



Sabvest Capital Limited

Incorporated in the Republic of South Africa

Registration number 2020/030059/06

“Sabcap” or “the group” or “the company”

ISIN: ZAE000283511

JSE share code: SBP

UNAUDITED INTERIM RESULTS

for the six months ended 30 June 2020

Consolidated Condensed Statement of Financial Position

as at 30 June 2020

	Unaudited 30 June 2020 R'000	Restated* Unaudited 30 June 2019 R'000	Restated* Unaudited 31 Dec 2019 R'000
Non-current assets	2 939 956	2 714 267	2 957 158
Property, plant and equipment	3 193	3 995	3 610
Right of use asset	3 963	988	483
Investment holdings	2 932 800	2 709 284	2 953 065
Unlisted investments	2 572 767	2 187 770	2 358 579
Listed investments	360 033	470 889	529 461
Listed investments held indirectly	–	50 625	65 025
Current assets	255 850	261 447	267 072
Finance advances and receivables	131 880	112 488	124 614
Investments held-for-sale	68 377	–	71 072
Bond portfolio offshore	–	71 761	68 261
Cash balances	55 593	77 198	3 125
Total assets	3 195 806	2 975 714	3 224 230
Ordinary shareholders' equity	2 749 580	2 469 699	2 759 456
Non-current liabilities	376 153	410 805	372 976
Interest-bearing debt	290 000	230 000	300 000
Provision	2 368	–	–
Deferred tax liabilities	83 785	180 805	72 976
Current liabilities	70 073	95 210	91 798
Interest-bearing debt	39 975	46 614	49 278
Portfolio finance offshore	–	–	32 556
Current portion of non-current interest-bearing debt	10 000	40 000	–
Interest-bearing debt	29 975	6 614	16 722
Accounts payable and provisions	30 098	48 596	42 520
Total equity and liabilities	3 195 806	2 975 714	3 224 230

* Refer to the accounting policies and reverse acquisition accounting in the commentary.

Consolidated Condensed Statement of Cash Flows

for the six months ended 30 June 2020

	Unaudited 30 June 2020 R'000	Restated* Unaudited 30 June 2019 R'000	Restated* Unaudited 31 Dec 2019 R'000
Cash (utilised in)/generated by operating activities	(22 727)	27 780	17 170
Net (loss)/income for the period	(160 852)	52 551	381 886
Adjusted for non-cash items	154 213	(9 722)	(334 744)
Cash flows from operations	(6 639)	42 829	47 142
Dividends paid – ordinary	(16 088)	(15 049)	(29 972)
Cash flows from/(utilised in) investing activities	94 498	(310 593)	(428 519)
<i>These include:</i>			
Purchase of property, plant and equipment	(54)	(1 716)	(1 863)
Purchase of investment holdings and offshore portfolio	(42 503)	(427 665)	(514 237)
Proceeds from sale of investment holdings and offshore portfolio/repayment of investment loans	144 341	195 664	195 664
Proceeds from sale of property, plant and equipment	–	–	108
Increase in finance advances and receivables	(7 286)	(76 876)	(108 191)
Cash effects of financing activities	(19 303)	110 438	164 901
<i>These include:</i>			
Increase in long-term loans	–	130 000	160 000
(Decrease)/increase in offshore portfolio finance	(35 476)	–	35 476
Increase/(decrease) in cash offshore	2 920	–	(2 920)
Increase/(decrease) in interest-bearing debt	13 253	(19 562)	(9 454)
Repurchase of company shares	–	–	(18 201)
Other	–	–	–
Change in cash and cash equivalents	52 468	(172 375)	(246 448)
Cash balances, less current interest-bearing debt excluding portfolio finance, at beginning of period	3 125	249 573	249 573
Cash balances, less RSA interest-bearing debt, at end of period	55 593	77 198	3 125

* Refer to the accounting policies and reverse acquisition accounting in the commentary.

