# CAPEVIN
INVESTMENTS LIMITED

ANNUAL REPORT 2011

# CONTENTS



*These annual financial statements have been compiled by Mr A Rossouw, a Chartered Accountant (SA) and an employee of the company's appointed manager, PSG Corporate Services (Pty) Ltd. PricewaterhouseCoopers Inc has audited these annual financial statements in accordance with the Companies Act, 71 of 2008, as amended, and their audit report is set out on page 9.*

# KEY FINANCIAL STATISTICS

Group financial results for the year ended 30 June 2011

| | 2011 R'000 | 2010 R'000 | % change |
|---|---|---|---|
| **Attributable to equity holders of the company** | | | |
| Profit for the year | **279 464** | 274 125 | 1,9 |
| Headline earnings for the year | **278 105** | 273 304 | 1,8 |
| **Earnings per share – basic and diluted (cents)** | | | |
| Attributable earnings | **665,4** | 652,7 | 1,9 |
| Headline earnings | **662,2** | 650,7 | 1,8 |
| **Dividend per share (cents)** | **354,0** | 355,0 | (0,3) |
| Interim | **172,5** | 173,0 | |
| Final (declared and payable after year-end) | **181,5** | 182,0 | |
| **Net asset value per share (cents)** | **3 931,9** | 3 629,2 | 8,3 |
| **Intrinsic value per share, excluding CGT (cents)** | **9 987,6** | 9 148,1 | 9,2 |
| **Last traded price per share (cents)** | **8 550,0** | 7 511,0 | 13,8 |
| **Key ratios** | | | |
| Price-earnings (times) | **12,9** | 11,5 | |
| Dividend yield (%) | **4,1** | 4,7 | |
| Last traded price discount to intrinsic value (%) | **14,4** | 17,9 | |

# DIRECTORS

**CA Otto (61)**
**Non-executive chairman**
BComm, LLB
Appointed 22 July 2009
*Mr CA Otto is a director of various companies, including Capitec Bank Holdings Ltd, Distell Group Ltd, Kaap Agri Ltd, PSG Group Ltd and Zeder Investments Ltd.*

**AEvZ Botha (54)**
**Non-executive director**
Appointed 22 July 2009
*Mr AEvZ Botha is a wine farmer and owner of Goedemoed Boerdery in Vredendal, and is also chairman of VinPro Ltd and Namaqua Wines.*

**JJ Durand (44)**
**Non-executive director***
BAcc (Hons), MPhil, CA(SA)
Appointed 24 March 2010
*Mr JJ Durand is currently the Chief Investment Officer of Remgro Ltd and a director of various other companies.*

**JJ Mouton (36)**
**Non-executive director***
BAcc (Hons), MPhil, CA(SA)
Appointed 22 July 2009
*Mr JJ Mouton is currently the manager of PSG Flexible Fund and a director of various companies.*

**MH Visser (57)**
**Non-executive director***
BComm (Hons), CA(SA)
Appointed 24 March 2010
*Mr MH Visser is currently the Chief Executive Officer of Remgro Ltd and a director of various other companies, including Distell Group Ltd.*

**A Wessels (35)**
**Financial director**
BCompt (Hons), CA(SA)
Appointed 20 October 2010
*Ms A Wessels is currently financial manager of PSG Group Ltd and a director of PSG Corporate Services (Pty) Ltd (appointed manager to Capevin Investments Ltd).*

** Member of audit and risk committee*

# CHAIRMAN'S LETTER

## FINANCIAL RESULTS

The group's financial results reflect those of its associate company, Distell Group Ltd ("Distell"), as this is its only significant asset.

During the year under review Distell's revenue grew by 4,4% to R12,3 billion on a sales volume increase of 2,4%. The trading environment remained extremely challenging, characterised by heightened competitor activity, particularly from the beer segment, increased competitor market investment and the ongoing consumer pursuit of lower-priced options.

Although reasonable sales volume growth was achieved, the results for the year under review were significantly affected by adverse exchange rates and, to a lesser extent, a less favourable sales mix. Operating expenses increased by 4,6% compared to revenue growth of 4,4%. Consequently, the net operating margin deteriorated to 11,7% (2010: 11,8%). Distell's headline earnings per share increased by 1,6%.

Distell's attributable and headline earnings per share for the year under review increased by 1,7% and 1,6% to 476,2 cents and 476,8 cents respectively. Distell's diluted headline earnings per share, which also takes into account the cumulative dilutive effect of Distell's BEE transaction, increased by 0,7% to 448,6 cents. This dilution could have a significant impact on Capevin Investments' future results and is disclosed in more detail in note 11 to the annual financial statements. The attributable earnings of Capevin Investments increased by 1,9% to R279,5 million and headline earnings increased by 1,8% to R278,1 million. Distell maintained its total dividend for the year at 256 cents per share.

## DIVIDEND

In terms of the dividend policy of Capevin Investments, dividends received from its indirect interest in Distell, after providing for administration costs, are distributed to shareholders.

The directors have consequently resolved to declare a final ordinary dividend of 181,5 cents (2010: 182 cents) per share for the year ended 30 June 2011. This represents a total dividend per share for the year of 354 cents (2010: 355 cents).

## PROSPECTS

The board of Distell said that fragile economic conditions persist. They believe challenging trading conditions, especially in developed countries, will continue in the year ahead, with unemployment and limited disposable income still adversely impacting consumer spending. It is anticipated that future growth will continue to be led by emerging markets.

Distell remains confident in its diverse and well-balanced brand portfolio. Its brands are well accepted and are perceived as offering good value. In addition, the portfolio is backed by excellent quality credentials, strong service levels and well-established routes to market, enabling Distell to compete effectively while maximising trading opportunities and profitability.

**Chris Otto**
*Chairman*

2 September 2011
Stellenbosch

# CORPORATE GOVERNANCE STATEMENT

Capevin Investments Ltd ("Capevin Investments") is committed to the principles of transparency, integrity, fairness and accountability as also advocated in the King Code of Governance Principles ("King III"). Accordingly Capevin Investments' corporate governance policies have in all respects been appropriately applied during the period under review. The board does not consider application of all principles contained within King III appropriate for Capevin Investments. Where specific principles have not been applied, explanations for these are contained within this section. The group's associated company and sole investment, Distell Group Ltd ("Distell"), is similarly committed having, inter alia, their own audit, risk and remuneration committees.

## BOARD OF DIRECTORS

Details of Capevin Investments' directors are provided on page 2 of this annual report. Directors are elected on recommendation of the current directors or, if properly nominated, by shareholders. Currently the board comprises six directors. The appointment of directors is formal and transparent, and considered to be a matter for the board as a whole.

