

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 2017

and

CASH DIVIDEND DECLARATION

• Headline earnings per share	33.0 cents
• Intrinsic value per share at 31 December 2017	R9.46
• Interim dividend per share	10.95 cents

SUMMARY GROUP STATEMENT OF FINANCIAL POSITION

	31 December		30 June
	2017	2016	2017
	R'000	R'000	R'000
ASSETS			
Non-current assets			
Investment in joint venture	2 988 121	2 838 244	2 819 439
Current assets			
Cash and cash equivalents	24 305	18 629	23 364
Total assets	3 012 426	2 856 873	2 842 803
EQUITY AND LIABILITIES			
Equity			
Ordinary shareholders' interest	2 993 567	2 842 683	2 826 961
Current liabilities			
Trade payables	18 859	14 190	15 842
Unclaimed dividends	1 631	87	382
Current income tax liability	17 207	14 080	15 442
	21	23	18
Total equity and liabilities	3 012 426	2 856 873	2 842 803
Net asset value per share (cents)	340.1	323.0	321.2

SUMMARY GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	R'000	R'000	R'000
Share of profit of joint venture	321 461	298 702	347 127
Loss on dilution of interest in joint venture	(992)	(586)	(1 619)
Investment income	945	666	1 831
Unclaimed dividends forfeited	832	652	1 265
Administrative expenses	(9 455)	(1 042)	(2 930)
Profit before taxation	312 791	298 392	345 674
Taxation	(265)	(186)	(513)
Profit for the period	312 526	298 206	345 161
Other comprehensive income	(26 226)	(186 752)	(156 138)
<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 assets	1 477	(2 133)	(715)
Fair value adjustment – cash flow hedges	2 438	-	(2 439)
Currency translation differences	(35 616)	(163 401)	(151 622)
Reclassified to profit or loss	(33)	(66)	(946)
<i>Items that will not be reclassified to profit or loss:</i>			
Share of joint venture's remeasurements of post-employment benefits	(279)	(16 195)	11 685
Other equity movements of joint venture	5 787	(4 957)	(12 101)
Total comprehensive income for the period	286 300	111 454	189 023
Profit for the period attributable to:			
Owners of the parent	312 526	298 206	345 161
Total comprehensive income attributable to:			
Owners of the parent	286 300	111 454	189 023
Earnings per share (cents)			
- Basic	35.5	33.9	39.2
- Diluted	35.5	33.8	39.2

HEADLINE EARNINGS RECONCILIATION

	Six months ended		Year ended
	31 December		30 June
	2017	2016	2017
	R'000	R'000	R'000
Earnings attributable to ordinary shareholders	312 526	298 206	345 161
Headline earnings adjustable items			
Share of joint venture's adjustments			
Profit on sale of investment	(19 391)	-	-
Impairment of property, plant and equipment	3 463	-	84 120
(Profit)/loss on sale of property, plant and equipment	(8 242)	694	(19 058)
Tax on (profit)/loss on sale of property, plant and equipment	1 523	(128)	3 522
Impairment of intangible assets and investments	-	15 741	-
Loss on dilution of interest in joint venture	992	586	1 619
Headline earnings	290 871	315 099	415 364
Earnings per share (cents)			
- Basic	35.5	33.9	39.2
- Diluted	35.5	33.8	39.2
Headline earnings per share (cents)			
- Basic	33.0	35.8	47.2
- Diluted	33.0	35.7	47.1
Number of shares (thousands)			
- In issue	880 103	880 103	880 103
- Weighted average	880 103	880 103	880 103

SUMMARY GROUP STATEMENT OF CHANGES IN EQUITY

	Six months ended		Year ended
	31 December		30 June
	2017	2016	2017
	R'000	R'000	R'000
Ordinary shareholders' equity at the beginning of the period	2 826 961	2 856 204	2 856 204
Total comprehensive income	286 300	111 454	189 023
Dividends paid	(119 694)	(124 975)	(218 266)
Ordinary shareholders' equity at the end of the period	2 993 567	2 842 683	2 826 961
Dividend per share (cents)			
- Interim	10.95	10.60	10.60
- Final			13.60