Consolidated Condensed Statement of Comprehensive Income

for the six months ended 30 June 2020

	Unaudited 30 June 2020 R'000	Restated* ^{#1} Unaudited 30 June 2019 R'000	Restated* ^{#1} Unaudited 31 Dec 2019 R'000
Gross (loss)/income from operations and investments	(107 937)	95 407	373 794
Dividends received	52 394	66 478	115 422
Interest received	9 608	9 265	23 609
Foreign exchange loss	(6 827)	(6 975)	(4 622)
(Loss)/gain on sale of financial instruments and shares	(7 264)	5 052	5 028
Fees and sundry income	890	942	2 157
Fair value adjustment to investments	(156 738)	20 645	232 200
– Listed	(48 414)	(99 696)	(37 971)
– Listed held indirectly	–	(14 625)	(225)
– Unlisted	(108 324)	134 966	270 396
Transactional costs	(8 316)	(3 659)	(6 525)
Impairments reversed	–	419	686
Fair value loss on initial recognition of interest-free loans	(579)	(274)	(231)
Interest paid	(15 491)	(9 976)	(26 634)
Net (loss)/income before expenses and exceptional items	(132 323)	81 917	341 090
<i>Less:</i> Expenditure	(17 721)	(25 670)	(63 337)
Operating costs – fixed	(16 571)	(16 820)	(34 388)
Operating costs – variable	(172)	(8 441)	(26 980)
Depreciation	(978)	(409)	(1 969)
Net (loss)/income before taxation	(150 044)	56 247	277 753
Taxation – deferred	(10 808)	(3 696)	104 133
Net (loss)/income for the period attributable to equity shareholders	(160 852)	52 551	381 886
Translation of foreign subsidiary* ^{#2}	174 620	(13 951)	(20 507)
Total comprehensive (loss)/income attributable to equity shareholders	13 768	38 600	361 379

*^{#1} Refer to the accounting policies and reverse acquisition accounting in the commentary.

*^{#2} This item may subsequently be classified to profit and loss.

Other Information

as at 30 June 2020

	Unaudited 30 June 2020 R'000	Restated* ^{#1} Unaudited 30 June 2019 R'000	Restated* ^{#1} Unaudited 31 Dec 2019 R'000
Net asset value per share with investments at fair value – cents	6 624	5 837	6 648
Number of shares in issue less held in treasury – 000's	41 508	42 310	41 508
(Loss)/earnings per share – cents	(387,5)	124,2	911,1
Weighted average number of shares in issue – 000's	41 508	42 310	41 913
Headline (loss)/earnings per share – cents* ^{#2}	(387,4)	124,2	911,1
Reconciliation of headline (loss)/earnings (R'000)			
Net (loss)/income for the period	(160 852)	52 551	381 886
Loss/(profit) on sale of property, plant and equipment	44	–	(8)
Headline (loss)/earnings for the period	(160 808)	52 551	381 878

*^{#1} Refer to the accounting policies and reverse acquisition accounting in the commentary.

*^{#2} There are no diluting instruments.

Consolidated Condensed Statement of Changes in Equity

for the six months ended 30 June 2020

	Share capital R'000	Share premium R'000	Non-distribu- table reserve R'000	Distributable reserve R'000	Total R'000
Balance as at 1 January 2019	851	–	143 818	2 301 479	2 446 148
Shares cancelled	–	–	–	(18 202)	(18 202)
Issue of share capital on reverse acquisition	1 443 726	–	–	–	1 443 726
Reverse acquisition reserve	–	–	(1 443 726)	–	(1 443 726)
Total comprehensive profit for the year	–	–	(20 507)	381 886	361 379
Unclaimed dividends written back	–	–	–	103	103
Dividends paid	–	–	–	(29 972)	(29 972)
Balance as at 1 January 2020 – Restated *	1 444 577	–	(1 320 415)	2 635 294	2 759 456
Total comprehensive loss for the period	–	–	174 620	(160 852)	13 768
Sabvest share repurchase	–	–	–	(7 556)	(7 556)
Dividends paid	–	–	–	(16 088)	(16 088)
Balance as at 30 June 2020	1 444 577	–	(1 145 795)	2 450 798	2 749 580

* Refer to the accounting policies and reverse acquisition accounting in the commentary.

Contingent Liabilities

as at 30 June 2020

- The group has rights and obligations in terms of shareholder or purchase and sale agreements relating to its present and former investments.
- A subsidiary has given guarantees on behalf of certain investees in the ordinary course of business for deal or operational credit in amounts totalling R285m (30 June 2019: R175m). Subsequent to the reporting date guarantees of R110m have been cancelled and the balance reduced to R175m.

