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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In accordance with Companies Act requirements, the directors are responsible for the preparation of annual financial statements which conform with South African Statements of Generally Accepted Accounting Practice and which fairly present the state of affairs of the company and the group as at the end of the financial year, and the net income and cash flows for that period. The directors are also responsible for the other information included in the annual report and for both its accuracy and its consistency with the financial statements.

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

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

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

The financial statements which appear on pages 38 to 76 were approved by the board of directors on 15 September 2004 and are signed on its behalf by:



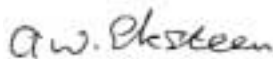
D de Wet
Chairman



WJ Barnard
Chief Executive Officer

DECLARATION BY THE COMPANY SECRETARY

I, Albertus Wynand Eksteen, company secretary of KWV Limited, hereby certify that the company has, for the year under review, lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 1973, and that all such returns are true, correct and up to date.



AW Eksteen
Company Secretary

REPORT OF THE INDEPENDENT AUDITORS

to the members KVV Limited

We have audited the annual financial statements of the company and group that are set out on pages 38 to 76 for the year ended 30 June 2004. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

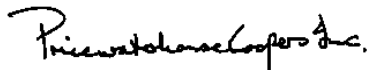
We conducted our audit in accordance with statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and group at 30 June 2004 and the results of their operations and cash flow for the year then ended in conformity with South African Standards for Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.



PricewaterhouseCoopers Incorporated
Registered Accountants and Auditors
Chartered Accountants (SA)

PO Box 215
Paarl
7620
15 September 2004

DIRECTORS' REPORT

INTRODUCTION

The structure of the KVV group as at 30 June 2004 is set out on page 10.

NATURE OF ACTIVITIES

The primary activities of KVV Limited and its subsidiaries are as follows:

- Purchase of wine, distilling wine and grape juice for processing and maturation, which products are eventually sold in the form of wine, concentrate and particularly brandy and other distillates
- Marketing of trademark products of the vine
- Making and managing investments in associated businesses

SUBSIDIARIES AND ASSOCIATES

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

FINANCIAL RESULTS

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

The company's interest in the total income of its subsidiaries and associates, after taxation and outside shareholders' interest:

	2004 R'000	2003 R'000
Results of the holding company, before dividends from group companies	33 415	29 459
Profits from subsidiaries	10 549	92 344
Losses of subsidiaries	(39 695)	(2 778)
Attributable profits of associates	66 179	58 748
Net profit of the group	<u>70 448</u>	<u>177 773</u>

DIVIDEND

A special dividend of 23 cents per ordinary A class share was declared by the directors on 23 June 2004.

Last day to trade "cum" dividend	Friday	15 October 2004
Trading "ex" dividend commences	Monday	18 October 2004
Dividend payment date	Friday	12 November 2004

An ordinary dividend (dividend number 5) of 3,5 cents (2003: 5 cents) per ordinary class A share is declared for the year under review.

Last day to trade "cum" dividend	Friday	15 October 2004
Trading "ex" dividend commences	Monday	18 October 2004
Dividend payment date	Monday	12 November 2004

POST-BALANCE SHEET EVENTS

The black economic empowerment transaction referred to in the chairman and chief executive officer's overview has, since 30 June 2004, been successfully implemented. In terms of this transaction, Phetogo Investments (Proprietary) Limited and the KWV Employee Empowerment Trust have acquired a 25,1% interest in the issued share capital of the company. As part of the transaction, the company has granted an interest-free loan of R42,1 million to the KWV Employee Empowerment Trust, which is repayable over ten years. In terms of General Accepted Accounting Practice, statement AC 133, this loan must be stated at amortised cost. The effect of the adjustment to amortised cost on the attributable earnings of the company for the year ended 30 June 2005 will amount to approximately R16 million.

DIRECTORS

In terms of the requirements of Article 12.3 of the company, Messrs D de Wet, AEvZ Botha and Dr DC Cronjé will retire at the next annual general meeting. Messrs D de Wet and AEvZ Botha are eligible and offer themselves for re-election.

The complete board of directors as at 15 September 2004 is set out on page 12.

SHAREHOLDING ANALYSIS

Disclosure by the directors indicate that at 30 June 2004 the interest of directors and those of their families amounted to 1,4% (2003: 0,7%) of the share capital of the company. (See analysis of shareholders on page 22.)

CONTINGENT LIABILITIES

Details of contingent liabilities are fully disclosed in note 25 of the financial statements.

BALANCE SHEET

at 30 June 2004

	Notes	GROUP		COMPANY	
		2004 R'000	2003 R'000	2004 R'000	2003 R'000
ASSETS					
Non-current assets		1 165 572	1 339 854	163 207	419 928
Property, plant and equipment	3	343 576	338 016	-	-
Investments in subsidiaries	4	-	-	128 541	122 196
Investments in associates	5	803 587	729 316	34 175	34 175
Other financial assets	6	526	266 684	491	263 557
Deferred taxation	13	17 883	5 838	-	-
Current assets		1 471 397	990 342	302 621	297
Inventory	7	847 668	768 354	-	-
Receivables	8	308 467	199 640	2 653	-
Taxation receivable		169	5 921	1	-
Forward exchange contracts		3 659	2 583	-	-
Short-term portion of long-term investments	6	299 637	-	299 637	-
Cash and cash equivalents		11 797	13 844	330	297
Total assets		2 636 969	2 330 196	465 828	420 225
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	9	11	11	11	11
Share premium		6 245	1 217	7 000	1 500
Reserves		1 054 788	1 110 451	348 033	413 824
Ordinary shareholders' interest		1 061 044	1 111 679	355 044	415 335
Minority interest		342 639	316 796	-	-
Non-current liabilities		234 020	567 824	7 304	4 296
Long-term borrowings	10	-	312 704	-	-
South African Wine Industry Trust	11	117 676	143 095	-	-
Long-term provisions	12	3 666	7 016	-	-
Deferred taxation	13	112 678	105 009	7 304	4 296
Current liabilities		999 266	333 897	103 480	594
Short-term portion of long-term borrowings	10	316 007	-	-	-
Short-term borrowings	14	337 166	135 403	-	-
Trade and other payables	15	226 980	182 607	458	585
Dividends payable		103 022	-	103 022	-
Short-term provisions	16	686	2 927	-	-
Forward exchange contracts		159	1 538	-	-
Taxation payable		15 246	11 422	-	9
Total equity and liabilities		2 636 969	2 330 196	465 828	420 225

INCOME STATEMENT

for the year ended 30 June 2004

	Notes	GROUP		COMPANY	
		2004 R'000	2003 R'000	2004 R'000	2003 R'000
Revenue	17	1 036 372	1 028 917	-	-
Operating profit	18	64 723	142 528	19 871	17 270
Dividend income	19	16 618	14 846	42 630	42 745
Net interest	20	(74 564)	(75 757)	49	52
Amortisation of goodwill: subsidiary		-	(269)	-	-
Income from associates		113 606	100 457	-	-
- share in retained earnings		67 777	41 822	-	-
- dilution of interest		(1 697)	-	-	-
- share in exceptional items		-	14 629	-	-
- dividends received	19	47 526	44 006	-	-
Profit before taxation		120 383	181 805	62 550	60 067
Taxation	21	(2 142)	35 417	(3 023)	(2 610)
Profit after taxation		118 241	217 222	59 527	57 457
Minority interest		(47 793)	(39 449)	-	-
Net profit attributable to ordinary class A shareholders		70 448	177 773	59 527	57 457
Number of ordinary class A shares ('000)	22				
- issued		446 413	436 357		
- used in calculation of earnings per share		440 804	434 864		
- used in calculation of diluted earnings per share		447 655	443 379		
		Cents	Cents		
Earnings per share	23				
- Attributable earnings		16,0	40,9		
- Headline earnings		15,2	31,1		
- Adjusted headline earnings		17,9	25,4		
Diluted earnings per share	23				
- Attributable earnings		15,7	40,1		
- Headline earnings		14,9	30,5		
- Adjusted headline earnings		17,6	24,9		
Dividend per share					
- Special dividend (previously declared)		23,0	-		
- Ordinary dividend (declared after year end)		3,5	5,0		

