



**SABVEST CAPITAL**  
LIMITED



**Annual Report**  
**2022**

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# CHAIRMAN'S LETTER TO SHAREHOLDERS

## Overview

Sabvest Capital Limited ("Sabcap") is an investment group first listed on the JSE in 1988 as Sabvest Limited and as Sabcap from 2020. Details of the Group are set out in the Corporate Profile on page 4.

## 2022 performance

Sabcap achieved very satisfactory results for the year with NAV per share increasing by 17,6% to 11 017 cents per share, with PAT of R627m being 7,6% lower than the previous year.

Dividends for the year were increased by 20% to 90 cents per share.

The Group's balance sheet is strong with shareholders' equity of R4,3bn and gross assets of R5,1bn.

## Medium-term performance

Management and the Board remain focused on achieving sustainable long-term investment returns primarily focused on growth in NAV per share.

Capital allocation decisions are carefully considered between new investments, strengthening liquidity, dividends and share buybacks. With the exception of dividends declared for the 2020 COVID year, dividends have been maintained or increased annually for over twenty years.

The Board expects continued growth in NAV per share for the 2023 financial year.

## Governance and functions of the Board

The Board and management maintain the highest levels of governance.

The Board is accountable for the approval and execution of the Group's strategy and its operating performance, as well as being the arbiter and monitor of risk and custodian of its corporate governance policies and procedures. The Group's compliance with the Principles of King IV™ is set out on pages 22 to 32.

It should be noted that in terms of Sabcap's Partnership Principle, it usually invests alongside family, operating or financial partners with the result that, in addition to Sabcap's executive directors running the investment portfolio, that function is supported materially by the partners in each investment.

## Shareholders

I am pleased to welcome all new shareholders who have invested in Sabcap during the year.

In addition to the 40,5% economic shareholding held by The Seabrooke Family Trust, the percentage of shares held by Institutions, Family Offices and High-Net-Worth Individuals has increased to 48% from 46% at the end of 2021.

## Chairman's letter to shareholders

continued

### Ethics and social responsibility initiatives

The Group maintains the highest ethical behaviour in accordance with its code of ethics and requires the same standards of the companies in which it invests.

It actively encourages transformation programmes and social responsibility initiatives in all its South African investee companies.

Sabcap itself allocates over 0,5% of PAT annually mostly to selected education and social initiatives. During 2022, 23 school bursaries were funded and general and specific grants were made for education-related initiatives. Donations were also made to the TBISA Business School, the Masimong Foundation, the Paul Mthimunya Bursary Fund, The Soul Provider Trust, Perpetua House, St David's Marist Foundation, Thanda Heart Foundation, and Oliver's House Education Centre.

Since the commencement of the Sabcap programme, 247 years of schooling have been funded.

Sabcap also encourages its investee companies to maintain and adhere to comprehensive sustainability policies as appropriate.

### Appreciation

I wish to record my appreciation to my colleagues on the Board and the executive directors for their support during the year.

I also record my personal appreciation to our partners and the directors of our investee companies and our bankers and advisors for their continued support.

I extend a special word of thanks to Deloitte & Touche who are rotating off after many years as the Group's auditors, and a warm welcome to PricewaterhouseCoopers, who will be taking over as auditors in 2023.



**Kuben Pillay**

*Chairman*

Sandton

31 March 2023

# INTEGRATED REPORT TO STAKEHOLDERS

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## Integrated Report to stakeholders

continued

Sabcap is pleased to present its Integrated Report to stakeholders.

The Board of Directors acknowledges its responsibility to ensure the integrity of the Integrated Report. The Integrated Report addresses all material issues of which the Board is aware and presents fairly the performance of the organisation and its impact on stakeholders. The report is presented on behalf of the Board by the Chief Executive Officer (“CEO”). The report also includes the Group’s King IV™ report which it has adopted and with which it complies. The report has been approved and recommended to the Board by the Audit and Risk Committee.

### 1. Report profile

The report covers the activities of Sabcap and its subsidiaries.

The Board has concluded that the report should not cover the activities of Sabcap’s investee companies except insofar as is relevant to an assessment of Sabcap’s investment interest in those entities as it does not manage or control those entities. However, the socio-economic, ethical and environmental policies and practices of investees are considered when reviewing existing investments and making new investments. It is through this process and representation on investee boards that the Company exercises influence on their policies and practices.

The report complies with the requirements of IFRS to the extent references are made to audited figures and to the principles and requirements of King IV™.

In addition to relying on the representations and information provided by management, including the separate assurance statement by the CEO and Chief Financial Officer, the Board has drawn assurance from the external auditors, Messrs Deloitte & Touche, in the course of their annual audit of the Group’s financial statements and their unqualified audit report. It has also relied on KPMG Services (Pty) Ltd, who has provided positive assurance to the Audit and Risk Committee and the Board on internal financial reporting controls.

### 2. Corporate profile, structure and investment proposition

#### 2.1 Corporate profile

Sabcap is an investment group first listed on the JSE in 1988 as Sabvest Limited and as Sabcap from 2020. The Seabrooke Family Trust (“SFT”) has voting control of Sabcap through an unlisted Z share and has an economic interest of 40,5% through its holding in the listed ordinary shares. At the year-end Sabcap had 39 400 000 shares in issue net of treasury shares (2021: 39 530 000).

Sabcap has long-term interests in thirteen unlisted and three listed investments, all accounted for on a fair value basis. Sabcap’s primary focus is on industrial and service businesses, usually unlisted and co-invested with family, management or financial partners in terms of Sabcap’s Partnership Principle. Sabcap also makes finance advances and holds listed debt, equity and cash portfolios when it has surplus liquidity, and undertakes other fee and profit earning activities from time to time.

#### 2.2 Structure

Sabcap operates in South Africa from its head office in Johannesburg and internationally through its office in Monaco, which it shares with certain of its investees. The investment and other activities of the listed holding company are conducted through four wholly-owned subsidiaries in South Africa and one wholly-owned subsidiary registered in the British Virgin Islands and managed in Monaco.

The Group’s corporate structure and ownership of investments is set out in Annexure 1 on page 39.

#### 2.3 Investment proposition

Sabcap offers investors:

- ◆ Investment access to thirteen unlisted groups – Apex Partners, ARB Holdings, Classic Food Brands, DNI, Flexo Line Products, Halewood South Africa, ITL Group, Masimong, Revix UK, Rolfes, SA Bias Industries, Sunspray Food Ingredients and Valemount Trading;
- ◆ Investment access to three listed holdings – Corero, Metrofile and Transaction Capital;
- ◆ A sound growth-orientated investment portfolio;

## Integrated Report to stakeholders

continued

- ◆ A Rand hedge – a substantial portion of the Group’s underlying assets is overseas through Corero, ITL, SA Bias/Flowmax and the Sabcap surplus foreign cash/funds;
- ◆ No cash drag – Sabcap is currently fully invested;
- ◆ The benefit of gearing to enhance returns and facilitate transactions;
- ◆ A lengthy history of dividend payments and share buybacks;
- ◆ Good long-term growth in net asset value per share;
- ◆ A conservative balance sheet; and
- ◆ Strong operational, family and/or financial co-investors in the Group’s investments.

### 3. Operational environment

The Group’s investment activities are primarily in the Republic of South Africa. However, Sabcap encourages its investee companies to take advantage of international expansion opportunities and export strategies for growth and for the spread of geographic and economic risk.

SA Bias Industries has international operations in the UK; Mandarin/ITL Group in the United States, Canada, China, India, Sri Lanka, Turkey, Bangladesh, Vietnam, Hong Kong, Mexico, Mauritius, Madagascar, Germany, UK and South Africa; Metrofile in Africa and the Middle East; Transaction Capital in Europe and Australia; and Corero in the UK.

The Group’s performance is accordingly sensitive to economic growth, the availability of capital for expansion, the cost of that capital, and succession and human resource planning requirements in those regions. All of the business units consider exchange rates and trends in their reporting currencies and are cognisant of empowerment requirements, environmental issues and socio-economic factors in the territories in which they operate.

### 4. Strategies, business model and performance indicators

#### 4.1 Investment strategy

The Group’s approved Investment Policy remained unchanged during the year and is attached marked Annexure 2 on pages 40 to 42. A small change is proposed to financial targets as set out in the AGM notice resolution 11.

#### 4.2 Business model and performance indicators

The following is an amplification of the Group’s formal investment policy:

##### 4.2.1 Strategy

- ◆ Our aim is to maintain and grow a portfolio of equity interests primarily comprising industrial and services businesses with sound growth records or potential for growth, that will generate cash and earn above average returns on capital over a period.
- ◆ Our interests in unlisted companies will usually be large minority holdings with sizeable interests held by management, or financial or family shareholders with whom we interact as partners.
- ◆ We also hold listed investments where we are represented on the boards and/or where directors or material shareholders are known to us, or in special situations.
- ◆ We may hold equity investments that are small in percentage terms, but where we are able to exert influence through Board representation or shareholder agreements. Conversely we may hold majority or joint controlling interests but without direct management responsibility. Accordingly, we participate in good businesses with first-class management without being restricted by a required size of holdings.
- ◆ Each business in which we are invested is free-standing in financial terms, ring-fenced as to risk and separately assessed.

## Integrated Report to stakeholders

continued

- ◆ We wish to hold a meaningful level of investments in international currencies directly or indirectly.
- ◆ We do not follow a trading approach to our primary holdings. We do not acquire or dispose of investments in accordance with a private equity philosophy, nor are we constrained by any required balance between listed and unlisted holdings. We hold our investments on a long-term basis subject only to continual review of the quality of the underlying businesses, and to any constraints or obligations in shareholder agreements or JSE closed periods.
- ◆ We will, when necessary, make changes to our holdings or within the businesses in which we are invested notwithstanding any short-term accounting consequences.
- ◆ We do not issue shares for acquisitions or investments, or for the purposes of raising funds unless the value received meaningfully exceeds the value given.
- ◆ In addition to our long-term portfolio of equity investments, any surplus liquidity is invested in cash, listed equities, funds and debt instruments from time to time.

### 4.2.2 Performance metrics

Sabcap aims over three- to five-year periods to:

- ◆ Increase net asset value per share by CPI + 10% per annum; and
- ◆ Maintain or increase dividends annually but as part of the capital allocation decisions between new investments, liquidity, dividends and share buybacks which may lead to variations in dividends if deemed appropriate by the Board.

The dividend target may be varied by the Board in any financial year if material amounts are allocated to share buybacks as a value enhancing return to shareholders.

- ◆ Adhere to its code of ethics;
- ◆ Comply with all applicable laws and regulations;
- ◆ Be a good corporate citizen on all levels and with particular sensitivity to the maturing but volatile socio-economic environment in South Africa; and
- ◆ Maintain the highest levels of corporate governance.

Sabcap believes that it has achieved and complied with all of these metrics. With regard to King IV™, a full compliance report is incorporated in this Integrated Report.



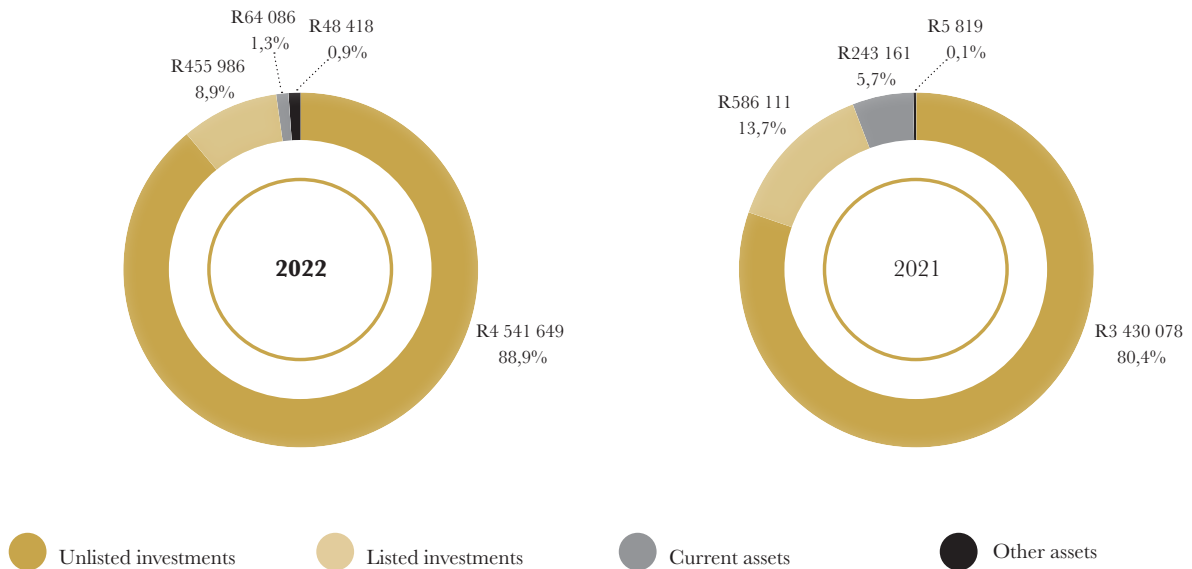
## Integrated Report to stakeholders

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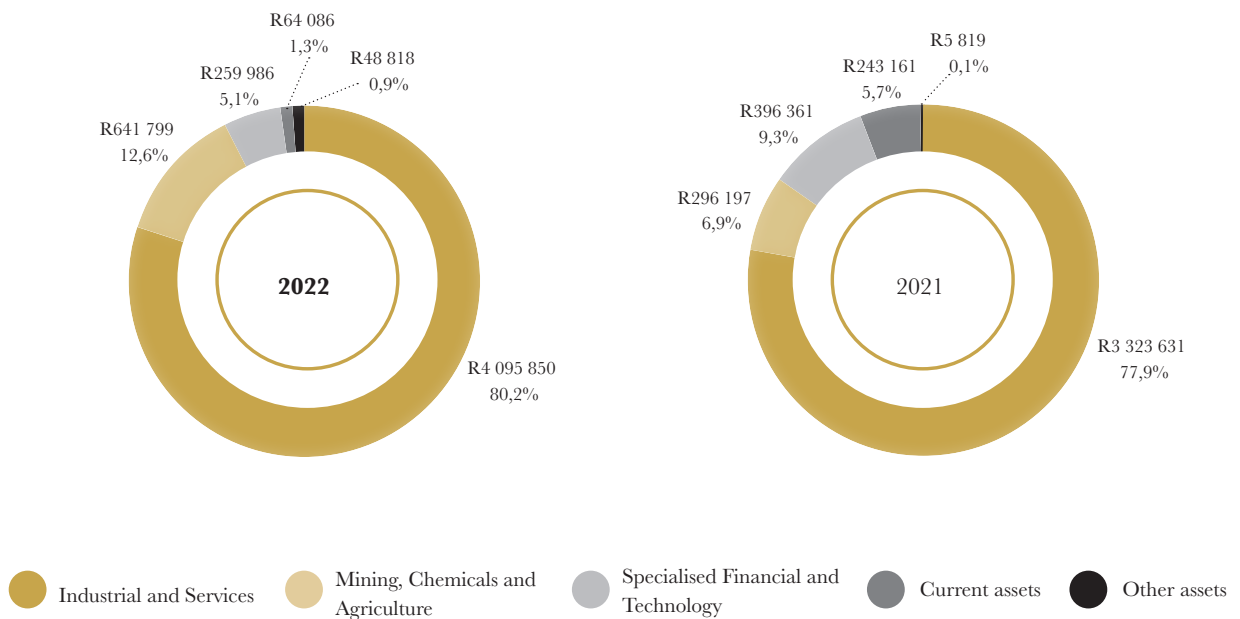
### 5. Asset profile

#### 5.1 Graphic presentation of assets

*Assets per category expressed as a percentage of total assets at 31 December (R'000)*



*Assets per investment sector expressed as a percentage of total assets at 31 December (R'000)*



## Integrated Report to stakeholders

continued

### 5.2 Investment portfolio

Investments per category at 31 December 2022

	Number of ordinary shares/units	Economic interest %	Fair value R'000
<b>Unlisted Investments</b>			
Apex Partners Holdings (Pty) Ltd		44,8	504 023
ARB Holdings (Pty) Ltd * <sup>1</sup>		18,5	250 256
Classic Food Brands (Pty) Ltd		40,0	8 205
DNI-4PL Contracts (Pty) Ltd * <sup>2</sup>		19,9	1 028 087
Flexo Line Products (Pty) Ltd		47,5	7 033
Halewood International South Africa (Pty) Ltd * <sup>3</sup>		19,0	165 586
ITL Holdings Group * <sup>4</sup>		34,4	786 454
Masimong Group Holdings (Pty) Ltd		10,0	452 510
Revix UK		11,0	–
Rolfes Holdings (Pty) Ltd		25,0	189 289
SA Bias Industries (Pty) Ltd * <sup>5</sup>		85,2	1 018 861
Sunspray Food Ingredients (Pty) Ltd * <sup>6</sup>		27,7	86 624
Valemount Trading (Pty) Ltd		39,3	44 721
			4 541 649
<b>Listed Investments</b>			
Corero Network Security Plc	50 000 000	10,1	94 486
Metrofile Holdings Limited	56 000 000	13,1	196 000
Transaction Capital Limited	5 000 000	0,7	165 500
			455 986
<b>TOTAL HOLDINGS</b>			<b>4 997 635</b>

\*<sup>1</sup> Effective indirect interest in ARB of 18,50% through 49,90% of Masimong Electrical Holdings (Pty) Ltd (MEH), which owns 37,07% of ARB.

