

# CAPEVIN

HOLDINGS LIMITED

Registration number: 1997/020857/06 JSE Share code: CVH ISIN: ZAE000167714

## UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013  
AND CASH DIVIDEND DECLARATION

**↑ 5.4%**  
to **31.2 cents**

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Normalised headline earnings per share

**↑ 19.5%**  
to **35.0 cents**

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Headline earnings per share

**↑ 21.5%**  
to **R9.87**

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Intrinsic value per share at 31 December 2013,  
compared to 30 June 2013

**↑ 2.5%**  
to **10.25 cents**

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Interim dividend per share

[www.capevin.com](http://www.capevin.com)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2013	2012 Restated*	30 June 2013 Restated*
	R'000	R'000	R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>2 446 006</b>	1 978 879	2 094 567
Investment in joint venture	2 444 206	1 978 629	2 094 317
Available-for-sale financial asset	1 800	250	250
<b>Current assets</b>	<b>6 360</b>	4 950	2 641
Sundry debtors	20	–	–
Cash and cash equivalents	6 340	4 950	2 641
<b>Total assets</b>	<b>2 452 366</b>	1 983 829	2 097 208
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Ordinary shareholders' interest	2 447 355	1 979 115	2 092 013
Non-controlling interests	–	–	–
<b>Total equity</b>	<b>2 447 355</b>	1 979 115	2 092 013
<b>Non-current liabilities</b>			
Deferred taxation	264	47	47
<b>Current liabilities</b>	<b>4 747</b>	4 667	5 148
Trade payables	388	511	606
Unclaimed dividends	3 949	4 156	4 037
Income tax payable	410	–	505
<b>Total equity and liabilities</b>	<b>2 452 366</b>	1 983 829	2 097 208
<b>Net asset value per share (cents)</b>	<b>278.1</b>	224.9	237.7

\* The audited 30 June 2013 annual results and the unaudited 31 December 2012 interim results were restated due to a change in accounting policy that is disclosed in note 2 to these interim financial statements. Restatements to the comparative results have not been audited.

## CONSOLIDATED INCOME STATEMENT

	Six months ended		Year ended
	31 December	2012	30 June
	2013	2012	2013
		Restated*	Restated*
	R'000	R'000	R'000
Share in profits of joint venture	309 738	251 734	314 879
(Loss)/gain on dilution of interest in joint venture	(2 448)	1 463	2 649
Investment income	130	262	527
Interest expense	(16)	–	–
Administrative expenses	(1 123)	(1 112)	(2 476)
<b>Profit before taxation</b>	<b>306 281</b>	<b>252 347</b>	<b>315 579</b>
Taxation	–	127	(3 335)
<b>Profit for the period</b>	<b>306 281</b>	<b>252 474</b>	<b>312 244</b>
<b>Attributable to:</b>			
Owners of the parent	306 281	230 073	289 843
Non-controlling interests	–	22 401	22 401
	<b>306 281</b>	<b>252 474</b>	<b>312 244</b>
<b>Profit for the period attributable to equity holders of the company</b>	<b>306 281</b>	<b>230 073</b>	<b>289 843</b>
Non-headline items			
Share of adjustments of joint venture, net of taxation	(931)	(37)	(3 005)
Loss/(gain) on dilution of interest in joint venture	2 448	(1 463)	(2 649)
<b>Headline earnings</b>	<b>307 798</b>	<b>228 573</b>	<b>284 189</b>
Abnormal excise provision, net of taxation	–	–	46 700
Impact of new business acquisitions	12 360	1 699	29 717
Remeasurement of contingent consideration	(45 959)	–	–
<b>Normalised headline earnings<sup>#</sup></b>	<b>274 199</b>	<b>230 272</b>	<b>360 606</b>
<b>Earnings per share (cents)</b>			
– Attributable:			
basic	34.8	29.5	35.0
diluted	33.3	28.4	31.4
– Headline:			
basic	35.0	29.3	34.3
diluted	33.4	28.4	31.4
– Normalised headline:			
basic	31.2	29.6	43.5
diluted	29.8	28.6	39.8
<b>Number of shares (thousands)</b>			
– In issue	880 103	880 103	880 103
– Weighted average	880 103	779 105	829 189