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2004

Notes	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
Share capital				
Balance at beginning of the year	11	50	11	50
Class A shares issued	-	1	-	1
Class B shares repurchased	-	(40)	-	(40)
Balance at end of the year	11	11	11	11
Share premium				
Balance at beginning of the year	1 217	-	1 500	-
Class A shares issued	5 500	1 500	5 500	1 500
Treasury shares held by the KWV Share Incentive Trust	(472)	(283)	-	-
Balance at end of the year	6 245	1 217	7 000	1 500
Retained earnings				
Balance at beginning of the year	735 026	599 791	413 824	364 200
Net profit attributable to ordinary class A shareholders				
- As shown previously	-	180 667		
- Change in accounting policy of associate 2.1	-	(2 894)		
- As per income statement	70 448	177 773	59 527	57 457
Increase in investment in associate	1 631			
Change in accounting policy: AC 133	-	(396)		
Equity accounted earnings transferred to equity reserve	(40 023)	(34 327)	-	-
Dividends - ordinary dividend	(22 058)	(7 815)	(22 296)	(7 833)
- special dividend	(103 022)	-	(103 022)	-
Balance at end of the year	642 002	735 026	348 033	413 824
Equity reserve				
Balance at beginning of the year (previously reported)	-	326 087		
Change in accounting policy of associate 2.1	-	10 792		
Balance at beginning of the year (restated)	372 077	336 879		
Transfer of equity accounted earnings from retained earnings	40 023	34 327		
Changes in reserves of associates	344	871		
Balance at end of the year	412 444	372 077		
Non-distributable reserves				
Currency translation reserve				
Balance at beginning of the year	1 648	37 284		
Realisation with liquidation of subsidiary	-	(29 582)		
Deferred taxation on loan to foreign entity	1 124	1 740		
Movement during the year	(4 130)	(7 794)		
Balance at end of the year	(1 358)	1 648		
Currency gain on disposal of investment (at beginning and end of the year)	1 700	1 700		
Equity at end of the year	1 061 044	1 111 679	355 044	415 335

CASH FLOW STATEMENT

for the year ended 30 June 2004

	Notes	GROUP		COMPANY	
		2004 R'000	2003 R'000	2004 R'000	2003 R'000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash from operations before changes in working capital	29	88 004	150 841	(184)	(23)
Changes in working capital	30	(168 922)	(68 752)	(2 780)	290
Cash (utilised in)/generated from operations		(80 918)	82 089	(2 964)	267
Net interest	31	(58 536)	(35 470)	49	52
Dividends received		47 628	44 107	26 114	28 000
Dividends paid	32	(43 252)	(28 743)	(22 296)	(7 833)
Taxation refunded/(paid)	33	2 296	27 500	(25)	(6)
Payments to the South African Wine Industry Trust		(34 727)	(30 876)	-	-
Net cash (outflow)/inflow from operating activities		(167 509)	58 607	878	20 480
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of fixed assets					
Replacement of fixed assets		(20 246)	(25 347)		
Additions to fixed assets		(28 516)	(47 659)		
		(48 762)	(73 006)		
Proceeds on disposal of fixed assets		5 675	4 284	-	-
Proceeds on disposal of investments/ (investments acquired)		1 880	(410)	-	(420)
Loans (to)/repaid by associates		-	(3 724)	-	2 500
Acquisition of additional interest in associate		(2 650)	-	-	-
Acquisition of additional interest in subsidiary		-	(2 145)	-	(2 145)
Loans to subsidiaries		-	-	(6 345)	(21 836)
Net cash outflow from investing activities		(43 857)	(75 001)	(6 345)	(21 901)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from shares issued		4 431	1 217	5 500	1 500
Repurchase of class B shares		-	(39)	-	(39)
Net cash inflow from financing activities		4 431	1 178	5 500	1 461
Net (decrease)/increase in cash and cash equivalents		(206 935)	(15 216)	33	40
Translation of foreign currency opening balances		3 125	8 657	-	-
Cash and cash equivalents at beginning of the year		(121 559)	(115 000)	297	257
Cash and cash equivalents at end of the year	34	(325 369)	(121 559)	330	297

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

1. ACCOUNTING POLICIES

The annual financial statements are prepared mainly on the historical cost basis in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act. The principal accounting policies, which are, except as stated in note 2, consistent in all material respects with those of the previous financial year, are as follows:

1.1 BASIS OF CONSOLIDATION

Subsidiaries

All companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over operations, are included in the consolidated financial statements in the accepted manner.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date on which effective control was obtained until the date on which effective control ceased.

Intercompany transactions, balances and unrealised profits and losses are eliminated fully on consolidation.

The difference between the fair value of the consideration paid and the fair value of the net tangible assets of subsidiaries at the date of acquisition is charged to goodwill arising on consolidation. This goodwill is amortised over appropriate periods, not exceeding 20 years.

Foreign entities

Foreign subsidiaries are classified as foreign entities for the purposes of translating their financial statements to South African rands. Items are translated as follows:

- Assets and liabilities at exchange rates ruling at the end of the financial period
- Income statement items at weighted average exchange rates for the period

Differences arising on conversion are transferred directly to non-distributable reserves.

La Concorde Wines BV is classified as an integrated activity and the financial statements are translated as follows:

- Non-monetary assets and liabilities at historical exchange rates
- Monetary assets and liabilities at exchange rates ruling at the end of the financial period
- Income statement items at weighted average exchange rates for the period

Differences arising on conversion are accounted for in the income statement.

Associates

Associates are those investments in which the group has a long-term interest, and over which it has the ability to exercise significant influence, but over which it does not have control. The group's share of associates' results after acquisition is accounted for according to the equity method. The group's interest in the retained income and reserves of associates is transferred to an equity reserve.

Sales to associates are not eliminated, because all transactions are on an arm's length basis. However, unrealised profits in the closing inventory of associates are eliminated on consolidation.

The difference between the fair value of the consideration paid and the fair value of the investment at the date of acquisition is charged to goodwill arising on consolidation. This goodwill is amortised over appropriate periods, not exceeding 20 years.

In the unconsolidated statements of the holding company investments in associates are carried at cost, adjusted for permanent declines in value.

1.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at depreciated cost. Cost includes all costs directly attributable to bringing the asset into operation for its intended use.

Depreciation of property, plant and equipment (excluding land) is written off according to the straight-line method over the expected useful lives as follows:

	Average useful life (years)
Buildings	25 – 40
Machinery and equipment	15 – 50
Furniture and fittings	3 – 5
Vehicles	4 – 10

Profits and losses on the disposal of property, plant and equipment are set off against income.

1.3 INVESTMENTS

Investments, excluding investments in associates, are classified as available-for-sale. These classifications are re-evaluated on a regular basis. Available-for-sale investments are carried at fair value, as determined by the directors.

1.4 INVENTORY

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

1.5 TRADE RECEIVABLES

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Such provisions are made when there is objective evidence that the group will be unable to collect all amounts due according to the original terms of receivables.

1.6 FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include cash and bank balances, receivables, payables, investments and loans received and granted and forward exchange contracts. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Foreign currency forward contracts are entered into to protect existing assets and liabilities against movements in exchange rates or to hedge future cash flows of high probability. Hedge accounting is not applied and these forward exchange contracts are recognised as disclosed in the accounting policy on foreign exchange.

The fair value of forward exchange contracts is calculated by comparing the rate and term thereof with that of similar contracts on the balance sheet date. The difference in the fair values thus determined are accounted for as assets or liabilities on the balance sheet.

1.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, bank balances and investments in money market instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

1.8 BORROWINGS

Borrowings are recognised initially at the proceeds received. Interest bearing borrowings are subsequently stated at market value or, if it has fixed terms of repayment, at amortised cost.

1.9 SOUTH AFRICAN WINE INDUSTRY TRUST

The present value of the group's liability to the South African Wine Industry Trust was accounted for in the 1999 financial period. The remaining liability is revalued annually at the current RSA153 rate and changes are accounted for as finance costs in the income statement.

