



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 2014

and cash dividend declaration

HIGHLIGHTS

**Headline earnings
per share**

444,7 cents

**Dividends
per share**

43,0 cents

**Net asset value
per share**

2 683 cents

Consolidated Summarised Statement of Financial Position

as at 31 December 2014

	31 Dec 2014 Audited R'000	31 Dec 2013 Audited R'000
Non-current assets	1 380 032	1 226 403
Property, plant and equipment	1 529	962
Investment holdings	1 378 503	1 225 441
Unlisted investments	1 070 973	978 000
Listed investments	307 530	247 441
Current assets	175 714	173 669
Finance advances and receivables	11 545	14 959
Offshore investment holdings	164 018	151 107
Share portfolio	99 813	88 427
Bond portfolio	40 958	50 179
Equity investment	23 247	12 501
Cash balances	151	7 603
Total assets	1 555 746	1 400 072
Ordinary shareholders' equity	1 233 073	1 085 011
Non-current liabilities	237 859	175 699
Interest-bearing debt	60 000	–
Deferred tax liabilities	177 859	175 699
Current liabilities	84 814	139 362
Interest-bearing debt	69 040	127 555
Current portion of interest-bearing debt	–	40 000
Offshore portfolio finance	64 049	66 281
Other interest-bearing debt	4 991	21 274
Accounts payable and provisions	15 774	11 807
Total equity and liabilities	1 555 746	1 400 072
Net asset value per share – cents	2 683	2 358
Number of shares in issue less held in share trust/treasury – 000's	45 960	46 015

Consolidated Summarised Statement of Cash Flows

for the year ended 31 December 2014

	31 Dec 2014 Audited R'000	31 Dec 2013 Audited R'000
Cash generated by operating activities	19 713	21 040
Cash generated by/(utilised in) investing activities	37 102	(31 705)
Cash effects of financing activities *	16 378	65 445
Cash utilised for the payment of dividends	(64 362)	(63 508)
Change in cash and cash equivalents	8 831	(8 728)
Cash balances, less current interest-bearing debt excluding portfolio finance, at beginning of year	(13 671)	(4 943)
Cash balances, less RSA interest-bearing debt, at end of year	(4 840)	(13 671)

* Financing activities comprise movements in long-term debt and portfolio finance.

Consolidated Summarised Statement of Comprehensive Income

for the year ended 31 December 2014

	31 Dec 2014 Audited R'000	31 Dec 2013 Audited R'000
Gross income from operations and investments	246 857	360 562
Dividends received	47 114	46 617
Interest received	5 425	3 473
Income on financial instruments and shares	17 972	9 518
Fees and sundry income	2 461	2 067
Fair value adjustments to investments	173 885	298 887
Direct transactional costs	(1 066)	(1 939)
Impairments	35	57
Interest paid	(7 328)	(5 101)
Net income before expenses and exceptional items	238 498	353 579
Less: Expenditure	(31 732)	(26 831)
Operating costs	(31 453)	(26 683)
Depreciation	(279)	(148)
Net income before taxation	206 766	326 748
Taxation – deferred	(2 160)	(46 922)
Net income for the year attributable to equity shareholders	204 606	279 826
Translation of foreign subsidiary	9 211	14 833
Total comprehensive income attributable to equity shareholders	213 817	294 659
Earnings per share – cents * ¹	445,0	607,9
Dividends per share (proposed after interim/year-end) – cents	43,0	40,0
Special dividend per share – cents	100,0	100,0
Weighted average number of shares in issue – 000's	45 975	46 031
Headline earnings per share – cents * ¹	444,7	607,9
Reconciliation of headline earnings		
Net income for the year	204 606	279 826
Profit on sale of property, plant and equipment	(170)	(1)
Headline earnings for the year	204 436	279 825

*¹ There are no diluting instruments.

Consolidated Summarised Statement of Changes in Equity

for the year ended 31 December 2014

	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Distributable reserves R'000	Total R'000
Balance as at 1 January 2013	857	47 974	11 355	794 466	854 652
Total comprehensive income for the year	–	–	14 833	279 826	294 659
Loss in share trust	–	–	(1)	–	(1)
Shares held in treasury	(8)	(3 411)	–	–	(3 419)
Shares held in treasury – written back	7	2 577	–	–	2 584
Shares held in share trust	(3)	(2 778)	–	–	(2 781)
Shares held in share trust – written back	3	2 778	–	–	2 781
Unclaimed dividends – written back	–	–	–	44	44
Dividends paid	–	–	–	(63 508)	(63 508)
Balance as at 31 December 2013	856	47 140	26 187	1 010 828	1 085 011
Total comprehensive income for the year	–	–	9 211	204 606	213 817
Loss in share trust	–	–	(1)	–	(1)
Shares held in treasury – written back	8	3 411	–	–	3 419
Shares held in treasury – cancelled	(8)	(4 771)	–	–	(4 779)
Shares held in share trust – written back	3	2 778	–	–	2 781
Shares held in share trust – cancelled	(3)	(2 810)	–	–	(2 813)
Dividends paid	–	–	–	(64 362)	(64 362)
Balance as at 31 December 2014	856	45 748	35 397	1 151 072	1 233 073