Capevin Investments is an investment holding company with limited day-to-day operations and has not filled the office of CEO. PSG Corporate Services (Pty) Ltd ("PSG Corporate Services") has been appointed as manager and company secretary. Mr CA Otto fills the role of non-executive chairman. Ms A Wessels, an employee of PSG Corporate Services, has been appointed as financial director. Apart from the financial director, all directors are considered to be non-executive. There is a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making, with the majority of directors being non-executive.

King III recommends that the majority of non-executive directors be independent. All non-executive directors represent major shareholders in Capevin Investments. Although none of the non-executive directors are independent as defined by King III, all of the non-executive directors are independent of thought and action. Having considered the matter, the board is accordingly satisfied as stated previously that its current composition ensures a balance of power and authority.

The board met twice during the past year. The attendance of these meetings is set out in the table below. Capevin Investments' articles of association requires one third of the non-executive directors of the company to retire by rotation and to offer themselves for re-election by shareholders at the annual general meeting. In accordance with the company's articles of association, Mr CA Otto, Mr MH Visser and Ms A Wessels will retire by rotation.

| Director | 30 August 2010 | 23 February 2011 |
|---|---|---|
| AEvZ Botha | √ | A |
| JJ Durand | √ | A |
| KI Mampeule[(a)] | √ | |
| JJ Mouton | √ | √ |
| CA Otto[(b)] | √ | √ |
| MH Visser | √ | √ |
| A Wessels[(c)] | | √ |

√ Present
A Absent with apology
(a) Resigned on 22 October 2010.
(b) Mr CA Otto took over the role of non-executive chairman on 22 October 2010.
(c) Appointed on 20 October 2010.

The induction of directors is not conducted through a formal process. This has not been necessary to date as new appointees have been familiar with the group's operations and the environment in which it operates. Consideration will be given to an induction programme for future appointees. The board does not conduct regular appraisals of its members and committees. Consideration will be given to same going forward.

The company operates as an investment holding company which holds as its sole asset an indirect investment in Distell. In view of the narrow scope of the company's operations, the role of the board is limited to monitoring the company's investment performance and to ensure that procedures and practices are in place to protect the company's assets and reputation. The board also assumes responsibility for the management of relationships with various stakeholders.

The board has appointed an audit and risk committee to assist it in the performance of its duties.

Since all non-executive directors represent major shareholders in Capevin Investments, the board has decided not to pay directors emoluments going forward. Accordingly no remuneration committee has been appointed.

## AUDIT AND RISK COMMITTEE

The audit and risk committee comprises Messrs JJ Mouton ("chairman"), JJ Durand and MH Visser. All directors are welcome to attend meetings. The audit and risk committee met twice during the past year. A report by the audit and risk committee has been provided on page 7 of this annual report. The audit and risk committee operates according to a board-approved charter.

## RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the group. Distell has its own board of directors responsible for the risk management and internal control of that company and its business. Detailed risk assessments and management plans have been implemented throughout the group to ensure that risk is properly managed. The board, on recommendation by the audit and risk committee, concluded that the system of internal control and the risk management process were effective for the financial year under review.

The group operates in a highly regulated environment. Distell has formal policies and procedures in place to ensure adherence to the various acts and codes that govern their day-to-day operations.

## INTERNAL AUDIT

On the recommendation of the audit and risk committee, the board has decided not to establish an internal audit function at group level given that the board has satisfied itself that Distell have their own internal audit function and that the group's current system of internal control and risk management operates effectively.

## GOVERNANCE OF INFORMATION TECHNOLOGY

Capevin Investments' appointed manager, PSG Corporate Services, has an appointed information technology ("IT") manager who is responsible for IT governance at group level. Distell is responsible for IT governance in their respective business environments. As IT does not play a significant role in the sustainability of our business at a group level due to its nature and size, the investment and expenditure in IT at group level are insignificant. The board is accordingly satisfied that the current systems of IT governance at group level are appropriate.

## INTEGRATED REPORTING AND DISCLOSURE

Capevin Investments is a passive investment holding company which doesn't involve itself in the management of Distell. We consider Distell to have a strong management team and therefore rely on them to apply the principles of King III regarding sustainability reporting and disclosure, to the extent appropriate to their business. Capevin Investments will apply the principles of integrated reporting at group level to the extent that such principles are considered appropriate.

## SUSTAINABILITY

### Stakeholder relations

Capevin Investments subscribes to the principles of objective, honest, timeous, balanced, relevant and understandable communication of financial and non-financial information to stakeholders. The group acknowledges the task and responsibility of regulators, and our relationships with them are maintained in a businesslike manner.

## Safety, health and environment

The group recognises that South Africa is facing an HIV/Aids epidemic of considerable proportions. Although our healthcare system will bear (and is already bearing) the brunt of the epidemic, there is little doubt that it is affecting every aspect of our society. We encourage all people to act responsibly.

## Social responsibility

Capevin Investments subscribes to acting in a socially responsible manner and supports Distell in its various sustainability initiatives.

## Human resources and employment equity

PSG Corporate Services is the appointed manager to Capevin Investments, and accordingly Capevin Investments does not have any employees. PSG Corporate Services regards its people as the most important element of its business. It is therefore important to make the best use of the human capital they have available. All employees are encouraged and motivated to better themselves through training and study. PSG Corporate Services subscribes to the principle of equal opportunity. Distell has set its own targets and specific action plans.

## Ethics

The group is committed to maintaining high ethical and moral codes of conduct in its professional and social dealings. This is ingrained in the culture of the group.

## Products and product development

Capevin Investments offers no products or services as it only holds an investment in Distell. Distell is Africa's leading producer and marketer of spirits, fine wines, ciders and ready-to-drinks.

## Financial reporting

Capevin Investments provides financial reports to its shareholders twice a year. Details regarding significant transactions undertaken are reported as required by the JSE Listings Requirements.

# REPORT OF THE AUDIT AND RISK COMMITTEE

The Capevin Investments Ltd audit and risk committee ("the committee") comprises Messrs JJ Mouton (chairman), JJ Durand and MH Visser. All the members are non-executive directors. The committee met as set out below during the past year and the meetings are open for all the directors to attend. The meetings held during the year were attended as follows:

| Director | 30 August 2010 | 23 February 2011 |
|---|---|---|
| AEvZ Botha | √ | A |
| JJ Durand | √ | A |
| KI Mampeule[a] | √ | |
| JJ Mouton | √ | √ |
| CA Otto | √ | √ |
| MH Visser | √ | √ |
| A Wessels[b] | | √ |

√ Present
A Absent with apology
(a) Resigned as non-executive director on 22 October 2010.
(b) Appointed as executive director on 20 October 2010.