1.10 LONG AND SHORT-TERM PROVISIONS

Provisions are made when the group has a current legal or constructive liability as a result of past events, the settlement of which is expected to result in an outflow of economic benefits and when the monetary value of the liability can be reliably estimated. Long-term provisions are those that are not expected to realise within 12 months.

1.11 DEFERRED TAXATION

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Current tax rates are used to determine deferred income tax. Deferred tax assets relating to unused tax losses carried forward are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be set off.

1.12 REVENUE RECOGNITION

Income from sales of products is accounted for when the risk passes to the customer. Interest earned is accrued on a time proportion basis. Dividends are recognised when the right to receive payment is established.

1.13 FOREIGN EXCHANGE

Transactions in foreign currencies are translated into South African rands at the rates of exchange ruling at the transaction date. At year end monetary items are translated at exchange rates on balance sheet date and forward exchange contracts are stated at market value. Translation gains and losses are included in operating profit.

1.14 RESEARCH AND DEVELOPMENT

All research and development expenditure is written off in the financial year in which it is incurred.

1.15 TRADEMARKS

The cost of trademarks and patents which are established and developed by the group itself is written off when incurred.

1.16 RETIREMENT BENEFITS

It is the group's policy to provide retirement benefits for its employees. For this purpose there are three funds with defined contributions, as well as a defined benefit fund, two of which are regulated by the Pension Funds Act of 1956. All the group's employees, except those in Germany, where the government provides for retirement, are members of the funds and contribute to the funds monthly. Employer contributions to the funds are charged against income as incurred. The assets of each scheme are maintained separately and are administered by the trustees.

The defined benefit fund is the Edward Cavendish Limited Pension and Life Assurance Scheme. There are no active members in service since the last active member resigned from the fund on 30 June 2002. The last actuarial valuation of the fund for the purposes of AC 116 was performed by an independently qualified actuary on 1 July 2002.

The group did not make any contributions during the year ended 30 June 2004. Based on actuarial assumptions, it was determined that on 30 June 2004 the fund had a deficit which has been provided for in the current financial year. (Refer to note 12.3.)

1.17 POST-RETIREMENT MEDICAL BENEFITS

The group has no further obligation in respect of post-retirement medical benefits for employees or pensioners.

1.18 FINANCE COSTS

Finance costs are charged against income in the period in which they are incurred.

1.19 DIVIDENDS

Dividends are recorded in the period in which they are approved by the shareholders.

1.20 CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method.

1.21 SEGMENT REPORTING (ANNEXURE C)

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. The KWV group's activities comprise an integrated operation and are regarded as a single primary business segment. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those operating in other economic environments.

1.22 TREASURY SHARES

Shares in the company held by the KWV Share Incentive Trust are classified as treasury shares. These shares are treated as a deduction from the issued number of shares and taken into account in the calculation of the weighted average number of shares. The price at which the shares are issued is deducted from the group's equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

2. CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES

- 2.1 The accounting policy of the group has been changed in order to comply with the new South African Statement of Generally Accepted Accounting Practice ("GAAP") dealing with "Agriculture" (AC 137). This new statement requires that the vineyards and other biological assets of the group be measured at fair value. Fair value was calculated by discounting the expected net cash flows from biological assets over the remaining lives thereof at an appropriate discount rate and adjusting for the fair value of land and other non-biological assets taken into account in determining the net cash flows.

Adopting the new statement did not have any effect on financial results of the current or prior reporting periods attributable to the group's own operations. However, income from associates and the minority interest therein, has been restated following adoption of the new statement by the associate company, Distell Group Limited

The effect of this change in accounting policy by Distell is not material in the current reporting period. Comparative figures for the year ended 30 June 2003 have been restated. The effect of this change on the results of KWV Limited for previous reporting periods is as follows:

	GROUP	
	2004	2003
Income statement		
Share in earnings of associate	–	(5 202)
Minority interest	–	2 308
Net profit attributable to ordinary shareholders	–	(2 894)
Balance sheet: Opening balances		
Investment in associate	14 198	19 400
Minority interest	(6 300)	(8 608)
Equity reserve	7 898	10 792
Earnings per share		
Attributable earnings	– previously reported	41,5
	– restated	40,9
Headline earnings	– previously reported	31,8
	– restated	31,1
Adjusted headline earnings	– previously reported	26,1
	– restated	25,4

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
3. PROPERTY, PLANT AND EQUIPMENT (ANNEXURE B)				
Carrying value at end of the year				
Land and buildings	69 517	77 584		
Machinery and equipment	259 747	244 921		
Furniture and fittings	12 145	11 668		
Vehicles	2 103	2 312		
Plant under construction	64	1 531		
	343 576	338 016		
The registers of land and buildings are available for inspection at the registered offices of the company and its subsidiaries.				
Cost of fixed assets fully depreciated	117 891	102 543		
4. INVESTMENTS IN SUBSIDIARIES (ANNEXURE A)				
Listed				
KWV Investments Limited			32 584	32 584
Unlisted				
KWV Finance (Proprietary) Limited			-	-
KWV Intellectual Properties (Proprietary) Limited			-	-
KWV International (Proprietary) Limited			57 664	57 664
KWV Projects (Proprietary) Limited			-	-
KWV South Africa (Proprietary) Limited			10	10
			90 258	90 258
Loan: KWV South Africa (Proprietary) Limited			38 283	31 938
			128 541	122 196

This loan is unsecured, interest-free and not subject to any specific repayment terms.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
5. INVESTMENT IN ASSOCIATES (ANNEXURE A)				
Equity interests				
Unlisted shares	73 806	68 675	26 675	26 675
Amortisation of premium on acquisition of interest	(20 575)	(20 575)	-	-
Interest in post-acquisition reserves	751 584	670 689	-	-
Unrealised profit in closing inventory of associates	(17 581)	(19 298)	-	-
	787 234	699 491	26 675	26 675
Loans				
Distell Group Limited (Distell)	8 853	8 127	-	-
Ceres Fruit Juices (Proprietary) Limited (CFJ)	7 500	7 500	7 500	7 500
	803 587	715 118	34 175	34 175
Directors' valuation of equity interests	972 220	766 690	90 000	62 602
The loan to Distell is interest-free, unsecured, and repayable in 12 months. It has a nominal value of R9 053 940 and is carried at amortised cost.				
The loan to CFJ is interest-free, unsecured, has no specific terms of repayment and is subordinate to the claims of bank creditors.				
6. OTHER FINANCIAL ASSETS				
Unlisted investments	299 743	266 264	299 708	263 137
- preference shares (redeemable on 10 December 2004)	154 029	137 513	154 029	137 513
- right to acquire shares in subsidiary (executable on 10 December 2004)	145 608	125 553	145 608	125 553
- other	106	3 198	71	71
Loans granted	420	420	420	420
Less: Investments to be realised within 12 months transferred to short-term-investments	(299 637)	-	(299 637)	-
	526	266 684	491	263 557
Directors' valuation - unlisted investments	299 743	266 264	299 708	263 137

The registers of investments are available for inspection at the registered offices of the company and its subsidiaries.

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
7. INVENTORY				
Liquid inventory	818 599	738 037		
Auxiliary material	29 069	30 317		
	847 668	768 354		
Inventory written down to net realisable value	10 439	11 714		
A portion of inventory is encumbered as indicated in note 25.2				
8. RECEIVABLES				
Trade receivables	296 518	178 614	-	-
Other receivables	18 407	26 190	2 653	-
	314 925	204 804	2 653	-
Less: Provision for bad debts	6 458	5 164	-	-
	308 467	199 640	2 653	-
9. SHARE CAPITAL				
Shares authorised				
Ordinary profit-sharing class A shares of 0,0025 cents each 643 388 800 (2003: 643 388 800)	16	16	16	16
Ordinary non-profit-sharing class B shares of 0,0025 cents each 1 556 611 200 (2003: 1 556 611 200)	39	39	39	39
	55	55	55	55
Shares issued				
Ordinary profit-sharing class A shares of 0,0025 cents each				
Issued	447 923 265			
Held by KWV Share Incentive Trust	(1 510 012)			
Net	446 413 253	11	11	11

In terms of a shareholders' resolution, the 195 465 535 (2003: 30 969 830, 15%) unissued ordinary profit-sharing class A shares are under the control of the directors until the forthcoming annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