\*<sup>2</sup> Effective interest of 19,9% in DNI through 35,98% of JAAH Investments, which indirectly owns 45,35% of DNI through DNI Invest (Pty) Ltd and a 3,32% interest in DN Invest (Pty) Ltd, which owns 100% of DNI.

\*<sup>3</sup> Effective indirect interest in Halewood South Africa of 18,95% through 41,03% of Masimong Beverage Holdings (Pty) Ltd (MBH), which indirectly owns 46,19% of Halewood South Africa through an SPV.

\*<sup>4</sup> ITL Holdings Limited Jersey held indirectly through Mandarin Investors Limited and directly through Mandarin Industries Limited BVI and ITL Holdings SA (Pty) Ltd held directly through Mandarin Holdings (Pty) Ltd.

\*<sup>5</sup> Joint voting control with the PC-T Trust.

\*<sup>6</sup> Effective indirect interest in Sunspray of 27,7% through 27,7% of Fandeen Investments (Pty) Ltd, which owns 100% of Sunspray.

## Integrated Report to stakeholders

continued

### 5.2 Investment portfolio (continued)

Investments per sector at 31 December 2022

	Listed/ Unlisted	Number of ordinary shares/units	Economic interest %	Fair value R'000
<b>Industrial and Services</b>				
Apex Partners Holdings (Pty) Ltd	U		44,8	504 023
ARB Holdings (Pty) Ltd	U		18,5	250 256
Classic Food Brands (Pty) Ltd	U		40,0	8 205
DNI-4PL Contracts (Pty) Ltd	U		19,9	1 028 087
Flexo Line Products (Pty) Ltd	U		47,5	7 033
Halewood International South Africa (Pty) Ltd	U		19,0	165 586
ITL Holdings Group	U		34,4	786 454
Metrofile Holdings Limited	L	56 000 000	13,1	196 000
SA Bias Industries (Pty) Ltd	U		85,2	1 018 861
Sunspray Food Ingredients (Pty) Ltd	U		27,7	86 624
Valemount Trading (Pty) Ltd	U		39,3	44 721
				4 095 850
<b>Mining, Chemicals and Agriculture</b>				
Masimong Group Holdings (Pty) Ltd	U		10,0	452 510
Rolfes Holdings (Pty) Ltd * <sup>1</sup>	U		25,0	189 289
				641 799
<b>Specialised Financial and Technology</b>				
Corero Network Security Plc	L	50 000 000	10,1	94 486
Revix UK	U		11,0	–
Transaction Capital Limited	L	5 000 000	0,7	165 500
				259 986
<b>Non-current investment holdings</b>				<b>4 997 635</b>

\*<sup>1</sup> Effective interest of 25,0% through 11,0% held directly and 14,0% indirectly through Masimong Chemicals (Pty) Ltd. Reclassified during the current reporting period due to a change in its business mix with the proportion from food chemicals increasing materially (previously classified under Industrial and Services).

## Integrated Report to stakeholders

continued

### 5.3 Nature of investments

Company	Nature of business
<b>Unlisted associates</b>	
Apex Partners Holdings (Pty) Ltd	Apex is an industrial group with controlling interests in distribution, engineering and construction businesses in South Africa. The distribution segment comprises Letaba Pumps, TGS, Elephant Lifting and ELB Equipment. The construction and engineering segment comprises ET-X Projects and CBZ Solutions. It also holds special situation financial assets.
ARB Holdings (Pty) Ltd	ARB is a distributor of electrical, lighting and related products to the mining, industrial, construction, parastatal, retail and domestic markets in Southern Africa. ARB Electrical Wholesalers is one of Southern Africa's largest distributors of electrical projects in three main categories: power and instrumentation cable; overhead line equipment and conductors; and general low-voltage and solar products. Eurolux and Radiant are leading distributors of energy-saving; LED; halogen and fluorescent lamps; light fittings, electrical accessories; cut cable and ancillary products, including fans and lighting components.
Classic Food Brands (Pty) Ltd	Classic Foods is a food manufacturer specialising in crumbed chicken products distributed mostly through major supermarket and food chains in South Africa.
DNI/4-PL Contracts (Pty) Ltd	DNI is a leading distribution and technology company operating in emerging market economies, but mostly in South Africa at present. The DNI Group provides and distributes products and services to the telecommunications, banking and retail sectors. The DNI Group has four main operating segments, being Mobile distribution, Hardware distribution, Technology, and Value-added services.  The DNI Group has different brands with which it markets its products and services on a B2B/B2B2C basis. These include The Starter Pack Company, Evercomm, 3G Mobile, Digital Ecosystems, Hyve Mobile, Airvantage, Via Media, Paymenow, M4Jam, Cellfind, Panacea Mobile, Worldwide Advisory Services and Sebenza Wi-Fi.
Flexo Line Products (Pty) Ltd	Flexo Line Products is a manufacturer of high quality injection moulded plastic products primarily for the spice and food industries locally and internationally and is the largest manufacturer of these products in the Southern Hemisphere.
Halewood International South Africa (Pty) Ltd	Halewood is a manufacturer of a wide range of premium award-winning alcoholic, non-alcoholic and RTD (Ready-To-Drink) beverages including brands such as Belgravia, Whitley Neill, Red Square, Caribbean Twist and Buffelsfontein. It is also an importer of finished goods brands from the UK, France, Italy and Mexico. It was established in 1999.
ITL Group	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, Mexico, United Kingdom, Germany, China, India, Vietnam, Sri Lanka, Bangladesh, Hong Kong, Turkey, Mauritius, Madagascar and South Africa for supply to the clothing industry worldwide through multiple international retail chain accreditations.
Masimong Group Holdings (Pty) Ltd	Masimong is an investment group with a portfolio of high performing growth assets and in particular its mining interest in Seriti Resources, and its agricultural interests in Mouton Citrus, Carmien Tea, Southern Cross Investment Holdings and Winfield United South Africa. It also holds interests in Rolfes and Anchor Group.
Revix UK	Revix UK offers an investment platform that enables investors to obtain direct ownership of individual crypto currencies, ready-made crypto portfolios called "bundles" and crypto-based yield-bearing opportunities. Revix is also making good progress in its new B2B division.
Rolfes	Rolfes is a specialist provider of agricultural, food, industrial and water chemical solutions and services.
SA Bias Industries (Pty) Ltd	SA Bias Industries is an industrial group operating through: <ul style="list-style-type: none"> <li>Flowmax which is a group of 16 companies in the United Kingdom and Europe engaged in the manufacture, distribution and servicing of medium technology fluid handling equipment, consumables and measurement systems, and solutions for other industrial variables such as heat management and control.</li> <li>Narrowtex Group which is a South African manufacturer and exporter of a range of narrow fabric products including webbings, strapping, tapes and braids, and of lingerie components, elastics and accessories.</li> </ul>
Sunspray Food Ingredients (Pty) Ltd	Sunspray provides food ingredient solutions to South African and African manufacturers by supplying spray-dried, blended and powdered food and drink products and services. It is the largest independent contract supplier in Africa.
Valemount Trading (Pty) Ltd	Valemount Trading is a pet food and product manufacturer and supplier to leading retail chains, specialist pet stores and major co-ops in South Africa. In particular through its Westerman and Animal Zone brands, Valemount is the largest manufacturer and distributor of bird seed and related feeder products in the country. The expansion of its range of products supplied to the wider pet market is supported by its international partners, M-PETS, Beeztees and Pet Rebels. Its distribution centres also provide outsourced logistical services to numerous independent pet product suppliers.

Company	Stock exchange	Nature of business
<b>Listed investments held directly</b>		
Corero Network Security Plc	LSE-AIM	Corero is a LSE listed group focused on cyber security and in particular protection from DDOS attacks.
Metrofile Holdings Limited	JSE	Metrofile is a JSE listed service provider to industry in four categories – secure storage, digital services, business support services and product and solutions.
Transaction Capital Limited	JSE	Transaction Capital is a JSE listed specialised financial group whose operations comprise SA Taxi, TC Risk Services (renamed Nuten) and WeBuyCars.

## Integrated Report to stakeholders

continued

### 5.4 Investment and operational partners

	Operational	Key Family/Financial Shareholders
<b>Unlisted</b>		
Apex Partners Holdings	Charles Pettit	Charles Pettit Family
ARB	Team	Alan Burke Family Masimong Electrical Holdings (controlled by Mike Teke)
Classic Foods	Jason Caradas Pano Economou	Peter Gain Jason Caradas Pano Economou
DNI-4PL	Andrew Dunn	Andrew Dunn Peter Gain Mineworkers Investment Company (MIC) RMB Family Office Group Solutions (FOGS) Mike Teke Stephen Saad
Flexo Line Products	Graeme Horsfield	Peter Gain
Halewood	Team	Masimong Beverage Holdings (controlled by Mike Teke) RMB Corvest RMB FOGS
ITL	Team	Peter Gain Carl Coutts-Trotter Neil Henderson RMB FOGS
Masimong	Mike Teke Doug Gain	Mike Teke Doug Gain RMB FOGS
Rolfes	Richard Buttle and team	Phatisa Mike Teke
SA Bias	Carl Coutts-Trotter	Carl Coutts-Trotter
Sunspray	Rene Cross	RMB Corvest
Valemount Trading	Team	Damien Westerman Family
<b>Listed</b>		
Corero	Team	Jens Montanana Richard Koch Peter Gain
Metrofile	Team	MIC
Transaction Capital	Team	Jonathan Jawno Michael Mendelowitz Rob Rossi

## Integrated Report to stakeholders

continued

### 5.5 Portfolio changes during the year

During the reporting period, Sabcap:

- ◆ disposed of 1m Transaction Capital Limited (“TC”) shares for R48,7m during January 2022, retaining 5m shares;
- ◆ increased its holding in Corero Network Security Plc (Corero) by 3m shares to 50m shares, representing 10,1% of Corero, for GBP0,4m (R7,4m);
- ◆ increased its holding in Metrofile Holdings Limited (Metrofile) by 1m shares to 56m shares, representing 13,1% of Metrofile, for R3,2m;
- ◆ increased its holding in Classic Food Brands (Pty) Ltd from 25% to 40% as a result of a shareholding restructure;
- ◆ acquired an indirect effective interest of 18,5% in ARB Holdings (Pty) Ltd through a new investment of 49,9% in Masimong Electrical Holdings (Pty) Ltd (MEH) for shareholder funding of R199m and guarantees of R24,5m (which were subsequently released during the reporting period), enabling MEH to acquire 37,07% of ARB;
- ◆ acquired an indirect effective interest of 18,95% interest in Halewood International South Africa (Pty) Ltd through a new investment of 41,03% in Masimong Beverage Holdings (Pty) Ltd (MBH), comprising shareholder loans of R117m and financial guarantees of R51m (which were subsequently released during the reporting period), enabling MBH to acquire 46,19% of Halewood through an SPV;
- ◆ increased its effective holding in DNI by 0,8% to 19,99% for R38,3m, after a restructure of direct and indirect holdings;
- ◆ acquired a 39,3% equity interest in Valemount Trading (Pty) Ltd (“Valemount”) through an initial investment in equity and shareholder loans of R44,7m subject to a top-up formula to be calculated, based on 28 February 2023 audited financial statements once finalised; and
- ◆ acquired 130 000 Sabcap shares through a shareholder-approved buyback programme for R9,5m.

Sabcap’s unlisted investees have concluded various transactions as follows:

- ◆ Apex acquired an interest in DRA Global;
- ◆ ARB acquired the minority interests in Eurolux;
- ◆ DNI disposed of tower assets in ITC, acquired Infinity Platform assets in ViaMedia and increased its interests in Paymenow and Hyve Mobile;
- ◆ SA Bias acquired YG Prefab in the UK through Flowmax; and
- ◆ Masimong acquired interests in ARB and Halewood.

Subsequent to the reporting date:

- ◆ Sabcap reorganised its effective interest of 18,5% in ARB by way of a series of transactions, which resulted in a reduction of its holding in MEH to 35,27% and the acquisition of a direct stake of 8,38% in ARB, investing a net amount of R50,8m;
- ◆ Sabcap increased its term debt by R100m and used the proceeds to reduce short-term debt by R100m; and
- ◆ In a SENS announcement released on 14 March 2023, TC advised shareholders that the cyclical headwinds facing its SA Taxi division post the disruption of COVID, together with the ongoing effects of load shedding and adverse economic conditions, necessitate a simplification of its business model to a lower and more variable cost base, higher quality loan origination and a lower number of new loans. As a consequence, TC has advised of the need for one-off provisions against SA Taxi’s loan book and repossessed inventory, and signaled lower TC core EPS in the coming reporting

## Integrated Report to stakeholders

continued

period. The TC share price dropped materially after the announcement. As a result, the fair value of Sabcap's investment in TC has reduced from R165,5m at 31 December 2022 to R73,0m at 15 March 2023 (being the last practicable date before the release of Sabcap's 2022 results). After adjusting for deferred tax of R20,0m on this movement, the net impact of R72,5m on shareholders' equity is equivalent to a reduction of 184c in Sabcap NAV per share of 11 017c at the reporting date.

## 6. Financial overview

### 6.1 Accounting policies

The Consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act, No. 71 of 2008, the JSE Listings Requirements, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. They 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 respects with those applied in the previous financial year, other than the standards which were adopted in the current year.

These have been prepared on a historical cost basis, except for financial instruments and investments which are measured at fair value.

The significant accounting policies are available for inspection at the Company's registered office. There has been no material change in judgements or estimates of the amounts reported in prior reporting periods. The preparation of the Consolidated and Company financial statements were supervised by the Chief Financial Officer, K De Matteis CA (SA).