The committee reports that it has considered and is satisfied with the independence and objectivity of the external auditor, PricewaterhouseCoopers Inc. The committee has considered and recommended the fees payable to the external auditor and is satisfied with the extent of non-audit-related services performed.

The committee has satisfied itself that the financial function, including the financial director, has the appropriate expertise, experience and resources, and is satisfied that the internal financial controls of the company are working effectively.

Based on the information and explanations given by management and discussions with the independent external auditor regarding the results of their audit, the committee is satisfied that there was no material breakdown in the internal financial controls during the financial year under review.

A board-approved audit and risk committee charter stipulating, inter alia, the committee's composition, duties and responsibilities, has been adopted. The committee is satisfied that it complied with the responsibilities as set out in the audit and risk committee charter as well as relevant legal and regulatory responsibilities.

The committee has evaluated the annual financial statements of Capevin Investments Ltd and the group for the year ended 30 June 2011 and, based on the information provided to the committee, considers that the group complies, in all material respects, with the requirements of the Companies Act, 71 of 2008, as amended, and International Financial Reporting Standards.

**JJ Mouton**
*Chairman*

2 September 2011
Stellenbosch

# APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the maintenance of adequate accounting records and to prepare annual financial statements that fairly represent the state of affairs and the results of the group. The external auditor is responsible for independently auditing and reporting on the fair presentation of these annual financial statements. Management fulfils this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal financial controls. Such controls provide assurance that the group's assets are safeguarded, that transactions are executed in accordance with management's authorisations and that the financial records are reliable. The annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate full and reasonable disclosure. Appropriate and recognised accounting policies are consistently applied.

The audit and risk committee of the group meets regularly with the external auditor, as well as administrative management, to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The external auditor has unrestricted access to all records, assets and personnel as well as to the audit and risk committee.

The financial statements are prepared on the going concern basis, since the directors have every reason to believe that the group has adequate resources to continue for the foreseeable future.

The financial statements set out on pages 10 to 26 were approved by the board of directors of Capevin Investments Ltd and are signed on its behalf by:

**CA Otto**
*Chairman*

**A Wessels**
*Financial director*

2 September 2011
Stellenbosch

# DECLARATION BY THE COMPANY SECRETARY

We declare that, to the best of our knowledge, the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act, 71 of 2008, as amended, and that all such returns are true, correct and up to date.

**PSG Corporate Services (Pty) Ltd**
**Per WL Greeff**
*Company secretary*

2 September 2011
Stellenbosch

# INDEPENDENT AUDITOR'S REPORT

to the shareholders of Capevin Investments Ltd

We have audited the consolidated annual financial statements and annual financial statements of Capevin Investments Ltd, which comprise the consolidated and separate statements of financial position as at 30 June 2011, and the consolidated and separate income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 10 to 26.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Capevin Investments Ltd as at 30 June 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc

**PricewaterhouseCoopers Inc**
**Director: HD Nel**
*Registered auditor*

2 September 2011
Cape Town

# DIRECTORS' REPORT

## NATURE OF BUSINESS

The company is an investment company which holds 50% (2010: 50%) of the issued share capital of Remgro-Capevin Investments Ltd. The latter company holds 58,08% (2010: 58,24%) of the issued share capital of Distell Group Ltd ("Distell"), which invests mainly in the manufacture, distribution and marketing of wine, spirits and alcoholic fruit beverages.

## HOLDING COMPANY

The holding company of Capevin Investments Ltd is Capevin Holdings Ltd. Capevin Holdings Ltd holds 51% (2010: 51%) of the company's issued share capital.

## OPERATING RESULTS

The main asset of the group is an investment in Distell which is held through the associate company, Remgro-Capevin Investments Ltd, and the equity method of accounting is therefore applied during the preparation of the consolidated financial statements.

Shareholders' attention is drawn to the information disclosed in note 11 of the financial statements regarding the dilution of Capevin Investments' interest in Distell.

The financial position and the results of operations are fully dealt with in the attached financial statements.

## DIVIDENDS

An interim dividend of 172,5 cents (2010: 173 cents) per share was declared on 23 February 2011 and paid on 22 March 2011.

A final dividend of 181,5 cents (2010: 182 cents) per share was declared on 2 September 2011 and is payable on 26 September 2011.

## SHARE CAPITAL

There has been no changes to the authorised or issued share capital of the company during the year. The authorised and issued share capital is disclosed in note 4 to the annual financial statements.

## DIRECTORS

The directors of the company at the date of this report were:

- CA Otto (chairman)*
- AEvZ Botha
- JJ Durand
- KI Mampeule (resigned 22 October 2010)
- JJ Mouton
- MH Visser*
- A Wessels (appointed 20 October 2010)

** Also serves on Distell's board of directors*

## DIRECTORS' INTEREST

At 30 June 2011 and at the date of this report, Mr CA Otto held an indirect non-beneficial interest in 1 000 (2010: 1 000) of the company's issued shares. No dealing in securities took place between such dates.

## DIRECTORS' EMOLUMENTS

The directors received remuneration as set out in note 9 to the annual financial statements.

## EVENTS SUBSEQUENT TO THE REPORTING DATE

The directors are unaware of any matter or event which is material to the financial affairs of the company that has occurred between the reporting date and the date of approval of these annual financial statements.

## SECRETARY

The secretary of the company is PSG Corporate Services (Pty) Ltd. Its business and postal addresses are set out below:

| Business address | Postal address |
|---|---|
| 1st Floor | PO Box 7403 |
| Ou Kollege | Stellenbosch |
| 35 Kerk Street | 7599 |
| Stellenbosch | |
| 7600 | |

# STATEMENTS OF FINANCIAL POSITION
at 30 June 2011

| | Notes | GROUP 2011 R'000 | GROUP 2010 R'000 | COMPANY 2011 R'000 | COMPANY 2010 R'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Investment in associate | 2 | **1 651 777** | 1 525 214 | **42 000** | 42 000 |
| **Current assets** | | **289** | 258 | **289** | 258 |
| Income tax receivable | | **4** | 4 | **4** | 4 |
| Cash and cash equivalents | 3 | **285** | 254 | **285** | 254 |
| **Total assets** | | **1 652 066** | 1 525 472 | **42 289** | 42 258 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 4 | **42 000** | 42 000 | **42 000** | 42 000 |
| Reserves | | **1 609 396** | 1 482 254 | **(381)** | (960) |
| **Total equity** | | **1 651 396** | 1 524 254 | **41 619** | 41 040 |
| **Current liabilities** | | **670** | 1 218 | **670** | 1 218 |
| Trade payables | | **90** | 90 | **90** | 90 |
| Unclaimed dividends | | **580** | 1 128 | **580** | 1 128 |
| **Total equity and liabilities** | | **1 652 066** | 1 525 472 | **42 289** | 42 258 |