Investment Holdings

as at 30 June 2020

	Number of Ordinary shares/units	Economic interest %	Fair value R'000
Unlisted Investments			
Apex Partners Holdings (Pty) Ltd		49,75	104 240
Classic Food Brands (Pty) Ltd		25,0	20 800
DNI-4PL Contracts (Pty) Ltd * ¹		19,6	598 030
Flexo Line Products (Pty) Ltd		47,5	65 206
ITL Holdings Group * ²		30,0	631 104
Masimong Group Holdings (Pty) Ltd		10,0	148 600
Rolfes Holdings (Pty) Ltd		34,4	166 005
SA Bias Industries (Pty) Ltd * ³		59,9	771 400
Sunspray Food Ingredients (Pty) Ltd * ⁴		27,6	67 382
			2 572 767
Listed Investments			
Corero Network Security Plc	36 250 000	7,3	61 201
Metrofile Holdings Limited	50 147 662	11,1	112 832
Transaction Capital Limited	10 000 000	1,6	186 000
			360 033
Non-current investment holdings			
			2 932 800
Current investments			
Investments held-for-sale			
– Brait S.E. Convertible Bond	30 000	–	50 392
– Net1 UEPS Technologies Inc	300 000	–	17 985
– Revix Group		31,0	–
Total current investments			68 377
TOTAL HOLDINGS			3 001 177

*¹ Effective interest of 19,6% in DNI through 34,77% of JAAH Investments which indirectly owns 42,95% of DNI through DN Invest (Pty) Ltd and a 4,66% interest in DN Invest (Pty) Ltd which owns 100% of DNI.

*² ITL Holdings Limited Jersey held through Mandarin Industries Limited BVI and ITL Holdings SA (Pty) Ltd held through Mandarin Holdings (Pty) Ltd and includes preferred shares of R106m in Mandarin Holdings redeemable in March 2023.

*³ Voting interest 49%.

*⁴ Held indirectly through ordinary shares in Famdeen Investments (Pty) Ltd.

Investment Holdings per Sector

as at 30 June 2020

	Listed/ Unlisted	Number of ordinary shares/units	Economic interest %	Fair value R'000
Industrial and Services				
DNI-4PL Contracts (Pty) Ltd	U		19,6	598 030
ITL Holdings Group	U		30,0	631 104
Metrofile Holdings Limited	L	50 147 662	11,1	112 832
SA Bias Industries (Pty) Ltd	U		59,9	771 400
				2 113 366
Industrial – Food and Related Products				
Classic Food Brands (Pty) Ltd	U		25,0	20 800
Flexo Line Products (Pty) Ltd	U		47,5	65 206
Sunspray Food Ingredients (Pty) Ltd	U		27,6	67 382
				153 388
Information Technology				
Corero Network Security Plc	L	36 250 000	7,3	61 201
				61 201
Mining, Chemicals and Agriculture				
Masimong Group Holdings (Pty) Ltd	U		10,0	148 600
Rolfes Holdings (Pty) Ltd	U		34,4	166 005
				314 605
Specialised Financial				
Apex Partners Holdings (Pty) Ltd	U		49,75	104 240
Transaction Capital Limited	L	10 000 000	1,6	186 000
				290 240
Non-current investment holdings				
				2 932 800
Current investments				
Brait S.E. Convertible Bond	L	30 000	–	50 392
Net1 UEPS Technologies Inc	L	300 000	–	17 985
Revix Group	U		31,0	–
				68 377
TOTAL HOLDINGS				3 001 177

PROFILE PURSUANT TO SABCAP LISTING

Sabvest Capital Limited (Sabcap) is an investment group which was listed on the JSE on 13 May 2020 as part of a restructuring in which it acquired 100% of the ordinary and 'N' ordinary shares of Sabvest Limited ("Sabvest"), which had been listed on the JSE since 1988, in exchange for a single class of Sabcap ordinary shares. The Seabrooke Family Trust (SFT) retains control of Sabcap through an unlisted 'Z' share. Shareholders are referred to the circular dated 26 February 2020.

Sabcap has 41,5m shares in issue. This is less than anticipated in the circular due to the exercise of section 164 rights by Sabvest shareholders holding 0,25m shares which may be acquired by Sabvest and paid for in cash at a price to be determined by the courts.

Sabvest has interests in ten unlisted investments, five listed investments and an offshore cash portfolio, all accounted for on a fair value basis.

