



# 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

## UNAUDITED INTERIM RESULTS for the six months ended 30 June 2014 and cash dividend declarations

### HIGHLIGHTS

**Special  
cash dividend  
per share**

**100** cents

**Interim  
dividend per share**

**18** cents

**Net Asset Value  
per share**

**2 419** cents

## Consolidated Summarised Statement of Financial Position

as at 30 June 2014

	Unaudited 30 June 2014 R'000	Unaudited 30 June 2013 R'000	Audited 31 Dec 2013 R'000
<b>Non-current assets</b>	<b>1 244 815</b>	1 017 076	1 238 904
Property, plant and equipment	1 636	943	962
Share trust receivables	–	2 886	–
Investment holdings	<b>1 243 179</b>	1 013 247	1 237 942
Unlisted investments	<b>940 600</b>	752 700	978 000
Listed investments	<b>302 579</b>	260 547	259 942
<b>Current assets</b>	<b>124 078</b>	143 205	161 168
Finance advances and receivables	<b>12 716</b>	10 122	14 959
Offshore bond portfolio	<b>88 780</b>	52 193	50 179
Offshore share portfolio	–	68 256	88 427
Cash balances	<b>22 582</b>	12 634	7 603
<b>Total assets</b>	<b>1 368 893</b>	1 160 281	1 400 072
<b>Ordinary shareholders' equity</b>	<b>1 111 814</b>	910 418	1 085 011
<b>Non-current liability</b>	<b>209 636</b>	174 008	175 699
Interest-bearing debt	<b>40 000</b>	40 000	–
Deferred tax liability	<b>169 636</b>	134 008	175 699
<b>Current liabilities</b>	<b>47 443</b>	75 855	139 362
Interest-bearing debt	<b>38 120</b>	68 780	127 555
Current portion of interest-bearing debt	–	–	40 000
Offshore portfolio finance	<b>11 053</b>	59 921	66 281
Offshore loans payable	<b>7 322</b>	–	–
Other interest-bearing debt	<b>19 745</b>	8 859	21 274
Accounts payable	<b>9 323</b>	7 075	11 807
<b>Total equity and liabilities</b>	<b>1 368 893</b>	1 160 281	1 400 072
Net asset value per share – cents	<b>2 419</b>	1 978	2 358
Number of shares in issue less held in share trust/ treasury – 000's	<b>45 965</b>	46 023	46 015

## Consolidated Summarised Statement of Cash Flows

for the six months ended 30 June 2014

	Unaudited 6 months ended 30 June 2014 R'000	Unaudited 6 months ended 30 June 2013 R'000	Audited 12 months ended 31 Dec 2013 R'000
Cash generated by operating activities	<b>16 519</b>	6 799	21 040
Cash generated by/(utilised in) investing activities	<b>59 176</b>	(48 123)	(31 705)
Cash effects of financing activities *	<b>(49 064)</b>	59 251	65 445
Cash utilised for the payment of dividends	<b>(10 123)</b>	(9 209)	(63 508)
<b>Change in cash and cash equivalents</b>	<b>16 508</b>	8 718	(8 728)
Cash balances, less current interest-bearing debt excluding offshore portfolio finance, at beginning of period	<b>(13 671)</b>	(4 943)	(4 943)
<b>Cash balances, less interest-bearing debt, excluding offshore portfolio finance at end of period</b>	<b>2 837</b>	3 775	(13 671)