## INCOME STATEMENTS
for the year ended 30 June 2011

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Notes | R'000 | R'000 | R'000 | R'000 |
| Share of profit of associate | | **279 168** | 274 493 | | |
| Gain on dilution of interest in associate | | **1 726** | 1 413 | | |
| Investment income | 5 | **192** | 270 | **150 397** | 150 475 |
| Administrative expenses | 6 | **(1 568)** | (2 051) | **(1 568)** | (2 051) |
| **Profit before taxation** | | **279 518** | 274 125 | **148 829** | 148 424 |
| Taxation | 7 | **(54)** | | **(54)** | |
| **Profit for the year attributable to equity holders of the company** | | **279 464** | 274 125 | **148 775** | 148 424 |
| **Earnings per share – basic and diluted** | 8 | | | | |
| Attributable earnings (cents) | | **665,4** | 652,7 | | |
| Headline earnings (cents) | | **662,2** | 650,7 | | |

## STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 30 June 2011

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | R'000 | R'000 | R'000 | R'000 |
| **Profit for the year attributable to equity holders of the company** | **279 464** | 274 125 | **148 775** | 148 424 |
| **Other comprehensive loss, net of taxation** | **(4 126)** | (5 425) | **–** | – |
| Share of other comprehensive loss of associate | **(8 537)** | (9 842) | | |
| Other equity movements of associate | **4 411** | 4 417 | | |
| **Total comprehensive income for the year, attributable to equity holders of the company** | **275 338** | 268 700 | **148 775** | 148 424 |

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2011

| | Share capital R'000 | Retained earnings R'000 | Equity reserve R'000 | Total R'000 |
|---|---|---|---|---|
| **GROUP** | | | | |
| **Balance at 1 July 2009** | 42 000 | (303) | 1 362 938 | 1 404 635 |
| Profit for the year | | 274 125 | | 274 125 |
| Other comprehensive loss, net of taxation | – | – | (5 425) | (5 425) |
| Share of other comprehensive loss of associate | | | (9 842) | (9 842) |
| Other equity movements of associate | | | 4 417 | 4 417 |
| **Total comprehensive income/(loss)** | – | 274 125 | (5 425) | 268 700 |
| **Transactions with owners** | – | (274 782) | 125 701 | (149 081) |
| Net transfer from retained earnings | | (125 701) | 125 701 | – |
| Unclaimed dividends written back | | 19 | | 19 |
| Dividends paid | | (149 100) | | (149 100) |
| **Balance at 30 June 2010** | 42 000 | (960) | 1 483 214 | 1 524 254 |
| Profit for the year | | **279 464** | | **279 464** |
| Other comprehensive loss, net of taxation | **–** | **–** | **(4 126)** | **(4 126)** |
| Share of other comprehensive loss of associate | | | **(8 537)** | **(8 537)** |
| Other equity movements of associate | | | **4 411** | **4 411** |
| **Total comprehensive income/(loss)** | **–** | **279 464** | **(4 126)** | **275 338** |
| **Transactions with owners** | **–** | **(278 885)** | **130 689** | **(148 196)** |
| Net transfer from retained earnings | | **(130 689)** | **130 689** | **–** |
| Unclaimed dividends written back | | **694** | | **694** |
| Dividends paid | | **(148 890)** | | **(148 890)** |
| **Balance at 30 June 2011** | **42 000** | **(381)** | **1 609 777** | **1 651 396** |

## **STATEMENTS OF CHANGES IN EQUITY** *(continued)*

for the year ended 30 June 2011

| | Share capital R'000 | Retained earnings R'000 | Total R'000 |
|---|---|---|---|
| **COMPANY** | | | |
| **Balance at 1 July 2009** | 42 000 | (303) | 41 697 |
| **Profit for the year** | | 148 424 | 148 424 |
| **Transactions with owners** | | | |
| Unclaimed dividends written back | | 19 | 19 |
| Dividends paid | | (149 100) | (149 100) |
| **Balance at 30 June 2010** | 42 000 | (960) | 41 040 |
| **Profit for the year** | | **148 775** | **148 775** |
| **Transactions with owners** | | | |
| Unclaimed dividends written back | | **694** | **694** |
| Dividends paid | | **(148 890)** | **(148 890)** |
| **Balance at 30 June 2011** | **42 000** | **(381)** | **41 619** |

**Dividend per share**

Interim: 172,5 cents (2010: 173 cents) – declared 23 February 2011 and paid 22 March 2011

Final: 181,5 cents (2010: 182 cents) – declared 2 September 2011 and payable 26 September 2011

## STATEMENTS OF CASH FLOWS

for the year ended 30 June 2011

| | Notes | GROUP 2011 R'000 | GROUP 2010 R'000 | COMPANY 2011 R'000 | COMPANY 2010 R'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Administrative expenses | **6** | **(1 568)** | (2 051) | **(1 568)** | (2 051) |
| Increase in trade payables and unclaimed dividends | | **146** | 303 | **146** | 303 |
| Cash utilised in operations | | **(1 422)** | (1 748) | **(1 422)** | (1 748) |
| Dividends received | | **150 205** | 150 205 | **150 205** | 150 205 |
| Dividends paid | | **(148 890)** | (149 100) | **(148 890)** | (149 100) |
| Interest received | | **192** | 270 | **192** | 270 |
| Taxation (paid)/received | | **(54)** | 15 | **(54)** | 15 |
| **Net increase/(decrease) in cash and cash equivalents** | | **31** | (358) | **31** | (358) |
| **Cash and cash equivalents at beginning of the year** | | **254** | 612 | **254** | 612 |
| **Cash and cash equivalents at end of the year** | **3** | **285** | 254 | **285** | 254 |

# ACCOUNTING POLICIES
for the year ended 30 June 2011

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented.

## 1.1 BASIS OF PREPARATION

The consolidated and separate annual financial statements of Capevin Investments Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) and the manner required by the Companies Act of South Africa and the JSE Listings Requirements. The annual financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Management has made no significant estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The results of the associate company, which are equity accounted in the consolidated financial statements, includes some significant estimates and judgements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are mainly biological assets, impairment of receivables, retirement benefits, impairment of intangible assets, useful life and impairment of property, plant and equipment, inventory provisions, share options and deferred and income taxes.

### Economic interest financial statements

As Capevin Investments Ltd does not have any investments in subsidiaries but only an investment in associate, the company prepares "economic interest" financial statements in which its investment is equity accounted. These "economic interest" financial statements are referred to as "group".

### Standards, interpretations and amendments to published standards that are effective for the first time in 2011 and relevant to the group's operations

No new standards, interpretations or amendments, which are relevant to the group's operations, became effective during the year.