<sup>#</sup> Normalised headline earnings for the June 2012 year-end reporting period exclude the impact of an additional excise duty provision by Distell. Distell made adequate provision for additional excise duty on wine aperitifs and no further provisions are needed. During the current reporting period Distell's contingent consideration for the acquisition of Burns Stewart Distillers Limited was adjusted through earnings. This adjustment is excluded from normalised earnings.

**CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

	Six months ended	Year ended	
	31 December	30 June	
	2013	2012	2013
		Restated*	Restated*
	R'000	R'000	R'000
<b>Profit for the period</b>	<b>306 281</b>	252 474	312 244
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value adjustments – available-for-sale financial assets	<b>1 333</b>	–	–
Share of other comprehensive income of joint venture	<b>124 798</b>	8 103	86 964
Fair value adjustments – available-for-sale financial assets	<b>2 903</b>	1 262	2 396
Currency translation differences	<b>121 895</b>	6 841	84 568
<i>Items that may not be reclassified to profit or loss:</i>			
Share of other comprehensive income of joint venture			
Actuarial gains and losses	<b>20 798</b>	10 286	68 839
Other equity movements of joint venture	<b>4 375</b>	2 287	5 415
<b>Total comprehensive income for the period</b>	<b>457 585</b>	273 150	473 462
<b>Attributable to:</b>			
Owners of the parent	<b>457 585</b>	252 405	452 717
Non-controlling interests	–	20 745	20 745
	<b>457 585</b>	273 150	473 462

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 December 2013	2012 Restated*	Year ended 30 June 2013 Restated*
	R'000	R'000	R'000
<b>Ordinary shareholders' equity at the beginning of the period</b>	<b>2 092 013</b>	911 191	911 191
Total comprehensive income	<b>457 585</b>	252 405	452 717
Unclaimed dividends written back	–	816	1 412
Shares issued	–	2 485 035	2 485 035
Dividends paid	<b>(102 243)</b>	(85 370)	(173 380)
Transactions with non-controlling interest	–	(1 584 962)	(1 584 962)
<b>Ordinary shareholders' equity at the end of the period</b>	<b>2 447 355</b>	1 979 115	2 092 013
<b>Non-controlling interests' equity at the end of the period</b>	–	–	–
Beginning of the period	–	879 328	879 328
Total comprehensive income	–	20 745	20 745
Transactions with non-controlling interest	–	(900 073)	(900 073)
<b>Total equity at the end of the period</b>	<b>2 447 355</b>	1 979 115	2 092 013
<b>Dividend per share (cents)</b>			
– Interim	<b>10.25</b>	10.0	10.0
– Final			11.7

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December 2013	2012 Restated*	Year ended 30 June 2013 Restated*
	R'000	R'000	R'000
<b>Cash flows from operating activities</b>			
Administrative expenses	<b>(1 123)</b>	(1 112)	(2 476)
Decrease in trade and other receivables	<b>(20)</b>	–	–
(Decrease)/increase in payables and unclaimed dividends	<b>(306)</b>	(1 531)	(959)
<b>Cash utilised by operations</b>	<b>(1 449)</b>	(2 643)	(3 435)
Interest received	<b>130</b>	254	519
Taxation refunded/(paid)	<b>(112)</b>	72	(2 885)
Dividends received	<b>107 373</b>	89 192	178 377
Dividends paid	<b>(102 243)</b>	(85 370)	(173 380)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3 699</b>	1 505	(804)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2 641</b>	3 445	3 445
<b>Cash and cash equivalents at the end of the period</b>	<b>6 340</b>	4 950	2 641

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The accounting policies applied in the preparation of these summarised Group interim financial statements, which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those applied in the financial statements for the year ended 30 June 2013, except for the adoption of the new and revised standards.