	2004 R'000	GROUP 2003 R'000
10. LONG-TERM BORROWINGS		
Secured		
Loan bearing interest at a fixed rate of 15,36% per annum, payable six-monthly in arrears and redeemable in full on 10 December 2004.	155 500	155 500
Loan bearing interest at a fixed rate of 14,92% per annum, payable six-monthly in arrears and redeemable in full on 10 December 2004.	160 507	157 204
	316 007	312 704
Less: Repayable within 12 months, included under current liabilities	(316 007)	-
	-	312 704
11. SOUTH AFRICAN WINE INDUSTRY TRUST (SAWIT)		
The company's wholly-owned subsidiary, KWV SA (Pty) Ltd, is committed to payments over a 10-year period (of which 4,5 years remain) to SAWIT for tasks which the trust will perform and from which the company will benefit.		
Gross liability	209 333	247 683
Less: VAT	(19 867)	(23 506)
Cash value of outstanding liability	189 466	224 177
Fair value at beginning of the year	176 642	171 873
Financing costs		
- at opening rate	14 474	19 477
- due to change in estimate	-	5 719
- due to changes in discount rate	(2 475)	11 891
Amount transferred to payables	-	(1 442)
Amount paid during the year	(34 727)	(30 876)
Fair value at end of the year	153 914	176 642
Less: Short-term portion of liability transferred to payables	(36 238)	(33 547)
Long-term portion of liability	117 676	143 095

	2004 R'000	GROUP 2003 R'000
11. SOUTH AFRICAN WINE INDUSTRY TRUST (CONTINUED)		
The short-term portion transferred to payables is the current value of amounts payable within the next twelve months. The cash value of these amounts are:	37 591	34 711
The RSA153 rate of 9,900% (2003: 9,095%) is used to calculate the present value of the liability.		
The outstanding liability is secured by a pledge in favour of SAWIT of a portion of the investment in KWV Investments Limited, with a market value of R435,8 million (2003: R325,4 million).		
12. LONG-TERM PROVISIONS		
12.1 Early retirement of employees		
Fair value at beginning of the year	1 734	1 451
- Increase for provision for retirement benefits	-	283
- Provision written back	(1 734)	-
	-	1 734
12.2 Bonus bank		
Fair value at beginning of the year	8 937	6 087
- Interest capitalised	-	562
- Amount paid during the year	(3 710)	(2 596)
- (Decrease)/increase in provision	(5 227)	4 884
Fair value at end of the year	-	8 937
Less: Short-term portion - included in other payables	-	(3 655)
	-	5 282

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

	2004 R'000	GROUP 2003 R'000
12. LONG-TERM PROVISIONS (CONTINUED)		
12.3 ECS Pension Fund deficit		
Edward Cavendish Limited Pension and Life Assurance Scheme is a defined benefit fund in the United Kingdom and has members only in that country.		
(Refer to notes 1.16 and 25.3)		
The funded status based on the interim valuation of the fund as at 30 June 2004 was as follows:		
Assets	12 106	-
Liabilities	15 772	-
Deficit in scheme	3 666	-
No deferred taxation asset has been raised in respect of this deficit, as the directors are of the opinion that the subsidiary will not make sufficient profits in the foreseeable future to utilise the loss.		
Assumptions		
The assets of the scheme have been taken into account at market value (assuming that the scheme will continue in force) and the liabilities have been calculated using the following principal actuarial assumptions:		
Inflation	3,0%	
Salary increase	0,0%	
Rate of discount	6,0%	
Pension increases		
(pre April 1997 service)	3,0%	
Pension increases		
(post April 1997 service)	3,0%	
Exchange rate (GBP)	R11,2834	
Long-term provisions at end of the year	3 666	7 016

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
13. DEFERRED TAXATION				
Attributable to timing differences:				
Balance at beginning of the year	99 171	103 715	4 296	1 702
- Accounted for against income	(2 927)	(4 351)	3 008	2 594
- Minority interest in unrealised profit in closing inventory of associate	(230)	1 547	-	-
- Exchange rate difference on unrealised profit in closing inventory of group companies	(95)	-	-	-
- Unrealised foreign exchange difference accounted for in equity	(1 124)	(1 740)	-	-
Balance at end of the year	94 795	99 171	7 304	4 296
The balance comprises:				
- Capital allowances	59 761	52 742	-	-
- Unrealised growth in investment since 1 October 2001	7 304	4 296	7 304	4 296
- Inventory revaluation	57 285	66 311	-	-
- Unrealised foreign exchange differences	(2 220)	(805)	-	-
- Lump sum contributions to pension fund	(3 704)	(5 733)	-	-
- Provisions and accruals	(5 910)	(9 088)	-	-
- Unrealised profit in closing inventory of group companies	(7 420)	(8 552)	-	-
- Computed taxation losses	(10 301)	-	-	-
	94 795	99 171	7 304	4 296
The amounts disclosed in the balance sheet are as follows:				
Group companies with net deferred tax assets, and consolidation adjustments	(17 883)	(5 838)		
Group companies with net deferred tax liabilities	112 678	105 009		
	94 795	99 171		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
14. SHORT-TERM BORROWINGS				
Unsecured				
Call borrowings	297 582	130 150		
Bank overdraft	36 446	517		
Euro borrowings	3 138	4 736		
	337 166	135 403		
Call borrowings carry interest at the daily money market rates. The bank overdraft carries interest at prime rate.				
The applicable rates on the euro borrowings are disclosed in note 28.2.				
15. TRADE AND OTHER PAYABLES				
Trade payables	123 271	90 083	-	-
Other payables	67 471	58 977	458	585
Short-term portion of SAWIT liability	36 238	33 547	-	-
	226 980	182 607	458	585
16. SHORT-TERM PROVISIONS				
16.1 Present value of future operating lease payments	151	548		
- Balance at beginning of the year	548	811		
- Payments made	(431)	(384)		
- Financing costs	34	121		
16.2 Supplier claims	535	2 379		
- Balance at beginning of the year	2 379	-		
- (Decrease)/increase in provision	(1 108)	2 379		
- Payments made	(736)	-		
Potential claims for price differences relating to raw material purchased.				
	686	2 927		

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
17. REVENUE				
Gross sales	1 100 585	1 080 894		
Less: Excise duty charged	(64 213)	(51 977)		
	1 036 372	1 028 917		
18. OPERATING PROFIT				
Sales	1 036 372	1 028 917		
Cost of sales	(708 430)	(650 834)		
Gross profit	327 942	378 083		
Other income	47 750	97 040	20 055	17 293
Administrative expenses	(99 578)	(117 070)	(184)	(23)
Promotion, marketing and distribution	(158 698)	(156 440)	-	-
Production management and planning	(30 704)	(42 246)	-	-
Other expenses	(21 989)	(16 839)	-	-
Operating profit	64 723	142 528	19 871	17 270
Operating profit is stated after taking into account the following items:				
Profit/(loss) on disposal of non-current assets				
Property, plant and equipment	4 831	3 200	-	-
Investments	(597)	10	-	-
	4 234	3 210	-	-
Growth in unlisted investment	20 055	17 293	20 055	17 293
Depreciation				
Land and buildings	3 911	5 327		
Machinery and equipment	23 832	21 497		
Furniture and fittings	8 015	8 039		
Vehicles	887	1 057		
	36 645	35 920		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
18. OPERATING PROFIT (CONTINUED)				
Auditors' remuneration				
Audit fees	1 022	912	10	10
Consultation services	1 627	1 131		
- Value management project	-	342		
- Restructuring	1 176	393		
- Taxation	173	233		
- Valuations	278	163		
Internal audit services	245	221		
Accounting services - foreign subsidiaries	-	174		
Secretarial services - foreign subsidiaries	-	18		
	2 894	2 456	10	10
Operating lease contracts				
Land and buildings	774	513		
Equipment	2 924	2 644		
Fees for external services				
Management, technical and administrative services	6 806	7 819		
Staff costs	148 057	159 571		
Included in staff costs are:				
Retirement benefits - employer contributions	12 395	12 622		
Other				
Provisions: notes 12 and 16	(4 369)	6 544		
Net foreign exchange profits	5 579	9 961		
Realisation of currency translation reserve on liquidation of subsidiary	-	29 582		
	Number	Number		
Staff employed at year-end	765	772		

