

## BALANCE SHEET

	Unaudited		Audited
	31 December	2002	30 June
	2003	2002	2003
	R'000	R'000	R'000
		<i>Restated</i>	<i>Restated</i>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>1 134 391</b>	1 281 020	1 333 554
Property, plant and equipment	<b>342 288</b>	317 215	338 016
Investment in associates	<b>765 944</b>	708 088	723 016
Other investments	<b>17 198</b>	250 308	266 684
Deferred taxation	<b>8 961</b>	5 409	5 838
<b>Current assets</b>	<b>1 303 340</b>	985 231	989 775
Inventory	<b>725 166</b>	660 760	768 354
Accounts receivable	<b>252 606</b>	236 744	199 640
Taxation receivable	<b>5 790</b>	56 352	5 354
Forward exchange contracts	<b>2 141</b>	16 036	2 583
Short-term portion of long-term investments	<b>280 848</b>	–	–
Cash and cash equivalents	<b>36 789</b>	15 339	13 844
<b>Total assets</b>	<b>2 437 731</b>	2 266 251	2 323 329
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary shareholders' interest	<b>1 139 294</b>	1 087 835	1 111 679
Minority interest	<b>337 983</b>	307 615	310 496
<b>Total equity</b>	<b>1 477 277</b>	1 395 450	1 422 175
<b>Non-current liabilities</b>	<b>233 351</b>	567 294	566 090
Long-term borrowings South African Wine Industry Trust	<b>6 271</b>	315 145	317 986
Deferred taxation	<b>122 333</b>	146 407	143 095
	<b>104 747</b>	105 742	105 009
<b>Current liabilities</b>	<b>727 103</b>	303 507	335 064
Short-term portion of long-term borrowings	<b>314 356</b>	–	–
Other short-term borrowings	<b>194 226</b>	129 792	135 403
Accounts payable and provisions	<b>198 466</b>	169 860	187 268
Forward exchange contracts	<b>2 249</b>	1 614	1 538
Taxation payable	<b>17 806</b>	2 241	10 855
<b>Total equity and liabilities</b>	<b>2 437 731</b>	2 266 251	2 323 329
Net asset value per share (cents)	<b>258,3</b>	250,2	254,8
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Capital commitments</b>			
Contracted	<b>10 252</b>	31 570	3 491
Authorised, not contracted	<b>19 397</b>	37 084	54 106

## INCOME STATEMENT

	Unaudited		Audited
	Six months ended	31 December	Year ended
	2003	2002	2003
	R'000	R'000	R'000
		<i>Restated</i>	<i>Restated</i>
<b>Income</b>	<b>539 388</b>	585 789	1 028 917
Cost of sales	<b>(376 488)</b>	(362 415)	(650 834)
Gross profit	<b>162 900</b>	223 374	378 083
<b>Operating profit</b>	<b>42 323</b>	66 781	142 528
Dividend income	<b>8 071</b>	7 306	14 846
Net interest	<b>(38 709)</b>	(37 167)	(75 757)
Amortisation of goodwill: subsidiary	–	–	(269)
Income from associates	<b>70 588</b>	69 340	100 457
– dividends received	<b>20 536</b>	20 536	44 006
– share of retained earnings	<b>50 052</b>	48 804	56 451
<b>Profit before taxation</b>	<b>82 273</b>	106 260	181 805
Taxation	<b>(3 994)</b>	39 483	35 417
<b>Profit after taxation</b>	<b>78 279</b>	145 743	217 222
Minority interest	<b>(30 349)</b>	(26 591)	(39 449)
<b>Net profit attributable to ordinary shareholders</b>	<b>47 930</b>	119 152	177 773
<b>HEADLINE EARNINGS RECONCILIATION</b>			
(after taxation and minority interest)			
Net profit attributable to ordinary shareholders	<b>47 930</b>	119 152	177 773
– net profit on sale of non-current assets	<b>(4 877)</b>	(2 289)	(3 210)
– realisation on liquidation of subsidiary	–	–	(29 582)
– interest in items of associate	<b>(113)</b>	(1 572)	(9 688)
<b>Headline earnings</b>	<b>42 940</b>	115 291	135 293
Adjustment for exceptional and non-recurring items: South African Wine Industry Trust			
– finance costs	<b>7 676</b>	15 027	37 087
– taxation adjustment	–	(58 354)	(61 889)
<b>Adjusted headline earnings</b>	<b>50 616</b>	71 964	110 491
<b>Number of class A shares ('000)</b>			
– issued	<b>441 002</b>	434 790	436 357
– used in calculation of earnings per share	<b>438 271</b>	434 081	434 864
<b>Earnings per share</b>	<b>Cents 10,9</b>	<b>Cents 27,4</b>	<b>Cents 40,9</b>
<b>Headline earnings per share</b>	<b>9,8</b>	26,6	31,1
<b>Adjusted headline earnings per share</b>	<b>11,5</b>	16,6	25,4
<b>Dividend per share</b>	–	–	5,0