### Standards, interpretations and amendments to published standards that are effective for the first time in 2011 and not currently relevant to the group's operations

- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (effective January 2010 and July 2010)
- Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* (effective January 2010)
- Amendments to IAS 32 *Classification of Rights Issues* (effective February 2010)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective July 2010)
- Improvements to IFRSs 2009 (effective January 2010)
- Improvements to IFRSs 2010 (effective July 2010)

### Standards, interpretations and amendments to published standards that are not yet effective but relevant to the group's operations

- IFRS 9 *Financial Instruments* (effective January 2013)
- IFRS 10 *Consolidated Financial Statements* (effective January 2013)
- IFRS 12 *Disclosure of Interests in Other Entities* (effective January 2013)
- Amendment to IAS 1 *Presentation of Financial Statements* (effective July 2012)
- Consequential amendments to IAS 27 *Separate Financial Statements*, resulting from the issue of IFRS 10, 11 and 12 (effective January 2013)
- Consequential amendments to IAS 28 *Investments in Associates*, resulting from the issue of IFRS 10, 11 and 12 (effective January 2013)

Management is in the process of assessing the impact of these new standards and amendments on the reported results of the group.

### Standards, interpretations and amendments to published standards that are not yet effective nor relevant to the group's operations

- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (effective July 2011)
- Amendment to IFRS 7 *Financial Instruments: Disclosures* (effective July 2011)
- IFRS 11 *Joint Arrangements* (effective January 2013)
- IFRS 13 *Fair Value Measurement* (effective January 2013)
- Amendment to IAS 12 *Income Taxes* (effective January 2012)
- Amendment to IAS 19 *Employee Benefits* (effective January 2013)
- Amendments to IAS 24 *Related Party Disclosures* (effective January 2011)
- Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement* (effective January 2011)
- Amendments to AC 504: IAS 19 (AC 116) – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment* (effective January 2011)
- Improvements to IFRSs 2010 (effective January 2011)

## 1.2 BASIS OF CONSOLIDATION

### Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in its associates' other comprehensive income and other reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising on investments in associates are recognised in the income statement.

Where equity securities are transferred to investment in associated companies upon gaining significant influence ("step acquisition"), the investment is transferred at its fair value. Goodwill is calculated at each stage of step acquisitions. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

After applying the equity method, investments in associated companies are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Investments in associates are accounted for at cost less accumulated impairment losses in the company's separate financial statements.

Interest-free loans to associates with no specific terms of repayment are considered to be a capital contribution to the associate and are included in the carrying amount of the investment.

### Significant accounting policies of associate

*Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing cost. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable costs of completion and selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges of raw material purchases.

*Employee benefits – Retirement funds: Defined-benefit plans*

The liability recognised in the statement of financial position in respect of defined-benefit pension plans and post-retirement medical benefits is the present value of the defined-benefit obligation at the reporting date less the fair value of plan assets together with adjustments to unrecognised past service costs. The defined-benefit obligation is actuarially valued every three years and reviewed every year by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Current service costs are recognised immediately in income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised outside profit or loss in the period in which they occur and are presented in other comprehensive income.

## 1.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of deposits held at call with banks and money market funds. Cash and cash equivalents are classified as loans and receivables (refer note 1.6).

## 1.4 REVENUE RECOGNITION

Interest income is recognised according to the effective-interest method and dividends are recognised when the right to receive payment is established.

## 1.5 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group's associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in associated companies, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 1.6 FINANCIAL ASSETS

The group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that the group intends to sell in the short term. Loans and receivables are carried at amortised cost using the effective-interest method. Specific provisions are made against identified doubtful receivables.

### Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on the trade date – the date on which the group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss, are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has substantially transferred all risks and rewards of ownership.

## 1.7 FINANCIAL LIABILITIES

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities consists of trade payables and unclaimed dividends which are recognised initially at fair value and subsequently at amortised cost using the effective-interest method.

## 1.8 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of taxation.

## 1.9 EQUITY RESERVE

The equity reserve comprises the group's share of associates' post-acquisition reserves, excluding non-controlling interests.

## 1.10 DIVIDENDS

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's board of directors.

## 1.11 SEGMENT REPORT

Capevin Investments Ltd is an investment holding company with its only investment being an effective interest in Distell Group Ltd. The directors have not identified any other segment to report on.

## 1.12 STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the indirect method.

## 1.13 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 1.14 SECONDARY TAX ON COMPANIES

South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax ("STC") on distributed income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under South African tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in profit and loss in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends is carried forward to the next dividend cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the company will declare dividends in the following year to utilise such STC credits.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | R'000 | R'000 | R'000 | R'000 |
| **2. INVESTMENT IN ASSOCIATE** | | | | |
| Unlisted investment in Remgro-Capevin Investments Ltd (at cost) | **42 000** | 42 000 | **42 000** | 42 000 |
| The investment comprises 50 ordinary shares of R1 each and an unsecured, interest-free loan with no specific terms of repayment. The investment ultimately represents a shareholding of 29,04% (2010: 29,12%) in Distell Group Ltd. | | | | |
| **Interest in post-acquisition reserves** | **1 609 777** | 1 483 214 | | |
| Balance at beginning of the year | **1 483 214** | 1 362 938 | | |
| Share of profit of associate | **279 168** | 274 493 | | |
| Dividend received from associate | **(150 205)** | (150 205) | | |
| Gain on dilution of interest in associate | **1 726** | 1 413 | | |
| Other comprehensive loss | **(4 126)** | (5 425) | | |
| Carrying value | **1 651 777** | 1 525 214 | | |
| The market value of the investment, based on the JSE Ltd closing price at 30 June 2011, amounted to R4,2 billion (2010: R3,8 billion). | | | | |
| **The principal financial information in respect of Distell Group Ltd are:** | | | | |
| *Abridged statement of financial position* | | | | |
| Total assets | **8 483 580** | 8 201 031 | | |
| Non-current | **2 986 668** | 2 732 444 | | |
| Current | **5 496 912** | 5 468 587 | | |
| Total liabilities | **(2 789 571)** | (2 962 730) | | |
| Non-current | **(731 858)** | (673 946) | | |
| Current | **(2 057 713)** | (2 288 784) | | |
| Total equity | **5 694 009** | 5 238 301 | | |
| *Abridged income statement* | | | | |
| Revenue | **12 327 786** | 11 808 884 | | |
| Profit for the year attributable to ordinary shareholders | **960 673** | 941 556 | | |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | R'000 | R'000 | R'000 | R'000 |
| **2. INVESTMENT IN ASSOCIATE** *(continued)* | | | | |
| **The principal financial information in respect of Distell Group Ltd are:** | | | | |
| *Earnings per share (cents)* | | | | |
| – attributable earnings | **476,2** | 468,1 | | |
| – diluted earnings | **448,0** | 444,5 | | |
| – headline earnings | **476,8** | 469,1 | | |
| – diluted headline earnings | **448,6** | 445,4 | | |
| *Dividend per share (cents)* | **256,0** | 256,0 | | |
| – interim | **124,0** | 124,0 | | |
| – final (declared after year-end) | **132,0** | 132,0 | | |
| **3. CASH AND CASH EQUIVALENTS** | | | | |
| Cash at bank and money market funds | **285** | 254 | **285** | 254 |
| **4. SHARE CAPITAL** | | | | |
| **Authorised** | | | | |
| 56 000 000 shares with a par value of R1 each | **56 000** | 56 000 | **56 000** | 56 000 |
| **Issued** | | | | |
| 42 000 000 shares with a par value of R1 each | **42 000** | 42 000 | **42 000** | 42 000 |
| **5. INVESTMENT INCOME** | | | | |
| Dividends received from associate | | | **150 205** | 150 205 |
| Interest received on cash and short-term funds | **192** | 270 | **192** | 270 |
| | **192** | 270 | **150 397** | 150 475 |