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
19. DIVIDEND INCOME				
Unlisted investments				
- Associates	47 526	44 006	-	-
- Subsidiaries	-	-	-	3 901
- Other	16 618	14 846	16 518	14 747
Listed investments				
- Subsidiary	-	-	26 112	24 097
Gross dividends received	64 144	58 852	42 630	42 745
Dividends received from associates are disclosed separately on the income statement under "Income from associates".				
20. NET INTEREST				
Interest received				
SARS	-	13 738	-	-
Investments and deposits	2 225	1 537	49	52
Loans	-	159	-	-
Other	136	4 598	-	-
	2 361	20 032	49	52
Interest paid				
SAWIT	11 999	37 087		
Borrowings - long term	46 609	47 053		
- short term	18 317	11 649		
	76 925	95 789		
	(74 564)	(75 757)	49	52

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
21. TAXATION				
South African normal taxation				
– Current taxation	(4 444)	(19 650)	(15)	(16)
– Deferred taxation	2 927	301	(3 008)	(2 594)
Change in estimate: SAWIT contributions	–	54 780	–	–
– Current taxation	–	50 673		
– Deferred taxation	–	4 107		
(Under)/overprovision previous years	(528)	45	–	–
– Current taxation	(528)	102		
– Deferred taxation	–	(57)		
Foreign taxation	(97)	(59)	–	–
Taxation for the year	(2 142)	35 417	(3 023)	(2 610)
Reconciliation of the tax rate				
	%	%	%	%
Normal rate for companies	30,00	30,00	30,00	30,00
Adjusted for:				
– Exempt income	(4,14)	(2,45)	(20,45)	(21,35)
– Income from associates	(28,31)	(16,58)	–	–
– Change in estimate	–	(29,29)	–	–
– Realisation of currency translation reserve on liquidation of subsidiary	–	(4,75)	–	–
– Consolidation adjustments	0,79	(0,54)	–	–
– Income of a capital nature	(3,38)	(1,95)	(4,81)	(4,32)
– Disallowed expenditure	4,34	7,31	–	–
– Adjustment for foreign taxation	2,04	(0,24)	–	–
– Over/(under)provision previous years	0,44	(0,02)	–	–
Net reduction	(28,22)	(48,51)	(25,26)	(25,67)
Effective rate	1,78	(18,51)	4,74	4,33

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
21. TAXATION (CONTINUED)				
Gross calculated tax losses available for utilisation against future taxable income	76 524	75 109		
Tax relief calculated at current tax rates	27 936	22 533		
Utilised to reduce deferred taxation	(10 301)	-		
Tax relief available for offset against future taxation	17 635	22 533		
Secondary tax on companies (STC) No provision has been made for STC. STC credits available for utilisation against future dividend payments	191 559	187 155	166 311	162 493

	GROUP	
	2004 Number '000	2003 Number '000
22. EARNINGS PER SHARE		
The calculation of earnings per share is based on net profit attributable to ordinary shareholders divided by the weighted average number of ordinary class A shares issued.		
Ordinary shares		
- Issued at beginning of the year	436 357	433 888
- Issued to the KWV Share Incentive Trust	11 000	3 000
- Treasury shares (still held by the Trust)	(944)	(566)
- Other issues	-	35
- Issued at end of the year	446 413	436 357
Used in the calculation of earnings per share	440 804	434 864
Dilutive effect of share options granted to management	6 851	8 515
Used in the calculation of diluted earnings per share	447 655	443 379

(Refer to note 27.2 for detail of options.)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

	GROUP	
	2004 R'000	2003 R'000
23. HEADLINE EARNINGS		
Net profit attributable to ordinary class A shareholders	70 448	177 773
Adjusted for:		
– Profit on sale of non-current assets	(4 234)	(3 210)
– Dilution of investment in associate	944	–
– Realisation of currency translation reserve on liquidation of subsidiary	–	(29 582)
– Net interest in adjusting items of associate	(325)	(9 688)
Headline earnings	66 833	135 293
Adjusted for:		
– Finance component of SAWIT liability	11 999	37 087
– Taxation adjustment for SAWIT	–	(61 889)
Adjusted headline earnings	78 832	110 491
24. CAPITAL COMMITMENTS		
Incomplete contracts for capital expenditure	–	3 491
Capital expenditure authorised by the board not yet contracted for	37 606	54 106
	37 606	57 597

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

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
25. CONTINGENT LIABILITIES				
25.1 Guarantees				
Employee housing loans	949	1 000	–	–
Interest promissory notes:				
subsidiary company	21 710	65 129	21 710	65 129
Short-term bank loans: subsidiary company	–	–	290 073	78 884
	22 659	66 129	311 783	144 013

The company and its subsidiary, KWV South Africa (Proprietary) Limited, guarantees the payment of the interest promissory notes issued by its subsidiary, KWV Finance (Proprietary) Limited. KWV Limited also provides a general guarantee to various financial institutions in respect of any claims against KWV South Africa (Proprietary) Limited, KWV International (Proprietary) Limited and KWV Finance (Proprietary) Limited.

25. CONTINGENT LIABILITIES (CONTINUED)

25.2 Inventory

Inventory with a book value of R260 893 000 (2003: R291 343 000) is conditionally encumbered pursuant to a defence mechanism which has been implemented in order to protect KWV Limited from a possible unsolicited offer with the object of acquiring control of the company ("the offer").

An option has been granted to VinPro Co-operative Limited (VinPro Co-op) to purchase at book value the balance of the rebate brandy inventory owned by KWV South Africa (Proprietary) Limited (KWV SA) at the date of exercising the option, in the event of the offer to acquire the ordinary shares of KWV Limited at less than 80 percent of the prevailing net asset value of the group.

If the option is exercised and the offer is unsuccessful, the status quo regarding the rebate brandy inventory will be restored.

In the event of the offer being less than 80 percent of the net asset value and the option is exercised, VinPro Co-op has a further option to sell the rebate brandy inventory back to KWV SA at replacement value. In these circumstances KWV SA will be obliged to purchase the inventory with, among others, the following consequences for the company:

- The sale of the inventory outside the normal course of business at less than market value will, for income tax purposes, give rise to a deemed recovery of the difference between the tax value and the market value and a subsequent income tax liability.
- Excise duties with regard to the disposed inventory become payable.
- KWV SA eventually has the same rebate brandy inventory at its disposal but at a cost price equal to the replacement value of the inventory.
- Material financial implications.

The extent and effect of the defence mechanism will be determined by the balance of the rebate brandy inventory available at the time of exercising the option. The defence mechanism will cease upon the earlier of:

- 31 December 2006;
- the date upon which the book value of the remaining inventory falls below 10 percent of the book value of the inventory as at 1 January 2003, which amounted to R306 227 000;
- the date upon which a change in control of KWV Limited takes place other than in the circumstances envisaged in the defence mechanism;
- a listing on any recognised stock exchange takes place in respect of KWV Limited or a majority of its underlying operations;
- the date upon which KWV Limited, KWV SA and/or VinPro Co-op is placed in liquidation or under judicial management of any nature, or VinPro Co-op is dissolved;
- the date upon which VinPro Co-op enters into a compromise or other similar arrangement with its creditors generally.

The existence of the defence mechanism does not in any way prevent KWV SA from disposing of the said inventory during the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

25. CONTINGENT LIABILITIES (CONTINUED)

25.3 Retirement benefits

Pension fund liability (Refer to notes 1.16 and 12.3)

During the previous financial year Edward Cavendish & Sons Ltd, a subsidiary in the United Kingdom, gave notice to trustees of that company's pension scheme of its intention to wind up the scheme and the trustees subsequently notified the members of this intention. However, there is uncertainty as to whether all the legal requirements were complied with in order to formally wind up the scheme.

Following the issue by the United Kingdom government of a draft statutory instrument on 11 June 2003 concerning the winding-up of pension schemes and the deficits that may result, a contingent liability arises where it is necessary to secure fully the benefits of the remaining members of a final salary pension scheme. The cost of purchasing deferred annuities for this purpose has been quantified at £1 765 755. This amount has been determined at the current open-market rates for deferred annuities.

