



Sabvest Limited

Incorporated in the Republic of South Africa

Registration number 1987/003753/06

“Sabvest” or “the group” or “the company”

ISIN: ZAE000006417 – ordinary shares

ISIN: ZAE 000012043 – “N” ordinary shares

Share code: SBV – ordinary shares

Share code: SVN – “N” ordinary shares

AUDITED PRELIMINARY CONSOLIDATED SUMMARISED RESULTS

for the year ended 31 December 2017

Consolidated Summarised Statement of Financial Position

as at 31 December 2017

	Audited 31 Dec 2017 R'000	Restated*2 31 Dec 2016 R'000
Non-current assets	1 135 885	2 009 727
Property, plant and equipment	1 050	1 365
Investment holdings	1 134 835	2 008 362
Unlisted investments	652 547	1 421 820
Listed investments	332 279	474 492
Listed investments held indirectly	150 009	112 050
Current assets	1 514 928	158 207
Finance advances and receivables	1 388 447	3 858
Offshore investment holdings	126 423	151 262
Share portfolio	101 556	–
Equity investment	24 867	23 003
Bond portfolio	–	128 259
Cash balances	58	3 087
Total assets	2 650 813	2 167 934
Ordinary shareholders' equity	2 303 945	1 659 255
Non-current liabilities	235 807	413 689
Interest-bearing debt	110 000	90 000
Deferred tax liabilities	125 807	323 689
Current liabilities	111 061	94 990
Interest-bearing debt	70 897	77 732
Offshore portfolio finance	7 685	36 577
Current portion of non-current interest-bearing debt	30 000	30 000
Interest-bearing debt	33 212	11 155
Accounts payable and provisions	40 164	17 258
Total equity and liabilities	2 650 813	2 167 934

Consolidated Summarised Statement of Cash Flows

for the year ended 31 December 2017

	Audited 31 Dec 2017 R'000	Restated*2 31 Dec 2016 R'000
Cash generated by/(utilised in) operating activities	20 766	(2 077)
Net income for the year	688 364	4 174
Adjusted for non-cash items	(641 254)	17 477
Cash flows from operations	47 110	21 651
Dividends paid	(26 344)	(23 728)
Cash flows from investing activities	(31 848)	(101 748)
<i>These include:</i>		
Purchase of investment holdings and offshore portfolio	(240 877)	(328 014)
Proceeds from sale of investment holdings and offshore portfolio	207 675	156 450
Decrease in offshore cash investment portfolio	–	66 954
Other	1 354	2 862
Cash effects of financing activities	8 053	51 881
<i>These include:</i>		
Increase in long-term loans	20 000	20 000
(Decrease)/increase in offshore portfolio finance	(28 892)	36 577
Interest-bearing debt	22 057	1 915
Other	(5 112)	(6 611)
Change in cash and cash equivalents	(3 029)	(51 944)
Cash balances, less current interest-bearing debt excluding portfolio finance, at beginning of year	3 087	55 031
Cash balances, less RSA interest-bearing debt, at end of year	58	3 087

Consolidated Summarised Statement of Comprehensive Income

for the year ended 31 December 2017

	Audited 31 Dec 2017 R'000	Restated*2 31 Dec 2016 R'000
Gross income from operations and investments	570 934	111 329
Dividends received	94 273	63 340
Interest received	7 117	10 980
(Loss)/income on financial instruments and shares	(22 558)	5 313
Fees and sundry income	1 362	1 147
Fair value adjustment to investments	490 740	30 549
– Listed	(44 022)	(170 103)
– Listed held indirectly	(67 091)	42 678
– Unlisted	601 853	157 974
Direct transactional costs	(633)	(518)
Impairments	(1 506)	–
Interest paid	(15 839)	(15 175)
Net income before expenses	552 956	95 636
<i>Less:</i> Expenditure	(62 474)	(24 329)
Operating costs	(62 108)	(23 943)
Depreciation	(366)	(386)
Net income before taxation	490 482	71 307
Taxation – deferred	197 882	(67 133)
– Current year	197 882	(11 422)
– Increase in CGT inclusion rate – prior year	–	(55 711)
Net income for the year attributable to equity shareholders	688 364	4 174
Translation of foreign subsidiary *1	(12 217)	(15 961)
Total comprehensive income/(loss) attributable to equity shareholders	676 147	(11 787)

*1 This item may subsequently be classified to profit and loss.