| | GROUP 2011 R'000 | GROUP 2010 R'000 | COMPANY 2011 R'000 | COMPANY 2010 R'000 |
|---|---|---|---|---|
| **6. ADMINISTRATIVE EXPENSES** | | | | |
| Auditor's remuneration (audit services) | **86** | 176 | **86** | 176 |
| – current year | **86** | 111 | **86** | 111 |
| – prior year underprovision | | 65 | | 65 |
| Expenses incurred in respect of mandatory offer | | 350 | | 350 |
| Other administrative expenses | **1 482** | 1 525 | **1 482** | 1 525 |
| | **1 568** | 2 051 | **1 568** | 2 051 |
| **7. TAXATION** | | | | |
| South Africa normal tax – current year | **54** | | **54** | |
| Tax rate reconciliation: | **%** | **%** | **%** | **%** |
| Standard rate for companies | **28,00** | 28,00 | **28,00** | 28,00 |
| Income from associate | **(28,14)** | (28,18) | | |
| Exempt dividend income | | | **(28,26)** | (28,34) |
| Non-deductible expenses | **0,16** | | **0,30** | |
| Tax losses for which no deferred income tax asset was recognised | | 0,18 | | 0,34 |
| | **0,02** | – | **0,04** | – |

History shows that Capevin Investments Ltd's STC credits increase over time as dividends received exceed dividends paid. No deferred tax asset has been raised on the unutilised STC credits of R11 486 000 (2010: R10 171 000).

The group's STC liability, should all distributable reserves be paid out, would amount to R145 265 000 (2010: R133 826 000).

| | GROUP 2011 R'000 | GROUP 2010 R'000 |
|---|---|---|
| **8. EARNINGS PER SHARE** | | |
| The calculation of earnings per share is based on the following: | | |
| Earnings attributable to ordinary shareholders | **279 464** | 274 125 |
| Interest in adjustments of associate, net of taxation | **367** | 592 |
| Gross amount | **510** | 821 |
| Tax effect | **(143)** | (229) |
| Gain on dilution of interest in associate | **(1 726)** | (1 413) |
| Headline earnings attributable to ordinary shareholders | **278 105** | 273 304 |
| Ordinary shares in issue (thousands) | **42 000** | 42 000 |
| **Basic and diluted** | | |
| Earnings attributable to ordinary shareholders (R'000) | **279 464** | 274 125 |
| Headline earnings attributable to ordinary shareholders (R'000) | **278 105** | 273 304 |
| Attributable earnings per share (cents) | **665,4** | 652,7 |
| Headline earnings per share (cents) | **662,2** | 650,7 |

## 9. RELATED-PARTY TRANSACTIONS

During the year Capevin Investments Ltd received dividends from Distell Group Ltd (an associate of Capevin Investments Ltd) as set out in note 2, and paid an administrative fee of R637 000 (excl VAT) (2010: R637 000) and a sponsor fee of R25 000 (excl VAT) (2010: R25 000) to PSG Corporate Services (Pty) Ltd (a fellow subsidiary of an investor exercising significant influence over the holding company of Capevin Investments Ltd).

During the year, as part of the administration agreement, PSG Corporate Services (Pty) Ltd paid directors' remuneration as set out below:

- For services rendered up to and including the board meeting held on 30 August 2010, R20 000 was paid to each of Messrs AEvZ Botha and JJ Mouton, and R25 000 was paid to Mr KI Mampeule in his capacity as chairman.
- For services rendered up to and including the board meeting held on 23 February 2011, R20 000 was paid to Mr AEvZ Botha.

During the prior year, as part of the administration agreement, PSG Corporate Services (Pty) Ltd paid directors' remuneration of R20 000 to each of Messrs AEvZ Botha, JJ Mouton and CA Otto, and R25 000 to Mr KI Mampeule in his capacity as chairman.

## 10. COMMITMENTS AND CONTINGENCIES

During the reporting period, Distell group received an assessment from the South African Revenue Service for additional employees tax relating to the Distell group's share incentive scheme. The Distell group obtained legal and tax specialist opinions on this matter, which indicated that no provision is necessary and are in the process of formalising an objection to this assessment. The Capevin Investments group's interest in the amount that is at risk is R15,2 million (excluding penalties and interest).

## 11. BLACK ECONOMIC EMPOWERMENT (BEE) AND DILUTION OF INTEREST IN ASSOCIATE

In October 2005 Distell entered into a broad-based black economic empowerment transaction. As part of this transaction, options on Distell shares were issued to the BEE consortium and have been accounted for in terms of IFRS 2, *Share-based Payments*.

The cost of this transaction to Distell's shareholders, calculated by using an option pricing model, equated to R122,3 million. R67,2 million of this amount related to non-employees and was expensed in full in the 2006 financial year. The remaining R55,1 million relates to Distell employees' portion and is being expensed over a vesting period of eight years.

In terms of the transaction Distell will issue ordinary shares to the BEE consortium, between 30 June 2013 and 30 June 2015. This will result in a dilution of Capevin Investments Ltd's interest in Distell. The extent of the eventual dilution of Distell's shareholders will depend on a number of factors, but will not exceed the maximum limit of 15%.

When these shares are issued to the BEE consortium, Capevin Investments Ltd will recognise, a dilution of up to 15% against its investment in its associate (currently carried at R1,7 billion). At the same time its interest in Distell's earnings will decrease by up to 15%.