### 6.2 Salient financial features of the year

	<b>2022 RSA cents</b>	2021 RSA cents
<b>RETURNS TO SHAREHOLDERS</b>		
Net asset value per share	<b>11 017</b>	9 371
Headline earnings per share	<b>1 591,2</b>	1 689,7
Earnings per share	<b>1 590,7</b>	1 689,6
Normal dividend proposed/paid	<b>90,0</b>	75,0
	<b>R'000</b>	R'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Headline attributable income	<b>628 067</b>	679 252
Income attributable to equity shareholders	<b>627 873</b>	679 201
<b>STATEMENT OF FINANCIAL POSITION</b>		
Ordinary shareholders' equity	<b>4 340 869</b>	3 704 327
Investment holdings at fair value	<b>4 997 635</b>	4 091 327

### 6.3 Ten-year financial review

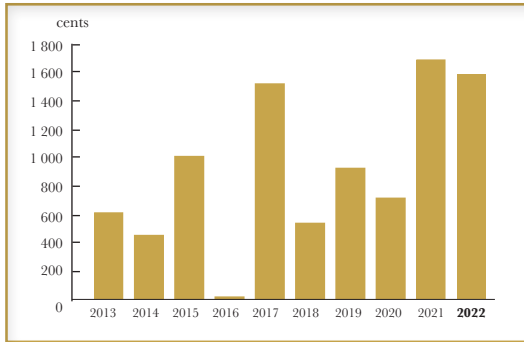
A ten-year financial review is set out in Annexure 3 on pages 43 and 44.

## Integrated Report to stakeholders

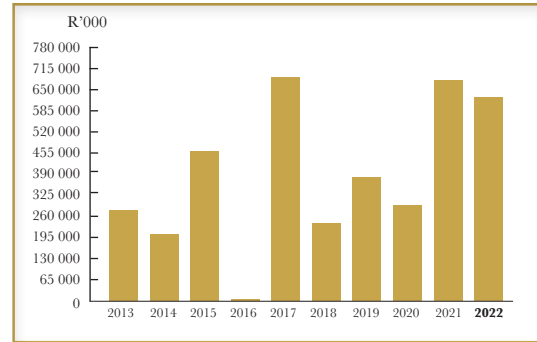
continued

### 6.4 Ten-year graphical review

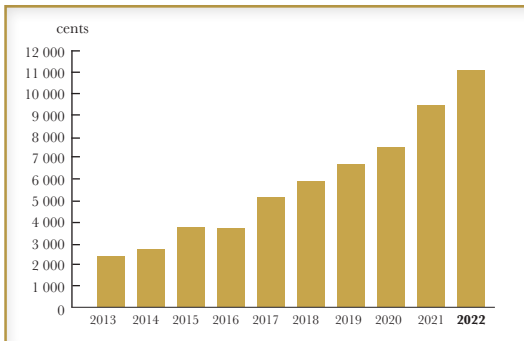
*Headline earnings per share*



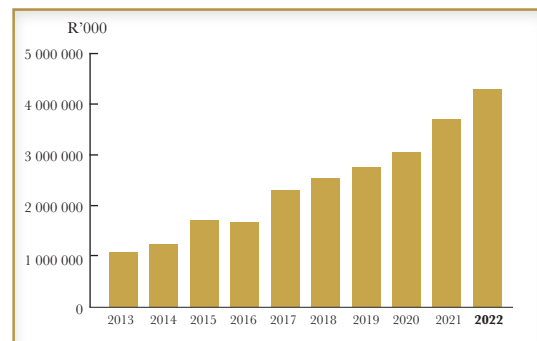
*Headline attributable income*



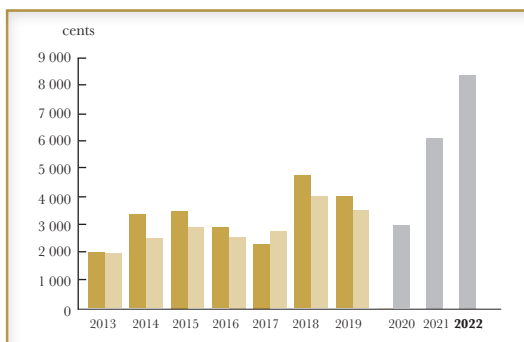
*Net asset value per share  
with investment accounted for at fair value/directors' valuation*



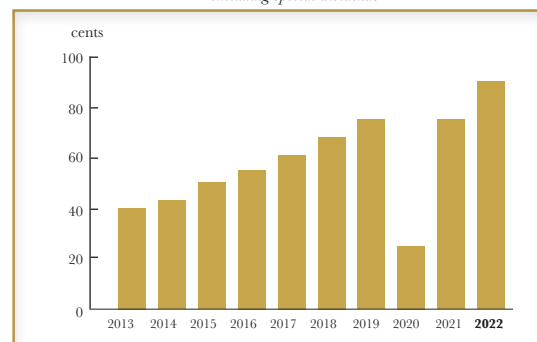
*Ordinary shareholders' funds  
with investment accounted for at fair value/directors' valuation*



*Closing prices of Sabvest ordinary and "N"ordinary shares  
(2012 – 2019) and Sabcap ordinary shares (2020 – 2022)*



*Dividends paid  
excluding special dividends*



Sabvest ordinary shares
  Sabvest 'N' ordinary shares  
 Sabcap ordinary shares



## Integrated Report to stakeholders

continued

### 6.5 Commentary on the 2022 Financial Results

Economic conditions in the territories in which the Group's investees operate worldwide were generally weak with high inflation, logistical challenges, high raw material prices and higher interest rates. The operating environment in China was particularly difficult with stringent COVID-19 lockdown regulations still being enforced. In South Africa the weak economy was further bedevilled by the national power crisis and ongoing load shedding daily by Eskom, freak weather conditions and resulting damage in parts of the country and the challenges of ineffective or failing transport systems nationwide.

These conditions negatively affected the expected trading volumes of some of the Group's investees but also created opportunities for others to gain volumes and customers through higher in-stock policies and competitive sourcing, and new opportunities such as wind and solar power, import substitution and attractively priced investment exits and delistings.

In this context, Sabcap is pleased to be able to report that NAV per share increased satisfactorily to 11 017 cents per share, being a 17,6% increase from NAV per share of 9 371 at the 2021 year-end reporting date.

HEPS and EPS decreased slightly to 1 591,2 and 1 590,7 cents per share, respectively, being a decrease of 5,8% and 5,9% over the HEPS and EPS in the 2021 financial year.

The results were achieved due to fair value gains in most of the unlisted investees and notwithstanding the fall in the values of the listed investments in line with markets worldwide.

Sabcap targets to maintain expenditure between 1,5 – 2% per annum of average gross assets over three-year periods. Approximately half of the expenditure is fixed and the other half is variable linked to PAT and growth in NAV per share, thereby ensuring shareholder alignment and reduced costs in the event of underperformance. There are no dilutive or other costs to shareholders as there are no share schemes or separate profit carry shares. All incentive schemes are accounted for in annual expenditure and cash settled.

Interim and final dividends totaling 90 cents per share have been declared, representing a 20% increase over the prior annual dividend of 75 cents per share. Share buybacks were R9,5m during the period (31 Dec 2021: R66m).

Shareholder funds increased to R4,3bn at the reporting date. Borrowings increased during the period to facilitate the expansion of the investment portfolio. Net gearing remains acceptable at 9,9% of gross assets.

### 6.6 Growth metrics

Sabcap's primary financial metric is growth in NAV per share. The 15-year compound annual growth rate (CAGR) in NAV per share to the 2022 year-end was 17,0%, calculated without reinvesting dividends. The CAGR after reinvesting dividends was 18,1% (calculated with dividends notionally not paid and the amounts notionally retained by the Company, growing at 10% per annum).

	Cents	PERCENTAGE COMPOUND GROWTH				
		1 year %	3 years %	5 years %	10 years %	15 years %
Net asset value per share	11 017	17,6	18,3	16,7	19,5	17,0

Sabcap's share price is usually at a discount to its NAV per share but the discount narrowed considerably in 2022. However, notwithstanding the fluctuating discounts in different periods, the growth in share price itself over different periods is set out in the table below. The growth rate over one year was 37,1% and the CAGR over 15 years was 16,3%.

	Cents	PERCENTAGE COMPOUND GROWTH *				
		1 year %	3 years %	5 years %	10 years %	15 years %
Market price per share	8 360	37,1	31,2	26,5	17,3	16,3

\* The 1-year CAGR is calculated using the Sabcap share price, with the remaining CAGRs calculated with reference to the weighted average share prices of the Sabvest ordinary and 'N' ordinary shares.

## Integrated Report to stakeholders

continued

### 6.7 Financial resources

Shareholders' funds amounted to R4,341bn at the year-end.

In South Africa the Group has R400m in term loans falling due in 2025 to 2027. Some will be repaid if the Group has surplus cash from investment realisations in the ordinary course of business and some will be refinanced.

It has short-term bank facilities of R200m which were utilised in the amount of R93,4m at the year-end. It also has loans from entities associated with the directors, the utilisation of which was R9,4m at the year-end.

The Group had cash of R49,9m at the year-end.

The Group has an offshore facility of GBP6m for listed portfolio finance and which was unutilised at the year-end.

The Group has sufficient financial resources to execute its strategies and is cash flow positive.

### 6.8 Dividend policy and declaration

Dividends are determined relative to Sabcap's own cash flows from investments and services and capital receipts that are not earmarked for new investments. Dividends are considered twice annually. Interim and final dividends of 30 cents and 60 cents per share, respectively, have been declared for 2022, which represent a 20% increase relative to 2021 total dividends of 75 cents. In addition, R9,5m was allocated to buybacks of Sabcap shares during the year at material discounts to NAV.

### 6.9 Valuation of investments

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

Unlisted investments have been valued using the maintainable earnings model or attributable net asset value if more appropriate. The valuations are done on a pre-IFRS 16 basis. The maintainable earnings model is based on normalised maintainable EBITDA to which an appropriate multiple is applied taking account for each investee individually its size, industry, geography, growth rate, comparable and recent transactions, and then adjusted for normalised net cash/debt.

The multiples used are unchanged relative to the prior year, except for those applied to Apex and Rolfes (refer to 6.10 for detail).

Masimong continues to account on a fair value basis mainly using discounted cash flows for its mining and agricultural operations. Therefore, Sabcap values Masimong at fair value as a percentage of NAV.

Foreign investments are valued in Rands at the closing exchange rate on the reporting date, which in the case of ZAR/USD was 16,9807 (31 Dec 2021: 15,8976).

Deferred Capital Gains Tax (CGT) has been raised on all fair value gains except where there are offsetting tax losses or expected CGT exemptions. CGT is accordingly not raised on gains relating to ITL International and Flowmax UK (in SA Bias), nor in Apex for as long as tax losses and tax base costs exceed the notional gains, nor relative to Masimong which itself raises the required CGT provisions.

### 6.10 Performance of unlisted investments

With regard to the performance of our unlisted investments:

- Apex's strategy of building a sound cash generative new industrial group in South Africa is being well implemented. Apex has established Apex UK and will follow the same acquisitive model in the UK and Europe as in South Africa. In December 2022 and subsequent to the year-end, Apex has acquired an interest of 19,3% in DRA Global Ltd, which is a consulting, engineering, project delivery and operations management group focused on the mining and minerals resources sector to a global customer base. The EBITDA valuation multiple is 5,5 times (increased from a provisional 4,5 times, after a benchmarking exercise). Prospects for organic and continued acquisitive growth are strong.

<b>Valuation summary:</b>	<b>2022</b>	2021
EBITDA valuation multiple	<b>5,5x</b>	4,5x
44,8% equity interest – R'000	<b>504 023</b>	303 760

<b>Dividend summary:</b>	<b>2022</b>	2021
Ordinary dividends received during the period – R'000	<b>17 931</b>	24 655

## Integrated Report to stakeholders

continued

- ◆ ARB Holdings (ARB) was acquired during the period. Sabcap has an effective interest of 18,50% in ARB through 49,90% of Masimong Electrical Holdings (Pty) Ltd (MEH), which owns 37,07% of ARB. Prospects for growth are strong.

<b>Valuation summary:</b>	<b>2022</b>	2021
EBITDA valuation multiple	<b>6,5x</b>	–
18,5% equity interest – R'000	<b>13 930</b>	–
Investment loans – R'000	<b>236 326</b>	–
Total – R'000	<b>250 256</b>	–

- ◆ Classic Food Brands (CFB) is now trading profitably, however the fair value is stated after an impairment provision based on tangible NAV. The fair value may be reconsidered on a maintainable earnings basis in the next financial year. Sabcap's shareholding was increased to 40% during the period as a result of a shareholding restructure.

<b>Valuation summary:</b>	<b>2022</b>	2021
Basis of valuation	<b>NAV</b>	NAV
40% equity interest (2021: 25%) – R'000	–	–
Investment loans – R'000	<b>8 205</b>	15 091
Total – R'000	<b>8 205</b>	15 091

- ◆ DNI has grown profits materially, it pays high dividends and reinvests excess cash into new growth businesses and opportunities. Sabcap's direct and indirect shareholding has increased slightly to 19,9% (31 Dec 2021: 19,1%) due to a restructure of its direct and indirect shareholdings. Future prospects are strong driven by organic, acquisitive and other strategic initiatives.

<b>Valuation summary:</b>	<b>2022</b>	2021
EBITDA valuation multiple	<b>6,5x</b>	6,5x
19,9% equity interest (2021: 19,1%) – R'000	<b>1 028 087</b>	907 682

<b>Dividend summary:</b>	<b>2022</b>	2021
Ordinary dividends received during the period – R'000	<b>52 213</b>	45 085
Special dividends received during the period – R'000	<b>50 188</b>	5 502
Total – R'000	<b>102 401</b>	50 587

- ◆ Flexo's revenues and profitability have been adversely affected by decreased household demand after the pandemic, logistical issues and the impact of load shedding on production. The fair value is stated after an impairment provision. Prospects for growth are difficult to determine at this stage, but management is confident of returning to previous trading levels by the second half of 2023.

<b>Valuation summary:</b>	<b>2022</b>	2021
EBITDA valuation multiple	<b>4,5x</b>	4,5x
47,5% equity interest – R'000	–	29 882
Investment loans – R'000	<b>7 033</b>	79 729
Total – R'000	<b>7 033</b>	109 611

- ◆ Halewood was acquired during the year. Sabcap has an effective interest of 18,95% through 41,03% of Masimong Beverage Holdings (Pty) Ltd (MBH), which in turn holds 46,19% of Halewood through an SPV. Prospects for growth are strong.

<b>Valuation summary:</b>	<b>2022</b>	2021
EBITDA valuation multiple	<b>7,25x</b>	–
19,0% equity interest – R'000	–	–
Investment loans – R'000	<b>165 586</b>	–
Total – R'000	<b>165 586</b>	–

## Integrated Report to stakeholders

continued

- ITL was affected by difficult trading conditions in the second half of 2022 primarily due to the stringent lockdown regulations in China, the effect of COVID cases on ITL's production facilities in China, logistical and supply issues, and weaker than expected Northern Hemisphere retail demand. Results for 2022 were accordingly abnormally low. Subsequent to the year-end, China has lifted its COVID restrictions and normal trading is expected by the end of Q1 2023. ITL is budgeting for materially improved results in 2023 and has met revenue targets for the first two months of the year. ITL remains well positioned strategically, geographically and operationally. The percentage look-through shareholding in ITL Group increased from 34,0% to 34,4% due to share buybacks from retiring executives. It is expected that these may be reissued in future periods. Prospects for a resumption of growth are good.

<b>Valuation summary:</b>	<b>2022</b>	2021
EBITDA valuation multiple	<b>9,0x</b>	9,0x
34,4% equity interest (2021: 34,0%) – R'000	<b>167 600</b>	26 139
Investment loans – R'000	<b>618 854</b>	585 100
Total – R'000	<b>786 454</b>	611 239

\* The equity interest and investment loans need to be considered together as the investment loans increased pursuant to an internal capital restructure.