Sabvest also makes finance advances, holds general debt, share and cash portfolios and undertakes other fee, finance and profit earning activities from time to time.

CHANGES IN INVESTMENT HOLDINGS

During the reporting period Sabcap/Sabvest:

- Disposed of 4m shares in Brait SE for R49,1m;
- Agreed to the delisting of Rolfes Holdings Limited on the basis that Sabvest will remain invested after the delisting but has granted an option to the new controlling shareholder to acquire 10,9m shares in Rolfes at 300 cents per share plus an interest-based adjustment;
- Participated in a capital raising in DNI in an amount of R28m.
- Disposed of its offshore bond portfolio for R75m;
- Purchased 0,25m Sabvest 'N' shares at a price still to be determined in accordance with the provisions of section 164;
- Committed to acquire additional shares in Masimong in an amount of R29m;
- Committed to acquire an additional investment of R42m in JAAH/DNI.

At the reporting date Sabvest has classified its share investments in Net1 and Revix and its convertible bond investment in Brait as current assets held-for-sale.

COVID-19

Sabcap and its investee companies have adhered to all health protocols and lockdown regulations worldwide. The infection rates in the operations of investees have fortunately been low relative to national averages but regrettably there have been a few deaths. The Board extends its sincerest condolences to the families.

To facilitate context for the balance of this report, herewith is a high level summary of the effects of the lockdown on our investees:

- DNI, Flexo Line, Sunspray Food Ingredients, Corero, the mining operations of Masimong and Rolfes were largely unaffected.
- Metrofile, SA Bias, Classic Foods, Revix, the agricultural operations of Masimong, the industrial operations of Apex, and Transaction Capital were affected to varying degrees. Based on Q3 2020 trading and forecasts, all are expected to recover to pre-COVID-19 levels either by Q4 2020 or in the first half of 2021.
- ITL was badly affected with all operations worldwide closed for a period and its look-through retail customer base materially affected. Although there has been no damage to the business model and in fact increased opportunities have arisen due to competitor weakness, the business is not expected to recover fully until Q4 2021.

FINANCIAL RESULTS

Net asset value per share ("NAV") decreased marginally to 6 624 cents from the NAV on 31 December 2019. This is a better result than was anticipated early in Q2. It was aided by the expected recovery of most of the group's investees by year-end and the materially weaker Rand at the reporting date relative to the 2019 year end which enhanced the Rand value of offshore investments and resulted in positive translation gains.

Profit after tax fell from a profit of R52,5m in the prior interim results to a loss of R160,8m for the period. After accounting for translation gains, comprehensive income fell from R38,6m to R13,8m. On a per share basis before translation gains, earnings and headline earnings per share fell from 126 cents to a loss of 387,5 cents per share.

Operating costs decreased materially due to the virtual elimination of variable costs, all of which are incentive related and which are therefore unlikely to be material in 2020.

The balance sheet remains strong with shareholders' funds of R2,750m and interest-bearing debt net of cash of R274,3m (30 June 2019: R199,4m) (31 December 2019: R313,6m). However, most of Sabvest's investee companies are retaining cash for their own liquidity and are not currently paying interest and dividends. The current inflows on an annualised basis result in Sabcap itself being cash flow negative although it is anticipated that on a forward basis Sabcap will return to being cash flow positive by the end of 2020. In this context Sabcap intends to defer the consideration of an interim dividend until its December board meeting and shareholders will be updated at that time.

VALUATION OF INVESTMENTS

Listed investments are valued at market prices at the reporting date.

The valuations of the unlisted investments have been done on the maintainable earnings model using normalised EBITDA with appropriate multiples, and adjusted for net cash/debt. Earnings have been normalised excluding the effects of the lockdowns and COVID-19 as long as there has been no permanent damage to the business models and relative to the periods by which pre-COVID-19 volumes and earnings are expected to be achieved. Funding requirements to restore the business models to pre-COVID-19 levels (being the funding of losses, safety and employee costs and working capital normalisation) have been added to debt. NAV has been used for the two investment company holdings but their underlying investments are valued either by discounted cash flow or maintainable earnings models.

Deferred capital gains tax ("CGT") has been raised on fair value gains unless there are offsetting tax losses or expected CGT exemptions. CGT is accordingly not raised on gains relating to ITL and Flowmax, and deferred CGT raised directly in Apex and Masimong is not raised a second time in Sabvest.