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

## Consolidated Summarised Statement of Comprehensive Income

for the six months ended 30 June 2014

	Unaudited 6 months ended 30 June 2014 R'000	Unaudited 6 months ended 30 June 2013 R'000	Audited 12 months ended 31 Dec 2013 R'000
<b>Gross income from operations and investments</b>	<b>48 039</b>	75 339	360 562
Dividends received	<b>31 634</b>	20 456	46 617
Interest received	<b>3 047</b>	924	3 473
Income on financial instruments and shares	<b>6 269</b>	5 075	9 518
Fees and sundry income	<b>2 053</b>	632	2 067
Fair value adjustment to investments	<b>5 036</b>	48 252	298 887
Direct transactional costs	<b>(610)</b>	(706)	(1 939)
Impairments	<b>25</b>	31	57
Interest paid	<b>(3 573)</b>	(2 490)	(5 101)
<b>Net income before expenses and exceptional items</b>	<b>43 881</b>	72 174	353 579
Less: Expenditure	<b>(12 990)</b>	(11 357)	(26 831)
Operating costs	<b>(12 875)</b>	(11 283)	(26 683)
Depreciation	<b>(115)</b>	(74)	(148)
<b>Net income before taxation</b>	<b>30 891</b>	60 817	326 748
Taxation – deferred	<b>6 063</b>	(5 232)	(46 922)
<b>Net income for the period attributable to equity shareholders</b>	<b>36 954</b>	55 585	279 826
Translation of foreign subsidiary*1	<b>1 131</b>	10 061	14 833
<b>Total comprehensive income attributable to equity shareholders</b>	<b>38 085</b>	65 646	294 659
Earnings per share – cents	<b>80,4</b>	120,8	607,9
Interim dividend per share (proposed after reporting date) – cents	<b>18,0</b>	18,0	40,0
Special dividend per share (proposed after reporting date) – cents	<b>100,0</b>	–	100,0
Weighted average number of shares in issue – 000's	<b>45 977</b>	46 033	46 031
Headline earnings per share – cents*2	<b>80,0</b>	120,7	607,9
<b>Reconciliation of headline earnings</b>			
Net income for the period	<b>36 954</b>	55 585	279 826
(Profit)/loss on sale of property, plant and equipment	<b>(170)</b>	(2)	(1)
Headline earnings for the period	<b>36 784</b>	55 583	279 825

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

\*2 There are no diluting instruments.

# Consolidated Summarised Statement of Changes in Equity

as at 30 June 2014

	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Distri- butable reserves R'000	Total R'000
<b>Balance as at 1 January 2013</b>	857	47 974	11 355	794 466	854 652
Total comprehensive income for the period	–	–	14 833	279 826	294 659
Accumulated 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)
<b>Balance as at 31 December 2013</b>	<b>856</b>	<b>47 140</b>	<b>26 187</b>	<b>1 010 828</b>	<b>1 085 011</b>
Total comprehensive income for the period	–	–	1 131	36 954	38 085
Loss in share trust – written back	–	–	1	–	1
Loss in share trust	–	–	(1)	–	(1)
Shares held in treasury	(8)	(4 570)	–	–	(4 578)
Shares held in treasury – written back	8	3 411	–	–	3 419
Shares held in share trust	(3)	(2 778)	–	–	(2 781)
Shares held in share trust – written back	3	2 778	–	–	2 781
Dividends paid	–	–	–	(10 123)	(10 123)
<b>Balance as at 30 June 2014</b>	<b>856</b>	<b>45 981</b>	<b>27 318</b>	<b>1 037 659</b>	<b>1 111 814</b>

## 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	R978 000
Year 2	R1 066 000
Year 3	R1 057 000

## Investment holdings

as at 30 June 2014

	Economic interest %	Fair value R'000
<b>Unlisted Investments</b>		
SA Bias Industries (Pty) Ltd*	57,3	
Set Point Group (Pty) Ltd	49,9	
Sunspray Food Ingredients (Pty) Ltd	48,1	
		940 600
* Voting interest 48,5%		
<b>Listed Investments</b>		
	Ordinary shares	
Brait S.E.	1 525 081	99 588
Corero Network Security Plc	5 500 000	24 503
Datatec Limited	200 000	10 760
Metrofile Holdings Limited	20 000 000	96 000
Torre Industries Limited	23 000 000	63 940
Transaction Capital Limited	1 200 000	7 788
		302 579
Long-term investment holdings		1 243 179
Offshore bond portfolio		88 780
		1 331 959

## 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, has debt instrument portfolios and undertakes other fee and profit earning activities. The group’s investment holdings are set out in detail in the table above.

