594	739 472
Other	567 445	546 531	567 445	546 531
	132 976 336	124 493 567	1 279 262	1 306 279
<b>10 TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	61 386 385	54 894 817	61 386 385	54 894 817
VAT	304 122	600 471	43 133	307 755
	61 690 507	55 495 288	61 429 518	55 202 572

For terms and conditions relating to related party receivables, refer to Note 18. Trade receivables are non-interest bearing and are generally on 30-90 days' terms. As at 30 June 2011 trade receivables with nominal value of R1 945 275 (2010: R2 259 709) were impaired and fully provided for. Trade receivables and vat are expected to be received within a year.

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

## 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the provision for impairment of receivables are as follows:

	2011 R	2010 R
Balance at the beginning of the year	2 259 709	2 597 348
Unused amount reversed	<u>(314 434)</u>	<u>(337 639)</u>
Balance at the end of the year	<u>1 945 275</u>	<u>2 259 709</u>

	<u>Past due but not impaired</u>					
	Total R	Neither past due nor impaired R	< 30 Days R	30 – 60 days R	60 – 90 days R	90 – 120 days R
2011	61 386 385	55 036 915	1 092 823	298 042	229 028	4 729 577
2010	<u>54 894 817</u>	<u>48 548 064</u>	<u>343 889</u>	<u>550 331</u>	<u>3 991 976</u>	<u>1 460 557</u>

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>11 SHARE CAPITAL</b>				
Authorised 10 000 000 ordinary shares of R0,0001 each	<u>1 000</u>	<u>1 000</u>	<u>1 000</u>	<u>1 000</u>
Issued 2 758 616 ordinary shares of R0,0001 each	<u>276</u>	<u>138</u>	<u>276</u>	<u>138</u>
During the year 1 379 308 shares were issued at R0,0001 each.				

## 12 SHAREHOLDERS' LOANS

Comprises the following:

Interest free:

JCI Investment Finance (Pty) Ltd	70 000 000	70 000 000	70 000 000	70 000 000
IFA Boschendal Investments (Pty) Ltd	<u>50 000 000</u>	<u>50 000 000</u>	<u>50 000 000</u>	<u>50 000 000</u>
	<u>120 000 000</u>	<u>120 000 000</u>	<u>120 000 000</u>	<u>120 000 000</u>

The loans are unsecured, interest free and have no fixed terms of repayment and have been subordinated in favour of Nedbank.

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>12 SHAREHOLDERS' LOANS (CONTINUED)</b>				
Interest bearing shareholder loans:				
JCI Investment Finance (Pty) Ltd	209 005 243	165 208 239	209 005 243	165 208 239
IFA Boschendal Investments (Pty) Ltd	99 639 878	86 391 048	99 639 878	86 391 048
	<u>308 645 121</u>	<u>251 599 287</u>	<u>308 645 121</u>	<u>251 599 287</u>
The loans bear interest at prime less 1%. The loans are unsecured, have no fixed terms of repayment and have been subordinated in favour of Nedbank.				
Total shareholders loans	<u>428 645 121</u>	<u>371 599 287</u>	<u>428 645 121</u>	<u>371 599 287</u>
<b>13 INTEREST BEARING LOAN</b>				
Nedbank	<u>171 470 621</u>	<u>171 440 349</u>	<u>171 470 621</u>	<u>171 440 349</u>

**Rate of interest:**

Interest which was previously capitalised into the loan, became payable to Nedbank from 1 July 2009 and is payable at an effective interest rate of 9.90% (2010: 9.70%).

**Repayment terms:**

The terms of the loan were renegotiated in September 2009, June 2011 and October 2011 in consequence of which:

- The loan amount was revised to R269m.
- Amounts of R50m in October 2009 and R25m in December 2009 were paid to Nedbank in permanent reduction of the loan balance.
- The repayment date of the remaining balance, which was originally due 30 June 2012, is currently being negotiated with Nedbank.