<b>Dividend summary:</b>	<b>2022</b>	2021
Preference dividends received during the period – R'000	–	22 360

- Masimong acquired interests in ARB Holdings and Halewood International South Africa during the period. Seriti Resources established Seriti Green, which will be focused on large-scale wind and solar projects. Seriti Green acquired a portfolio of large-scale, renewable development projects through the acquisition of Windlab's South African business. Overall its holdings performed well during the period and in particular its interests in Seriti, although its agricultural interests were affected by economic conditions, logistical challenges and load shedding. The valuation is at Masimong NAV as Masimong fair values its own portfolio under IFRS 10 and provides for any appropriate minority or liquidity discounts and deferred CGT. Prospects for continued growth in NAV are strong.

<b>Valuation summary:</b>	<b>2022</b>	2021
Basis of valuation	<b>NAV</b>	NAV
10,0% equity interest – R'000	<b>452 510</b>	296 197

<b>Dividend summary:</b>	<b>2022</b>	2021
Ordinary dividends received during the period – R'000	<b>10 920</b>	–

- Revix UK's growth was affected by wide gyrations in crypto currency prices and the corporate collapses in the industry internationally. Nevertheless, it currently projects achieving profitability by the end of 2023. With regard to funding, Sabcap elected not to follow the last two rounds and to accept a dilution in its interests. However, it is probable that it will follow the next round, which should be Revix's last funding requirement. The valuation of Revix as a start-up is stated at zero after a full impairment provision. Prospects are difficult to determine but the agility of management during difficult times, the increased volumes in its traditional business and the addition of its B2B focus are encouraging.

<b>Valuation summary:</b>	<b>2022</b>	2021
Basis of valuation	<b>NAV</b>	NAV
11,0% equity interest (2021: 15,5%)* – R'000	–	–

\* Investment loans were converted to equity during the prior period.

## Integrated Report to stakeholders

continued

- ◆ Rolles' trading in the 2022 financial year was at record levels. However, trading in 2022/2023 has been challenging, mainly due to the substantial drop in many commodity prices and the effect on margins. The EBITDA valuation multiple has been reduced from 6,0 times to 5,5 times due to a change in its business mix, with the proportion from food chemicals increasing materially. Prospects for continued growth are satisfactory.

<b>Valuation summary:</b>	<b>2022</b>	2021
EBITDA valuation multiple	<b>5,5x</b>	6,0x
25,0% equity interest – R'000	<b>189 289</b>	201 594

<b>Dividend summary:</b>	<b>2022</b>	2021
Ordinary dividends received during the period – R'000	<b>18 008</b>	18 395

- ◆ SA Bias traded at higher levels in both divisions. It has a liquid balance sheet and is well positioned for continued acquisitions, particularly in the UK and Europe. Prospects for growth in Narrowtex, aided in particular by its export division, and in Flowmax organically and through acquisitions, are strong.

<b>Valuation summary:</b>	<b>2022</b>	2021
EBITDA valuation multiples *	<b>6,0x / 4,5x</b>	6,0x / 4,5x
85,2% equity interest – R'000	<b>1 018 861</b>	906 348

\* Flowmax is valued at 6,0 times and Narrowtex at 4,5 times.

<b>Dividend summary:</b>	<b>2022</b>	2021
Ordinary dividends received during the period – R'000	<b>35 805</b>	32 395
Special dividends received during the period – R'000	<b>8 525</b>	88 234
Total – R'000	<b>44 330</b>	120 629

- ◆ Sunspray's growth in earnings in 2022 was satisfactory. Sunspray also completed a large capital expenditure project in its Industria facility, materially expanding its spray drying capacity and, in particular, for dairy products. The facility will come online in Q1 2023 and is expected to facilitate materially increased revenues and profitability in the period ahead. Prospects for growth are good.

<b>Valuation summary:</b>	<b>2022</b>	2021
EBITDA valuation multiple	<b>5,0x</b>	5,0x
27,7% equity interest – R'000	<b>80 915</b>	73 316
Investment loans – R'000	<b>5 709</b>	5 240
Total – R'000	<b>86 624</b>	78 556

<b>Dividend summary:</b>	<b>2022</b>	2021
Ordinary dividends received during the period – R'000	<b>8 215</b>	5 320

- ◆ Valemount was acquired during the period. A number of acquisitions are being considered to augment Valemount's existing strong organic growth and to widen its product range. The initial purchase consideration will be adjusted relative to a top-up formula, calculated based on 28 February 2023 audited financial statements once finalised. Sabcap has also committed to increase its Rand investment to facilitate expansion and acquisitions. Prospects for growth are strong.

<b>Valuation summary:</b>	<b>2022</b>	2021
Basis of valuation	<b>COST</b>	–
39,3% equity interest – R'000	<b>19 548</b>	–
Investment loans – R'000	<b>25 173</b>	–
Total – R'000	<b>44 721</b>	–

## Integrated Report to stakeholders

continued

### 6.11 Performance of listed investments

- ◆ Corero performed satisfactorily in the 2022 financial year. Corero's relationship with Juniper Networks continues to gain traction and facilitate higher volumes and revenues. Corero's share price decreased to 9,25p (31 Dec 2021: 12,5p) in volatile small volume trade. Sabcap increased its shareholding from 47m to 50m shares during the period, which is an interest of 10,1%.

<b>Valuation summary:</b>	<b>2022</b>	2021
Number of ordinary shares	<b>50 000 000</b>	47 000 000
Price per share – GBP	<b>9,25</b>	12,5
Fair value – GBP'000	<b>4 625</b>	5 875
Fair value – R'000	<b>94 486</b>	126 181

- ◆ Metrofile achieved satisfactory results for FY22 despite the challenging economic environment. Metrofile's share price increased to 350 cents (31 Dec 2021: 345 cents) and Sabcap's shareholding increased slightly to 56,0m shares (31 Dec 2021: 55,0m shares) during the period.

<b>Valuation summary:</b>	<b>2022</b>	2021
Number of ordinary shares	<b>56 000 000</b>	55 000 000
Price per share – cents	<b>350</b>	345
Fair value – R'000	<b>196 000</b>	189 750

<b>Dividend summary:</b>	<b>2022</b>	2021
Ordinary dividends received during the period – R'000	<b>9 990</b>	7 590

- ◆ Transaction Capital's Nuten and WeBuyCars continue to trade strongly. SA Taxi's trading results are, however, still affected by changes in the industry due to COVID-related issues. TC's share price decreased to 3 310 cents (31 Dec 2021: 4 503 cents) and Sabcap reduced its shareholding from 6m to 5m shares during the period. The reduction was part of Sabcap's liquidity and portfolio balancing decisions.

<b>Valuation summary:</b>	<b>2022</b>	2021
Number of ordinary shares	<b>5 000 000</b>	6 000 000
Price per share – cents	<b>3 310</b>	4 503
Fair value – R'000	<b>165 500</b>	270 180

<b>Dividend summary:</b>	<b>2022</b>	2021
Ordinary dividends received during the period – R'000	<b>3 500</b>	3 500

## 7. Prospects

Sabcap is comfortable with the current performance and future prospects of most of its unlisted investees and, in particular, of the new investments concluded during the period. The share prices of its three listed investments are market determined and their fair values are the market prices at each reporting date.

Accordingly, Sabcap expects satisfactory growth in NAV per share in 2023. It is also worth noting that the discount of Sabcap's share price to its NAV per share narrowed considerably in 2022 and Q1 2023, and the growth in share price continues to track or exceed the growth in NAV per share.

Management regards Sabcap as fully invested at the present time.

References to future financial information have not been reviewed or reported on by the Group's auditors.

## 8. Governance and sustainability

### 8.1 Human resources

RSA executives	Overseas executive management	Staff	Sub-total	Non-executive directors	<b>Total 2022</b>	Total 2021
3	1	5	9	4	<b>13</b>	13

## Integrated Report to stakeholders

continued

### 8.2 Directorate

#### Executive directors



**Christopher Stefan Seabrooke** (70)

*BCom, BAcc, MBA, FCMA*

*Chief Executive Officer*

Joined the Group in 1980.

Appointed Chief Executive in 1987.

Non-Executive Director of Transaction Capital Limited and of Metrofile Holdings Limited. Also a director of numerous unlisted companies. Former Chairman of the State Theatre of South Africa and Deputy Chairman of the inaugural National Arts Council of South Africa.



**Leon Rood** (46)

*BCom, LLB*

*Executive Director*

Appointed to the Board in 2019.

In addition to being an admitted attorney, holds diplomas in advanced taxation, corporate and securities law and international taxation. Previously a senior director of Werksmans and held various positions with Cliffe Dekker Hofmeyr and KPMG.



**Kyle De Matteis** (39)

*B.Bus.Sc, PGDA, CA(SA), CFA*

*Chief Financial Officer*

Appointed to the Board effective 30 April 2022.

Joined the Group in October 2020. Previously in various roles with Deloitte in South Africa, New York and London, was head of credit at Merchant Capital and most recently was a senior financial manager at Brait.

#### Non-executive directors



**Kuben Pillay** (62)

*BA LLB (Wits), MCJ (Howard School of Law, USA)*

*Independent Non-Executive Chairman*

*Chairman of the Nominations Committee and member of the Remuneration, Investment and Social and Ethics Committees*

Appointed to the Board in 2020.

Non-Executive Director of Transaction Capital Limited, Chairman of USA public company Lesaka Technologies Inc and Lead Independent Director of OUTsurance Group. Former Chairman of Cell C Limited, Mineworkers Investment Company and Primedia Limited.



**Olufunke Ighodaro** (60)

*BSc (Hons), FCA (England and Wales) and CA(SA)*

*Lead Independent Non-Executive Director*

*Chairman of the Investment Committee and a member of the Audit, Remuneration, Nominations and Social and Ethics Committees*

Appointed to the Board in 2020.

Currently Audit Chair and Non-Executive Director of Old Mutual Limited and Old Mutual Life Assurance Limited Company and Non-Executive Director of Telkom SOC Limited. Previously served as CFO of Tiger Brands Limited and Primedia Limited and as Non-Executive Director of several listed companies.



**Lindiwe Mthimunye** (49)

*M.Com, H.Dip Tax Law, CA (SA)*

*Independent Non-Executive Director*

*Chairman of the Audit and Risk Committee and member of the Investment, Social and Ethics, Nominations and Remuneration Committees.*

Appointed to the Board in 2018.

Managing Director of Petroleum Investment Partners (Pty) Ltd and a Non-Executive Director of Blue Label Telecoms Limited, Metrofile Holdings Limited and Old Mutual Investments.



**Bheki James Themba Shongwe** (68)

*BA (Econ), MBA, ACIS, FCIBM*

*Chairman of the Remuneration and Social and Ethics Committees and a member of the Investment, Audit and Risk, Nominations and Remuneration Committees*

Appointed to the Board in 2005.

Chairman of Flow Communications (Pty) Ltd, Executive Chairman of Matsamo Group Ltd, Non-Executive Director of Matsamo Capital (Pty) Ltd, Cigicell (Pty) Ltd and Kaimot Investments (Pty) Ltd.



## Integrated Report to stakeholders

continued

### 9. Corporate governance

The Board of Directors of Sabcap is responsible for the corporate governance framework of Sabcap and its subsidiaries and is accountable to stakeholders for the performance, activities and control of the Group.

#### King IV™

The King IV Report on Corporate Governance for South Africa was released in November 2016 with early adoption being encouraged by the JSE. King IV™ advocates an outcome-based approach and defines corporate governance as the exercise of ethical and effective leadership towards achieving the following governance outcomes:

- ◆ Ethical culture
- ◆ Good performance
- ◆ Effective control
- ◆ Legitimacy

Sabcap has set out its governance structures in line with the 16 principles of King IV™ on an apply and explain basis. The application of recommended practices has been adopted and reported on as appropriate for an investment holding company.

The Board is committed to complying with legislation, regulations, best practices and governance standards relevant to the Group in alignment with the aspirational nature of King IV™ principles.

#### **Principle 1**

*The governing body should lead ethically and effectively*

The Board maintains a high level of individual and collective responsibilities, accountability, fairness and transparency, which together drive a culture of risk awareness, ethical behavior and value creation.

The Board is responsible for the strategic direction of the Group which it considers in conjunction with the Group's ethics charter which is the basis for deliberations, decisions and actions of the Board. The Board endorses and accepts responsibility for achieving the values underpinning good governance, namely, integrity, competence, fairness, responsibility, transparency and accountability.

The Board provides effective and responsible leadership in a way that supports sustainable business and in consideration of the impacts on society, the environment, stakeholders and sustainability.

The Board acts as the custodian of governance and has approved the formal charter that sets out its responsibilities. The Board is responsible for appointing the CEO and for monitoring his management of the performance of the Group's assets against strategic and financial objectives.

The Board delegates specific responsibility to appropriately mandated and constituted committees. The Audit and Risk Committee and the Social and Ethics Committee fulfil the statutory governance requirements for the Group.

Sabcap follows a stakeholder-inclusive approach as set out in Principle 16.

Directors are required to disclose in writing any conflicts of interest and shareholdings in the Company or in any other relevant stakeholders between and at Board and Committee meetings, as appropriate.

#### **Principle 2**

*The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.*

Sabcap is committed to achieving the highest standards of ethical behaviour in compliance with its code of ethical conduct. The Board, through the Social and Ethics Committee, has approved a code of ethical conduct, which is published on its website and communicated to its employees. It maintains a high awareness of the South African Constitution and Bill of Rights. It also endeavours to ensure that the highest ethical behaviour is followed by its investee companies.



## Integrated Report to stakeholders

continued

The CEO is the custodian of the charter and is assisted by the Group's CFO in his function as ethics officer. The Board reviews the charter annually.

Sabcap maintains a tip-off hotline through its Audit and Risk Committee Chairman for anonymous or identified calls or contacts. Any reports are investigated by the Audit and Risk Committee Chairman using external legal and other resources if required. No incidents were reported during the year.

The setting of specific measurable metrics is not practical, as Sabcap is an investment group with a small staff complement.

Adherence to the ethics charter is monitored by the Social and Ethics Committee and no deviations were recorded during the year. Future focus will continue to be maintained on all core values.

### **Principle 3**

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*The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen*

The Company itself and most of its investee companies have SRI programmes to facilitate its role as a responsible corporate citizen.

Sabcap itself allocates over 0,5% of PAT annually to chosen initiatives. During 2022, 23 school bursaries were funded and general and specific grants were made for education-related initiatives. Donations were also made to the TBISA Business School, the Masimong Foundation, the Paul Mthimunye Bursary Fund, The Soul Provider Trust, Perpetua House, St David's Marist Foundation, Thanda Heart Foundation, and Oliver's House Education Centre.

Since the commencement of the Sabcap programme, 247 years of schooling have been funded.

Sabcap also encourages its investee companies to maintain and adhere to comprehensive sustainability policies as appropriate.

### **Principle 4**

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*The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.*

The Board has set out its strategy and associated risks in this Integrated Report and articulated its core values in alignment with its ethics charter. In directing strategy and pursuing investment opportunities, the Board considers the risks and opportunities in the environment in which the Group operates to create value for all stakeholders. The Board sets key performance criteria and targets for management to assess the implementation of Group strategy.

The Audit and Risk Committee assists the Board with governance and risks and both the Committee and the Board assess the viability of the Company relative to capital, solvency and liquidity on an ongoing basis.

In addition to the annual budget being considered and approved by the Board, the Board monitors the Company's three-year rolling financial plan and execution of its strategy.

### **Principle 5**

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*The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long term prospects.*

Based on the recommendations of the Audit and Risk Committee, the Board approves the Integrated Report, the annual financial statements, the King IV™ compliance report and all other reports published by the Company in its Integrated Report, all of which are also available on Sabcap's website.