*2 Refer to restatement of comparative information.

Other Information

	Audited 31 Dec 2017	Audited 31 Dec 2016
Net asset value per share with investments at fair value – cents	5 085	3 646
Number of shares in issue less held in treasury – 000's	45 306	45 513
Earnings per share – cents	1 517,3	9,2
Weighted average number of shares in issue – 000's	45 368	45 600
Reconciliation of headline (loss)/earnings (R'000)		
Net income for the year	668 364	4 174
Loss on sale of property, plant and equipment	–	5
Headline earnings for the year	668 364	4 179
Headline earnings per share – cents *3	1 517,3	9,2

*3 There are no diluting instruments.

Salient Features

	2017 Audited Cents	Unaudited Compound Growth 1 year %	Unaudited Compound growth 3 years %	Unaudited Compound growth 5 years %	Unaudited Compound growth 10 years %	Unaudited Compound growth 15 years %
Net asset value per share	5 085,0	39,5	23,8	22,4	21,9	19,4
Headline earnings per share	1 517,3	>100	50,6	37,5	30,2	26,9
Earnings per share	1 517,3	> 100	50,2	37,5	31,2	28,7
Dividends per share*	61,0	10,9	12,4	13,8	15,9	53,6

*Calculation excludes special dividends of 100 cents per share paid in 2013, 2014 and 2018.

Extracted from the Audited Financial Statements*	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm
Profit after taxation	688,3	4,2	459,9	204,6	279,8
Shareholders' funds	2 303,9	1 659,3	1 701,4	1 233,1	1 085,0
Total assets	2 650,8	2 167,9	2 098,5	1 555,7	1 400,1

*The directors take responsibility for the correct extraction of the information from the audited financial statements.

Consolidated Summarised Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital R'000	Share premium R'000	Non-distributable reserve R'000	Distributable reserve R'000	Total R'000
Balance as at 1 January 2016	856	40 155	70 475	1 589 896	1 701 382
Total comprehensive income for the year	–	–	(15 961)	4 174	(11 787)
Loss in share trust	–	–	(1)	–	(1)
Shares held in treasury – written back	–	5 593	–	–	5 593
Shares held in treasury	(1)	(12 203)	–	–	(12 204)
Dividends paid	–	–	–	(23 728)	(23 728)
Balance as at 31 December 2016	855	33 545	54 513	1 570 342	1 659 255
Total comprehensive profit for the year	–	–	(12 217)	688 364	676 147
Loss in share trust	–	–	(1)	–	(1)
Shares held in treasury – written back	1	12 203	–	–	12 204
Shares held in treasury	(5)	(17 311)	–	–	(17 316)
Dividends paid	–	–	–	(26 344)	(26 344)
Balance as at 31 December 2017	851	28 437	42 295	2 232 362	2 303 945

	31 Dec 2017 R'000	31 Dec 2016 R'000
Dividends per share (proposed after interim/year-end) – cents	61,0	55,0
Special dividends per share (proposed after year-end) – cents	100,0	–

Contingent Liabilities

at 31 December 2017

- The group has rights and obligations in terms of shareholder and purchase and sale agreements relating to its present and former investments.
- Commitments for the lease of premises are as follows:

Year 1	R1 013 934
Year 2	R1 101 565
Year 3	R474 750.
- An offshore subsidiary has guaranteed a loan of \$5m on behalf of an investee.
- An offshore subsidiary has an investment commitment of \$33,6m.
- A subsidiary has an investment commitment of R93m.

Commentary

Profile

Sabvest is an investment group which has been listed on the JSE since 1988. Its ordinary and "N" ordinary shares are quoted in the Equity Investment Instruments sector.