Following the above events the government issued retrospective legislation which impacted the company's decision to wind up the scheme.

Both the company and the trustees are of the opinion that the interests of the members are best served by not winding up the scheme and are currently seeking legal advice in this regard.

The group has already provided for the pension fund deficit on the basis of the minimum funding requirement, but it may have a further liability, if the scheme is found to be in wind-up.

	GROUP	
	2004	2003
	R'000	R'000
Cost of purchasing annuities, if the scheme is wound up.	19 924	-
Market value of scheme assets	(12 106)	-
Pension fund deficit provided for in 2004	(3 666)	-
Contingent liability	4 152	-

25. CONTINGENT LIABILITIES (CONTINUED)

25.4 Income taxation queries

Correspondence has been received from South African Revenue Service (SARS) in which notice is given to companies in the group of their intention to issue revised income tax assessments because SARS is of the opinion that, on the one hand, certain expenses deducted for income tax purposes within the group are of a capital nature and, on the other hand, that the growth in an investment is income in nature as opposed to the group's view that it is capital in nature.

Based on advice from the group's tax and legal advisors the board is convinced that the companies do not have any additional liability for taxation in this respect. Should SARS, however, proceed to issue revised assessments, it is the intention of the board to object thereto and to take the required action in the interests of the companies.

	GROUP	
	2004	2003
	R'000	R'000
26. RELATED-PARTY TRANSACTIONS		
26.1 Associated companies		
During the year the company and its subsidiaries entered into various sales transactions with associates. These transactions occurred under terms no more favourable than those negotiated with third parties.		
Sales to associates	141 631	160 731
Owed by associates at end of the year	97 985	44 209

The above are included with income and receivables in the group financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

26. RELATED-PARTY TRANSACTIONS (CONTINUED)

26.2 Directors' remuneration

	Salaries and fees R'000	Retire- ment contri- butions R'000	Unrealised gain relating to shares granted in terms of share option scheme R'000	Other allow- ances R'000	Total 2004 R'000	Total 2003 R'000
Executive						
WJ Barnard	1 034	157	675	266	2 132	2 023
W Bestbier (from 10 March 2004)	218	31	73	91	413	-
Non-executive	940	-	-	142	1 082	1 106
LN Jonker	86	-	-	14	100	275
AEVZ Botha	45	-	-	18	63	-
D de Wet	158	-	-	67	225	211
JG Carinus	-	-	-	-	-	61
DC Cronjé	76	-	-	-	76	41
AS du Plessis	85	-	-	-	85	45
FA du Plessis	68	-	-	6	74	12
CJ du Toit	66	-	-	2	68	83
WR Hewett	79	-	-	6	85	90
PBB Hugo	79	-	-	12	91	85
PB Retief	66	-	-	11	77	36
JG le Roux	-	-	-	-	-	45
FA Sonn	66	-	-	3	69	34
AV van der Merwe	-	-	-	-	-	52
CH Wiese	66	-	-	3	69	36
Retired directors						
Pensions	-	-	-	68	68	68
Total directors' remuneration	2 192	188	748	567	3 695	3 197
<i>Less: Paid by subsidiaries</i>					(3 695)	(3 197)
					-	-

26. RELATED-PARTY TRANSACTIONS (CONTINUED)

26.2 Directors' remuneration (continued)

Share options allocated to executive directors	Date exercised	Number of shares	Exercise price per share (Rand)	Market value at date exercised per share (Rand)	Shares taken up (paid for)	Market value at payment date per share (Rand)	Unrealised gain (Rand)	Shares not yet paid for
WJ Bamard	2000/05/26	1 500 000	0,50	0,51	1 000 000	1,18	665 000	500 000
	2002/04/03	350 000	0,50	0,51	-	-	-	350 000
	2003/02/08	75 000	0,90	1,20	-	-	-	75 000
		<u>1 925 000</u>			<u>1 000 000</u>		<u>665 000</u>	<u>925 000</u>
W Bestbier	2002/04/03	250 000	0,50	0,51	62 500	1,68	72 813	187 500
	2003/02/08	75 000	0,90	1,20	-	-	-	75 000
		<u>325 000</u>			<u>62 500</u>		<u>72 813</u>	<u>262 500</u>

Market value per share – 30 June 2004

170 cents

COMPANY
2004 2003

27. EQUITY COMPENSATION BENEFITS

27.1 Employee share ownership plan

All loans to employees in terms of the share purchase scheme have been settled during the year. The plan has been terminated and no further transactions can take place.

Shares of employees under control of the trust

Balance at 1 July

Loans repaid by employees and shares bought from employees

Balance at 30 June

Number	Number
8 400	905 850
(8 400)	(897 450)
<u>-</u>	<u>8 400</u>

Fair value of shares held at 30 June

Loans outstanding at 30 June

R'000	R'000
-	8
-	3

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

	2004	COMPANY 2003
27. EQUITY COMPENSATION BENEFITS (CONTINUED)		
27.2 Share option plan		
The group offers vested share options to senior management and key employees. KWV Limited grants unsecured, interest-free loans with no fixed repayment terms to the KWV Share Incentive Trust which enables the Trust to acquire ordinary shares in KWV. These shares carry full dividend and voting rights. The Trust grants option contracts to employees which entitles them to acquire these shares from the Trust at specified prices, during specified intervals in the future.		
27.2.1 Recognition of share options in the financial statements		
No income or expense is recognised when options are issued or exercised.		
The KWV Share Incentive Trust is consolidated in the group financial statements.		
	Number	Number
27.2.2 Shares owned by the Share Incentive Trust		
Balance at 1 July	566 262	314 672
Issued to the trust	11 000 000	3 000 000
Bought from employees	–	109 410
Purchased in the market	500 000	–
Sold to subsidiary companies	–	(17 820)
Sold to employees in terms of their option contracts	(10 556 250)	(2 840 000)
Balance at 30 June	1 510 012	566 262
	R'000	R'000
Fair value of shares	2 567	521
27.2.3 Options held by employees	Number	Number
Outstanding at 1 July	16 267 500	17 042 500
New options allotted	210 000	2 215 000
Shares taken up in terms of option contracts	(10 556 250)	(2 840 000)
Lapsed	(560 000)	(150 000)
Outstanding at 30 June	5 361 250	16 267 500
27.2.4 Options allotted during the period	Rand	Rand
Exercise price per share	0,90	0,90
Total proceeds if shares are issued	189 000	1 993 500
Fair value on day of allotment to employees	189 000	1 993 500

	COMPANY	
	2004	2003
27. EQUITY COMPENSATION BENEFITS (CONTINUED)		
27.2.5 Options excised during the period	Rand	Rand
Excise price per share	0,50	0,50
Total proceeds	5 278 125	1 420 000

27.2.6 Terms of the shares outstanding at 30 June 2004 and the financial years in which they become unconditional in terms of options exercised:

<i>Unconditional during the year ended</i>	Number of shares that can be acquired		
	@ R0,50	@ R0,90	Total
30 June 2001	81 250		81 250
30 June 2002	98 750		98 750
30 June 2003	963 750		963 750
30 June 2004	318 750		318 750
30 June 2005	831 250		831 250
30 June 2006	952 500	476 250	1 428 750
30 June 2007		528 750	528 750
30 June 2008		1 110 000	1 110 000
	3 246 250	2 115 000	5 361 250

Exercise and expiry dates of options

Employees can exercise the first 25% of their options after three years; a further 25% after four years and the remaining 50% after five years. Unexercised options expire seven years after allotment, or when the employee leaves. The contract lapses if an employee does not pay the option price.

28. FINANCIAL INSTRUMENTS

The risks associated with financial instruments have been addressed as set out below.

28.1 Foreign currency management

The group incurs currency risk as a result of purchases and sales which are denominated in foreign currencies. There is a translation risk arising from the consolidation of the results of foreign subsidiaries in South African rands, KVV's reporting currency.

Group policy provides that all transactions of the South African operating subsidiaries are covered by forward exchange contracts as soon as any material foreign currency exposure arises. Forward exchange contracts are also entered into when management considers it appropriate to establish economic hedges for future sales transactions. Forward contracts are not entered into for speculative purposes.