The Board considers Sabcap's business model and envisaged strategy and the interests of its key stakeholders in all its deliberations.

The Board also directs the Company to issue regular updates on its investment activities to shareholders through SENS announcements at and between scheduled reporting dates.

## Integrated Report to stakeholders

continued

### **Principle 6**

*The governing body should serve as the focal point and custodian of corporate governance in the organisation*

The Board is the focal point of Sabcap's corporate governance framework. Sabcap follows a stakeholder-inclusive approach to governance with the Board being ultimately responsible and accountable to stakeholders for the performance, activities and control of the Group.

This is achieved through the direction provided by the application of the Board Charter, Memorandum of Incorporation ("MOI"), the Board members' letters of appointment, its application of the King Code of Corporate Governance and relevant legislation. The Board confirms that it complies with the provisions of the Companies Act 2008 and is operating in terms of the laws relating to its incorporation and in conformity with its MOI. The Board's sub-committees play an integral role in ensuring corporate governance is achieved through the terms and mandates in their respective charters.

The Board Charter authorises Board members to obtain independent external professional advice, to have direct access to the executives, employees and Company Secretary for information and to meet without the executive directors, or with management, or with advisors when deemed appropriate or necessary. The Company bears the relevant expenses.

### **Principle 7**

*The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively*

#### **The Board and its Committees**

Sabcap employs nine people of whom three are executive directors of the holding company. It also has the benefit of the experience and advice of four independent non-executive directors on the holding company Board. The continued independence of directors is assessed annually, with particular attention to those who have served on the Board for longer than nine years. The Board is satisfied that the four directors regarded as independent continue to exert this status vigorously.

The roles of Chairman and CEO are separate. The Chairman is not a member of the Audit and Risk Committee and is a member but not the Chairman of the Remuneration Committee. The Chairman's non-executive role encompasses being the mentor and counsel to the CEO, the co-ordination of governance activities, the overseer of Board and Committee performance and the guide to the Board in its principal functions of the keepers of strategy, the monitors of risk, the custodians of management excellence and the overseers of Company performance. A separate lead director has been appointed who is non-executive and independent.

The directors consider the mix of technical, entrepreneurial, financial and business skills of the directors to be balanced, thus ensuring the effectiveness of the Board. Board composition and the process of nominating directors to the Board is the function of the Nominations Committee. None of the directors has political connections of relevance to the Company or at all. The Board retains full and effective control over the Company and its subsidiaries and monitors the performance and decisions of executive management.

The Board believes that the optimal number of directors for Sabcap is 7 – 8 of which 4 – 5 should be non-executive directors and a majority of those should be independent.

It is the Board's policy to promote diversity within its directors as follows:

1. **Gender**

A minimum of two female directors.

2. **Race**

A minimum of two black directors.

3. **Culture**

Directors with a culture that supports the ethics of the organisation and its social responsibility initiatives.

## Integrated Report to stakeholders

continued

### 4. *Age*

A spread of ages.

### 5. *Field of knowledge*

Skills and experience should include finance, investments, accounting, legal, JSE and general business experience.

In addition, the Company is represented on the Boards of all of its unlisted investees and certain of the directors are directors of most of its major listed investee companies. The Board fully respects the fiduciary duties of these directors to the respective companies and is cognisant of stock exchange rules and insider trading policies for those companies that are listed.

No external advisors are regular attendees at Board meetings.

Directors are subject to election by shareholders at the first opportunity following their appointment. Directors retire by rotation and stand for re-election by shareholders at least once every three years. In accordance with the Company's MOI, the Board also has the ability to remove directors without requiring shareholder approval.

The executive directors have six months' notice periods but no other contractual entitlements.

The Board meets at least twice annually. Additional meetings are held when non-scheduled matters arise. In addition, the Company has an effective Board memoranda process to facilitate consultation with all directors on an ongoing basis and management reports are circulated to the Board monthly as well. Additional scheduled meetings are not regarded as necessary due to this process and the limited movement in portfolio holdings.

The full responsibilities of the Board and of each Committee are set out in written charters adopted by the Board and published on the Company's website. There is clear balance of power and authority at the Board level to ensure that no one director has unfettered powers of decision-making.

Directors participate at meetings in person or by audio conference. During the year directors' attendance at the Board meetings held, was as follows:

	Attendance
O Ighodaro	2/2
K Pillay	2/2
R Pleaner * <sup>1</sup>	1/2
L Mthimunye	2/2
L Rood	2/2
CS Seabrooke	2/2
BJT Shongwe	2/2
K De Matteis * <sup>2</sup>	2/2

\*<sup>1</sup> Retired effective 30 April 2022.

\*<sup>2</sup> Appointed effective 30 April 2022.

The profiles of directors are set out on page 21, shareholders on page 98 and remuneration details in note 15 on page 84.

## Integrated Report to stakeholders

continued

### *Company Secretary*

The role of the Company Secretary is outsourced to Levitt Kirson Business Services (Pty) Ltd, which meets the requirements of the Companies Act and the JSE.

The duties of the Company Secretary include:

- ◆ Providing counsel and guidance to the Board on their individual and collective powers and duties as required from time to time;
- ◆ Considering the regulatory universe prepared by internal audit and providing the Board with updates and proposed changes to laws and regulations affecting the Group;
- ◆ Reporting to the Board any non-compliance with the MOI or Companies Act;
- ◆ Maintaining proper minutes of shareholder, director and committee meetings;
- ◆ Certifying in the annual financial statements that the Company has filed the required notice and returns timeously in accordance with the Companies Act;
- ◆ Ensuring that the Company's annual financial statements are properly distributed; and
- ◆ Carrying out the other functions required of a Company Secretary by the Companies Act.

The Board has considered and satisfied itself of the competence, qualifications and experience of the Company Secretary. More particularly, the Board is satisfied that the required duties have been carried out effectively.

The Board confirms that the Company Secretary has maintained an arm's length relationship with the Board, is not a director of the Company and performs no other functions on behalf of the Company or the Board.

### *Audit, Governance and Risk Committee*

The Committee operates within defined terms of reference and authority granted to it by the Board in terms of a written charter. It meets at least twice a year, and the external auditors, Deloitte & Touche, and CFO attend as well. The CEO may also attend by invitation from time to time. The external auditors have unrestricted access to the Committee.

Selected scope internal audit services are performed for the Group by KPMG for assurance purposes. KPMG reports to the Chairman of the Committee and administratively to the CEO. The relationship is sound and no disagreements were recorded during the year.

The internal auditors attend when presenting their reports and opinions. The internal auditors follow a plan performed over a three-year cycle, focusing on areas identified and prioritised based on those areas viewed as higher risk and where there is an aim to improve internal controls in a specific area. The plan is flexible to accommodate changing circumstances or risk profiles. Their reports provided unqualified assurances to the Committee and Board.

There are no other regular invitees to Committee meetings.

The principle functions of the Committee are to review the interim and annual financial statements and accounting policies, monitor the effectiveness of internal controls, assess the risks facing the business, assess the expertise and experience of the CFO, discuss the findings and recommendations of the auditors and review corporate governance procedures. The Audit and Risk Committee also has the responsibility for recommending the appointment of the external auditors and for ensuring that there is appropriate independence relating to non-audit services provided by the auditors. These non-audit services are presently taxation, corporate finance, technical accounting, risk and human resources.

The Committee regards the CFO as suitably qualified and experienced and the finance function to be operating effectively.

Due to the size of the Group, a separate risk committee is not regarded as necessary. The Audit Committee monitors the risk registers, risk control procedures and authorities framework of the Group.

The Committee regards the process resulting in the presentation of the Integrated Report to be satisfactory and that the level of combined assurance is appropriate relative to the scale of the Group and its identified risks and mitigating controls.

## Integrated Report to stakeholders

continued

It regards the relationship between the external assurance providers and the Company as sound and conducive to optimising the level and quality of assurance and no separate external assurance is necessary on sustainability issues due to the limited size and focus of Sabcap's operations as an investment group. The Committee does not regard the Company as having any current unmitigated risks arising from sustainability considerations. The Committee is of the view that it complied with all its legal, regulatory and governance responsibilities during the period.

The Committee comprises the following members:

	Attendance
L Mthimunye (Independent Non-Executive Chairman)	3/3
O Ighodaro (Independent Non-Executive)	3/3
BJT Shongwe (Independent Non-Executive)	3/3

### *Remuneration and Nominations Committees*

The Remuneration and Nominations Committees operate within defined terms of reference and meet annually.

The Remuneration Committee determines executive remuneration and incentives, reviews staff costs and recommends non-executive directors' fees to shareholders. It conducts appropriate market reviews periodically relative to these assessments.

The Nominations Committee considers the composition and performance of the Board and its Committees and makes recommendations on new appointments.

### *Succession planning*

The Nominations Committee is responsible for formulating and monitoring the succession plans of the Board, the CEO and CFO. The Committee reviews the succession plan annually.

The Remuneration Committee comprises the following members:

	Attendance
BJT Shongwe (Independent Non-Executive Chairman)	1/1
O Ighodaro (Independent Non-Executive)	1/1
K Pillay (Independent Non-Executive)	1/1
L Mthimunye (Independent Non-Executive)	1/1

The Nominations Committee comprises the following members:

	Attendance
K Pillay (Independent Non-executive Chairman)	1/1
L Mthimunye (Independent Non-Executive)	1/1
O Ighodaro (Independent Non-Executive)	1/1
BJT Shongwe (Independent Non-Executive)	1/1

### *Social, Ethics and Transformation Committee*

The Committee has a written charter which meets all the requirements of the Companies Act in the scope of its functions. These included the Group's standing relative to the ten United Nations Global Compact Principles, the OECD recommendations regarding corruption, the Employment Equity Act and the BBBEE Act, good corporate citizenship including the Group's SRI programme, environmental and safety issues and labour relations. The Committee is satisfied that Sabcap has properly considered these issues and taken the appropriate measures to the extent applicable to the Group's activities.

## Integrated Report to stakeholders

continued

The Committee comprises the following members:

	Attendance
O Ighodaro (Independent Non-Executive Chairman)	1/1
CS Seabrooke (CEO)	1/1
L Mthimunye (Independent Non-Executive)	1/1
K Pillay (Independent Non-Executive)	1/1
BJT Shongwe * (Independent Non-Executive)	1/1

\* Replaced Mrs Ighodaro as Chairman, effective 31 December 2022.

The report of the Committee to shareholders as required by the Companies Act is set out on page 48.

### Performance assessments

The performances of the Board, the Committees, directors, Chairman, CEO, CFO and Company Secretary are subject to a 360° review annually. Appropriate feedback is given and discussions held by the Chairman, Committee Chairpersons or CEO, as appropriate. No material issues arose from this process in 2022.

### Investment Committee

The Investment Committee is an ad hoc committee activated as needed from time to time by the Board or by management, depending, in particular, on the expected volume of new investment or funding activities, which matters would otherwise be presented by Management directly to the Board.

The Committee comprises the following members:

	Attendance
K Pillay (Independent Non-Executive Chairman)	1/1
CS Seabrooke (CEO)	1/1
L Mthimunye (Independent Non-Executive)	1/1
O Ighodaro * (Independent Non-Executive)	1/1
BJT Shongwe (Independent Non-Executive)	1/1

\* Replaced Mr Pillay as Chairman, effective 31 December 2022.

### Principle 8

*The governing body should ensure that its arrangements for delegation within its own structures promote independent judgment and assist with balance of power and the effective discharge of its duties*

The Board has established a formal authorities matrix which delegates financial and strategic responsibilities to the executive directors for operational and investment purposes, requiring notifications to the Board below the stated limits and authority from the Board above the stated limits.

The governance functions of the Board Committees are outlined in their respective approved Committee terms of reference. The charters are reviewed and approved annually by the Board and the composition of the Committees is also assessed annually. Three independent non-executive directors are members of the Audit and Risk, and four are members of the Nominations, Remuneration and Social and Ethics Committees. There is a balanced distribution of power between the independent non-executive directors as each of the Audit and Risk, Nominations and Remuneration Committees are chaired by a different director. The Audit and Risk Committee Chairman also chairs the Social and Ethics Committee to facilitate the monitoring of ethics and risks.

## Integrated Report to stakeholders

continued

The Board Committees at the date of this report are as follows:

	<b>Nominations</b>	<b>Remuneration</b>	<b>Audit, Risk and Compliance</b>	<b>Social and Ethics</b>	<b>Investment</b>
<b>Chairperson</b>	K Pillay	BJT Shongwe	L Mthimunye	BJT Shongwe	O Ighodaro
<b>Members</b>	BJT Shongwe L Mthimunye O Ighodaro	L Mthimunye K Pillay O Ighodaro	BJT Shongwe O Ighodaro	O Ighodaro K Pillay L Mthimunye CS Seabrooke	BJT Shongwe L Mthimunye K Pillay CS Seabrooke
<b>Functions managed</b>	<ul style="list-style-type: none"> <li>• Directors</li> <li>• People</li> <li>• Succession</li> </ul>	<ul style="list-style-type: none"> <li>• People</li> <li>• Remuneration</li> <li>• Retention</li> </ul>	<ul style="list-style-type: none"> <li>• Accounting, tax and compliance</li> <li>• Information and technology</li> <li>• Internal audit</li> <li>• Risk</li> <li>• Credit</li> </ul>	<ul style="list-style-type: none"> <li>• Transformation</li> <li>• Sustainability</li> <li>• Ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Investment policy and parameters</li> <li>• Current investments</li> <li>• New investments</li> </ul>
<b>Number of meetings per year</b>	At least one	At least one	At least three	At least one	Ad hoc as often as required or by round robin
<b>Composition</b>	Independent non-executive directors	Independent non-executive directors	Independent non-executive directors	A majority of independent non-executive directors	A majority of independent non-executive directors

### Principle 9

*The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.*

Formal performance evaluations of the Board, its Committees, the Company Secretary, the CFO and finance function are conducted annually by means of questionnaires to review the mix of skills, performance during the year, contribution of independent individual directors, and the effectiveness of Committees. Results of the evaluations are considered to determine any improvements or changes required for the following year.

The evaluations are considered by the Nominations Committee which makes recommendations to the Board, as appropriate.

Based on the annual evaluations undertaken during November 2022, the Board is satisfied that:

- ◆ All directors are committed to their roles and are performing to acceptable standards.
- ◆ The Board and its Committees are effective and operating to appropriate standards.
- ◆ The Group's risk management framework and processes are effective.
- ◆ All directors and Committee members have appropriate qualifications, experience and skills to fulfil the Board and Committee mandates.
- ◆ Independent non-executive directors meet the criteria for independence in terms of King IV™, including the directors who have served for longer than nine years.
- ◆ The expertise, performance and experience of the Chairman, CEO, CFO, Company Secretary and outsourced internal audit function are acceptable (refer also to principle 7).

## Integrated Report to stakeholders

continued

### **Principle 10**

*The governing body should ensure that the appointment of and delegation to management contributes to role clarity and effective exercise of authority and responsibilities*

There is a formal delegation of authority matrix in place which is reviewed and updated by the Board annually and which sets the direction and parameters and limits which are reserved for the Board and those that are delegated to the executive directors, including financial materiality thresholds.

The Board appoints the CEO who leads the implementation and execution of strategy and policy approved by the Board. The CEO is accountable to the Board which assesses his performance annually.

The Board approves the appointment of the Company Secretary. The function is currently outsourced and the scope of the Company Secretary duties, responsibilities and support functions to the Board are set out in principle 7.

Access to the Company Secretary and relevant independent advice is available to all Board members, when required.

### **Principle 11**

*The governing body should govern risk in a way that supports the organisation in setting and achieving its executive objectives. Sabcap has a board approved risk framework, policy, risk appetite and tolerance levels and a process of ongoing risk oversight and monitoring*

Full details are contained in the risk report on pages 33 and 34.