Contingent liabilities

- 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 021
Year 2	R1 113
Year 3	R480

Investment holdings

as at 31 December 2014

	Economic interest %	Fair value R'000
Unlisted investments		
SA Bias Industries (Pty) Ltd*	57,3	
Set Point Group (Pty) Ltd	49,9	
Sunspray Food Ingredients (Pty) Ltd	48,0	
		1 070 973
* Voting interest 48,5%		
Listed investments		
	Ordinary shares	
Brait S.E.	1 000 000	78 700
Datatec Limited	200 000	11 140
Metrofile Holdings Limited	20 000 000	100 000
Torre Industries Limited	23 000 000	93 840
Transaction Capital Limited	3 000 000	23 850
		307 530
Long-term investment holdings		1 378 503
Offshore investment holdings		164 018
Share portfolio		99 813
Bond portfolio		40 958
Corero Network Security Plc	8 320 000	23 247
TOTAL HOLDINGS		1 542 521

Commentary

Profile

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

Sabvest has significant interests in three unlisted industrial groups, long-term holdings in six listed investments and a foreign share and bond portfolio, all accounted for on a fair value basis. In addition, Sabvest makes finance advances, acquires debt instrument portfolios from time to time and undertakes other fee and profit earning activities.

Changes in investment holdings

During the year Sabvest:

- acquired 23m shares in Torre Industries Limited (Torre) for R50,6m, representing a 7% interest in Torre;
- increased its holding in Sunspray Food Ingredients (Pty) Ltd (Sunspray) from 46% to 48% arising from a share buy-back by the company;
- acquired 53 980 Sabvest “N” ordinary shares for R1,3m;
- increased its investment in Transaction Capital Limited by 1,8m shares to 3,0m shares for R13,5m;
- expanded its focus on the cyber security segment of the IT market by increasing its investment in Corero Network Security Plc (Corero) by 4,3m shares to 8,3m shares, representing an 8% interest in Corero, for US\$1,1m and also added new investments in FireEye, Palo Alto Networks and Splunk to its offshore general equity portfolio in an amount of \$1,0m – a total investment in the cyber security sector of \$3,2m at cost;
- sold 500 000 shares in Datatec Limited realising R25,6m and reducing its holding to 200 000 shares;
- sold 1 983 758 shares in Metrofile Holdings Limited realising R9,7m and reducing its holding to 20m shares;
- sold 211 884 shares in Net1 UEPS Technologies Inc for R25,5m;
- sold 525 081 shares in Brait SE realising R38m, and reducing its holding to 1 000 000 shares; and
- cancelled all of the Sabvest ordinary and Sabvest “N” ordinary shares held by a subsidiary and by the share trust with the result that there are now 17 076 804 ordinary shares and 28 883 000 “N” ordinary shares in issue and no treasury shares held.

Subsequent to the reporting date:

- agreements entered into in November 2014 became effective in February 2015 resulting in Sabvest's interest in Sunspray reducing from 48% to 22% in a new structure in which Shalamuka Capital, RMB Corvest and management are co-invested with Sabvest. The reduction in interest resulted in a net amount of R48,5m being received by Sabvest in February 2015;
- the board of Set Point Group (Pty) Limited (SPG) received a proposal from Torre to conclude a scheme of arrangement which would result in SPG becoming a wholly owned subsidiary of Torre and SPG shareholders receiving Torre shares in exchange. Sabvest, which owns 49,9% of SPG, has indicated that it will support the proposal. If it is approved Sabvest will receive approximately 37m Torre shares at 500 cents per share (subject to top-up and claw-back mechanisms relating to warranties by SPG and Torre). Accordingly, relative to the carrying value of Sabvest's interest in SPG at the financial year-end, Sabvest will book a gain of R62m at the transaction price (which may reduce or increase depending on the adjustment mechanism); and
- Sabvest increased its investment in Transaction Capital Limited by 2m shares to 5m shares for R16,9m.

Financial results

Sabvest recorded satisfactory results for the 2014 financial year although not at the record levels of the prior financial year. HEPS decreased by 27% to 445 cents per share.

NAV increased by 14% to 2 683 cents per share. This increase would have been 18% if the special dividend of 100 cents per share in 2014 had not been paid.

Income after taxation decreased by 27% to R205m. Although lower than the prior year, the level of dividend income and the fair value adjustments were satisfactory and in line with budgets.

Overheads increased due to provisions for incentive bonuses and LTIPs which were higher in the previous period.

Shareholders' funds increased by 14% to R1,233m.

The group's debt levels remain conservative. Internationally, borrowings amounted to R64m which are directly utilised to fund the foreign portfolio. In South Africa the group increased its medium-term debt to R60m which falls due in 2017 and 2018. Locally, short-term debt was negligible and subsequent to the year-end the group is in a net cash position due to the Sunspray receipt.

Listed investments

Sabvest's JSE-listed investments performed according to expectations with particularly strong operating performances from Brait, Metrofile and Transaction Capital.