Sabvest has significant interests in four unlisted industrial groups, long-term direct and indirect holdings in seven listed investments and equity funds, and offshore share and bond portfolios, all accounted for on a fair value basis. In addition, Sabvest invests in debt instruments and portfolios and undertakes other fee and profit earning activities from time to time.

Changes in Investment Holdings

During the year Sabvest:

- purchased 30% of Classic Food Brands (Pty) Ltd and provided loan seed capital;
- purchased 41 523 shares in Brait for R3,1m, thereby increasing its holding to 800 000 shares;
- purchased 4,5m shares in Rolfes for R12,3m, thereby increasing its direct and indirect holding to 33m shares representing a 20,5% economic interest in Rolfes;
- purchased 50 000 shares in Net1 for R7,4m;
- purchased 200 000 units in Value Capital Partners Fund for R20m;
- purchased and sold 2m shares in Long4Life;
- restructured the form of its investment in Torre Industries Limited by disposing of its Torre shareholding to Newshelf 1400 (Pty) Ltd in exchange for ordinary shares in Newshelf with the result that it holds 48,67% of Newshelf, representing a look-through holding in Torre of 62 842 500 shares;
- increased its offshore listed share portfolio to R101,5m from RNil and reduced its offshore bond portfolio from R128,3m to RNil;
- purchased 6,5m shares in Corero Network Securities for R6,7m (GBP385,000), thereby increasing its interest in Corero to 22,0m shares representing 7,0% of Corero; and
- was credited with a special dividend of R1,387bn by SA Bias Industries pursuant to the sale by SA Bias of its International Trimmings and Labels (ITL) divisions for approximately US\$186,9m (R2,3bn at the exchange rates at the time) on 31 December 2017.

Investment Holdings

as at 31 December 2017

	Number of Ordinary shares/units	Economic interest %	Fair value R'000
Unlisted Industrial Investments			
Classic Food Brands (Pty) Ltd			30,0
Flexo Line Products (Pty) Ltd			25,0
SA Bias Industries (Pty) Ltd *1			59,9
Sunspray Food Ingredients (Pty) Ltd *2			22,0
			652 547
Listed Long-Term Investments			
Brait S.E.	800 000		33 328
Metrofile Holdings Limited	25 000 000		95 250
Net1 UEPS Technologies Inc	50 000		7 406
Rolfes Holdings Limited	10 500 000		29 295
Transaction Capital Limited	10 000 000		167 000
			332 279
Listed Long-Term Investments Held Indirectly			
Rolfes Holdings Limited *3	22 500 000		62 775
Torre Industries Limited *4	62 842 500		62 842
Value Capital Partners Fund *5	200 000		24 392
			150 009
Long-term investment holdings			1 134 835
Offshore investment holdings			126 423
Share portfolio			101 556
Bond portfolio			–
Corero Network Security Plc	22 000 000		24 867
TOTAL HOLDINGS			1 261 258

*1 Voting interest 49%.

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

*3 Held indirectly through participating preference shares in Masimong Chemicals (Pty) Ltd linked to the performance of 22,5m shares in Rolfes Holdings Limited.

*4 Held indirectly through ordinary shares in Newshelf 1400 (Pty) Ltd.

*5 Value Active PFP H4 Fund invested in listed equities presently primarily in Allied Electronics Corporation Limited and Adcorp Holdings Limited.