### **Principle 12**

*The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.*

The Board through the Audit and Risk Committee is accountable for governance of information technology. As a small investment group, Sabcap does not require a separate IT charter and policies and similarly no IT Steering Committee is required. The Board and Audit and Risk Committee monitor the effectiveness of the internal controls over the IT environment, which is currently adequate for the Company's strategic plans and business model.

The design and maintenance of the Group's IT platform has been managed effectively by an outside contractor, Enterprise Outsourcing, for over twenty years.

The effectiveness of the Group's IT systems was favourably assessed by KPMG in the course of the internal audit services provided to the Group in the prior year and by Deloitte & Touche in the course of its audit. KPMG has also reported to the CFO and the Audit and Risk Committee in the prior year that the Group's disaster recovery and business continuity plans are acceptable.

The CFO has the role of Chief Information Officer, has responsibility for the management of IT and reports on IT matters to the Audit and Risk Committee and the Board.

Sabcap ensures that the integrity of the IT process is maintained, including information security privacy and IT laws, including POPI, that are applicable to Sabcap.

### **Principle 13**

*The governing body should govern compliance with applicable laws and adopted standards in a way that supports the organisation being ethically and a good corporate citizen*

The Audit and Risk Committee takes responsibility for compliance oversight on behalf of the Board. The CFO has the role of Chief Compliance Officer and ensures that the investment and related activities of Sabcap are managed ethically, in compliance with legislative requirements and in line with best practice governance guidelines. He is assisted by KPMG in monitoring and updating Sabcap's regulatory universe and assurance is also received from Deloitte & Touche in the course of their audit relating to compliance with applicable legislation and regulations. During the year the Chief Compliance Officer did not note any breaches in regulatory compliance.



## Integrated Report to stakeholders

continued

The Board does not believe it is necessary for Sabcap as an investment company to adopt formal dispute resolution processes. External disputes are handled through the Group's attorneys and there have been no internal disputes requiring resolution.

The primary regulatory universe applicable to Sabcap includes (but is not limited to):

- ◆ Companies Act.
- ◆ Basic Conditions of Employment Act.
- ◆ JSE Listings Requirements including King IV™.
- ◆ Labour Relations Act.
- ◆ Protection of Personal Information Act.
- ◆ Electronic Communications and Transactions Act.
- ◆ Broad-Based Black Economic Empowerment Act.
- ◆ Employment Equity Act.
- ◆ Financial Markets Act.
- ◆ Tax Administration Act.
- ◆ Income Tax Act.
- ◆ Prevention and Combating of Corrupt Activities Act.
- ◆ National Environmental Act.
- ◆ Unemployment Insurance Act.
- ◆ Exchange Control Regulations.

### ***Principle 14***

*The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term.*

The Remuneration Committee is responsible for establishing and overseeing a remuneration policy that promotes the achievement of strategic objectives and encourages individual performance in Sabcap and recruit, retain and motivate the necessary skilled personnel to facilitate the achievement of the Company's strategic objectives in the long-term and short- and medium-term operational requirements to meet those objectives.

Sabcap's remuneration report is presented in three sections:

- ◆ A background statement.
- ◆ An overview of Sabcap's remuneration philosophy and policy.
- ◆ An implementation report of Sabcap's remuneration policy during the period.

The remuneration policy and the implementation report are tabled at annual general meetings for two separate non-binding advisory votes. If either the remuneration policy or the implementation report, or both, are voted against by shareholders exercising 25% or more of the votes exercised, the Board will invite dissenting shareholders to engage with the Remuneration Committee on their concerns.

In addition, shareholder approval is obtained annually at the annual general meeting for the fees payable to non-executive directors.

## Integrated Report to stakeholders

continued

### **Principle 15**

*The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports*

The Audit and Risk Committee is responsible for monitoring the appropriateness of the combined assurance model to monitor and mitigate the risks in the Group and ensuring its effectiveness in order to place continued reliance thereon. The Committee oversees the internal audit services provided to the Group by KPMG and the external audit function undertaken by Deloitte & Touche. The Committee is satisfied that the external auditor remains independent and that the policy in place to address the provision of non-audit services by the external auditor is appropriate.

The Committee considers the financial reporting procedures that are in place and whether these procedures are operating effectively, which included the consideration of all entities included in the consolidated Group IFRS financial statements. It also monitors and ensures the integrity of information and external reports related to these entities. These are also reviewed by Sabcap's external auditors, attorneys, JSE Sponsor and bank advisors, as appropriate or needed.

### **Principle 16**

*In the execution of its governance role and responsibilities, the governing body should adopt a shareholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.*

The Board has responsibility for directing how the relationships with stakeholders in the Group should be conducted. As an investment holding company, Sabcap has one policy approach as a single entity and ensures that this framework is in harmony with other applicable requirements and constraints, for example the Memorandum of Incorporation, authorities framework, investee shareholder agreements, Board and Committee charters and regulatory requirements.

Sabcap's external relationships with stakeholders are primarily with its shareholders, financiers, the Boards of its listed and unlisted investee companies and their Committees. These relationships are actively managed by the executive directors as follows:

- ◆ Shareholders  
*Through the website, SENS and press announcements, annual reports and general meetings.*
- ◆ Financiers  
*Through regular meetings and submissions.*
- ◆ Unlisted investees  
*Through shareholder agreements, Board and Committee representation and on-site visits.*
- ◆ Major listed investees  
*Through Board and Committee representation, on-site visits and liaison with other material shareholders.*
- ◆ Community  
*Through the Group's code of ethics and SRI programme.*

If meetings are held with shareholders or analysts, it is Company policy that they should be attended by at least two Company representatives and notes be made of the meetings.

A stakeholder engagement report will be made annually to the Board. With regard to the annual general meeting, all directors are expected to attend and be available to deal with shareholder queries, and the designated partner of Deloitte & Touche is also present. The minutes of prior annual general meetings are tabled for information and queries.

The results of the annual general meeting, including percentage votes for each resolution, are announced at the annual general meeting and released on SENS.

## Integrated Report to stakeholders

continued

### 10. Risk report

#### 10.1 Approach to risk management

Sabcap defines risk as uncertain future events that could influence its ability to achieve its objectives. Risks, once identified, are considered by the combination of the probability of an event occurring and the consequence thereof. Risk is a condition in which the possibility of loss is inextricably linked to uncertainty. Therefore a framework for managing risk is required to facilitate rational decision-making.

Risk management entails planning and controlling all activities and resources to minimise the negative impact of risks to tolerable levels and conversely to optimise potential opportunities and impacts of risks in the pursuit of achieving Sabcap's strategic objectives.

Risk tolerances are approved by the Board.

#### 10.2 Risk framework and the governance of risk

The Board is responsible for the governance of risk. It delegates responsibility for monitoring risk management to the Audit and Risk Committee and for managing risk to the executive directors.

The CEO functions as the Chief Risk Officer. This function is performed in Sabcap by the CEO and not the CFO as the primary risks relate to the investment portfolio and the funding thereof, which are directly managed by the CEO. The CFO assists as appropriate on other risks.

The Board reviews risks and mitigating controls as presented by management or identified by the Board.

Risk appetite is the amount and type of risk that an organisation is willing to take in pursuit of its strategic objectives.

Risk tolerance is the acceptable performance variation between the actual residual risk profile and the target risk profile in relation to the risks identified and managed through the risk management framework.

When risk tolerance is exceeded executive directors are required to take action to treat, transfer or terminate the associated risk.

The Board regards the monitoring and control of risks by management to be good and part of the ongoing business of the Company. The Group's low/medium risk appetite and low tolerance levels are expressed in its low gearing levels, the boundaries of its business model, its clearly stated and shareholder-approved Investment Policy and the Group's ongoing investment management procedures. The Board is not aware of any risks being allowed that exceed the Company's risk appetite nor were any such risks taken in the year under review.

The Board regards it as sufficient for the risk policy to be known and approved by the Board and not distributed to staff.

## Integrated Report to stakeholders

continued

The current risk watch list is as follows:

Risk	Residual risk level after mitigation
• Reduced cash flow from investees	Low
• Lack of liquidity	Low
• Health and safety	Low
• Liquidity crises in investees	Low
• Reduction in investee valuations	Low
• Financial controls in investees	Low
• Loss of any key executive in an investee	Low
• Security and crime	Low
• CEO incapacitated or not available	Low
• Optimisation of BBBEE initiatives and requirements in investees	Medium
• Exchange rate fluctuations	Medium
• Shareholder agreements needing change	Low
• Change in strategies of investees	Low
• Lack of liquidity on the JSE	High
• Sabcap internal controls and procedures	Low
• IT systems	Low
• Stock market fluctuations	Medium

The Board is comfortable with the level of combined assurance obtained from management, the Audit and Risk Committee, the external auditors, the internal audit service provider and its attorneys relative to the Group's key risks and its control environment. The Board is of the view that all of the risks listed have been mitigated to the extent feasible and that all residual risks have adequate controls or are monitored closely. The Board is not aware of any impending material risks that have not been disclosed herein.

Nothing has come to the attention of the Audit and Risk Committee or the Board that has caused them to believe that the Group's system of internal controls and risk management are not effective.

## 11. Remuneration report

### 11.1 Background

The Board has ultimate responsibility for the appropriateness of remuneration policies and the Board has delegated oversight of this responsibility to the Remuneration Committee, the composition and details of which are set out in Principle 7.

The Remuneration Committee's mandate is to ensure that the Group's remuneration policies:

- ◆ are fair, responsible and transparent;
- ◆ target, motivate, reward and retain human capital;
- ◆ promote the achievement of strategic objectives within Sabcap's risk appetite;
- ◆ promote positive outcomes; and
- ◆ promote an ethical culture and responsible corporate citizenship.

The Committee seeks to strike a balance between the interests of shareholders and executives. The Committee assesses the mix of fixed and variable remuneration and long-term incentives to ensure continued motivation to the enhancement of shareholder value.

## Integrated Report to stakeholders

continued

### 11.2 Remuneration philosophy and policy

The following principles are applied to remuneration:

- ◆ The remuneration policy is approved by the Remuneration Committee (“Remcom”) and the Board.
- ◆ No differential compensation applies to gender, race or location and the principle of equal work for equal pay is applied.
- ◆ Compensation is defined on a cost-to-company basis with all benefits included and fully taxed.
- ◆ Research and benchmarking are performed from time to time.
- ◆ Remuneration is aligned to individual outputs.
- ◆ Performance incentives are used to drive strategy aligned growth behaviour to meet defined goals.
- ◆ No employees or directors have employment terms exceeding six months’ notice.
- ◆ Sabcap has no obligations to make exit payments to leaving executives or staff although this may be considered on a case-by-case basis. Subject to the Remuneration Committee’s approval, good leavers may receive a *pro rata* benefit of long-term incentives subject to each tranche’s performance requirements having been met.
- ◆ Non-executive directors receive fees based on Board and Committee responsibilities and with no additional amounts for attendances. The fees are benchmarked from time to time against organisations in similar industries and of similar sizes.

Sabcap’s policy is to pay cost-to-company packages in the upper quartile for comparable positions.

The quantitative Short-Term Incentive Plan (“STIP”) is calculated on PAT. The CEO receives 2,0% and other executives receive 0,3% to 1% of PAT. These awards are capped relative to CTC. The cap is calculated over a three-year period (due to the fluctuating nature of the Group’s profitability based on annual valuations). The CEO’s award is capped at 200% of CTC over the period and the other executive directors at 150%.

In addition, the CEO may receive up to 25% of CTC if dividends grow at more than CPI +4% p.a. over three-year periods, but at the Remcom’s discretion if cash is utilised for share buybacks instead of growth in dividends.

The CEO also has an incentive through which he can earn up to 0,5% of PAT based on progress in reducing the share price discount to NAV and other relevant shareholder variables such as spread and institutional/family office holdings. This is not capped.

The executive directors (other than the CEO) may receive qualitative incentives up to 25% of CTC, based on pre-set KPIs, which may be varied at the discretion of the CEO and Remcom and relative to which outperformance may be possible.

The Long-Term Incentive Plan (“LTIP”) comprises notional awards of between 10% and 100% of the CTC packages of executives and staff annually, which are “invested” in the Group’s net asset value per share. They only vest if a hurdle rate of CPI +4% per annum growth in net asset value is achieved over a four-year period. There is no retesting. Adjustments are made to account for the notional reinvestment of dividends. The awards are cash settled and accounted for in profit or loss annually. The awards are not capped.

Management’s interests are also aligned with those of shareholders relative to share prices.

All of the executives are shareholders in the Company.

Accordingly, the STIP and LTIP combined with the ownership of shares by executives directly motivate management to achieve growth in NAV per share and in share price.

## Integrated Report to stakeholders

continued

Since the formation of Sabvest in 1988, it was agreed that the CEO may hold directorships and investments independently as well as directorships as a representative of the Group. These enhance the Group's influence materially, have improved the Group's access to attractive new investments over the years, have facilitated the partnership principle in investees, have resulted in income and gains to the Group, and material growth in NAV per share. The CEO may retain the fees from those Board appointments separately from any fees that may be paid to Sabcap by its investees.

Non-executive directors receive annual fees for their roles as directors, as Board Committee members and for sitting on the boards of investees on behalf of the Group. The Board does not regard separate attendance fees as appropriate or necessary unless the time allocation to meetings expected of directors is materially more than normal in a particular year.

The Company secretarial function has been outsourced and is charged to the Group on a time basis.

### 11.3 Implementation report

The following table shows a breakdown of the annual remuneration of executive directors, including STIP and LTIP awards, for the 2022 financial year and the comparatives for 2021.

	CS Seabrooke		R Pleaner * <sup>1</sup>		L Rood		K De Matteis * <sup>2</sup>		Total	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<i>Executive directors</i>										
Salaries	2 926	2 785	823	2 352	3 476	3 310	1 583	–	8 808	8 447
Retirement and medical	459	449	121	408	330	314	150	–	1 060	1 171
Other benefits	1 652	1 573	210	600	550	524	172	–	2 584	2 697
Basic remuneration	5 037	4 807	1 154	3 360	4 356	4 148	1 905	–	12 452	12 315
Incentive bonuses										
– Short-term	13 951	12 452	–	5 340	6 289	5 537	4 633	–	24 873	23 329
– Provision * <sup>3</sup>	1 477	6 150	–	2 630	2 084	2 630	1 130	–	4 691	11 410
– LTIP	3 344	3 884	–	2 137	2 886	–	–	–	6 230	6 021
Total remuneration	23 809	27 293	1 154	13 467	15 615	12 315	7 668	–	48 246	53 075
<i>Non-executive directors</i>										
Fees as directors									4 500	2 341
L Mthimunye									1 052	619
K Pillay									1 388	582
O Ighodaro									915	506
BJT Shongwe									1 145	634
									52 746	55 416

\*<sup>1</sup> Retired 30 April 2022 and therefore emoluments are only for the 4-month period.

\*<sup>2</sup> Appointed 30 April 2022 and therefore emoluments are only for the 8-month period.

\*<sup>3</sup> As per the remuneration policy, part of the executive bonuses is calculated on profit after tax and NAV. As these figures are only finalised once the financial statements have been audited, interim bonuses are paid before the year-end based on a conservatively estimated PAT and NAV and an accrual is created for the estimated balance and this is paid in the following year once the final PAT and NAV figures have been calculated.

## Integrated Report to stakeholders

continued

The introduction of the STIP cap reduced the amount payable to the CEO relative to 2022 PAT but did not affect the calculation for other executives. All the calculations are per the agreed formula.