**BOSCHENDAL (PROPRIETARY) LIMITED****NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)****13 INTEREST BEARING LOAN (CONTINUED)****Security:**

The loan is secured by the following:

- First general covering mortgage bond by Boschendal (Pty) Ltd for R209 000 000 over portions 1, 10 and 12 of the Farm 1674 Boschendal, Paarl road.
- Second general covering mortgage bond by Boschendal (Pty) Ltd for R500 000 000 over portions 1, 10 and 12 of the Farm 1674 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal (Pty) Ltd for R500 000 000 over portions 3, 4, 6, 7, 11 and 13 of the Farm 1674 Boschendal, Remainder portion 1 and portions 2, 4, 5, 6, 7, 9, 10, 11, 12, and 13 of the Farm 153, remainder of Farm 153 and Portion 1 of Farm 1647 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 2 (Pty) Ltd for R28 000 000 over portion 2, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 3 (Pty) Ltd for R19 000 000 over portion 3, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 4 (Pty) Ltd for R20 000 000 over portion 4, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 5 (Pty) Ltd for R22 000 000 over portion 5, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 6 (Pty) Ltd for R17 000 000 over portion 6, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 7 (Pty) Ltd for R19 000 000 over portion 7, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 8 (Pty) Ltd for R20 000 000 over portion 8, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 9 (Pty) Ltd for R22 000 000 over portion 9, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 10 (Pty) Ltd for R23 000 000 over portion 10, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 11 (Pty) Ltd for R25 000 000 over portion 11, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 12 (Pty) Ltd for R22 000 000 over portion 12, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 13 (Pty) Ltd for R17 000 000 over portion 13, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 14 (Pty) Ltd for R16 000 000 over portion 14, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 15 (Pty) Ltd for R19 000 000 over portion 15, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 18 (Pty) Ltd for R20 000 000 over portion 18, of the Farm 1685 Boschendal, Paarl road.
- First general covering mortgage bond by Boschendal Founders Estate 19 (Pty) Ltd for R20 000 000 over portion 19, of the Farm 1685 Boschendal, Paarl road.
- Subordination of the shareholders loans (refer note 12).

**Release considerations:**

Nedbank will release various portions of the properties at 70% of the recommended net sell-out value until such time as the facility has been reduced by R50 000 000 being no later than 1 October 2010. Following this reduction in facility the release percentage will reduce to 60%. Notwithstanding this Nedbank has consented to release Portion 16 of Farm 1685 Boschendal, Paarl road subject to a release consideration of no less than R2 552 000

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

## 14 LEASE LIABILITIES

	2011		2010	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	-	-	57 578	57 578
After one year but not more than five years	-	-	-	-
Total minimum lease payments	-	-	57 578	57 578
Less amounts representing finance charges	-	-	-	-
Present value of minimum lease payments	-	-	-	-

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
Short term portion	-	57 578	-	57 578
Long term portion	-	-	-	-
Total lease liability	-	57 578	-	57 578

## 15 TRADE AND OTHER PAYABLES

Trade creditors	4 845 041	3 298 566	4 845 041	3 298 566
Accruals	1 145 420	5 101 547	1 128 017	5 101 547
Other payables	335 819	(170 007)	294 393	(170 007)
Total lease liability	6 326 280	8 230 106	6 267 451	8 230 106

Trade payables are non-interest bearing and are generally 30 day terms.

## 16 PROVISIONS

<b>Bonus provision</b>	398 495	348 474	398 495	348 474
Opening balance	348 474	371 491	348 474	371 491
Provided/released in current year	50 021	(23 017)	50 021	(23 017)
Provision for bonus paid to staff is determined by management and is based on a constructive obligation as created by past actions.				
<b>Provision for infrastructure cost</b>	7 078 667	8 097 100	63 708 000	72 850 890
Opening balance	8 097 100	-	72 850 890	79 182 094
Provided/released in current year	(1 018 433)	8 097 100	(9 142 890)	(6 331 204)
Provision for infrastructure cost is determined by management in respect of founders estates sold.				
	7 477 162	8 445 574	64 106 495	73 199 364

The decrease in the current year provision for infrastructure costs was due to the revision in the type of infrastructure to be developed.

