

# CAPEVIN HOLDINGS LIMITED

("Capevin Holdings" or "the Company" or "the Group")

(Incorporated in the Republic of South Africa)

Registration number 1997/020857/06

JSE Share code CVH

ISIN ZAE000167714

## UNAUDITED INTERIM RESULTS

for the six months ended  
31 December 2015

and

## CASH DIVIDEND DECLARATION

• Normalised headline earnings per share	+17.2% to 35.5 cents
• Headline earnings per share	+17.9% to 35.5 cents
• Intrinsic value per share at 31 December 2015, compared to 30 June 2015	-1.0% to R11.01
• Interim dividend per share	11.40 cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>31 December</b>		<b>30 June</b>
	<b>2015</b>	2014	2015
	<b>R'000</b>	R'000	R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>2 968 953</b>	2 465 137	2 559 147
Investment in joint venture	2 967 153	2 463 337	2 557 347
Available-for-sale asset	1 800	1 800	1 800
<b>Current assets</b>	<b>15 489</b>	7 710	4 842
Investment in money market fund	-	4 451	-
Cash and cash equivalents	15 489	3 259	4 842
<b>Total assets</b>	<b>2 984 442</b>	2 472 847	2 563 989
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Ordinary shareholders' interest	2 974 251	2 468 199	2 546 060
<b>Non-current liabilities</b>			
Deferred taxation	335	335	335
<b>Current liabilities</b>	<b>9 856</b>	4 313	17 594
Trade payables	86	203	318
Unclaimed dividends	9 733	4 050	17 239
Current income tax liability	37	60	37
<b>Total equity and liabilities</b>	<b>2 984 442</b>	2 472 847	2 563 989
<b>Net asset value per share (cents)</b>	<b>337.9</b>	280.4	289.3

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December	Year ended 30 June
	2015	2014
	R'000	R'000
Share of profit of joint venture	311 944	265 981
Loss on dilution of interest in joint venture	(2 184)	(1 881)
Investment income	569	394
Unclaimed dividends forfeited	600	-
Administrative expenses	(964)	(996)
Profit before taxation	309 965	263 498
Taxation	(157)	(108)
<b>Profit for the period</b>	<b>309 808</b>	<b>263 390</b>
<b>Other comprehensive income</b>	<b>210 354</b>	<b>4 950</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive income of joint venture		
Fair value adjustment – available-for-sale asset	5 245	1 303
Currency translation differences	193 553	801
Reclassified to profit or loss	(634)	(162)
<i>Items that will not be reclassified to profit or loss:</i>		
Share of joint venture's remeasurements of post-employment benefits	7 854	(2 562)
Other equity movements of joint venture	4 336	5 570
<b>Total comprehensive income for the period</b>	<b>520 162</b>	<b>268 340</b>
<b>Profit for the year attributable to:</b>		
Owners of the parent	309 808	263 390
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	520 162	268 340

## HEADLINE EARNINGS RECONCILIATION

	Six months ended 31 December		Year ended 30 June
	2015	2014	2015
	R'000	R'000	R'000
<b>Earnings attributable to ordinary shareholders</b>	<b>309 808</b>	263 390	385 220
Headline earnings adjustable items			
Share of adjustments of joint venture before taxation	103	(951)	(849)
Tax on share of adjustments of joint venture	(19)	176	157
Loss on dilution of interest in joint venture	2 184	1 881	246
<b>Headline earnings</b>	<b>312 076</b>	264 496	384 774
Remeasurement of contingent consideration	-	2 388	2 388
<b>Normalised headline earnings<sup>#</sup></b>	<b>312 076</b>	266 884	387 162

### Earnings per share (cents)

- Basic	35.2	29.9	43.8
- Diluted	35.1	29.8	43.6

### Headline earnings per share (cents)

- Basic	35.5	30.1	43.7
- Diluted	35.3	29.9	43.5

### Normalised headline earnings per share (cents)

- Basic	35.5	30.3	44.0
- Diluted	35.3	30.2	43.8

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### Number of shares (thousands)