The multiples utilised are:

Classic	5,0	SA Bias:	
DNI	6,5	– Flowmax	6,0
Flexo	4,5	– Narrowtex	4,5 (previously 5,0)
ITL	9,0 (previously 9,25)	– ACM	4,0
Rolfes	6,0	Sunspray	5,0

Revix as a start-up is fully impaired.

LISTED INVESTMENTS

- Sabcap's equity investment in Brait shares was sold in January 2020. It currently holds GBP 3m of Brait's 2024 sterling convertible bonds. Brait has implemented a financial restructuring programme and intends to dispose of its portfolio over a period. Brait has announced the sale of its investments in Iceland Foods and DGB. Brait's audited financial statements at 31 March 2020 reflect shareholders' equity of R10,9bn and net debt of R7,5bn. The net debt will reduce to R4,5bn after receipt of the Iceland and DGB proceeds. Sabcap accordingly anticipates that the discount at which the bonds are trading may reverse and the bonds may trade at a premium as they did earlier in 2020.
- The Corero share price continues to be volatile on small volumes but has increased materially subsequent to a positive trading update and the announcement of changes in management. Corero's relationship with Juniper Networks continues to gain traction and facilitate higher volumes and revenues. Sabcap anticipates continued increases in its intrinsic value going forward.
- Metrofile is anticipating an acceptable set of results in its 2020 financial year, notwithstanding the effects of COVID-19 on certain of its operations, and expects a satisfactory trading year in 2021. Metrofile has announced that the Housatonic consortium may bid 330 cents per share to delist Metrofile. The transaction has been delayed by COVID-19 and will be reconsidered in Q4 2020 when/if international travel resumes. In the event of a delisting, Sabcap and Mineworkers Investment Company (Pty) Limited intend to remain invested.
- Net1 recorded poor trading results in its post SASSA contract period and has written off its investment in Cell C. However it has realised its holdings in KSNNet, DNI and Fihrst resulting in a strong debt free balance sheet. Sabcap's investment will be sold in 2020/2021.
- Transaction Capital continues to trade satisfactorily notwithstanding the current negative effects of COVID-19 on both SA Taxi and Transaction Capital Risk Services. Both divisions are expected to recover well in the forthcoming financial year.
- Sabcap has not re-established its listed technology portfolio and is holding liquidity offshore for the time being.

UNLISTED INVESTMENTS

- Apex Partners is a specialist investment house which provides advisory, investing and lending solutions to investors, and lends and invests on a proprietary basis, particularly in restructuring and realisation opportunities. Its services support the investment activities of Sabcap and its special situation investing and lending augment Sabcap's investment universe.

Apex has proprietary positions in four industrial businesses – Tractor & Grader Suppliers, Letaba Pumps, Elephant Lifting and Gabriel SA. It has taken an equity position in ELB Group Limited. The Board of ELB has proposed a Scheme of Arrangement and De-Listing which, if approved by shareholders excluding Apex, would result in ELB being wholly owned by Apex in the private environment. Apex has also acquired Principa Decisions, an international data analytics company. All of the industrial businesses were affected by the COVID-19 lockdown but are recovering satisfactorily.

- Classic Food Brands is a start-up food manufacturer specialising in chicken based products distributed through retail outlets in KwaZulu-Natal and Gauteng.

Classic's progress in achieving increased scale and profitability was delayed by the lockdown. However, Classic is now on track to achieving satisfactory volumes from Q4. An impairment provision is held against this investment until a period of profitability has been achieved.

- DNI provides technology, logistics and distribution services to the telecommunications industries and all network operators in RSA.

DNI has grown strongly, is highly cash generative, has completed its acquisitions of Blue Label Mobile and 3G Mobile, is largely unaffected by COVID-19 and has good prospects.

- Flexo Line Products is a manufacturer of high quality injection moulded plastic products primarily for the spice and food industries locally and internationally.

Flexo was mildly affected by the lockdown but is currently trading profitably and to expectations.

- ITL Group (Intelligent Labelling Solutions) is a market leading international designer, manufacturer and distributor of apparel labelling and identification products and supply chain management solutions including RFID from its factories and marketing offices in the United States, Canada, China, India, Sri Lanka, Turkey, Bangladesh, Vietnam, Hong Kong, Mexico, Ethiopia, Mauritius, Madagascar, Germany, UK and South Africa for supply to the clothing industry worldwide through multiple international retail group accreditations.