**BOSCHENDAL (PROPRIETARY) LIMITED****NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)****17 FINANCIAL INSTRUMENTS RISK MANAGEMENT**

The company's principal financial liabilities comprise bank loans and overdrafts, shareholders loans, and trade payables. The main purpose of these financial liabilities is to raise finance for the company's operations. The company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the company's financial instruments are market risk, liquidity risk and credit risk.

**Credit risk management**

The company only deposits cash surpluses with major banks of high quality credit standing, of no less than AAA rating. Deposits paid as part of the reservation process for the plots are held in trust by Pam Golding. These monies have been deposited in a major bank with a AAA rating and is designated as relating to Boschendal in terms of Section 32(2) of the Estate Agency Act 112 of 1976. Trade account receivables comprise mainly of estate debtors. Ongoing credit evaluation of the financial position of customers is performed regularly with the result that the company's exposure to bad debts is not significant.

The company's maximum exposure to credit risk is as follows:

	<b>Maximum credit risk</b>	<b>Maximum credit risk</b>
	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
Trade receivables	61 386 385	54 894 817
Cash on call	1 156	1 152
Cash in current account	<u>1 497 278</u>	<u>11 569 440</u>
	<u>62 884 819</u>	<u>66 465 409</u>

The company did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

Disclosure of past due and not impaired has been given in note 10.

**Liquidity risk**

The company has minimised its liquidity risk by ensuring that it has adequate banking facilities and subordinated interest-free loans from shareholders (Refer note 12 and 13).

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk of comprises. of foreign currency risk, interest rate risk,

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

## 17 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

**Interest rate risk management**

The company's exposure to the risk of changes in market interest rates relates primarily to the company's term debt obligations with floating interest rates.

As part of the process of managing the company's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Full details of interest rates relating to borrowings are detailed in note 12 to 14.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's profit before tax (through the impact on floating rate borrowings). There is no impact on the company's equity.

	Movement in basis points	Effect on profit before tax R
2011	+100	4 286 987
	-100	(4 286 987)
2010	+100	4 326 820
	-100	(4 326 820)

**Foreign currency risk**

Included in trade receivables are the following uncovered amounts at 30 June 2011 which are denominated in foreign currencies.

**Foreign currency denominated items**

There are no substantial unmatched or uncovered non-Rand financial assets or liabilities except for cash payable in Euro, amounting to € Nil (2010: € 12 600). All balances denominated in foreign currency have been converted at year end spot rates.

The underlying currency of the company's cash flows is Rands. The management policy is to minimise economic and material transactional exposure from currency movements against the Rand. This is achieved by transacting primarily in Rands and by entering into forward exchange contracts for purchases in currencies other than Rands.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the company's profit before tax.

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
Increase (decrease) in Euro rate	3%	3%	-3%	-3%
Resultant decrease in unrealised losses Euro	-	(3,402)	-	3,402



**BOSCHENDAL (PROPRIETARY) LIMITED****NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)****17 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)****Capital Risk Management**

The Subordinated Shareholders loans are looked upon as equity. The primary objective of Boschendal's Capital Management is to ensure that it maintains healthy ratio's between Shareholders Equity (subordinated Shareholders Loans) and conventional third party bank debt.

On the acquisition of Boschendal the ratio of equity to bank debt was one to one. As the development progressed and planning permission looked hopeful, the ratio between bank debt to Shareholders' loans increased, which helps increase the return to the Shareholders.

During the current year the ratio has increased 61% equity and 39% bank debt (2010: 57% equity and 43% bank debt). On receipt of planning permission on the Founders' Estates, additional facilities will be obtained to fund infrastructure and operating costs until revenue is received from the sale of the Founders' Estates.

No changes were made in the capital management during the year.

It is projected that with the next round of funding with Nedbank that they may ask Shareholders to increase their loan funding to balance out the further funding provided by the bank, by approximately R50m.