- In issue	880 103	880 103	880 103
- Weighted average	880 103	880 103	880 103

<sup>#</sup> Normalised headline earnings excludes the Company's share of Distell Group Limited's remeasurement and reversal of the contingent consideration of the acquisition of Burn Stewart Distillers Limited during the 2015 financial year.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 December		Year ended 30 June
	2015	2014	2015
	R'000	R'000	R'000
<b>Ordinary shareholders' equity at the beginning of the period</b>	<b>2 546 060</b>	2 305 472	2 305 472
Total comprehensive income	<b>520 162</b>	268 340	455 333
Dividends paid	<b>(91 971)</b>	(105 613)	(214 745)
<b>Ordinary shareholders' equity at the end of the period</b>	<b>2 974 251</b>	2 468 199	2 546 060

### Dividend per share (cents)

- Interim	<b>11.40</b>	12.40	12.40
- Final			10.45

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December		Year ended 30 June
	2015	2014	2015
	R'000	R'000	R'000
<b>Cash flows from operating activities</b>			
Dividends received	<b>110 318</b>	107 383	200 088
Dividends paid	<b>(91 971)</b>	(105 613)	(214 745)
Interest received	<b>559</b>	383	1 015
Administrative expenses	<b>(964)</b>	(996)	(2 280)
Taxation paid	<b>(157)</b>	(79)	(278)
Increase/(decrease) in trade and other payables and unclaimed dividends	<b>(7 138)</b>	6	14 416
	<b>10 647</b>	1 084	(1 784)
<b>Cash flows from investing activities</b>			
Investment in money market fund	-	(137)	4 314
<b>Net increase in cash and cash equivalents</b>	<b>10 647</b>	947	2 530
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4 842</b>	2 312	2 312
<b>Cash and cash equivalents at the end of the period</b>	<b>15 489</b>	3 259	4 842

## ADDITIONAL INFORMATION

### Fair value remeasurements

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

- Financial instruments available-for-sale and investment in money market fund: Fair value is based on quoted market prices or, in the case of unlisted instruments, appropriate valuation methodologies, being the actual net asset value of the investment.

Financial instruments measured at fair value, are disclosed by level of the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables illustrate the fair values of financial assets and liabilities that are measured at fair value, by hierarchy level:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>31 December 2015</b>				
<b>Assets</b>				
Available-for-sale asset	-	-	<b>1 800</b>	<b>1 800</b>
	-	-	<b>1 800</b>	<b>1 800</b>
<b>31 December 2014</b>				
<b>Assets</b>				
Available-for-sale asset	-	-	1 800	1 800
Investment in money market fund	4 451	-	-	4 451
	4 451	-	1 800	6 251
<b>30 June 2015</b>				
<b>Assets</b>				
Available-for-sale asset	-	-	1 800	1 800
	-	-	1 800	1 800

## **NOTES TO THE INTERIM FINANCIAL STATEMENTS**

### **1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, as well as the Listings Requirements of the JSE Limited.

The directors are responsible for the preparation of the interim financial statements, prepared under supervision of the financial director, Mr P R Louw CA(SA), 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.

The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

### **2. GROUP STRUCTURE**

The sole investment of Capevin Holdings is an effective interest of 26.78% (31 December 2014: 26.84% and 30 June 2015: 26.82%) in the issued share capital of Distell Group Limited (Distell), held via its 50% interest in Remgro-Capevin Investments Proprietary Limited (Remgro-Capevin Investments).

### **3. RELATED PARTY INFORMATION**

During the period Capevin Holdings received dividends from Remgro-Capevin Investments of R110.3 million (31 December 2014: R107.4 million; 30 June 2015: R200.1 million). Capevin Holdings also paid administrative fees of R0.5 million (31 December 2014: R0.5 million; 30 June 2015: R0.9 million) to Remgro Management Services Limited (a subsidiary of an investor with significant influence over the Group).

No directors' emoluments were paid during the six months ended 31 December 2015 (31 December 2014: R nil; 30 June 2015: R0.1 million).