SUMMARY GROUP STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	31 December		30 June
	2017	2016	2017
	R'000	R'000	R'000
Cash flows from operating activities			
Dividends received	83 561	125 563	222 374
Dividends paid	(119 694)	(124 975)	(218 266)
Interest received	945	666	1 831
Administrative expenses	(9 455)	(1 042)	(2 930)
Taxation paid	(262)	(205)	(537)
Increase/(decrease) in trade and other payables and unclaimed dividends	3 846	2 751	5 021
	(41 059)	2 758	7 493
Cash flows from investing activities			
Repayment of shareholder's loan by joint venture	42 000	-	-
Net increase in cash and cash equivalents	941	2 758	7 493
Cash and cash equivalents at the beginning of the period	23 364	15 871	15 871
Cash and cash equivalents at the end of the period	24 305	18 629	23 364

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The summary group interim financial statements as at and for the six months ended 31 December 2017 have been prepared in accordance with the Listings Requirements of the JSE Limited (JSE) and the requirements of the Companies Act (No. 71 of 2008), as amended, applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by *IAS 34: Interim Financial Reporting*.

The directors are responsible for the preparation of the summary group 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 summary group interim financial statements have not been audited or reviewed by the Company's auditors.

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

Capevin Holdings applied all new and amended accounting pronouncements issued by the International Accounting Standards Board that are effective for the financial years commencing from 1 July 2017. None of these pronouncements had a material impact on the reported results.

2. GROUP STRUCTURE

The sole investment of Capevin Holdings is an effective interest of 26.74% (31 December 2016: 26.75% and 30 June 2017: 26.74%) in the issued share capital of Distell Group Limited (Distell), held via its 50% interest in Remgro-Capevin Investments Proprietary Limited (RCI).

3. RELATED PARTY INFORMATION

During the period under review the Group received dividends from RCI (a joint venture) of R83.6 million (31 December 2016: R125.6 million; 30 June 2017: R222.4 million), as well as the repayment of a shareholder's loan of R42.0 million. The Group also paid administrative fees of R0.6 million (31 December 2016: R0.5 million; 30 June 2017: R1.0 million) to Remgro Management Services Limited (a subsidiary of an investor with significant influence over the Group).

Directors' emoluments paid during the six months ended 31 December 2017 amounted to R0.8 million (31 December 2016: R Nil; 30 June 2017: R0.2 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.

5. THE PROPOSED RESTRUCTURING OF DISTELL'S OWNERSHIP STRUCTURE

As approved at the Capevin Holdings and Distell scheme meetings on 27 October 2017, the shareholding structure of Distell will be simplified through various schemes of arrangement. Currently Distell has a multi-tiered ownership structure, in which Remgro Limited (Remgro) and Capevin Holdings own a

material interest via RCI. Remgro and Capevin Holdings each hold 50% in RCI, and RCI has a 52.8% direct interest (on a fully diluted basis) in Distell.

A new entity, Distell Group Holdings Limited (DGHL), will effectively acquire RCI's and all other shareholders' direct and indirect interests in Distell in exchange for shares directly in DGHL. DGHL will be listed on the JSE and Distell and Capevin Holdings will be delisted. The finalisation of the restructuring is expected to occur in April 2018, once all regulatory approvals have been obtained.

COMMENTARY

FINANCIAL RESULTS

For the six months ended 31 December 2017, Distell's revenue increased by 9.3% to R13.4 billion on a sales volume increase of 3.7%. Reported headline earnings and headline earnings per share for the six months ended 31 December 2017 decreased by 5.1% to R1 117.3 million and 509.2 cents, respectively. Forex adjusted normalised headline earnings, which exclude once-off losses and impairments in Tanzania Distilleries Limited following a sachet ban and excise dispute, as well as an adjustment for interest income in the comparative period on the settlement of an excise dispute, increased by 3.2% to R1 243.2 million (2016: R1 204.3 million). The financial results for the period were again supported by efficiency improvements and cost containment initiatives, but negatively affected by the stronger rand.