Transfers and changes to share capital are subject to reserve bank approval.

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

## 17 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

GROUP	Weighted average interest rate %	On demand R	Less than 1 month R	1 to 3 months R	3 months to 1 year R	Greater than 1 year R	Total R
<b>2011</b>							
Non-interest bearing liabilities							
- Trade and other payables	0%	1 746 037	4 580 243	-	-	-	6 326 280
- Shareholders' loans	0%	-	-	-	-	120 000 000	120 000 000
Interest bearing liabilities							
- Interest bearing loan	8.5%	-	-	-	171 470 621	-	171 470 621
- Shareholders' loan	8%	-	-	-	-	308 645 121	308 645 121
		1 746 037	4 580 243	-	171 470 621	428 645 121	606 442 022
<b>2010</b>							
Non-interest bearing liabilities							
- Trade and other payables	0%	2 578 628	5 651 478	-	-	-	8 230 106
- Shareholders' loans	0%	-	-	-	-	120 000 000	120 000 000
Interest bearing liabilities							
- Interest bearing loan	9.5%	-	-	-	-	171 440 349	171 440 349
- Shareholders' loan	9%	-	-	-	-	251 599 287	251 599 287
- Lease liabilities	10.29%	-	7 714	23 142	26 722	-	57 578
		2 578 628	5 659 192	23 142	26 722	543 039 636	551 327 320

**BOSCHENDAL (PROPRIETARY) LIMITED**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)**

**17 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)**

<b>COMPANY</b>	<b>Weighted average interest rate %</b>	<b>On demand R</b>	<b>Less than 1 month R</b>	<b>1 to 3 months R</b>	<b>3 months to 1 year R</b>	<b>Greater than 1 year R</b>	<b>Total R</b>
<b>2011</b>							
Non-interest bearing liabilities							
- Trade and other payables	0%	1 746 037	4 521 414	-	-	-	6 267 451
- Shareholders' loans	0%	-	-	-	-	120 000 000	120 000 000
Interest bearing liabilities							
- Interest bearing loan	8.5%	-	-	-	171 470 621	-	171 470 621
- Shareholders' loan	9%	-	-	-	-	308 645 121	308 645 121
		<b>1 746 037</b>	<b>4 521 414</b>	<b>-</b>	<b>171 470 621</b>	<b>428 645 121</b>	<b>606 383 193</b>
<b>2010</b>							
Non-interest bearing liabilities							
- Trade and other payables	0%	2 578 628	5 651 478	-	-	-	8 230 106
- Shareholders' loans	0%	-	-	-	-	120 000 000	120 000 000
Interest bearing liabilities							
- Interest bearing loan	9.5%	-	-	-	-	171 440 349	171 440 349
- Shareholders' loan	9%	-	-	-	-	251 599 287	251 599 287
- Lease liabilities	10.29%	-	7 714	23 142	26 722	-	57 578
		<b>2 578 628</b>	<b>5 659 192</b>	<b>23 142</b>	<b>26 722</b>	<b>543 039 636</b>	<b>551 327 320</b>

**BOSCHENDAL (PROPRIETARY) LIMITED**
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)**
**18 RELATED PARTIES**

The following is a list of related parties with which there were transactions and balances:

Related party	Nature of relationship		
G Johnson	Director		
C Nissen	Director		
P Gray	Director		
L Maxwell	Director		
IFA Boschendal Investments (Pty) Ltd	Shareholder		
JCI Investment Finance (Pty) Ltd	Shareholder		
Boschendal Winery (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 2 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 3 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 4 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 5 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 6 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 7 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 8 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 9 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 10 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 11 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 12 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 13 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 14 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 15 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 16 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 17 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 18 (Pty) Ltd	Subsidiary company in group		
Boschendal Founders Estate 19 (Pty) Ltd	Subsidiary company in group		
<b>Transactions:</b>		<b>2011</b>	<b>2010</b>
		<b>R</b>	<b>R</b>
IFA Boschendal Investments (Pty) Ltd	Finance cost	7 666 232	6 396 407
JCI Investment Finance (Pty) Ltd	Finance cost	15 161 182	12 556 164
<b>Balances:</b>			
C Nissen	Accounts receivable	11 460	5 157
G Johnson	Accounts receivable	4 780	-
P Gray	Accounts receivable	1 510	-
L Maxwell	Accounts receivable	2 802	-
JCI Investment Finance (Pty) Ltd	Accounts receivable	645	65 238
ICI Investment Finance (Pty) Ltd	Accounts payable	10 356	-
JCI Investment Finance (Pty) Ltd	Shareholders loan	279 005 243	235 208 349
IFA Boschendal Investments (Pty) Ltd	Accounts receivable	14 404	-
IFA Boschendal Investments (Pty) Ltd	Accounts payable	669 750	669 850
IFA Boschendal Investments (Pty) Ltd	Shareholders loan	149 639 878	136 391 048
Boschendal Winery (Pty) Ltd	Loan receivable	37 494	-
Boschendal Winery (Pty) Ltd	Loan payable	-	1 028 273
Boschendal Founders Estate 2 (Pty) Ltd	Loan receivable	15 882 798	13 541 894
Boschendal Founders Estate 3 (Pty) Ltd	Loan receivable	16 086 411	19 000 500
Boschendal Founders Estate 4 (Pty) Ltd	Loan receivable	6 517 243	6 500 500
Boschendal Founders Estate 5 (Pty) Ltd	Loan receivable	16 086 411	17 100 000
Boschendal Founders Estate 6 (Pty) Ltd	Loan receivable	14 661 122	16 200 000
Boschendal Founders Estate 7 (Pty) Ltd	Loan receivable	15 882 798	19 000 500
Boschendal Founders Estate 8 (Pty) Ltd	Loan receivable	14 661 122	17 100 000
Boschendal Founders Estate 9 (Pty) Ltd	Loan receivable	11 403 317	12 600 000
Boschendal Founders Estate 10 (Pty) Ltd	Loan receivable	16 538 500	16 200 000
Boschendal Founders Estate 11 (Pty) Ltd	Loan receivable	16 538 501	21 600 000
Boschendal Founders Estate 12 (Pty) Ltd	Loan receivable	17 326 000	17 100 000
Boschendal Founders Estate 13 (Pty) Ltd	Loan receivable	16 538 500	17 000 500
Boschendal Founders Estate 14 (Pty) Ltd	Loan receivable	14 661 122	13 500 000
Boschendal Founders Estate 15 (Pty) Ltd	Loan receivable	16 538 500	18 000 000
Boschendal Founders Estate 18 (Pty) Ltd	Loan receivable	12 217 768	13 500 000
Boschendal Founders Estate 19 (Pty) Ltd	Loan receivable	14 661 122	13 500 000

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

## 18 RELATED PARTIES (CONTINUED)

## Key Management Personnel:

Compensation paid to key management personnel:

COMPANY	
2011	2010
R	R
4 590 069	3 848 386

Key management personnel did not receive any post-employment benefits, other long term benefits or termination benefits during the year.