### **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**

For the six months ended 31 December 2015 Distell's revenue increased by 11.2% to R12.2 billion on a sales volume increase of 7.7%. Reported headline earnings for the six months ended 31 December 2015 increased by 17.8% to R1 163.6 million, while headline earnings per share increased by 17.7% to 532.5 cents. On a normalised basis, Distell's headline earnings increased by 16.8%. The financial results for the period, supported by strong overall revenue growth and efficiency improvements across the business, also benefitted from a substantially weaker rand against the major currencies in which Distell trades.

Capevin Holdings' headline earnings for the six months ended 31 December 2015 consequently increased by 18.0% to R312.1 million (2014: R264.5 million), while headline earnings per share increased by 17.9% to 35.5 cents (2014: 30.1 cents). On a normalised basis, headline earnings increased by 16.9% to R312.1 million (2014: R266.9 million), while normalised headline earnings per share increased by 17.2% to 35.5 cents (2014: 30.3 cents).

Capevin Holdings' intrinsic value per share decreased by 1.0% from R11.12 on 30 June 2015 to R11.01 on 31 December 2015, based on Distell's last traded share price of R164.99 at that date (excluding capital gains tax), while the discount to intrinsic value has narrowed from 14.6% to 12.3%. On 19 February 2016, Distell's share price increased to R166.50, while Capevin Holdings' decreased to R9.17 (31 December 2015: R9.65) and the discount to its intrinsic value per share increased to 17.4%.

## **PROSPECTS**

Distell's board believes that the macroeconomic outlook for the remainder of the financial year will continue to be challenging amid volatile trading conditions in many of the Group's key markets. While a modest recovery is expected in the developed world, emerging economies continue to show slow growth. In South Africa, consumer spending will be adversely impacted by higher inflation, the hike in interest rates and higher food prices. Tougher trading conditions are therefore expected in the second half of the financial year. Nevertheless, Distell continues to pursue and invest in its long-term strategy to grow shareholder value, but is reviewing the sequencing and the pace of investment due to the sharp slowdown of growth in certain markets. The Group remains well-positioned to take early advantage of any improvements in the economic conditions of the markets where it operates given its versatile portfolio of strong, appealing and diverse brands, the capacity to trade across a spectrum of markets at a range of price points and the security of its financial position.

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

## **DIRECTORATE**

There was no change in the Company's directorate during the period under review.

## **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 cash dividend (dividend number 23) of 11.40 cents (2014: 12.40 cents) per share for the six months ended 31 December 2015. The reason for the smaller dividend compared to that for the six months ended 31 December 2014 is due to a portion of cash reserves included in the dividend for the comparative period. The dividend has been declared from income reserves.

A dividend withholding tax rate of 15% or 1.71 cents per share will be applicable, resulting in a net dividend of 9.69 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax or is entitled to a reduced rate in terms of the applicable double-tax agreement.

The number of issued ordinary shares as at 2 March 2016 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, 8 April 2016
Shares trade ex dividend	Monday, 11 April 2016
Record date	Friday, 15 April 2016
Payment date	Monday, 18 April 2016

Share certificates may not be dematerialised or rematerialised between Monday, 11 April 2016, and Friday, 15 April 2016, both days inclusive.

In terms of the Company's Memorandum of Incorporation, dividends will only be transferred electronically to the bank accounts of shareholders, while dividend cheques are no longer issued. In the instance where shareholders do not provide the Transfer Secretaries with their banking details, the dividend will not be forfeited but will be marked as "unclaimed" in the share register until the shareholder provides the Transfer Secretaries with the relevant banking details for payout.

Signed on behalf of the Board of Directors.

**Chris Otto**  
*Chairman*

**Pieter Louw**  
*Financial Director*

Stellenbosch  
2 March 2016

## **DIRECTORATE**

### **Non-executive directors**

C A Otto\* (*Chairman*),

A E v Z Botha\*, J J Durand, R M Jansen\*, E G Matenge-Sebesho\*

(\**Independent*)

### **Executive director**

P R Louw (*Financial Director*)

## **CORPORATE INFORMATION**

### **Secretary**

Remgro Management Services Limited

### **Listing**

JSE Limited

*Sector:* Consumer goods – Food and Beverage – Beverages – Distillers & Vintners

### **Business address and registered office**

Millennia Park, 16 Stellantia 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**

Rand Merchant Bank (A division of FirstRand Bank Limited)

### **Website**

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