### Changes in investment holdings

Sabvest:

- acquired 23m shares in Torre Industries Limited for R50,6m representing a 7% interest in Torre;
- acquired an additional 1,5m shares in Corero Network Security Plc for R5,1m (GBP 289 990), thereby increasing its holding to 5,5m shares representing a 7% interest in Corero;
- increased its holding in Sunspray Food Ingredients (Pty) Limited from 46% to 48% arising from a share buy-back by the company;
- acquired 50 000 Sabvest “N” ordinary shares for R1,2m;
- 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; and
- sold its entire offshore general equity portfolio realising R114,7m (\$10,7m).

The proceeds of the sales of shares as above has created the financial capacity for the special dividend declared today, with the surplus being utilised towards the purchase of the Torre shares and a reduction of offshore portfolio finance utilised.

### Financial results

Headline earnings per share reduced by 33,7% to 80 cents per share relative to the prior interim reporting period. While satisfactory investment gains were made on the group’s listed portfolio, the valuations of the unlisted industrial investments were affected by poorer trading in South Africa mainly due to the direct and indirect effects of the strikes in the mining industry.

Retained NAV per share of 2 419 cents was 2% higher than at the financial year-end and 22% higher than at 30 June 2013.

Shareholders’ funds amounted to R1 112m – largely unchanged from the financial year-end.

The group’s net debt levels reduced materially due to the sales of RSA listed investments and the offshore equity portfolio.

The medium-term loan of R40m has been refinanced and now falls due R10m in 2017 and R30m in 2018.

### Unlisted investments

On a look-through basis the unaudited combined revenue of the three unlisted industrial groups for the six months was R914,8m (30 June 2013: R930,7m) and PAT for the six months was R60,5m (30 June 2013: R83,6m). Sabvest’s look-through share of the PAT was R33,5m (30 June 2013: R45,3m).

With regard to the performance of our unlisted investments:

- The local operations of SA Bias Industries performed below expectations due to the effects of the strikes and the weak economy. International Trimmings and Labels (ITL) performed satisfactorily although it experienced some reduction in demand from its US chain store customers. Notwithstanding, ITL is in the process of expanding its production capacity with new factories being established in Vietnam, Bangladesh and Visag in India to augment its existing primary overseas production units in China, Hong Kong, Sri Lanka, Turkey and India. The Flowmax Group in the UK performed to expectations.
- Set Point Group continued to experience difficult trading conditions due to the mining strikes in South Africa and weaker levels of activity in related industries; and
- Sunspray Food Ingredients performed satisfactorily with profitability increasing in line with budgets.

Unlisted investments are fair valued using the maintainable earnings (NOPAT) model, multiples of NOPAT between 7 and 7,5 and adjusting for net cash/investments and interest-bearing debt. The multiples utilised are the same as in the prior reporting periods. Sabvest’s attributable share of the valuation of the business operations was R778,8m and adding cash and investments and subtracting debt in the three groups was R940,6m.

The effect of the fair value measurement for the six months through profit and loss was a loss of R37,4m (30 June 2013: R23,2m gain) before providing for a recoupment of deferred CGT.

### Listed investments

The five JSE-listed investments performed according to expectations with particularly strong operating performances from Brait, Metrofile and Transaction Capital. Datatec experienced weakness in some of its markets. Net1’s results improved materially but this investment has now been sold to facilitate the payment of Sabvest’s special dividend.

As advised in the year-end results, Sabvest has acquired a 7% interest in Torre Industries Limited – a fast growing acquisitive Africa focused industrial group.

Sabvest increased its holding in Corero Network Security Plc to 5,5m shares representing a 7% interest in Corero. Corero is a developer of network security solutions against distributed denial of service attacks and cyber threats at the point of connectivity to the internet. Sabvest is of the view that the increasing demand for effective new generation cyber security will result in superior growth rates in this segment. Subsequent to the reporting date it has accordingly made initial investments for its offshore portfolio in NASDAQ listed FireEye, Palo Alto Networks and Splunk.

With regard to Sabvest's foreign direct holdings, these are held through a ring-fenced entity capitalised to the extent of \$9m at the reporting date and geared only on the security of the underlying portfolio. During the period Sabvest disposed of its entire general equity portfolio and increased its bond portfolio to R88,8m (\$8,3m). At the reporting date it comprised a spread of 15 redeemable or callable reset bonds and bond funds. Full details of the portfolio are available on Sabvest's website. Corero is also held in this entity.