With regard to Mr Seabrooke's other incentives he received the full 25% of the CTC award based on growth in dividends which is calculated based on growth in dividends but with Remcom discretion if cash is allocated to share buybacks instead of increasing dividends. The total 2019 dividend was 75 cents per share (R31,1m), and the 2020 and 2021 COVID years were not considered. The total 2022 dividend was 90 cents per share (R35,6m) and share buy backs in 2022 were R9,5m (R45,1m in total), being 45% higher than the 2019 dividend (which exceeds the target rate).

He received the full 0,5% of PAT that is awarded for the reduction in the share price discount to NAV and other relevant shareholder issues. The current target of an acceptable discount is better than 25% of the most recently published NAV. At the end of 2022 the share price was 8 360 cents and NAV per share at 30 June 2022 was 10 388 cents, therefore trading at a discount of 19,5%.

Messrs De Matteis and Rood received full qualitative bonuses of 25% of CTC, based on Remcom's assessment of their performance against the stated criteria.

There were no special incentives or bonuses paid in the period.

LTIP awards were all per formula based on growth in NAV per share over four years with no variations.

Staff members other than executive directors receive annual bonuses of one to three months of CTC as determined by the CEO and also participate in the LTIP.

All South African employees are members of the Group retirement fund and have a choice of, but must be a member of, a medical aid scheme.

Increases in CTC packages for 2023 are 7% for executives and staff other than for the new CFO who will receive a benchmarked CFO CTC package.

The NED fees for 2023 have been increased by 7% except the fees for the Investment Committee which remain unchanged.

The incentive formula for 2023 for executives and staff remain unchanged. However, in the case of the CEO the following changes are proposed:

- ◆ The incentive of 25% of CTC for growth in dividends will be discontinued and not replaced. This is a legacy incentive. The CEO is focused on capital allocation, not just dividends, i.e. the use of free cash flow for investments, buybacks, dividends and/or debt reduction.
- ◆ The uncapped incentive of 0,5% PAT relative to the discount of NAV to share price and other shareholder factors will also be discontinued. A discount below the target of 25% has been achieved, as has the required shareholder spread.
- ◆ This incentive of 0,5% of PAT will be added to the 2% of PAT incentive, i.e. will be 2,5% from 2023, and the additional 0,5% will be capped for the first time on a *pro rata* basis, i.e., the full incentive is capped at 250% of CTC.

For comparative purposes, if the new CEO incentives had applied in 2022, the CEO's cash incentives would have reduced by R2,1m.

## 12. Code of share dealing

A written code of share dealing has been approved by the Board.

No director, executive or employee may deal directly or indirectly in Sabcap shares where that person may be aware of unpublished price sensitive information. In addition, there are closed periods where dealings are not permitted. These commence at the end of the interim and final reporting periods until the release of the Group's results and at any time when Sabcap has issued a cautionary announcement.

Sabcap's directors and Sabcap are similarly restricted relative to any listed investments it may have from time to time. Sabcap and its CEO are restricted relative to other investees where the CEO is a director in his personal capacity.

Directors require prior approval from the Chairman or CEO in order to deal in Sabcap shares or those of listed investees.

The Board has established parameters for a limited non-discretionary share purchase programme during closed periods executed by the Group's brokers without any intervention by the Company, as permitted by JSE regulations. The parameters and pricing are set before the financial reporting closed periods commence. However, no such programme was in place for the closed period from 1 January 2023 to the publication of the results.

## Integrated Report to stakeholders

continued

### 13. Shareholder profile

At the year-end Sabcap's 39 400 000 shares in issue, net of treasury shares, were held by 2 789 shareholders (as profiled in Annexure B to the annual financial statements). This includes increased holdings by institutional, family office and HNWI shareholders.

The shareholdings of directors are recorded in the Directors' Report.

### 14. Future investments, share issues and share buybacks

Sabcap remains focused on unlisted industrial and service companies but may invest in listed companies where it is represented on the boards and/or has influence to execute particular strategies, or in other sectors if attractive opportunities arise.

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

Sabcap may issue new shares but only if the value exchange in the capital allocation decision is compelling. During 2022 Sabcap repurchased 130 000 shares, resulting in 150 000 held as treasury shares at year-end. Sabcap may continue to buy back shares should the discount of the share price to NAV increase materially.

### 15. Additional investee alignment

One or more of the Chairman, CEO, CFO and/or other directors of eight of Sabcap's investees are now also personally and directly shareholders of Sabcap. Three of the individuals each hold in excess of 1% of Sabcap shares in issue.

### 16. Directors' share encumbrances

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

### 17. Directorate and governance

Ray Pleaner retired as an executive director of the Company and CFO of the Group with effect from 30 April 2022. He will, however, continue in a corporate finance-related role for an agreed period.

Kyle De Matteis was appointed a director of the Company and CFO of the Group with effect from 30 April 2022.

The following changes were effective 31 December 2022:

- ◆ There will no longer be a position of Deputy Chairman;
- ◆ Funke Ighodaro was appointed Lead Independent Director in place of Bheki Shongwe who stepped down after a lengthy tenure in the role;
- ◆ Funke Ighodaro was appointed Chair of the Investment Committee in place of Kuben Pillay; and
- ◆ Bheki Shongwe was appointed Chair of the Social and Ethics Committee in place of Lindiwe Mthimunya.

### 18. Commentary and conclusion

Performance will be enhanced through encouraging and facilitating the growth of the Group's investee companies in partnership with like-minded investors.

Shareholders are referred to section 7 for the outlook for the financial year.

For and on behalf of the Board



**Christopher Seabrooke**

*Chief Executive*

Sandhurst

31 March 2023

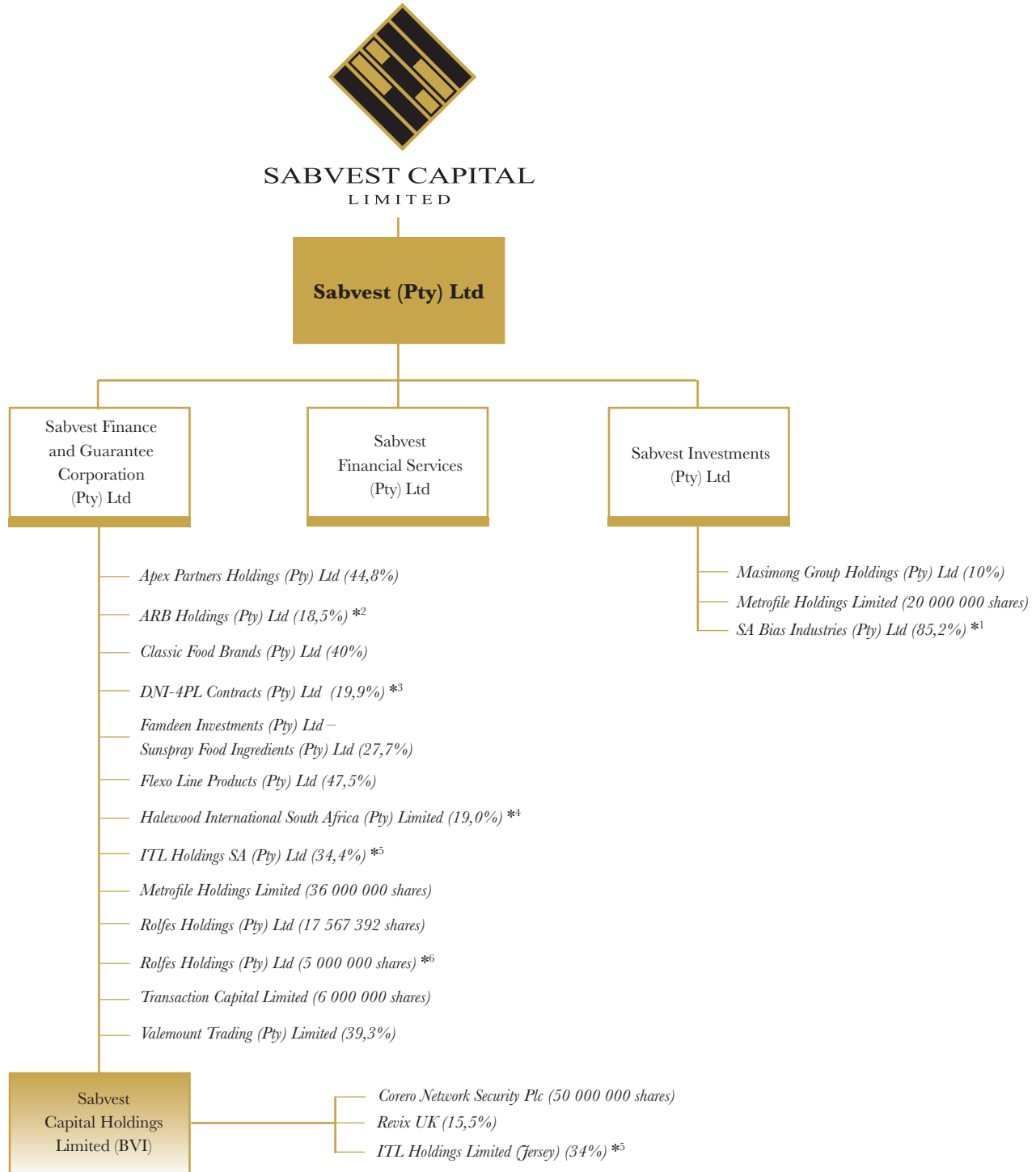


## Integrated Report to stakeholders

continued

### ANNEXURE 1

## CORPORATE STRUCTURE



\*<sup>1</sup> Joint voting control with the PC-T Trust.

\*<sup>2</sup> Effective indirect interest in ARB of 18,50% through 49,90% of Masimong Electrical Holdings (Pty) Ltd (MEH), which owns 37,07% of ARB.

\*<sup>3</sup> Effective interest of 19,9% in DNI through 35,98% of JAAH Investments, which indirectly owns 45,35% of DNI through DNI Invest (Pty) Ltd and a 3,32% interest in DN Invest (Pty) Ltd, which owns 100% of DNI.

\*<sup>4</sup> Effective indirect interest in Halewood South Africa of 18,95% through 41,03% of Masimong Beverage Holdings (Pty) Ltd (MBH), which indirectly owns 46,19% of Halewood South Africa through an SPV.

\*<sup>5</sup> ITL Holdings Limited Jersey held indirectly through Mandarin Investors Limited and directly through Mandarin Industries Limited BVI and ITL Holdings SA (Pty) Ltd held directly through Mandarin Holdings (Pty) Ltd.

\*<sup>6</sup> Effective interest of 25,0% through 11,0% held directly and 14,0% indirectly through Masimong Chemicals (Pty) Ltd.

## Integrated Report to stakeholders

continued

ANNEXURE 2

# SABVEST CAPITAL LIMITED (“Sabcap”)

## INVESTMENT POLICY

### 1. Background and rationale

- 1.1 Sabcap is an investment holding company formed in 2020 to acquire all the shares in Sabvest Limited (Sabvest) – an investment group which had been listed on the JSE since 1988. Sabcap’s shares were listed in May 2020 and are quoted in the Financials – Equity Investment Instruments sector.
- 1.2 Section 15 of the JSE Listings Requirements requires investment companies to have an Investment Policy approved by shareholders.

### 2. Investment parameters and scope

#### 2.1 Investment focus

Sabcap:

- a) has a primary investment focus of maintaining and growing a portfolio of significant equity interests in listed and unlisted companies with sound growth records or potential for growth that are expected to earn above average returns over a period;
- b) has a secondary investment focus of holding cash, bonds, short term investments, debt instruments and fund participations, as well as growth, early-maturity stage, greenfield and special situation investments, depending on market conditions, availability of suitable opportunities, the investment maturity cycles of its portfolio, excess liquidity not invested in its primary portfolio and relevant macro-economic cycles;
- c) will also engage in corporate finance and acquisition and disposal activities with investees which may include making finance advances to previous, current and potential investee companies and their affiliates.

#### 2.2 Sectors

Sabcap’s primary equity investments will usually be in the industrial, services, IT and financial sectors, but other sectors will be considered if attractive opportunities arise.

#### 2.3 Geographies

- a) Sabcap wishes to hold a meaningful level of investments in international currencies either directly or indirectly through the foreign operations of South African investee companies.
- b) Foreign investments held directly will usually be in businesses headquartered in the United Kingdom and Europe.
- c) The location of foreign investments owned indirectly will be determined by the international strategies of the relevant investees as approved by Sabcap.

#### 2.4 Size, spread and stage

Sabcap:

- a) aims to invest in good businesses with first-class management without being restricted by any required absolute size or level of percentage holdings;
- b) may hold equity instruments that are small in percentage terms but where the Group is able to exercise influence through Board representation or shareholder agreements;
- c) may hold majority or joint controlling interests but without direct management responsibility;
- d) will not be constrained by any required balance between listed and unlisted holdings;
- e) will not be constrained by any required sector spread;
- f) will be unlikely to make new investments that exceed 15% of its portfolio or 25% of shareholders’ equity.

## Integrated Report to stakeholders

continued

### ANNEXURE 2

(continued)

#### 2.5 Other parameters

Sabcap:

- a) structures its investments such that each investment is free standing and ring-fenced as to risk;
- b) usually invests in companies where key management has meaningful interests or in family managed businesses or together with chosen financial investors;
- c) favours large or influential minority stakes in unlisted companies or small/midcap listed companies;
- d) usually procures that its CEO, other Sabcap directors or chosen financial investors are directors of investee companies;
- e) holds its investments without pre-determined realisation periods but subject to the continual review of the quality of the underlying businesses and to any constraints or obligations in shareholder agreements;
- f) may dispose of investments in the event of:
  - ◆ protracted periods of under-performance depending on the nature, sector and stage of the investments;
  - ◆ the number of core investments exceeding Sabcap's target portfolio spread (currently targeted as 10 (ten) to 12 (twelve) in number);
  - ◆ receipt of unsolicited offers at materially higher values than attributed by Sabcap;
  - ◆ availability of alternative investments with superior potential returns.

### 3. Growth targets \*

Sabcap's target growth rates over three-year rolling periods are:

Net asset value per share	CPI + 10% p.a.
Dividends per share	CPI + 5% p.a.

These may be changed by the Board if movement in macro-economic factors such as CPI, exchange rates, interest rates and rates of taxation make changes appropriate. The Board may also amend the dividend target in the context of free cash being utilised for share buybacks from time to time relative to cash for dividends.

*\*A small change is proposed to these targets as set out in Resolution 11 in the AGM Notice.*

### 4. Categorisation of transactions

Investment transactions undertaken by Sabcap will be categorised relative to Sabcap's market capitalisation as required by the JSE and relative to its own net asset value for internal control purposes.

### 5. Shareholder approvals

- 5.1 All transactions concluded in accordance with this Investment Policy, which will include but are not limited to the acquisition and disposal of investments or financial instruments, the advance to and repayment of loans by investees and third parties, the provision of guarantees on behalf of investees and the underwriting of transactions undertaken by its investees, will be regarded as being in the ordinary course of business.
- 5.2 Shareholder approval will consequently not be required for non-related party transactions of any size (including for the avoidance of doubt the enforcement of provisions in agreements relating to such transactions) to the extent such transactions are entered into in the ordinary course of business of Sabcap, as envisaged in paragraphs 2.1 and 5.1.
- 5.3 Shareholder approval will be required for related-party transactions in accordance with the thresholds and requirements for such approvals contained in Section 10 of the JSE Listings Requirements, irrespective of whether such transactions are in the ordinary course of business or not.