Subsequent to the reporting date Sabvest:

- purchased 200 000 shares in Brait for R7,6m, thereby increasing its holding to 1m shares;
- purchased 200 000 shares in Net1 for R24,6m thereby increasing its holding to 250 000 shares;
- purchased 4 000 000 shares in Rolfes Holdings for R12,8m increasing its holdings to 14 500 000 shares;
- purchased 30% of Mandarin Industries Limited (BVI), the holding company of the ITL Group internationally, for \$33,6m (R414m at the exchange rates at the time);
- received the payment of the special dividend at the year-end by SA Bias in the amount of R1,387bn;
- purchased 30% of ITL Holdings South Africa (Pty) Ltd through Mandarin Holdings (Pty) Ltd (RSA) for R33m and made a preference share investment of R60m in Mandarin Holdings;
- concluded an asset swap of R300m into US dollars;
- invested the dollar equivalent of R208m (\$17,4m) from the asset swap in a bespoke offshore technology portfolio comprising 15 large cap technology companies and one technology fund, the details of which were advised to shareholders on 14 February 2018;
- retained the balance of \$7,3m (R92m) in cash and liquid interest-bearing instruments abroad; and
- refocused its general offshore equity portfolio to an increased overweight position in biotech and pharmaceutical stocks.

Financial Results

PAT increased materially to R688,3m primarily due to the increase in valuation of SA Bias Industries and the subsequent credit received for its special dividend. PAT was further enhanced by the reversal of a portion of the deferred tax provisions.

PAT was negatively affected by reductions in the share prices of the group's RSA listed holdings other than Transaction Capital and the Value Capital Partners Fund which performed strongly.

Operating costs increased materially due to performance linked incentives in the current year and virtually none in the prior year.

HEPS increased to a record 1 517,3 cents and NAV per share increased by 39,5% to a new high of 5 085 cents per share. Shareholders' funds increased by 38,8% to R2,3bn.

Normal DPS for the year increased by 10,9% to 61 cents per share and a special dividend of 100 cents per share was declared.

With regard to the accounting for the SA Bias transactions, the increase in the value of SA Bias arising from the sale of ITL and the subsequent decrease arising from the special dividend have both been accounted for as fair value adjustments to unlisted investments.

Listed Investments

- Brait's share price reduced materially pursuant to concerns relating to its interests in the UK after the Brexit vote and in particular the weakness in the retail sector and the effects on its investment in New Look.
- Metrofile produced stable earnings and concluded acquisitions of Tidy Files and G4S Kenya. Its share price has been weak most of the year.
- Net1 traded satisfactorily but its share price has been weak due to the uncertainty surrounding its SASSA contract.
- Rolfes experienced share price weakness after restating its published results and effecting changes in management. Its interim results were satisfactory and its operating prospects are good.
- Torre Industries' share price fell materially due to poor operating performances, particularly in the divisions affected by weakness in the mining and industrial sectors. Its interim results indicate that its prospects have stabilised.
- Transaction Capital continues to trade very satisfactorily. It produced good growth for the year and its share price strengthened in response.
- The Value Capital Partners Fund experienced a satisfactory increase in value, driven in particular by its holdings in Altron and Adcorp.
- The group's offshore share portfolio performed satisfactorily with an increase in value on average holdings for the year of 16,0% in US dollars.
- The Corero share price continues to be volatile on small volumes.

Unlisted Industrial Investments

- SA Bias Industries' results for the year were satisfactory. Pursuant to the sale of its ITL divisions, its business units comprise:
 - Narrowtex Group;
 - Apparel Component Manufacturers;
 - Flowmax Group (UK); and
 - Sabias Investments (BVI).
- Sunspray traded well with profitability ahead of budget.
- Flexo Line traded below expectations due primarily to labour issues.
- Classic Food Brands has established its start-up manufacturing facilities and its projections for 2018 are satisfactory.

Unlisted investments are valued using the maintainable earnings model. The earnings are calculated on an EBITDA basis and also referenced to NOPAT, and are considered relative to current and forward earnings. Multiples are based on transaction multiples usual for small cap private company transactions and recent actual transactions. Each resultant calculation is then adjusted for net cash/debt/equivalents to determine EV.

Subsequent Events

- An offshore subsidiary purchased a 30% interest in Mandarin Industries Limited (BVI) for \$33,6m (R416m);
- A subsidiary purchased a 30% in ITLSA Holdings Limited through Mandarin Holdings (Pty) Ltd for R93m;
- A special dividend of R1,387bn from SA Bias Industries was received in January 2018;
- Concluded an asset swap of R300m into US dollars; and
- A special dividend of a 100 cents per share was paid to ordinary and "N" ordinary shareholders.

