

# 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 2016

and

## CASH DIVIDEND DECLARATION

- |  |                            |
|--|----------------------------|
| • <b>Headline earnings per share</b>                   | <b>+0.8% to 35.8 cents</b> |
| • <b>Intrinsic value per share at 31 December 2016</b> | <b>R9.67</b>               |
| • <b>Interim dividend per share</b>                    | <b>10.60 cents</b>         |

## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>31 December</b>		30 June
	<b>2016</b>	2015	2016
	<b>R'000</b>	R'000	R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>2 838 244</b>	2 968 953	2 852 443
Investment in joint venture	2 838 244	2 967 153	2 852 443
Available-for-sale asset	-	1 800	-
<b>Current assets</b>			
Cash and cash equivalents	18 629	15 489	15 871
<b>Total assets</b>	<b>2 856 873</b>	2 984 442	2 868 314
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Ordinary shareholders' interest	2 842 683	2 974 251	2 856 204
<b>Non-current liabilities</b>			
Deferred taxation	-	335	-
<b>Current liabilities</b>	<b>14 190</b>	9 856	12 110
Trade payables	87	86	268
Unclaimed dividends	14 080	9 733	11 800
Current income tax liability	23	37	42
<b>Total equity and liabilities</b>	<b>2 856 873</b>	2 984 442	2 868 314
<b>Net asset value per share (cents)</b>	<b>323.0</b>	337.9	324.5

## SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December		Year ended 30 June
	2016 R'000	2015 R'000	2016 R'000
Share of profit of joint venture	298 702	311 944	410 662
Loss on dilution of interest in joint venture	(586)	(2 184)	(2 527)
Investment income	666	569	1 452
Profit on sale of investment	-	-	1 650
Unclaimed dividends forfeited	652	600	1 252
Administrative expenses	(1 042)	(964)	(2 162)
Profit before taxation	298 392	309 965	410 327
Taxation	(186)	(157)	(496)
<b>Profit for the period</b>	<b>298 206</b>	<b>309 808</b>	<b>409 831</b>
<b>Other comprehensive income</b>	<b>(186 752)</b>	<b>210 354</b>	<b>92 615</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value adjustment – available-for-sale asset	-	-	(150)
Tax charge relating to available-for-sale asset	-	-	28
Reclassified to profit and loss	-	-	(1 343)
Share of other comprehensive income of joint venture			
Fair value adjustment – available-for-sale asset	(2 133)	5 245	(4 630)
Currency translation differences	(163 401)	193 553	65 244
Reclassified to profit or loss	(66)	(634)	(754)
<i>Items that will not be reclassified to profit or loss:</i>			
Share of joint venture's remeasurements of post-employment benefits	(16 195)	7 854	22 092
Other equity movements of joint venture	(4 957)	4 336	12 128
<b>Total comprehensive income for the period</b>	<b>111 454</b>	<b>520 162</b>	<b>502 446</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	298 206	309 808	409 831
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	111 454	520 162	502 446
<b>Earnings per share (cents)</b>			
- Basic	33.9	35.2	46.6
- Diluted	33.8	35.1	46.4

## HEADLINE EARNINGS RECONCILIATION

	Six months ended 31 December		Year ended 30 June
	2016	2015	2016
	R'000	R'000	R'000
<b>Earnings attributable to ordinary shareholders</b>	<b>298 206</b>	<b>309 808</b>	<b>409 831</b>
Headline earnings adjustable items			
Share of joint venture's impairment of intangible assets and investments*	15 741	-	21 463
Share of joint venture's other capital (gains)/losses	694	103	491
Tax on share of joint venture's other capital gains and losses	(128)	(19)	(91)
Gain on disposal of investment	-	-	(1 650)
Tax effect of gain on disposal of investment	-	-	92
Loss on dilution of interest in joint venture	586	2 184	2 527
<b>Headline earnings</b>	<b>315 099</b>	<b>312 076</b>	<b>432 663</b>
<b>Earnings per share (cents)</b>			
- Basic	33.9	35.2	46.6
- Diluted	33.8	35.1	46.4
<b>Headline earnings per share (cents)</b>			
- Basic	35.8	35.5	49.2
- Diluted	35.7	35.3	49.0
<b>Number of shares (thousands)</b>			
- In issue	880 103	880 103	880 103
- Weighted average	880 103	880 103	880 103

\* During the period under review, Distell impaired the carrying value of industrial property rights held by its Angolan subsidiary, as well as its investment in a British wine broking company. During the previous financial year, it impaired the Bisquit brand as the expected potential market growth in China and Russia at the time of acquisition did not materialise.

## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended		Year ended
	31 December		30 June
	2016	2015	2016
	R'000	R'000	R'000
<b>Ordinary shareholders' equity at the beginning of the period</b>	<b>2 856 204</b>	2 546 060	2 546 060
Total comprehensive income	<b>111 454</b>	520 162	502 446
Dividends paid	<b>(124 975)</b>	(91 971)	(192 302)
<b>Ordinary shareholders' equity at the end of the period</b>	<b>2 842 683</b>	2 974 251	2 856 204

### Dividend per share (cents)

- Interim	<b>10.60</b>	11.40	11.40
- Final			14.20

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	31 December		30 June
	2016	2015	2016
	R'000	R'000	R'000
<b>Cash flows from operating activities</b>			
Dividends received	<b>125 563</b>	110 318	207 129
Dividends paid	<b>(124 975)</b>	(91 971)	(192 302)
Interest received	<b>666</b>	559	1 442
Administrative expenses	<b>(1 042)</b>	(964)	(2 162)
Taxation paid	<b>(205)</b>	(157)	(491)
Increase/(decrease) in trade and other payables and unclaimed dividends	<b>2 751</b>	(7 138)	(4 237)
	<b>2 758</b>	10 647	9 379
<b>Cash flows from investing activities</b>			
Proceeds from disposal of investment	-	-	1 650
<b>Net increase in cash and cash equivalents</b>	<b>2 758</b>	10 647	11 029
<b>Cash and cash equivalents at the beginning of the period</b>	<b>15 871</b>	4 842	4 842
<b>Cash and cash equivalents at the end of the period</b>	<b>18 629</b>	15 489	15 871

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

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

The summary consolidated interim financial statements as at and for the six months ended 31 December 2016 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), 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 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 interim financial statements have not been audited or reviewed by the Company's auditors.