To take cognisance of the above, Distell's 2011 financial statements disclose diluted headline earnings per share that is 5,9% (2010: 5,1%) less than the headline earnings per share.

Although there has been no real dilution of Capevin Investments Ltd's interest yet, this is viewed as a realistic indication of the extent to which the rights, that will lead to the eventual dilution, have already vested.

If the basis on which Distell has calculated its diluted headline earnings per share is applied to Capevin Investments Ltd's results, its headline earnings for the year would decrease by R16,5 million (2010: R13,8 million) to 623,0 cents (2010: 617,8 cents) per share.

## 12. FINANCIAL RISK MANAGEMENT

The financial instruments on the statement of financial position are limited to cash and cash equivalents, trade payables and unclaimed dividends.

Cash and cash equivalents are classified as loans and receivables and trade payables and unclaimed dividends are classified as liabilities measured at amortised cost. None of the financial instruments are measured at fair value, however, the fair value of the investment in associate is disclosed in note 2.

The group and company's operations expose it to negligible levels of credit and interest rate risk, and no currency or price risk.

Credit risk relates to bank balances held with financial institutions. The risk is limited by the high credit rating (Moody's: A3) of the financial institutions.

Interest rate risk relates only to the bank balances and any change in interest rates will have a negligible effect on the group and company's results.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The group and company's financial liabilities are all payable within 12 months from the reporting date.

### Capital risk management

The group's objective when managing capital is to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders. In terms of the group's dividend policy, dividends received from its indirect interest in Distell, after providing for administration costs, are distributed to shareholders.

The group's capital comprises total equity, as shown in the group statement of financial position. When funding is required, the group will either raise additional capital or utilise debt. There is no restriction on the level of gearing. However, the group will continuously assess the extent of gearing employed, in the context of the level of liquidity within the group's portfolio.

| | Shareholders | | Shares held | |
|---|---|---|---|---|
| | Number | % | Number | % |
| **13. SHARE ANALYSIS** | | | | |
| **Range of shareholding** | | | | |
| 1 – 500 | 819 | 36,4 | 232 733 | 0,6 |
| 501 – 1 000 | 430 | 19,1 | 375 837 | 0,9 |
| 1 001 – 5 000 | 598 | 26,6 | 1 512 251 | 3,6 |
| Over 5 000 | 403 | 17,9 | 39 879 179 | 94,9 |
| | 2 250 | 100,0 | 42 000 000 | 100,0 |
| **Public and non-public shareholding** | | | | |
| Non-public | | | | |
| Holding company: Capevin Holdings Ltd | 1 | 0,0 | 21 420 000 | 51,0 |
| Remgro International Holdings (Pty) Ltd | 1 | 0,0 | 4 034 692 | 9,6 |
| Director: Mr CA Otto (indirect non-beneficial interest) | 1 | 0,0 | 1 000 | 0,0 |
| Public | 2 247 | 100,0 | 16 544 308 | 39,4 |
| | 2 250 | 100,0 | 42 000 000 | 100,0 |
| **Individual shareholders holding 5% or more as at 30 June 2010** | | | | |
| Holding company: Capevin Holdings Ltd | | | 21 420 000 | |
| Remgro International Holdings (Pty) Ltd | | | 4 034 692 | |
| | | | 25 454 692 | |

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given of the annual general meeting of shareholders of Capevin Investments Ltd ("Capevin Investments" or "the company") to be held at PSG Group's offices situated at 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, on Thursday, 20 October 2011, at 09:00 ("the AGM").

## Purpose

The purpose of the meeting is to transact the business set out in the agenda below. For the avoidance of doubt, the memorandum and articles of association of the company are referred to as the memorandum of incorporation in accordance with the terminology used in the new Companies Act 2008 (Act 71 of 2008), as amended ("the Companies Act"), which became effective on 1 May 2011.

## Agenda

1. Presentation of the audited annual financial statements of the company, including the reports of the directors and the audit and risk committee for the year ended 30 June 2011. The annual report of which this notice forms a part, containing the complete audited annual financial statements, is available at *www.capevin.com* and can also be obtained from the company's registered office.

2. To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

*Note:*
*For any of the ordinary resolutions numbers 1 to 8 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.*

### 2.1 Retirement and re-election of directors

#### 2.1.1 Ordinary resolution number 1

"Resolved that Mr CA Otto, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

***Summary curriculum vitae of Chris Otto***

Mr Otto obtained the degrees BComm LLB and is a director of various companies, including Capitec Bank Holdings Ltd, Distell Group Ltd, Kaap Agri Ltd, PSG Group Ltd and Zeder Investments Ltd.

#### 2.1.2 Ordinary resolution number 2

"Resolved that Mr MH Visser, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

***Summary curriculum vitae of Thys Visser***

Mr Visser obtained the degree BComm (Hons) and is a Chartered Accountant (SA). He is currently the Chief Executive Officer of Remgro Ltd and a director of various other companies, including Distell Group Ltd.

#### 2.1.3 Ordinary resolution number 3

"Resolved that Ms A Wessels, who was appointed to the board during the year under review and who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering herself for re-election, be and is hereby re-elected as director."

***Summary curriculum vitae of Adri Wessels***

Ms Wessels obtained the degree BCompt (Hons) and is a Chartered Accountant (SA). She is currently the financial manager of PSG Group Ltd and a director of PSG Corporate Services (Pty) Ltd (appointed manager to Capevin Investments Ltd).

The reason for ordinary resolution numbers 1 to 3 (inclusive) is that the memorandum of incorporation of the company and, to the extent applicable, the Companies Act, require that a component of the non-executive directors as well as newly appointed directors rotate at the annual general meeting and, being eligible, may offer themselves for re-election as directors.

### 2.2 Re-appointment of the members of the audit and risk committee of the company

*Note:*
*For avoidance of doubt, all references to the audit and risk committee of the company is a reference to the audit committee as contemplated in the Companies Act.*

#### 2.2.1 Ordinary resolution number 4

"Resolved that Mr JJ Durand, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company."

***Summary curriculum vitae of Jannie Durand***

Mr Durand obtained the degrees BAcc (Hons) and MPhil and is a Chartered Accountant (SA). He is currently the Chief Investment Officer of Remgro Ltd and a director of various other companies.

#### 2.2.2 Ordinary resolution number 5

"Resolved that Mr JJ Mouton, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company."

***Summary curriculum vitae of Jan Mouton***

Mr Mouton obtained the degrees BAcc (Hons) and MPhil and is a Chartered Accountant (SA). He is currently the manager of PSG Flexible Fund and a director of various companies.

### 2.2.3 Ordinary resolution number 6

"Resolved that Mr MH Visser, being eligible, be and is hereby appointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company."