Torre achieved results in line with expectations. If the SPG transaction is concluded by Torre, Sabvest expects to hold 60m Torre shares with a market value of R300m, representing a 12% interest in Torre. Sabvest has high expectations for the successful execution of Torre's strategy and its future positioning and growth in its selected industrial markets.

The foreign portfolio is held through a ring-fenced entity capitalised to the extent of US\$8,9m and geared only on the security of the underlying portfolio. At the reporting date it comprised the equity investment in Corero, 23 shares and 6 bonds and bond funds. Full details of the portfolio are available on Sabvest's website. The returns for 2014 were 7,6% on average equity (excluding Corero) in US dollars (2013: 24,7%).

Unlisted investments

Unlisted investments are fair valued using the maintainable earnings model (NOPAT), a multiple of NOPAT unchanged from prior year, and adjusting for net cash/investments and interest-bearing debt. The investment in Sunspray was valued based on the expected receipt from the transaction concluded in November 2014. The investment in SPG was valued on a multiple basis as above, taking no account of the possible transaction with Torre.

The effect of the fair value measurement for the year through profit and loss relating to the unlisted investments was R93m (2013: R181,9m) before providing for deferred CGT.

With regard to the performance of our unlisted investments:

- the international operations of SA Bias Industries through its International Trimmings and Labels and Flowmax Group divisions performed satisfactorily. The South African operations faced a difficult economic environment but produced a satisfactory result;
- SPG again experienced difficult trading conditions due to the disruptions and weaker levels of activity in the mining and related industries but is well positioned for a return to growth; and
- Sunspray performed well with a satisfactory increase in profitability.

Dividends

Dividends are determined relative to Sabvest's own recurring cash flows from investments and services and capital receipts that are not earmarked for new transactions.

The group advised shareholders in October 2013 that the board was considering ways to use its remaining STC credits before they expired. To this end a special dividend of 100 cents per share was declared and paid in December 2013 and a second and final special dividend of 100 cents per share was declared and paid in August 2014.

Normal dividends are considered twice annually. The dividend for the year was increased by 7% to 43 cents per share. The group utilised its remaining STC credits and no withholding tax on dividends has been deducted for any shareholders.

Related parties

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

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

Accounting policies

The audited summary consolidated annual financial statements have been prepared in accordance with the framework concepts, the recognition and measure criteria of International Financial Reporting Standards (IFRS) and comply with the disclosure requirements of International Accounting Standard 34: Interim Financial Reporting as issued by the International Accounting 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 for preliminary reports and the requirements of the Companies Act of South Africa.

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value or at amortised cost. 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 judgments or estimates of the amounts reported in prior reporting periods. The group adopted the new revised or amended accounting pronouncements as issued by the IASB which were effective and applicable to the group from 1 January 2014. The application of these changes, however, had no impact on the group's financial results for the year. The preparation of these summary consolidated financial statements was supervised by the Chief Financial Officer, R Pleaner CA(SA).

Audit opinion

The auditors, Deloitte & Touche, have issued an unmodified audit opinion on the consolidated and separate financial statements for the year ended 31 December 2014. Their audit was conducted in accordance with the International Standards of Auditing. The summary financial information presented has been derived from the audited financial statements for the year ended 31 December 2014. The auditors, Deloitte & Touche, have issued an unmodified opinion on the consolidated summarised financial information. The auditors' report does not necessarily cover all of the information contained in its announcement. Shareholders are therefore advised that in order to obtain a 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 audit report on the full consolidated and separate financial statements and report on this consolidated summarised financial information are available for inspection at the company's registered office.

Prospects

The group's unlisted investee companies are budgeting for improved profitability in 2015.

The group's listed investee companies are performing to expectation. However, future movements in share prices are obviously uncertain.

Overall we anticipate a satisfactory year for the group in 2015.

The above forecast information has not been reviewed and reported on by the group's external auditors.

For and on behalf of the Board

Philip Coutts-Trotter
Chairman

Christopher Seabrooke
CEO

Raymond Pleaner
CFO

Sandton
27 February 2015

Cash dividend declaration

Notice is hereby given that a final gross dividend of 25 cents (2013: 22 cents) per ordinary share and "N" ordinary share, out of income reserves, for the twelve months ended 31 December 2014 has been declared.

The issued share capital at the declaration date is 17 076 804 ordinary shares and 28 883 000 "N" ordinary shares. The income tax number of the company is 9375/105/716.

The company has utilised STC credits amounting to 25 cents per share. As a result there will be no dividend withholding tax from the final dividend for any Sabvest shareholders including those who are not exempt by definition.

Last date to trade "CUM" dividend	Friday, 20 March 2015
Trading "EX" dividend commences	Monday, 23 March 2015
Record date	Friday, 27 March 2015
Dividend payment date	Monday, 30 March 2015

No dematerialisation or rematerialisation of share certificates will be allowed during the period Monday, 23 March 2015 to Friday, 27 March 2015, both days inclusive.

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

*Executive *Independent

Sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)