ITL traded exceptionally well in 2019. However, it has been badly affected by COVID-19 with all of its operations closed worldwide and its retail chain customers affected by the lockdowns as well. All of the factories have now reopened. Demand is recovering but at lower levels than in prior years due to demand for particular seasons having been lower and consumer discretionary spend remaining affected. ITL is expected to recover to 2019 levels by Q4 2021. However, it anticipates increased opportunities due to the weakening of competitors during this period and the increased success of its RFID offering. ITL's debt facilities have been increased and extended satisfactorily but it will not resume dividends until the end of 2022.

- Masimong is an investment group which has a portfolio of high performing growth assets and in particular its mining interests in Seriti Coal and Lephalale Coal & Power, and its agricultural interests in Mouton Citrus, Carmien Tea, Southern Cross Investment Holdings (which owns grape and date farms) and Intelichem, (which is a dominant supplier of crop solutions, nutrition, chemicals and seeds).

Masimong's mining investments performed satisfactorily notwithstanding COVID-19. Its agricultural investments were affected but are expected to recover satisfactorily.

- Revix is a start-up which has developed a new generation digital asset management portal through which it provides digital asset technology services focused primarily on bundled cryptocurrency and security token investment solutions.

Revix has struggled with regulatory hurdles and lower than anticipated volumes. It has expanded its offering from cryptocurrencies to alternative new age investments and intends to hold a third round of funding in the next twelve months. Sabcap will not follow that round.

- Rolfes is a specialist provider of agricultural, food, industrial and water chemical solutions and services, which was delisted in February 2020. The new controlling shareholder is Phatisa which is a sector focused private equity fund and specialist investor within the African food value chain.

Rolfes' operations were largely unaffected by COVID-19, trading was satisfactory for the 2020 financial year and growth is expected in 2021.

- SA Bias Industries is an industrial group operating through:

- Narrowtex which is a South African manufacturer and exporter of a range of narrow fabric products including webbings, strapping, tapes and braids.
- Apparel Components (ACM) which is a manufacturer of lingerie components, elastics and accessories in South Africa.
- The Flowmax Group which comprises a number of businesses engaged in the distribution of fluid handling equipment and systems in the United Kingdom and Europe.
- Sabias Investments (BVI).

Narrowtex/ACM were affected by the lockdowns in South Africa. Flowmax in the UK was affected by reduced demand. Both anticipate returning to normal levels by Q4. Although the underlying business valuations were lower in their currencies at the reporting date, the translation of the sterling investment in Flowmax and the foreign currency investments in Sabias to Rands resulted in an improved Rand valuation. A special dividend of R16m was also declared by SA Bias to Sabvest during Q1 2020.

- Sunspray Food Ingredients is a producer of spray dried and blended powdered food and drink products and the largest independent contract supplier of these products and services in South Africa.

Sunspray continues to trade well and was largely unaffected by COVID-19. Satisfactory growth is anticipated in 2020.

FUTURE INVESTMENTS

Sabcap remains focused on unlisted companies but will also hold some listed investments where it is represented on the boards and/or has influence to execute particular strategies. It may issue new shares but only if the value exchange in the capital allocation decision is compelling.

Sabcap's current capital is fully allocated to its existing portfolio and its portfolio commitments. Sabcap anticipates deploying future receipts from realisations within its existing portfolio.

PARTNERSHIP PRINCIPLE

Sabcap invests alongside family, operating and financial partners. Its current partners in each investment are recorded in the Sabvest integrated annual report on its website. The investment risk mitigation of the partnership principle has been highly vindicated during the COVID-19 crisis and the lockdowns, as the heavy lifting required in the operations was largely borne and executed by Sabcap's partners and management in each investee.

SHARE BUY BACKS

Sabcap received shareholder approval at the general meeting on 25 June 2020 for buy backs in the period ahead. Like all listed investment companies at the present time, Sabcap's share price is at a material discount to its reporting metric of NAV per share. Subject to Sabcap's liquidity, expected cash flows and bank covenants, it will consider utilising the general authority in due course.

RELATED PARTIES

Related party transactions exist between subsidiaries and the holding company, fellow subsidiaries and investee companies, and comprise fees, dividends and interest.

Transactions with directors relate to fees and monies lent to the group by individuals and by companies controlled by the directors.