## Dividends

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

Dividends are considered twice annually. The interim dividend has been maintained at 18 cents per share.

As referred to in the dividend declaration, the group has used STC credits to an extent sufficient for no withholding tax on dividends to be deducted for any shareholders.

The group advised shareholders in October 2013 that the Board would consider ways to use some or all of the STC credits it has before they expire. To this end a special dividend of 100 cents per share was declared and paid in December 2013.

A second special dividend of 100 cents per share has been declared today. STC credits will be utilised and no withholding tax on the special dividend will be deducted for any shareholders.

Sabvest intends to use the remaining STC credits for the cancellation of treasury shares in the next six months and for the final dividend that will be considered by the Board in February 2015.

The group does not expect to declare any further special dividends.

## Related parties

Related party transactions exist between subsidiaries and the holding company, fellow subsidiaries and associated 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 unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with IAS 34, Interim Financial Reporting, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Pronouncements issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements as well as the requirements of the Companies Act of South Africa and have been supervised by the CFO, Mr R Pleaner. The accounting policies used are consistent with those applied to the audited financial statements for the year ended 31 December 2013.

## King III compliance report

A detailed report has been placed on Sabvest's website.

## Board of directors

As advised to shareholders, Mr Haroon Habib retired as a director and Chairman of the company on 22 April 2014 after eighteen years on the Board. The Board extends its sincere thanks and gratitude to Haroon and wishes his wife Ruwaida and him good health and much happiness in the more relaxed years ahead.

Mr Philip Coutts-Trotter has been appointed Non-Executive Chairman, Mrs Dawn Mokhobo as Non-Executive Deputy Chairperson and Mr Nigel Hughes as lead independent director of the company.

The Board now comprises seven directors of whom five are non-executive and of whom three are independent.

## Prospects

The group's unlisted investee companies are trading satisfactorily overall but their South African operations are unlikely to show growth in profitability until 2015 once the South African economy has stabilised from the effects of the strikes.

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

Overall we anticipate a satisfactory year for the group, but with results at lower levels than the record performances of 2013.

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  
30 July 2014

## Interim cash dividend declaration

Notice is hereby given that an interim gross cash dividend of 18 cents (2013: 18 cents) per ordinary and "N" ordinary share for the six months ended 30 June 2014 has been declared out of income reserves.

The issued share capital of the company at the declaration date is 17 295 984 ordinary and 29 479 854 "N" ordinary shares. The income tax number of the company is 9375/105/716.

The company has utilised STC credits amounting to 18 cents per share. As a result there will be no dividend withholding tax from the interim dividend for any Sabvest shareholders including those who are not exempt by definition.

Last date to trade "CUM" dividend	Friday, 15 August 2014
Trading "EX" dividend commences	Monday, 18 August 2014
Record date	Friday, 22 August 2014
Dividend payment date	Monday, 25 August 2014

No dematerialisation or rematerialisation of share certificates will be allowed during the period Monday, 18 August 2014 to Friday, 22 August 2014, both days inclusive.

## Special cash dividend declaration

Notice is hereby given that the directors have declared a special cash dividend of 100 cents per ordinary and "N" ordinary share out of income reserves. The necessary SARB approval has been obtained for the declaration of the special dividend.

The company has utilised STC credits amounting to 100 cents per share. As a result there will be no dividend withholding tax from the special dividend for any Sabvest shareholders including those who are not exempt by definition. The company's unutilised STC credits after the special dividend will be 72 cents per share.

The issued share capital of the company at the declaration date is 17 295 984 ordinary and 29 479 854 "N" ordinary shares. The income tax number of the company is 9375/105/716.

Last date to trade "CUM" dividend	Friday, 15 August 2014
Trading "EX" dividend commences	Monday, 18 August 2014
Record date	Friday, 22 August 2014
Dividend payment date	Monday, 25 August 2014

No dematerialisation or rematerialisation of share certificates will be allowed during the period Monday, 18 August 2014 to Friday, 22 August 2014, both days inclusive.

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**Transfer secretaries:** Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Marshalltown 2001 (PO Box 61051, Marshalltown 2107)

**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)