	GROUP		COMPANY	
	2011	2010	2011	2010
	R	R	R	R
<b>19 NOTES TO THE STATEMENT OF CASH FLOWS</b>				
<b>19.1 Cash utilised by operations</b>				
Loss before taxation	(177 301 657)	(21 575 284)	(193 268 379)	5 468 976
Adjustments:				
Interest received	(5 315 242)	(975 668)	(5 314 624)	(975 668)
Profit on sale of plant and equipment	-	(25 699 525)	-	(25 699 525)
Uprooting of biological assets	-	98 445	-	98 445
Finance costs	31 305 610	31 443 001	39 815 396	40 834 469
Depreciation of property, plant and equipment	930 925	2 303 862	930 925	2 303 862
Impairment of land and of property, plant and equipment	133 236 029	-	133 236 029	-
Impairment in loans to subsidiaries	-	-	15 470 488	(8 863 119)
Impairment of biological assets	-	62 358	-	62 358
Movement in provisions	(968 412)	8 074 084	(9 092 869)	(6 353 863)
	<u>(18 112 747)</u>	<u>(6 268 728)</u>	<u>(18 223 034)</u>	<u>6 875 935</u>
<b>19.2 Movement in working capital</b>				
(Increase)/decrease in inventory	(8 482 769)	4 076 111	27 017	30 200
Increase in trade and other receivables	(5 041 885)	(54 350 322)	(5 073 612)	(54 057 606)
(Decrease)/increase in trade and other payables	(1 903 826)	1 196 879	(1 962 655)	1 196 879
	<u>(15 428 480)</u>	<u>(49 097 332)</u>	<u>(7 009 250)</u>	<u>(52 830 527)</u>
<b>19.3 Cash and cash equivalents</b>				
Cash on call	1 156	1 152	1 156	1 152
Cash in current account	1 486 581	11 569 440	1 485 949	11 569 440
Cash on hand	11 329	14 224	11 329	14 224
	<u>1 499 066</u>	<u>11 584 816</u>	<u>1 498 434</u>	<u>11 584 816</u>

## 20 RETIREMENT BENEFIT PLAN

18 salaried employees contribute to the Provident Fund and 47 wage earners contribute to the Provident Fund. The funds are defined contribution funds governed by the Pension Funds Act of 1956. Contributions during the period amounted to:

	GROUP		COMPANY	
	2011	2010	2011	2010
	R	R	R	R
Provident fund	579 402	65 171	579 402	65 171
Pension fund	-	316 987	-	316 987

**BOSCHENDAL (PROPRIETARY) LIMITED****NOTES TO THE ANNUAL FINANCIALS STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2011 R</b>	<b>2010 R</b>	<b>2011 R</b>	<b>2010 R</b>
<b>21</b>				
<b>COMMITMENTS AND CONTINGENCIES</b>				
<b>Operating lease commitments</b>				
The company has entered into commercial leases on photocopiers which expire within the next 60 months.				
Future minimum rentals payable under non-cancellable operating leases as at June 30 are as follows:				
Within one year	168 048	311 400	168 048	311 400
After one year but not more than five years	143 352	143 352	143 352	143 352
	24 696	168 048	24 696	168 048

**22** **SUBSIDIARY COMPANIES NOT CONSOLIDATED**

The following companies have not been consolidated because they are dormant and there has been no activity in the companies since incorporation:

<b>Company</b>	<b>Date of Incorporation</b>	<b>Percentage Shareholding</b>
Boschendal Agricultural Company Ltd	July 21 2004	94%
Boschendal Property Management Services (Pty) Ltd	July 16 2004	100%
Rhodes Cottage (Pty) Ltd	July 30 2004	100%
Boschendal Wines (Pty) Ltd	July 26 2004	100%
Boschendal Agricultural Land Company (Pty) Ltd	June 2 2005	100%
Boschendal Hotel Developments (Pty) Ltd	March 16 2005	100%
Boschendal Estate Founders' Estates Property Owners' Association (Association incorporated under Section 21)	April 29 2009	100%
Boschendal Estate Master Property Owners' Association (Association incorporated under Section 21)	April 15 2009	100%