Capevin Holdings' headline earnings per share for the six months ended 31 December 2017 decreased by 7.8% to 33.0 cents (2016: 35.8 cents), mainly due to Distell's lower headline earnings contribution, as well as expenses incurred pertaining to the corporate restructuring referred to earlier.

Pro forma financial information

Capevin Holdings' directors are responsible for calculating the intrinsic value per share, which constitutes pro forma financial information that were prepared for illustrative purposes. The intrinsic value per share was determined with reference to Distell's closing share price at the reporting date in order to illustrate the underlying value supporting the Company's share price. Because of the nature of pro forma information, it may not fairly present the Group's financial position, changes in equity, results of operation or cash flows.

	31 December 2017 R'000	30 June 2017 R'000
Equity attributable to owners of the parent (net asset value)	2 993 567	2 826 961
Less: Carrying value of investment in joint venture	(2 988 121)	(2 819 439)
Add: Fair value of investment in joint venture	8 322 907	8 038 925
Intrinsic net asset value	8 328 353	8 046 447
Number of shares in issue (thousands)	880 103	880 103
Net asset value per share (R)	3.40	3.21
Net intrinsic value per share (R)	9.46	9.14
Number of Distell shares held by RCI (thousands)	117 348	117 348
Closing price (R)	141.85	137.01
Capevin Holdings' share	50%	50%

Capevin Holdings' intrinsic value per share increased by 3.5% from R9.14 on 30 June 2017 to R9.46 on 31 December 2017, based on Distell's last traded share price of R141.85 at that date (excluding capital gains tax), while the discount to intrinsic value has widened from 1.0% to 4.5%. On 26 February 2018, Distell's share price decreased to R137.79, while Capevin Holdings' decreased to R8.80 (31 December 2017: R9.04).

PROSPECTS

Distell's board believes that growth across advanced economies and most emerging markets points to a more favourable global economic outlook. However, risks continue to face the domestic economy in the short term. The strengthening of the rand, higher grape prices and water shortages will have a negative impact on the business.

Distell intends to defend and grow its market share through an optimised brand portfolio and innovation. It will look to continue and lead in the recovery of the brandy category and drive its wine strategy. Competition increased in the local cider market and Distell will increase investment in the renovation of its Hunter's brand.

Distell is making good progress in its programme to create a more agile and efficient business by restructuring its brand portfolio, asset base and operating models. Distell has a portfolio of strong, diverse and appealing brands, as well as the capacity to trade across a spectrum of markets. Accordingly, it is well positioned to capture trading opportunities in both domestic and foreign markets.

Refer to 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 27) of 10.95 cents (2016: 10.60 cents) per share for the six months ended 31 December 2017. The dividend has been declared from income reserves.

A dividend withholding tax rate of 20% or 2.19 cents per share will be applicable, resulting in a net dividend of 8.76 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 8 March 2018 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	Tuesday, 3 April 2018
Shares trade ex dividend	Wednesday, 4 April 2018
Record date	Friday, 6 April 2018
Payment date	Monday, 9 April 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 April 2018, and Friday, 6 April 2018, both days inclusive.

In terms of the Company's Memorandum of Incorporation (MOI), dividends will only be transferred electronically to the bank accounts of shareholders, as 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.

In terms of the Company's MOI, the Board declared all dividends that are not claimed by shareholders after a three-year period forfeited in terms of the applicable prescription laws.

Signed on behalf of the Board of Directors.

Chris Otto
Chairman

Pieter Louw
Financial Director

Stellenbosch
8 March 2018

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 – 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,
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
(PO Box 61051, Marshalltown 2107)

Auditors

PricewaterhouseCoopers Inc.
Stellenbosch

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)

Website

www.capevin.com