DIVIDENDS

Consideration of a 2020 interim dividend will be undertaken by the Board in December and no interim dividend will be declared currently.

ACCOUNTING POLICIES AND REVERSE ACQUISITION ACCOUNTING

Sabcap is a new company which was incorporated on 20 January 2020. On 13 May 2020 Sabcap acquired all the ordinary and 'N' ordinary shares in Sabvest. The basis of the exchange was one share in Sabcap for every 'N' ordinary share in Sabvest, and 1.1 shares in Sabcap for every ordinary share in Sabvest, other than those shares held by SFT which were exchanged on a one for one basis. This resulted in 41 508 352 Sabcap shares in issue.

The comparative information contained in the financial statements disclose the continuing operations of Sabvest as a reverse acquisition. In line with IFRS 3, the Sabvest results are disclosed as Sabcap results with the exception of equity and the number of shares in issue which are disclosed as Sabcap equity.

The unaudited consolidated interim financial statements have been prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and comply with the minimum disclosure requirements of International Accounting Standard 34: Interim Financial Reporting Guides issued by the Accounting Practices Committee and Financial Pronouncements issued by the Financial Reporting Council, the JSE Listings requirements and the requirements of the Companies Act of South Africa.

The significant accounting policies and methods of computation are consistent in all aspects to those applied in Sabvest in the previous financial year. The preparation of these consolidated condensed financial statements were supervised by the chief financial officer, R Pleaner CA(SA).

DIRECTORATE

In May 2020 the non-executive directors of Sabvest resigned after the delisting of Sabvest and were appointed to the board of Sabcap. At the general meeting of Sabcap on 25 June 2020 all of the directors resigned and were re-elected.

As advised on SENS:

- Ms Dawn Mokhobo intends to retire as Chairman of Sabcap, as a director and as a member of its Board committees on 31 December 2020. Dawn has been a very valuable member of the Board since 2005 and an excellent Chairman. Her presence will be missed and the Board wishes her well in the years ahead.
- Mr Kuben Pillay (59) BA LLB (Wits) MCJ (Howard School of Law, USA) an existing independent non-executive director of Sabcap will be appointed Chairman on 31 December 2020.
- Ms Olufunke (Funke) Ighodaro (57) BSc (Hons) (Salford University) Fellow of the Institute of Chartered Accountants in England and Wales, will be appointed as an independent non-executive director with effect from 31 December 2020. Funke is a highly experienced executive and director and is warmly welcomed by the Board.

After the completion of these changes the Board will comprise three executive directors and four independent non-executive directors.

DIRECTORS' SHARE ENCUMBRANCES

None of the shares in Sabcap held by any of the directors or any of their related parties, including SFT, are encumbered.

KING IV™ COMPLIANCE

Sabvest's King IV™ compliance report is on the Sabvest website and in the Sabvest 2019 integrated report. As a wholly owned subsidiary of Sabcap, the principles contained in the report have been adopted by and applied to Sabcap.

PROSPECTS

The prospects for the year are contingent on the recovery and future growth of the group's investees in the context of the effects of the COVID-19 pandemic lockdowns, potential future lockdowns and any future surges in the virus in the countries in which the group's investees operate. At the date of this report we are confident that most of our investees will return to 2019 levels of trading or higher in the 2021 calendar year. If that is achieved Sabcap anticipates returning to growth. That assessment is based on the trajectory of increased revenues since lockdown, the build up in forward order books and no further lockdowns.

References to future financial information in this announcement have not been reviewed or reported on by the group's auditor:

For and on behalf of the Board

Dawn Mokhobo

Chairman

Sandton

9 September 2020

Christopher Seabrooke

CEO

Raymond Pleaner

CFO

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Telephone: (011) 268 2400 • Fax: (011) 268 2422 • e-mail: ho@sabvest.com

Transfer secretaries:

Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107)

Directors:

DNM Mokhobo # (*Chairperson*), BJT Shongwe # (*Deputy Chairperson and Lead Independent Director*), CS Seabrooke * (*Chief Executive*),
L Mthimunye #, K Pillay ^#, R Pleaner *, L Rood * *Executive #Independent ^Appointed 1 January 2020

Sponsor:

Rand Merchant Bank (A division of FirstRand Bank Limited), 1 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton 2196

Company Secretary:

Levitt Kirson Business Services (Pty) Ltd