No forward cover is taken in respect of the activities of foreign subsidiaries as these operate in countries that have stable currencies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.2 Interest rate risk management

Details of all borrowings incurred by the group are provided in notes 10 and 14.

The group is mainly exposed to interest rate risk related to movements in long and short-term interest rates. This risk is managed on an ongoing basis.

Borrowings of a subsidiary, amounting to €414 311 (2003: €553 579) are payable as follows:

– €414 311 at varying market-related rates between 7.3% and 7.9%. Repayment is subject to notice varying from one to six months.

28.3 Maturity profile of financial instruments

With the exception of non-current assets and liabilities, more than 90% of the financial instruments held by the group will mature within six months.

28.4 Fair value of financial instruments

The fair values of receivables, payables, borrowings, loans, cash and bank balances are equal to their balance sheet values and are therefore not dealt with under this note. The fair values of investments are given in notes 4 and 5 as the market value and the directors' valuation of the listed and unlisted investments respectively.

28.5 Credit risk management

Trade receivables are disclosed net of a provision for doubtful debts. Credit risk exposure is managed through credit limits placed on trading partners. These limits and exposures are managed on an ongoing basis.

28.6 Liquidity risk management

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

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
29. CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL				
Profit before taxation	120 383	181 805	62 550	60 067
Adjusted for:				
- Income from associates	(113 606)	(100 457)	-	-
- Amortisation of goodwill	-	269	-	-
- Net interest	74 564	75 757	(49)	(52)
- Realisation of currency translation on liquidation of subsidiary	-	(29 582)	-	-
- Dividends received	(16 618)	(14 846)	(42 630)	(42 745)
- Depreciation	36 645	35 920	-	-
- Profit on disposal of non-current assets	(4 234)	(3 210)	-	-
- Fixed assets scrapped	1 048	-	-	-
- Unrealised growth in carrying value of investment	(20 055)	(17 293)	(20 055)	(17 293)
- Inventory written off	23 442	10 481	-	-
- (Decrease)/increase in unrealised profit in closing inventory of associates	(1 717)	11 634	-	-
- Decrease in bonuses paid	(6 962)	(1 973)	-	-
- Other non-cash flow items	(4 886)	2 336	-	-
	88 004	150 841	(184)	(23)
30. CHANGE IN WORKING CAPITAL				
Increase in inventory	(108 774)	(70 514)	-	-
Increase in receivables	(116 107)	(11 766)	(2 653)	-
Increase/(decrease) in payables	55 959	13 528	(127)	290
	(168 922)	(68 752)	(2 780)	290
31. NET INTEREST				
Net interest per income statement	(74 564)	(75 757)	49	52
Adjusted for:				
- Financing component of SAWIT liability	11 999	37 087	-	-
- Other non-cash flow items	4 029	3 200	-	-
	(58 536)	(35 470)	49	52

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2004

	GROUP		COMPANY	
	2004 R'000	2003 R'000	2004 R'000	2003 R'000
32. DIVIDENDS PAID				
Paid to minority shareholders	(21 194)	(20 928)	-	-
Paid to ordinary class A shareholders	(22 058)	(7 815)	(22 296)	(7 833)
	(43 252)	(28 743)	(22 296)	(7 833)
33. TAXATION REFUNDED/(PAID)				
(Payable)/refundable at beginning of the year	(5 501)	(9 610)	(9)	1
Accounted for in the income statement	(2 142)	35 417	(3 023)	(2 610)
Adjustment for deferred taxation	(3 022)	(4 351)	3 008	2 594
Translation of foreign currency taxation liabilities	(2 116)	146	-	-
Interest owed by SARS, included in closing balance	-	397	-	-
Payable/(refundable) at end of the year	15 077	5 501	(1)	9
	2 296	27 500	(25)	(6)
34. COMPOSITION OF CASH AND CASH EQUIVALENTS				
Bank and cash balances	11 797	13 844	330	297
Bank overdrafts	(36 446)	(517)	-	-
Call borrowings	(297 582)	(130 150)	-	-
Short-term euro borrowings	(3 138)	(4 736)	-	-
	(325 369)	(121 559)	330	297

ANNEXURE A: SUBSIDIARY COMPANIES AND ASSOCIATES

at 30 June 2004

	Issued share capital R'000	Effective percentage interest		Company carrying amount	
		2004 %	2003 %	2004 R'000	2003 R'000
INTEREST IN SUBSIDIARY COMPANIES					
KWV South Africa (Pty) Ltd					
– shares	10,0	100,00	100,00	10	10
– loan				38 283	31 938
KWV Finance (Pty) Ltd	0,1	100,00	100,00	–	–
KWV Intellectual Properties (Pty) Ltd	0,1	100,00	100,00	–	–
KWV Projects (Pty) Ltd	0,1	100,00	100,00	–	–
KWV International (Pty) Ltd	0,5	100,00	100,00	57 664	57 664
Edward Cavendish & Sons Ltd (incorporated in the United Kingdom) *		100,00	100,00		
KWV International Holding GmbH (incorporated in Germany) *		100,00	100,00	–	–
Eggers & Franke GmbH & Co. KG (incorporated in Germany) *		74,90	74,90	–	–
La Concorde Wines BV (incorporated in the Netherlands) *		100,00	100,00	–	–
KWV Investments Ltd	42 000	55,63	55,63	32 584	32 584
				128 541	122 196

* Subsidiary of KWV International (Pty) Ltd

GROUP INTEREST IN ASSOCIATES	Percentage interest		Group carrying amount	
	2004 %	2003 %	2004 R'000	2003 R'000
UNLISTED				
Remgro-KWV Investments (Pty) Ltd	50,00	50,00	759 446	683 347
Paarl Valley Bottling (Pty) Ltd	28,00	–	5 083	–
Ceres Fruit Juices (Pty) Ltd	25,00	25,00	39 058	31 771
			803 587	715 118

The only asset of Remgro-KWV Investments (Pty) Ltd is a 59,76% (2003: 60,0%) share in the issued share capital of Distell Group Ltd (Distell). The main business of Distell is the manufacture, distribution and marketing of wine, spirits and alcoholic fruit beverages.

The main business of Ceres Fruit Juices (Pty) Ltd is the production, packaging and distribution of single-strength fruit juices and fruit juice blends.

The main business of Paarl Valley Bottling (Pty) Ltd is the contract bottling of beverages, especially wine.

Some shares in KWV Investments Ltd are pledged in favour of the South African Wine Industry Trust as security for the group's liability to the trust (note 11).

ANNEXURE A: SUBSIDIARY COMPANIES AND ASSOCIATES (CONTINUED)

at 30 June 2004

	2004 R'000	2003 R'000
SUMMARY OF ASSETS AND LIABILITIES OF ASSOCIATES		
at 30 June 2004		
Assets		
Property, plant and equipment	1 373 253	1 303 528
Biological assets	98 939	-
Other financial assets	546 387	313 707
Deferred taxation	-	19 402
Current assets	3 141 425	3 268 619
Total assets	5 160 004	4 905 256
Equity and liabilities		
Share capital and reserves	2 715 254	2 412 142
Minority interest	1 259	799
Long-term borrowings	801 430	439 022
Deferred taxation	42 485	-
Interest-free liabilities	46 905	126 288
Short-term borrowings	362 110	644 003
Current liabilities	1 190 561	1 283 002
Total equity and liabilities	5 160 004	4 905 256
RESULTS OF OPERATIONS		
for the year ended 30 June 2004		
Revenue	6 445 021	5 834 230
Profit before exceptional items and taxation	512 004	427 270
Exceptional items	-	51 462
Profit before taxation	512 004	478 732
Taxation	(132 316)	(121 741)
- normal activities	(132 316)	(119 041)
- exceptional items	-	(2 700)
Minority interest	(390)	(315)
Net profit attributable to ordinary shareholders	379 298	356 676
Contingent liabilities	-	11 216
Capital commitments	142 681	244 186

The group and its associated companies operate in the same market segment and therefore the financial results of associates are grouped together.