The above were all non-adjusted.

Dividends

Dividends are determined relative to Sabvest's own cash flows from investments and services, and capital receipts or special dividends that are not earmarked for new investments.

Dividends are considered twice annually. The normal dividend has been increased by 11% to 61 cents per share and a special dividend of 100 cents per share has been declared. Both dividends were declared in January 2018 and paid in February 2018.

Related Parties

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

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

Accounting Policies

The audited consolidated summarised 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 as issued by the International Accounting Practices Standards Board (IASB), the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Pronouncements issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

They have been prepared on a historical cost basis except for financial instruments and investments which are measured at fair value. The significant accounting policies and methods of computation are consistent in all material aspects to those applied in the previous financial year. The significant accounting policies are available for inspection at the group's registered office. There has been no material change in judgements or estimates of the amounts reported in prior reporting periods. The preparation of these preliminary consolidated summarised financial statements and the consolidated financial statements were supervised by the Chief Financial Officer, R Pleaner CA (SA).

This announcement does not include the information required pursuant to paragraph 16A(j) of IAS 34. The full annual statements of the group set out these disclosures and are available at the issuer's registered offices and upon request.

Restatement of Comparative Information

In line with the JSE monitoring process, the group has reported its investment in listed shares in two categories, those directly held and those indirectly held through other vehicles. This restatement also aligns with the disclosure of the fair value hierarchy and had the result of correcting the classification of listed investments held indirectly from a level 1 to a level 2. This is still based on observable quoted share prices and has not resulted in any change in value with the consolidated statement of financial position or consolidated statement of comprehensive income. Furthermore, more detailed disclosure on the consolidated summarised statement of cash flows has been presented.

Audit Opinion

The auditors, Deloitte & Touche, have issued an unmodified audit opinion on the consolidated financial statements for the year ended 31 December 2017. Their audit was conducted in accordance with the International Standards of Auditing. The audited preliminary consolidated summarised results presented have been derived from the audited consolidated financial statements for the year ended 31 December 2017. The auditors, Deloitte & Touche, have issued an unmodified opinion of the preliminary consolidated summarised financial information. The auditors' report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain full understanding of the nature of the auditors' work they should obtain a copy of that report with the accompanying financial information from the registered office of the company. A copy of the full consolidated financial statements including the audit report and report on this preliminary consolidated summarised information are available for inspection at the company's registered office.

Any reference to future financial information in the announcement has not been audited or reported on by the company's auditors.

Directorate

During the year Philip Coutts-Trotter retired from the board. Philip has been a director of Sabvest since listing and was previously Chairman of the company. His input over the years has been immensely valuable and we wish him well in his retirement.

Carl Coutts-Trotter also resigned during the year in order to focus his efforts solely on the ITL transactions and subsequently on the growth and development of SA Bias Industries of which he is CEO. Carl's participation has been valuable and considerable and although he is no longer on the Board, our partnership in SA Bias continues as will our interaction to the mutual benefit of both groups.

King Compliance

Sabvest's King III compliance report is on the Sabvest website and it expects to lodge its King IV report shortly.

Prospects

The group's major unlisted investee companies are budgeting improved profitability in 2018. Its small investee companies are not expected to contribute significantly to Sabvest's results at this stage but their prospects remain promising.

The group's listed investee companies are performing to expectations but it is obviously not possible to project likely listed share prices.

We anticipate a satisfactory year in 2018.

For and on behalf of the Board

Dawn Mokhobo

Chairman

Sandton

2 March 2018

Christopher Seabrooke

CEO

Raymond Pleaner

CFO

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Directors: DNM Mokhobo* (*Chairman*), BJT Shongwe* (*Deputy Chairman*), CS Seabrooke* (*Chief Executive*), NSH Hughes* (*Lead Independent Director*), R Pleaner* **Executive* **Independent*

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