During the period under review, the following accounting standards, all with an effective date of 1 January 2013, were adopted:

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interest in other entities
- Revised IAS 27 Separate financial statements
- Revised IAS 28 Investments in associates and joint ventures
- Revised IAS 19 Employee benefits

Refer to the “Changes in accounting policy” note for further detail.

The summarised Group interim financial statements have been prepared in terms of IAS 34 Interim Financial Reporting as well as in compliance with the Companies Act 71 of 2008, as amended, and the Listings Requirements of the JSE Limited. The preparation of the summarised Group interim financial statements was supervised by the Chief Financial Officer, Mr L C Verwey CA(SA), CFA, an employee of the Company’s appointed manager, Remgro Management Services Limited. The interim financial statements have not been audited or reviewed by the Company’s auditors.

### 2. CHANGES IN ACCOUNTING POLICY

#### IFRS 10 Consolidated financial statements

IFRS 10 broadened the definition of “control”. Therefore the Group reassessed the classification of its investment in Distell Group Limited (“Distell”) and concluded that, in terms of the revised definition of control contained in IFRS 10, it should be classified as a joint venture. Previously the investment in Distell was classified as an associate. The change in classification had no impact on the Group’s measurement of the investment as the equity method is used to measure both associates and joint ventures. The adjustment was retrospectively applied in accordance with the transitional provisions of the standards.

	Increase/(decrease)	
	31 December 2012 R'000	30 June 2013 R'000
<b>INCOME STATEMENT</b>		
Share in profit of associate	(253 949)	(317 249)
Share in profit of joint venture	253 949	317 249
<b>STATEMENT OF FINANCIAL POSITION</b>		
Investment in associate	(1 980 641)	(2 095 280)
Investment in joint venture	1 980 641	2 095 280

#### IAS 19 Employee benefits

The revised IAS 19 requires that all past service costs and actuarial gains and losses be recognised in the income statement and in other comprehensive income, respectively, during the period in which they arise. It also replaced interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset/liability. The Group applied IAS 19 retrospectively in accordance with the transitional provision of the standard.

The impact of the adoption of IAS 19 on the financial statements was as follows:

	Increase/(decrease)	
	31 December 2012 R'000	30 June 2013 R'000
<b>INCOME STATEMENT</b>		
Share in profit of joint venture	(2 215)	(2 370)
Gain on dilution of interest in joint venture	4	5
Profit attributable to owners of the parent	(2 211)	(2 365)
Headline earnings and normalised headline earnings	(2 215)	(2 370)
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Remeasurements of defined benefit plans	956	1 909
Total comprehensive income for the period attributable to owners of the parent	(1 255)	(465)
<b>STATEMENT OF FINANCIAL POSITION</b>		
Investment in joint venture	(1 762)	(963)
Total equity	(1 762)	(963)
<b>STATEMENT OF CHANGES IN EQUITY</b>		
Ordinary shareholders' equity at the beginning of the period	(507)	(507)
Ordinary shareholders' equity at the end of the period	(1 762)	(963)
Earnings, headline earnings and normalised headline earnings per share (cents)	(0.3)	(0.3)

### 3. GROUP STRUCTURE

The sole investment of Capevin Holdings is an effective interest of 28.87% (31 December 2012: 28.93% and 30 June 2013: 28.90%) in the issued share capital of Distell, held via its 50% interest in Remgro-Capevin Investments Proprietary Limited.

### 4. SEGMENT REPORT

Capevin Holdings is an investment holding company, with its sole investment being an effective interest in Distell. The directors have not identified any other segment to report on.

## COMMENTARY

### FINANCIAL RESULTS

Distell's reported headline earnings for the six months ended 31 December 2013 increased by 22.9% to R1 068.5 million, while headline earnings per share increased by 22.6% to 526.1 cents. On a normalised basis, Distell's headline earnings increased by 8.8% to R952.3 million, whereas headline earnings per share increased by 8.5% to 468.9 cents.