The group's financial year-end differs from that of Ceres Fruit Juices (Pty) Ltd (30 September 2004) and Paarl Valley Bottling (Pty) Ltd (31 January 2004). For the purposes of these financial statements the results according to the management accounts to 30 June 2004 were used.

ANNEXURE B: PROPERTY, PLANT AND EQUIPMENT

at 30 June 2004

	Carrying value at 30 Jun 2003 R'000	Additions R'000	GROUP		Exchange rate adjustments R'000	Carrying value at 30 Jun 2004 R'000
			Disposals R'000	Depre- ciation R'000		
Land and buildings	77 584	554	(503)	(3 911)	(4 207)	69 517
Machinery and equipment	244 921	40 186	(1 406)	(23 832)	(122)	259 747
Furniture and fittings	11 668	8 764	(63)	(8 015)	(209)	12 145
Vehicles	2 312	720	(33)	(887)	(9)	2 103
Plant under construction	1 531	(1 462)	-	-	(5)	64
Total	338 016	48 762	(2 005)	(36 645)	(4 552)	343 576

	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Carrying value at 30 June 2004			
Land and buildings	134 877	(65 360)	69 517
Machinery and equipment	461 135	(201 388)	259 747
Furniture and fittings	62 121	(49 976)	12 145
Vehicles	10 040	(7 937)	2 103
Plant under construction	64	-	64
Total	668 237	(324 661)	343 576

	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Carrying value at 30 June 2003			
Land and buildings	145 121	(67 537)	77 584
Machinery and equipment	426 130	(181 209)	244 921
Furniture and fittings	61 446	(49 778)	11 668
Vehicles	9 935	(7 623)	2 312
Plant under construction	1 531	-	1 531
Total	644 163	(306 147)	338 016

ANNEXURE C: SEGMENT REPORT

for the year ended 30 June 2004

Primary reporting format – business segments

The group is engaged in the manufacturing, marketing and distribution of products of the vine. As these activities comprise an integrated operation the group regards this as a single primary business segment. The annual report includes comprehensive reporting on this segment.

Secondary reporting format – geographical segments		2004 R'000	2003 R'000	
Income				
South Africa	41%	424 535	381 068	37%
Europe and United Kingdom	45%	461 868	473 080	46%
Rest of the world	14%	149 969	174 769	17%
		1 036 372	1 028 917	
Assets				
South Africa	86%	1 284 947	1 074 828	82%
Europe and United Kingdom	12%	188 315	206 098	16%
Rest of the world	2%	26 449	25 084	2%
		1 499 711	1 306 010	
Capital expenditure				
South Africa	96%	46 689	70 933	97%
Europe and United Kingdom	4%	2 073	2 073	3%
		48 762	73 006	

Segment income excludes sales between different regions.

Segment assets consist of property, plant and equipment, as well as inventory and receivables.

Capital expenditure consists of property, plant and equipment purchased.

NOTICE TO THE SHAREHOLDERS OF KVV LIMITED

Notice is hereby given that the seventh annual general meeting of the company is to be held in the AJ du Toit building (upstairs lecture hall), Kohler Street, Paarl at 10:00 on Wednesday, 27 October 2004, to:

1. Consider and approve the annual financial statements for the year ended 30 June 2004.
2. Place the unissued shares under the control of the board of directors in terms of a general authority up to and including the date of the next annual general meeting, in terms of section 221(2) of the Companies Act, 1973.
3. Elect directors in the place of Messrs D de Wet and AEVZ Botha who retire in terms of the articles. Messrs de Wet and Botha are eligible for and available for re-election.
4. Authorise the directors in terms of a general authorisation and subject to the provisions of the Companies Act, 1973, up to and including the date of the following annual general meeting, to approve the purchase of any of its securities by the company on the terms and conditions that the directors may from time to time and at any time determine in a particular case or in general.
5. **SPECIAL RESOLUTION NUMBER 1**

"RESOLVED AS A SPECIAL RESOLUTION THAT: the articles of association of the company be and are hereby amended by the inclusion of the following new article 7.13:

"7.13 ODD-LOT OFFERS

If, upon the implementation of any odd-lot offer made by the company in accordance with this article or if the company is listed in terms of the relevant listing requirements, there are members who hold less than 1 000 ordinary shares in the company or members who hold less than 1 000 ordinary shares on behalf of a person who owns the beneficial interest in such shares ("odd-lots"), then unless such members have either elected to retain their odd-lots, to sell their odd-lots or to increase their odd-lots to holdings of 1 000 ordinary shares in accordance with the terms of the odd-lot offer made by the company, such members shall be deemed to have agreed to sell their odd-lot holdings and the directors shall with the approval of any ordinary resolution of members passed at any general meeting of the company, be entitled to cause the odd-lots of such members to be sold on behalf of such members on such basis as the directors may determine and the company shall account to such members for the proceeds attributable to them pursuant to the sale of such odd-lots.

All unclaimed proceeds of such sales may be invested or otherwise made use of by the directors for the benefit of the company until claimed, provided that such proceeds unclaimed for a period of 3 (three) years from the date on which the directors caused the odd-lots to be sold may be declared forfeited by the directors for the benefit of the company."

REASON FOR AND EFFECT OF SPECIAL RESOLUTION NUMBER 1

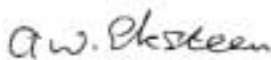
The reason for special resolution number 1 is to provide a mechanism to facilitate the reduction in the number of ordinary registered shareholders holding in aggregate less than 1 000 ordinary shares in the company and the number of holders of beneficial interests holding in aggregate less than 1 000 ordinary shares in the company in an equitable manner by making provision for odd-lot holders who do not accept the odd-lot offer to be deemed to have agreed to sell their odd-lot holdings. It enables the company to reduce the administrative cost substantially. The effect of the special resolution is to amend the company's articles of association accordingly.

6. Transact any other business which may be transacted at an annual general meeting.

A member who is entitled to attend the meeting and vote, is also entitled to nominate a proxy to attend the meeting, speak and vote at an election by ballot. Such a proxy need not be a member of the company.

The enclosed proxy form must reach the registered office of the company at least 48 hours prior to the commencement of the meeting.

By order of the board of directors.



AW Eksteen
Secretary

Southern Paarl
15 September 2004

SHAREHOLDERS' DIARY

Annual general meeting

27 October 2004

Financial reports

– annual report: 30 June 2004

October 2004

– interim report: 31 December 2004

March 2005

ADMINISTRATIVE INFORMATION

AUDITORS

PricewaterhouseCoopers Incorporated
PricewaterhouseCoopers Building
Zomerlust Estate
Berg River Boulevard
Paarl

Telephone: 021 871 1233

BANKERS

Absa Bank Limited
Southern Paarl

SECRETARY

AW Eksteen

Telephone: 021 807 3078

REGISTERED OFFICE

La Concorde
57 Main Street
Paarl
7646
South Africa

POSTAL ADDRESS

PO Box 528
Southern Paarl
7624

COMPANY REGISTRATION NUMBER

1997/020857/06

ENQUIRIES REGARDING TRANSFER OF SHARES

Zubeida Kensley
PSG Online Securities
Telephone: 021 915 0020

PROXY FORM

KWV LIMITED

(Registration number 1997/020857/06)

I _____
 (name in full)

being a member of KWV Limited hereby appoint _____

or failing him the chairman of the board of directors or failing him the chairman of the meeting as my proxy to vote for me and on my behalf at the annual general meeting of the company, to be held on 27 October 2004 and at any adjournment thereof as follows:

	For	Against	Abstain
Resolution (1) Approval of the financial statements			
Resolution (2) Placing of the unissued shares under directors' control			
Resolution (3) Election of directors			
D de Wet _____			
AEVZ Botha _____			

Resolution (4) Buy-back of company shares			
Resolution (5) Amendment to articles of association – odd-lot buy-back			

Unless otherwise instructed above, my proxy may vote as he thinks fit.

Signed this _____ day of _____ 2004

Signature _____

Address _____

NOTE:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and speak and vote whether by a show of hands or on a poll in his stead. A proxy need not be a member of the company.
2. This proxy form, duly signed and completed, must reach the registered office of the company not later than 48 hours before the time set for this meeting.