## BOSCHENDAL (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIALS STATEMENTS  
AT 30 JUNE 2011 (CONTINUED)

## 23 INVESTMENTS IN AND LOANS TO/(FROM) SUBSIDIARIES

2011

Names	Shareholding	Loan balance before impairment R	Accumulated impairment R	Loan balance after impairment R
Boschendal Winery (Pty) Ltd	100%	37 494	-	37 494
Boschendal Founders Estate 2 (Pty) Ltd	100%	28 017 956	12 135 158	15 882 798
Boschendal Founders Estate 3 (Pty) Ltd	100%	19 020 157	2 933 746	16 086 411
Boschendal Founders Estate 4 (Pty) Ltd	100%	6 517 243	-	6 517 243
Boschendal Founders Estate 5 (Pty) Ltd	100%	22 017 161	5 930 750	16 086 411
Boschendal Founders Estate 6 (Pty) Ltd	100%	17 017 523	2 356 401	14 661 122
Boschendal Founders Estate 7 (Pty) Ltd	100%	19 018 418	3 135 620	15 882 798
Boschendal Founders Estate 8 (Pty) Ltd	100%	20 016 965	5 355 843	14 661 122
Boschendal Founders Estate 9 (Pty) Ltd	100%	22 017 317	10 614 000	11 403 317
Boschendal Founders Estate 10 (Pty) Ltd	100%	23 017 851	6 479 351	16 538 500
Boschendal Founders Estate 11 (Pty) Ltd	100%	25 020 186	8 481 686	16 538 501
Boschendal Founders Estate 12 (Pty) Ltd	100%	22 016 117	4 690 117	17 326 000
Boschendal Founders Estate 13 (Pty) Ltd	100%	17 016 365	477 865	16 538 500
Boschendal Founders Estate 14 (Pty) Ltd	100%	16 015 226	1 354 104	14 661 122
Boschendal Founders Estate 15 (Pty) Ltd	100%	19 015 160	2 476 660	16 538 500
Boschendal Founders Estate 16 (Pty) Ltd	100%	-	-	-
Boschendal Founders Estate 17 (Pty) Ltd	100%	-	-	-
Boschendal Founders Estate 18 (Pty) Ltd	100%	20 016 846	7 799 078	12 217 768
Boschendal Founders Estate 19 (Pty) Ltd	100%	20 017 231	5 356 109	14 661 122
Boschendal Founders Estate Body of Persons	100%	71 227	-	71 227
		<u>315 886 443</u>	<u>79 576 488</u>	<u>236 309 955</u>

2010

Boschendal Winery (Pty) Ltd	100%	(1 028 273)	-	(1 028 273)
Boschendal Founders Estate 2 (Pty) Ltd	100%	28 042 394	14 500 500	13 541 894
Boschendal Founders Estate 3 (Pty) Ltd	100%	19 000 500	-	19 000 500
Boschendal Founders Estate 4 (Pty) Ltd	100%	6 500 500	-	6 500 500
Boschendal Founders Estate 5 (Pty) Ltd	100%	22 000 500	4 900 500	17 100 000
Boschendal Founders Estate 6 (Pty) Ltd	100%	17 000 500	800 500	16 200 000
Boschendal Founders Estate 7 (Pty) Ltd	100%	19 000 500	-	19 000 500
Boschendal Founders Estate 8 (Pty) Ltd	100%	20 000 500	2 900 500	17 100 000
Boschendal Founders Estate 9 (Pty) Ltd	100%	22 000 500	9 400 500	12 600 000
Boschendal Founders Estate 10 (Pty) Ltd	100%	23 000 500	6 800 500	16 200 000
Boschendal Founders Estate 11 (Pty) Ltd	100%	25 000 500	3 400 500	21 600 000
Boschendal Founders Estate 12 (Pty) Ltd	100%	22 000 500	4 900 500	17 100 000
Boschendal Founders Estate 13 (Pty) Ltd	100%	17 000 500	-	17 000 500
Boschendal Founders Estate 14 (Pty) Ltd	100%	16 000 500	2 500 500	13 500 000
Boschendal Founders Estate 15 (Pty) Ltd	100%	19 000 500	1 000 500	18 000 000
Boschendal Founders Estate 16 (Pty) Ltd	100%	-	-	-
Boschendal Founders Estate 17 (Pty) Ltd	100%	-	-	-
Boschendal Founders Estate 18 (Pty) Ltd	100%	20 000 500	6 500 500	13 500 000
Boschendal Founders Estate 19 (Pty) Ltd	100%	20 000 500	6 500 500	13 500 000
Boschendal Founders Estate Body of Persons	100%	-	-	-
		<u>314 521 621</u>	<u>64 106 000</u>	<u>250 415 621</u>