***Summary curriculum vitae of Thys Visser***

Mr Visser obtained the degree BComm (Hons) and is a Chartered Accountant (SA). He is currently the Chief Executive Officer of Remgro Ltd and a director of various other companies, including Distell Group Ltd.

The reason for ordinary resolution numbers 4 to 6 (inclusive) is that the company, being a public listed company, must appoint an audit and risk committee and the Companies Act requires that the members of such audit and risk committee be appointed, or re-appointed, as the case may be, at each annual general meeting of a company.

### 2.3 Re-appointment of auditor
### Ordinary resolution number 7

"Resolved that PricewaterhouseCoopers Inc be and is hereby re-appointed as auditor of the company for the ensuing year on the recommendation of the audit and risk committee of the company."

The reason for ordinary resolution number 7 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the annual general meeting of the company as required by the Companies Act.

### 2.4. Auditor's remuneration
### Ordinary resolution number 8

"Resolved that the auditor's remuneration for the year ended 30 June 2011, as determined by the audit and risk committee of the company, be and is hereby confirmed".

The reason for ordinary resolution number 8 is that the memorandum of incorporation of the company requires that the remuneration of the auditor be considered at the annual general meeting.

3. To consider and, if deemed fit, pass, with or without modification, the following special resolution:

*Note:*
*For the special resolution to be adopted, more than 75% of the voting rights exercised must be exercised in favour thereof.*

### 3.1 Inter-company loans

**Special resolution number 1**

"Resolved in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of the company may deem fit to any company or corporation that is related or inter-related ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) to the company, on the terms and conditions and for amounts that the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

The reason for and effect of special resolution number 1 is to grant the directors of the company the authority until the next annual general meeting to provide financial assistance to any company or corporation which is related or inter-related to the company. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

4. To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the company.

## Information relating to the special resolution

1. General information in respect of directors (page 2), major shareholders (page 26), directors' interest in securities and material changes (page 10) and the share capital of the company (page 22) is contained in this annual report of which this notice forms a part.

2. The company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the company is aware that may have or have had in the previous 12 months, a material effect on the company's financial position.

3. The directors, whose names appear on page 2 of this annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts that have been made and that the notice contains all information required by the Listings Requirements of the JSE.

## Voting

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company ("the Share Register") for purposes of being entitled to receive this notice is Friday, 9 September 2011.

2. The date on which shareholders must be recorded in the Share Register for purposes of being entitled to attend and vote at this meeting is Friday, 14 October 2011, with the last day to trade being Friday, 7 October 2011.

3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM if they are not known to the chairman and must accordingly bring a copy of their identity document, passport or driver's licence to the AGM. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.

4. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.

5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the company's secretary at the address given below by not later than 12:00 on Tuesday, 18 October 2011.

6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.

8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

By order of the board

**PSG Corporate Services (Pty) Ltd**
Company secretary

15 September 2011
Stellenbosch

**Registered office**
Capevin Investments Ltd
Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

**Transfer secretaries**
Computershare Investor Services (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

**Sponsor**
PSG Capital
Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)

CAPEVIN
INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1979/007263/06)
JSE share code: CVI
ISIN code: ZAE000136446
("Capevin Investments" or "the company")

## FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS ONLY

For use at the annual general meeting of ordinary shareholders of the company to be held at 09:00 at the PSG Group offices situated at 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, on Thursday, 20 October 2011.

I/We (full name in print) ______________________________

of (address) ______________________________

being the registered holder of ____________________ ordinary shares hereby appoint:

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the chairman of the annual general meeting,

as my proxy to vote for me/us at the annual general meeting for purposes of considering and, if deemed fit, passing, with or without modification, the special resolutions and ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name(s) in accordance with the following instructions (see Notes):

| | | Number of shares | | |
|---|---|---|---|---|
| | | In favour of | Against | Abstain |
| 1. | To accept the presentation of the audited annual financial statements | | | |
| 2.1.1 | Ordinary resolution number 1: To re-elect Mr CA Otto as director | | | |
| 2.1.2 | Ordinary resolution number 2: To re-elect Mr MH Visser as director | | | |
| 2.1.3 | Ordinary resolution number 3: To re-elect Ms A Wessels as director | | | |
| 2.2.1 | Ordinary resolution number 4: To re-appoint Mr JJ Durand as a member of the audit and risk committee | | | |
| 2.2.2 | Ordinary resolution number 5: To re-appoint Mr JJ Mouton as a member of the audit and risk committee | | | |
| 2.2.3 | Ordinary resolution number 6: To appoint Mr MH Visser as a member of the audit and risk committee | | | |
| 2.3. | Ordinary resolution number 7: To re-appoint PricewaterhouseCoopers Inc as the auditor | | | |
| 2.4. | Ordinary resolution number 8: To confirm the auditor's remuneration | | | |
| 3.1 | Special resolution number 1: Inter-company loans | | | |

Please indicate your voting instruction by way of inserting the number of shares or by a cross in the space provided.

Signed at ____________________ on this __________ day of ______________ 2011.

Signature(s) ______________________________

Assisted by (where applicable) (state capacity and full name)

______________________________

Each Capevin Investments shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the company) to attend, speak and vote in his stead at the annual general meeting.

## NOTES

1. A Capevin Investments shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the annual general meeting". The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A Capevin Investments shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.

3. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.

4. Forms of proxy must be completed and returned to be received by the secretary of the company, PSG Corporate Services (Pty) Ltd (PO Box 7403, Stellenbosch, 7599), by not later than 12:00 on Tuesday, 18 October 2011.

5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).

6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

# ADMINISTRATION

| | |
|---|---|
| **Details of Capevin Investments Ltd** | Registration number: 1979/007263/06<br>JSE share code: CVI<br>ISIN code: ZAE 000136446 |
| **Secretary and registered office** | PSG Corporate Services (Pty) Ltd<br>Registration number: 1996/004840/07<br>Ou Kollege<br>35 Kerk Street<br>Stellenbosch, 7600<br>(PO Box 7403, Stellenbosch, 7599)<br><br>Telephone +27 21 887 9602<br>Facsimile +27 21 883 3437 |
| **Transfer secretaries** | Computershare Investor Services (Pty) Ltd<br>Ground Floor<br>70 Marshall Street<br>Johannesburg, 2001<br>(PO Box 61051, Marshalltown, 2107) |
| **Sponsor** | PSG Capital<br>Ou Kollege<br>35 Kerk Street<br>Stellenbosch, 7600<br>(PO Box 7403, Stellenbosch, 7599) |
| **Auditor** | PricewaterhouseCoopers Inc |
| **Website address** | www.capevin.com |

GREYMATTER & FINCH # 5615

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