Capevin Holdings' headline earnings for the six months ended 31 December 2013 consequently increased by 19.5% to 35.0 cents per share and on a normalised basis increased by 5.4% to 31.2 cents per share.

Capevin Holdings' intrinsic value increased by 21.5% to R9.87 per share based on Distell's last traded share price of R148.00 at 31 December 2013 (excluding capital gains tax). The discount to intrinsic value has narrowed from 17.6% at 30 June 2013 to 15.4% at 31 December 2013.

### IMPACT OF DISTELL'S BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION

Due to the restructuring of Distell's BEE transaction on 17 January 2014, Distell issued 17.7 million ordinary shares that will be entitled to Distell's interim dividend. The effect of the BEE transaction will dilute Capevin Holdings' effective interest in Distell from 28.87% to 26.88% (refer to Distell's BEE SENS announcement for more details).

### PROSPECTS

Distell's board believes that challenging trading conditions will persist for the remainder of the year. They are, however, confident that the strength, appeal and versatility of Distell's brands, the company's enhanced capacity to trade in

a spectrum of markets and the security of its financial position will allow them to continue to pursue their strategic course.

Refer to [www.distell.co.za](http://www.distell.co.za) for Distell's comprehensive interim results.

## DIRECTORATE

Remgro Management Services Limited was appointed to replace PSG Corporate Services Proprietary Limited as company secretary of Capevin Holdings with effect from the close of business on 4 November 2013.

Following the change in company secretary, Mr L C Verwey replaced Mr A Mellet as Financial Director. Effective from close of business on 4 November 2013, Mr Mellet resigned from the Board of Directors and Mr Verwey's status as director of Capevin Holdings changed from non-executive director to Financial Director.

Following the appointment of Mr L C Verwey as Financial Director, he no longer served as a member of the Audit and Risk Committee and Mr C A Otto, the independent non-executive chairman was appointed by the Board to fill the vacancy on the Audit and Risk Committee.

## DECLARATION OF CASH DIVIDEND

In terms of the dividend policy of Capevin Holdings, dividends received from its indirect interest in Distell, after providing for administrative expenses, will be distributed to shareholders. The directors have consequently resolved to approve and declare an interim gross dividend (dividend number 19) of 10.25 cents (2012: 10.0 cents) per share for the six months ended 31 December 2013. The dividend has been declared from income reserves.

There are no STC credits available for utilisation. The dividend is subject to a local dividend tax rate of 15% or 1.5375 cents per share, resulting in a net dividend of 8.7125 cents per share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of the applicable double-tax agreement.

The number of issued ordinary shares as at 5 March 2014 is 880 103 265. The Company's income tax number is 9599/656/71/8.

## Dates of importance:

Last day to trade in order to participate in the dividend	Friday, 4 April 2014
Shares trade ex dividend	Monday, 7 April 2014
Record date	Friday, 11 April 2014
Payment date	Monday, 14 April 2014

Share certificates may not be dematerialised or rematerialised between Monday, 7 April 2014, and Friday, 11 April 2014, both days inclusive.

If you have in the past received dividend cheques, please contact the Transfer Secretaries to provide them with confirmation of your banking details.

Signed on behalf of the Board of Directors.



**Chris Otto**  
Chairman



**Lucas Verwey**  
Financial Director

Stellenbosch  
5 March 2014

## DIRECTORATE

**Non-executive directors:** C A Otto\* (Chairman), J J Durand, N Celliers, A E v Z Botha\*, R M Jansen\* (\*Independent) **Executive director:** L C Verwey (Financial Director)

## CORPORATE INFORMATION

**Secretary:** Remgro Management Services Limited

**Listing:** JSE Limited **Sector:** Consumer goods – Food and Beverage – Beverages

**Business address and registered office:** Millennia Park, 16 Stellentia Avenue, Stellenbosch 7600 (PO Box 456, Stellenbosch 7599)

**Transfer Secretaries:** Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107)

**Auditors:** PricewaterhouseCoopers Inc., Stellenbosch **Sponsor:** PSG Capital