## CASH FLOW STATEMENT

	Unaudited		Audited
	Six months ended	31 December	Year ended
	2003	2002	2003
	R'000	R'000	R'000
		<i>Restated</i>	<i>Restated</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash from operations	<b>48 864</b>	85 784	150 841
Changes in working capital	<b>(643)</b>	(5 078)	(68 752)
<b>Cash generated from operations</b>	<b>48 221</b>	80 706	82 089
Net interest	<b>(31 155)</b>	(26 604)	(35 470)
Dividends received	<b>20 536</b>	20 636	44 107
Dividends paid	<b>(31 329)</b>	(17 108)	(28 743)
Taxation paid	<b>(1 168)</b>	(16 069)	27 500
Settlement of leave pay liabilities	–	(3 188)	–
Payments to the South African Wine Industry Trust	<b>(26 806)</b>	(14 341)	(30 876)
<b>Net cash flow from operating activities</b>	<b>(21 701)</b>	24 032	58 607
<b>CASH FLOW FROM INVESTING ACTIVITIES, including expenditure on fixed assets</b>			
	<b>(18 606)</b>	(33 965)	(75 001)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Shares issued	<b>1 847</b>	451	1 178
Net decrease in cash resources	<b>(38 460)</b>	(9 482)	(15 216)
Cash resources at beginning of period	<b>(121 559)</b>	(115 000)	(115 000)
Exchange rate adjustment to foreign currency opening balances	<b>2 582</b>	10 029	8 657
<b>Cash resources at end of period*</b>	<b>(157 437)</b>	(114 453)	(121 559)
<b>*Cash resources at end of period</b>			
Cash and cash equivalents	<b>36 789</b>	15 339	13 844
Other short-term borrowings	<b>(194 226)</b>	(129 792)	(135 403)
	<b>(157 437)</b>	(114 453)	(121 559)

## STATEMENT OF CHANGES IN EQUITY

	Unaudited		Audited
	Six months ended		Year ended
	31 December		30 June
	2003	2002	2003
	R'000	R'000	R'000
		<i>Restated</i>	<i>Restated</i>
<b>Equity at beginning of period</b>	<b>1 111 679</b>	964 912	964 912
Change in accounting policy: application of AC133	-	(396)	(396)
Change in accounting policy of associate: application of AC137	-	10 792	10 792
<b>Changes in share capital and in premium</b>	<b>2 342</b>	451	1 178
<b>Changes in distributable reserves</b>			
<b>Retained earnings</b>	<b>(3 905)</b>	81 877	135 631
Net profit attributable to ordinary shareholders	<b>47 930</b>	119 152	177 773
Equity accounted earnings transferred to equity reserve	<b>(29 777)</b>	(29 460)	(34 327)
Dividend paid	<b>(22 058)</b>	(7 815)	(7 815)
<b>Equity reserve</b>	<b>29 777</b>	29 543	35 198
Transfer of equity accounted earnings from retained earnings	<b>29 777</b>	29 460	34 327
Movement on reserves of associate	-	83	871
<b>Changes in non-distributable reserves</b>			
<i>Realisation with liquidation of subsidiary</i>	-	-	(29 582)
<i>Deferred taxation on loan to foreign entity</i>	-	-	1 740
<b>Change in currency translation reserve</b>	<b>(599)</b>	656	(7 794)
<b>Equity at end of period</b>	<b>1 139 294</b>	1 087 835	1 111 679