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

The Group has adopted all new as well as amended accounting pronouncements issued by the International Accounting Standards Board (IASB) that are effective for financial years commencing 1 July 2016. None of the new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2016 has a material impact on the consolidated results of the Group.

### **2. GROUP STRUCTURE**

The sole investment of Capevin Holdings is an effective interest of 26.75% (31 December 2015: 26.78% and 30 June 2016: 26.77%) in the issued share capital of Distell Group Limited (Distell), held via its 50% interest in Remgro-Capevin Investments Proprietary Limited (Remgro-Capevin Investments).

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

During the period under review Capevin Holdings received dividends from Remgro-Capevin Investments of R125.6 million (31 December 2015: R110.3 million; 30 June 2016: R207.1 million). Capevin Holdings also paid administrative fees of R0.5 million (31 December 2015: R0.5 million; 30 June 2016: R1.0 million) to Remgro Management Services Limited (a subsidiary of an investor with significant influence over the Group). During the 2016 financial year, the Group also disposed of its investment in Historical Homes of South Africa Limited to Eikenlust Proprietary Limited (a subsidiary of an investor with joint control over the Group) for a total amount of R1.65 million.

No directors' emoluments were paid during the six months ended 31 December 2016 (31 December 2015: R nil; 30 June 2016: R0.1 million).

### **4. SEGMENT REPORT**

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

## **5. FAIR VALUE MEASUREMENT**

Subsequent to the disposal of the investment in Historical Homes of South Africa Limited during the 2016 financial year, Capevin Holdings had no financial instruments measured at fair value.

## **COMMENTARY**

### **FINANCIAL RESULTS**

For the six months ended 31 December 2016 Distell's revenue increased by 2.4% to R12.5 billion on a sales volume decline of 3.1%. Reported headline earnings for the six months ended 31 December 2016 increased by 1.1% to R1 176.9 million, while headline earnings per share increased by 1.0% to 536.8 cents. The financial results for the period, supported by further efficiency improvements and cost containment initiatives across the business, was negatively impacted by a stronger rand, particularly against the British Pound, compared to the comparative period. Excluding currency conversions, Distell's headline earnings increased by 20.9%.

Capevin Holdings' headline earnings per share for the six months ended 31 December 2016 consequently increased by 0.8% to 35.8 cents (2015: 35.5 cents).

Capevin Holdings' intrinsic value per share decreased by 10.4% from R10.79 on 30 June 2016 to R9.67 on 31 December 2016, based on Distell's last traded share price of R145.00 at that date (excluding capital gains tax), while the discount to intrinsic value has narrowed from 16.8% to 3.8%. On 24 February 2017, Distell's share price decreased to R144.00, while Capevin Holdings' decreased to R9.15 (31 December 2016: R9.65) and the discount to its intrinsic value per share increased to 4.7%.

### **PROSPECTS**

Distell's board believes that the outlook for global economic growth remains lacklustre amid rising global economic and political uncertainty, while African GDP growth will still be impacted by the commodity price slump. On the domestic front competition is intensifying and growth is nearing recession levels as consumer confidence remains low and exchange rates continue to be volatile. It is expected that challenging trading conditions in many of Distell's markets will persist for the remainder of the year and that a modest recovery in economic growth is only expected next year. Distell is phasing the level of investment in priority markets in light of the prevailing economic conditions. However, the strength, appeal and diversity of the company's brands, its enhanced capacity to trade across a spectrum of markets and the security of its financial position will allow Distell to continue pursuing its strategic ambitions.

Distell believes it will respond effectively to the changing macro environment by focussing on growth, improving productivity and simplifying the way it works. As such, the company is evaluating its operating model in order to reduce its cost base and further enhancing efficiencies as it continues to pursue growth domestically and in selected international markets.

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

### **DIRECTORATE**

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

## **DECLARATION OF CASH DIVIDEND**

In terms of the dividend policy of Capevin Holdings, dividends received from its indirect interest in Distell, after providing for administrative expenses, will be distributed to shareholders. The directors have consequently resolved to approve and declare an interim gross cash dividend (dividend number 25) of 10.60 cents (2015: 11.40 cents) per share for the six months ended 31 December 2016.

A dividend withholding tax rate of 20% or 2.12 cents per share will be applicable, resulting in a net dividend of 8.48 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 2017 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, 18 April 2017
Shares trade ex dividend	Wednesday, 19 April 2017
Record date	Friday, 21 April 2017
Payment date	Monday, 24 April 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 April 2017, and Friday, 21 April 2017, 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, while dividend cheques are no longer issued. In the instance where shareholders do not provide the Transfer Secretaries with their banking details, the dividend will not be forfeited but will be marked as "unclaimed" in the share register until the shareholder provides the Transfer Secretaries with the relevant banking details for pay out.

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 2017



## **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](http://www.capevin.com)