## NOTES

### COMPARATIVE FIGURES AND ACCOUNTING POLICIES

#### Earnings per share

The issued shares used in the calculation of earnings per share of the prior period has been adjusted by the number of shares issued without consideration to VinPro Co-operative Limited.

#### Application of AC 137

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" (AC137). 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 six months ended 31 December 2002 and 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:

	31 December 2002 R'000	30 June 2003 R'000
Increase/(Decrease)		
<b>Income statement</b>		
Share in earnings of associate	76	(5 202)
Minority interest	(34)	2 308
Net profit attributable to ordinary shareholders	42	(2 894)
<b>Balance sheet</b>		
Investment in associate	19 400	19 400
Minority interest	(8 608)	(8 608)
Opening balance of equity reserve/net carrying value of investment in associate	10 792	10 792
<b>Earnings per share</b>	<b>Cents</b>	<b>Cents</b>
Attributable earnings	- previously reported	27,4
	- restated	41,5
Headline earnings	- previously reported	27,4
	- restated	40,9
Adjusted headline earnings	- previously reported	26,6
	- restated	31,8
	- previously reported	26,6
	- restated	31,1
	- previously reported	16,6
	- restated	26,1
	- previously reported	16,6
	- restated	25,4

The accounting policies and methods of computation of the group are in all other respects consistent with those applied in the previous financial year and are in compliance with GAAP.

#### FINANCIAL RESULTS

Almost two thirds of the group's turnover is in foreign currency. Consequently the strengthening of the rand against the currencies of the group's

most important trading partners since the corresponding period ended 31 December 2002, has had a negative effect of 8,5% on the group turnover which in total declined by 7,9% to R539,4 million for the period under review.

Gross profit decreased by 27,1% or by R60,5 million but, due to strict cost control and improved efficiency, operating expenses for the period under review decreased by 21% or by R36 million relative to the comparable six months. Consequently the reduction in operating profit was limited to R24,5 million.

Export volumes of packaged product grew by 2% after a deliberate drastic cutback of promotional activities in certain selected markets due to the stronger rand.

Locally the sale of bulk spirits was negatively influenced by a change in the offtake pattern of an important buyer. This will, however, not influence the results for the full year.

Income from associates reflected a modest increase of 1,8%. The adjusted headline earnings declined from R72 million to R50,6 million. The latter is in line with the budgeted headline earnings for the period under review.

#### SHORT-TERM PORTION OF LONG-TERM BORROWINGS

The short-term portion of long-term borrowings will be repaid from the proceeds of the short-term portion of long-term investments.

#### INCOME TAX QUERY

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 company's tax and legal advisors the board is convinced that the company does 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 company.

#### PROSPECTS

The results for the remaining period of the financial year and thus also for the full year to June 2004 will to a large extent be influenced by the levels of the South African rand. Should the rand maintain its current relative strength it can be expected that the full-year results will maintain the negative trend seen for the first six months.

#### DIVIDENDS

No interim dividend is declared.

Signed on behalf of the board of directors.

**D de Wet**  
Chairman

**WJ Barnard**  
Managing Director

Paarl  
10 March 2004



KVV

# KVV BEPERK

(Reg Nr 1997/020857/06)

## GROEP TUSSENTYDSE VERSLAG

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### **DIREKTEURE**

*D de Wet (Voorsitter), WJ Barnard, AEvZ Botha  
DC Cronjé, AS du Plessis, FA du Plessis, CJ du Toit  
WR Hewett, PBB Hugo, PB Retief, FA Sonn, CH Wiese*