## Integrated Report to stakeholders

continued

### ANNEXURE 2

(continued)

- 5.4** Shareholder approval will not be required for any purchase and sale transactions if these are as a result of the terms of shareholders' agreements which have been approved by Sabcap shareholders or have been advised to Sabcap shareholders if the original transactions fall within the approved Investment Policy. It is intended that this will relate to come along, go along, tag/drag, pre-emptive, put and call, finance and subscription provisions contained in shareholder agreements between Sabcap and other shareholders in investees.
- 5.5** Notwithstanding paragraph 5.4, the JSE Listings Requirements for shareholder approvals and communications will apply if the transaction is categorised as a reverse take-over in terms of Section 9.5(c).
- 5.6** Any required notifications to shareholders or shareholder approvals may be effected or obtained at the time of the original transactions or subsequently.

## 6. Communication of investment transactions

- 6.1** Communications with shareholders will be in accordance with JSE regulations for Category 1 and Category 2 transactions, except that:
- subject to paragraphs 2 and 5, no circulars will be required for any size transaction as long as the requirements of 6.2 or 6.3 are met, unless the transaction is categorised as a reverse take-over in terms of Section 9.5(c) of the JSE Listings Requirements;
  - a Stock Exchange News Service ("SENS") announcement will only be required for non-related party transactions less than 10% of market capitalisation if they are regarded by the Board of Sabcap as price sensitive.

For the avoidance of doubt, to the extent a transaction with a non-related party is concluded in the ordinary course of business and constitutes less than 10% of the market capitalisation of Sabcap, such transaction will not be categorised in accordance with the JSE Listings Requirements for communication purposes but will be subject to the general obligations in the disclosure provisions of the JSE Listings Requirements.

- 6.2** Notwithstanding the provisions of 6.1, the information required to be disclosed for a prelisting statement must be provided to shareholders if a transaction is a Category 1 transaction which results in an issue of securities that, together with any other securities of the same class issued during the previous three months, would increase the securities issued by more than the maximum threshold contained in accordance with Section 9.22 of the JSE Listings Requirements.
- 6.3** All transactions will be summarised for shareholders in the interim and final results announcements and in the annual report.

## 7. Communication of Investment Policy

This Investment Policy and any subsequent changes will be published on SENS, published on Sabcap's website and included in the annual report.

## 8. Approval of investment policy

Any future material changes must be approved by shareholders by way of ordinary resolution.

Approved by shareholders

24 May 2021

Notes:

- "Category one"** means transactions with a size greater than 30% of market capitalisation.
- "Category two"** means transactions with a size of 5% to 30% of market capitalisation.
- "Investment"** or **"transaction"** means equity, preference share, loan, option and guarantee commitments aggregated.
- "JSE"** means JSE Limited.

## Integrated Report to stakeholders

continued

ANNEXURE 3

### TEN-YEAR FINANCIAL REVIEW

at 31 December 2022

	2013 R'000	2014 R'000	2015 R'000	2016 R'000	2017 R'000	2018 R'000	2019 R'000	2020 R'000	2021 R'000	2022 R'000
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>										
Non-current assets	1 289 083	1 380 032	1 896 073	2 009 727	1 135 885	2 367 060	2 957 198	3 364 619	4 022 008	<b>5 046 053</b>
Property, plant and equipment	962	1 529	1 369	1 365	1 050	2 688	3 610	2 990	2 515	<b>3 077</b>
Right-of-use asset	–	–	–	–	–	–	483	4 210	3 304	<b>2 337</b>
Finance advances and receivables	–	–	–	–	–	–	–	–	–	<b>43 004</b>
Investment holdings	1 225 441	1 378 503	1 894 704	2 008 362	1 134 835	2 364 372	2 953 065	3 357 419	4 016 189	<b>4 997 635</b>
Unlisted investments	978 000	1 070 973	1 252 040	1 421 820	652 547	1 707 546	2 358 579	2 895 853	3 430 078	<b>4 541 649</b>
Listed investments	247 441	307 530	642 664	474 492	332 279	566 699	529 461	461 566	586 111	<b>455 986</b>
Listed investments held indirectly	–	–	–	112 050	150 009	90 127	65 025	–	–	–
Current assets	173 669	175 714	202 427	158 207	1 514 928	452 538	267 072	281 136	243 161	<b>64 086</b>
Finance advances and receivables	14 959	11 545	7 319	3 858	1 388 447	34 987	124 614	134 649	21 663	<b>14 185</b>
Offshore investment holding	151 107	164 018	140 077	151 262	126 423	–	–	56 295	75 138	–
Short-term investments/ investments held for sale	–	–	–	–	–	65 985	71 072	86 341	–	–
Bond portfolio	–	–	–	–	–	101 993	68 261	–	–	–
Cash at bank	7 603	151	55 031	3 087	58	249 573	3 125	3 851	146 360	<b>49 901</b>
<b>Total assets</b>	<b>1 400 072</b>	<b>1 555 746</b>	<b>2 098 500</b>	<b>2 167 934</b>	<b>2 650 813</b>	<b>2 819 598</b>	<b>3 224 230</b>	<b>3 645 755</b>	<b>4 265 169</b>	<b>5 110 139</b>
Ordinary shareholders' equity	1 085 011	1 233 073	1 701 382	1 659 255	2 303 945	2 446 148	2 759 456	3 048 991	3 704 327	<b>4 340 869</b>
Non-current liabilities	175 699	237 859	356 556	413 689	235 807	277 109	372 976	509 306	499 302	<b>628 030</b>
Interest-bearing debt	–	60 000	100 000	90 000	110 000	100 000	300 000	330 000	240 000	<b>400 000</b>
Provisions	–	–	–	–	–	–	–	4 983	17 255	<b>20 215</b>
Lease liability	–	–	–	–	–	–	–	–	2 758	<b>1 726</b>
Deferred tax liability	175 699	177 859	256 556	323 689	125 807	177 109	72 976	174 323	239 289	<b>206 089</b>
Current liabilities	139 362	84 814	40 562	94 990	111 061	96 341	91 798	87 458	61 540	<b>141 240</b>
Interest-bearing debt	127 555	69 040	9 240	77 732	70 897	66 176	49 278	39 610	20 390	<b>107 394</b>
Lease liability	–	–	–	–	–	–	–	–	890	<b>1 032</b>
Accounts payable	11 807	15 774	31 322	17 258	40 164	30 165	42 520	47 848	40 260	<b>32 814</b>
<b>Total equity and liabilities</b>	<b>1 400 072</b>	<b>1 555 746</b>	<b>2 098 500</b>	<b>2 167 934</b>	<b>2 650 813</b>	<b>2 819 598</b>	<b>3 224 230</b>	<b>3 645 755</b>	<b>4 265 169</b>	<b>5 110 139</b>

## Integrated Report to stakeholders

continued

*ANNEXURE 3*

*(continued)*

### TEN-YEAR FINANCIAL REVIEW *(continued)*

at 31 December 2022

	2013 R'000	2014 R'000	2015 R'000	2016 R'000	2017 R'000	2018 R'000	2019 R'000	2020 R'000	2021 R'000	2022 R'000
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>										
Gross income from operations and investments	360 562	246 857	590 256	111 329	570 934	364 351	373 794	492 075	864 134	<b>718 355</b>
Dividends received	46 617	47 114	91 585	63 340	94 273	53 557	115 422	107 226	253 036	<b>227 795</b>
Interest received	3 473	5 425	5 062	10 980	7 117	27 758	23 609	18 834	18 355	<b>11 289</b>
Income/(loss) on financial instruments and shares	9 518	17 972	57 312	5 313	(22 558)	68 405	5 028	(7 118)	–	–
Fees and sundry income	2 067	2 461	2 920	1 147	1 362	2 047	2 157	1 771	1 756	<b>1 599</b>
Foreign exchange gain/(loss)	–	–	–	–	–	21 681	(4 622)	6 525	(2 584)	<b>(10 883)</b>
Fair value adjustment to investments	298 887	173 885	433 377	30 549	490 740	190 903	232 200	364 837	593 571	<b>488 555</b>
Transactional costs	(1 939)	(1 066)	(525)	(518)	(633)	(11 877)	(6 525)	(12 785)	(1 117)	<b>(12 697)</b>
IFRS adjustments	–	–	–	–	–	(3 907)	(231)	(688)	(3 612)	<b>(1 732)</b>
Impairments	(57)	(35)	(17)	–	1 506	(851)	(686)	–	–	–
Interest paid	(5 101)	(7 328)	(7 445)	(15 175)	(15 839)	(16 752)	(26 634)	(27 667)	(19 922)	<b>(26 360)</b>
Net income before expenses and exceptional items	353 579	238 498	582 303	95 636	552 956	332 666	341 090	450 935	839 483	<b>677 566</b>
<i>Less:</i> Expenditure	26 831	31 732	43 689	24 329	62 474	43 281	63 337	56 404	95 316	<b>82 893</b>
Operating costs	26 683	31 453	43 392	23 943	62 108	42 709	61 368	54 489	93 538	<b>81 162</b>
Depreciation	148	279	297	386	366	572	1 969	1 915	1 778	<b>1 731</b>
Net income before taxation	326 748	206 766	538 614	71 307	490 482	289 385	277 753	394 531	744 167	<b>594 673</b>
Taxation	46 922	2 160	78 697	67 133	(197 882)	51 302	(104 133)	101 347	64 966	<b>(33 200)</b>
Net income attributable to equity shareholders	279 826	204 606	459 917	4 174	688 364	238 083	381 886	293 184	679 201	<b>627 873</b>
Headline attributable income	279 825	204 436	459 917	4 179	688 364	237 928	381 878	293 232	679 252	<b>628 067</b>
<b>RETURNS TO SHAREHOLDERS</b>										
Headline earnings per share – cents	607,9	444,7	1 003,9	9,2	1 517,3	530,9	920,0	708,5	1 689,7	<b>1 591,2</b>
Earnings per share – cents	607,9	445,0	1 003,9	9,2	1 517,3	531,3	920,0	708,4	1 689,6	<b>1 590,7</b>
Special dividend per share – cents	100,0	100,0	–	–	–	100,0	–	–	–	–
Dividends per share – paid or proposed – cents	40,0	43,0	50,0	55,0	61,0	68,0	75,0	25,0	75,0	<b>90,0</b>
Net asset value per share – cents	2 358	2 683	3 719	3 646	5 085	5 852	6 648	7 444	9 371	<b>11 017</b>
Number of shares in issue – 000's	46 015	45 960	45 748	45 513	45 306	41 802	41 508	40 960	39 530	<b>39 400</b>
Weighted number of shares in issue – 000's	46 031	45 975	45 815	45 600	45 368	44 813	41 508	41 387	40 200	<b>39 472</b>

# AUDITED ANNUAL FINANCIAL STATEMENTS

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## Audited annual financial statements

continued

# DECLARATION BY THE GROUP CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Each of the directors, whose names are stated below, hereby confirm that –

- (a) the annual financial statements set out on pages 47 to 98, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- (b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- (e) where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- (f) we are not aware of any fraud involving directors.

Signed by the CEO and the CFO



**CS Seabrooke**  
*Chief Executive Officer*

Sandton  
16 March 2023



**K De Matteis**  
*Chief Financial Officer*



**Audited annual financial statements**

continued

**DIRECTORS' APPROVAL OF THE  
ANNUAL FINANCIAL STATEMENTS****To the shareholders of Sabvest Capital Limited**

The directors are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for the safeguarding of assets and for developing and maintaining a system of internal control that, among other things, will ensure the preparation of financial statements that achieve fair presentation. After conducting appropriate procedures the directors are satisfied that the Company will be a going concern for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

The directors of the Company are responsible for the preparation and integrity of the annual financial statements and related financial information included in this report. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the JSE Limited's Listings Requirements and the requirements of the Companies Act, No. 71 of 2008, as amended ("the Companies Act"). It is the responsibility of the independent auditors to report on the financial statements. Their report to the shareholders of the Company is set out on pages 56 to 59 of the annual financial statements. The financial statements incorporate full and responsible disclosure in line with the accounting philosophy of the Group. There is no reason to believe that the business will not continue as a going concern for the foreseeable future. These financial statements have been approved by the Board of Directors and are signed on its behalf by:



**CS Seabrooke**  
*Chief Executive Officer*

Sandton  
16 March 2023



**K De Matteis**  
*Chief Financial Officer*

**DECLARATION BY COMPANY SECRETARY**

The Secretary certifies that the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company, in terms of the Companies Act, and that all such returns are true, correct and up to date.



**Levitt Kirson Business Services (Pty) Ltd**  
*Company Secretary*

Sandton  
16 March 2023

**Audited annual financial statements**

continued

**SOCIAL, ETHICS AND  
TRANSFORMATION COMMITTEE REPORT**

for the year ended 31 December 2022

The Committee reports that it has adopted appropriate formal terms of reference as its Charter, and has regulated its affairs in compliance with this Charter, and has discharged all of the responsibilities set out therein.

The Committee was established to assist the Board in ensuring that Sabvest Capital Limited (“Sabcap”) is and remains a good and responsible corporate citizen, and to perform the statutory functions required of a Social, Ethics and Transformation Committee in terms of the Companies Act.

The Group supports various initiatives and promotes responsible management in its investees to take account of their stakeholders’ interests and social, environmental and corporate governance (“ESG”) initiatives. Sabcap’s own social responsibility initiatives were funded in an amount of R3,3 million in 2022 (2021: R2,7 million) and were primarily education related.

The Committee has established terms of reference and meets annually to review progress of any ESG initiatives across the Group and where relevant, to agree activities to support relevant programmes undertaken by portfolio companies.

The Committee monitors relevant legislation, other legal requirements and prevailing codes of best practice, specifically with regard to matters relating to social and economic development, good corporate citizenship, the environment, health and public safety, as well as labour and employment.

The Committee is satisfied with the Group’s performance in the categories noted above and will continue to review, assess and report on these areas in the future.

**B Shongwe***Social, Ethics and Transformation Committee Chairman*

Sandton

16 March 2023

## Audited annual financial statements

continued

# AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 December 2022

The Audit and Risk Committee (“the Committee”) met three times during the year and the external auditors and internal auditors presented formal reports to the Committee and attended meetings by invitation in accordance with section 94(7)(f) of the Companies Act. The Committee reports as follows:

- ◆ The scope, independence and objectivity of the external auditors were reviewed, having consideration of mandatory audit firm rotation, auditor independence and tenure.
- ◆ The Committee has continued with performing their own rigorous assessment of the independence of the auditor, as required by the current governance requirements covered by the Companies Act. This assessment included consideration of the tenure of the audit engagement and the regularity of audit partner rotation; the extent and nature of non-audit services provided and the competence and expertise of the partner and the team.
- ◆ We reviewed the policies and processes in place between the Company and its incumbent auditor, Deloitte & Touche (“Deloitte”) to ensure that independence is maintained. These included, *inter alia*, the assessment and pre-approval processes for engaging on non-audit services, audit firm tenure of 21 years (Deloitte had been the auditor of Sabcap for 2 years since inception and the auditor of the subsidiaries within the Group for 21 years) and partner rotation, in line with the requirements of the Companies Act and the International Federation of Accountants. Our conclusion, following the above assessment, was that the policies and processes were in place to ensure independence and that Deloitte, and the audit partner Mr André Dennis, are independent of the Company and could continue as external auditor for the year ended 31 December 2022.
- ◆ We have further considered the requirements and guidance of the Listings Requirements of the JSE Limited, the Companies Act and the International Federation. Deloitte has now been the auditor of Sabcap for 3 years since inception and the auditor of the subsidiaries within the Group for 22 years. Our conclusion, following the above assessment, is that the implementation of Mandatory Audit Firm Rotation was required. Following the conclusion of a tender process, we propose the audit firm PricewaterhouseCoopers, and the audit partner, Mr Pieter Pelcher, to be the Group’s auditor and audit partner for the 2023 financial year.
- ◆ The Committee noted the key audit matter set out in the independent auditor’s report, which is the valuation model and inputs applied to unlisted investments carried at fair value.
- ◆ On an ongoing basis, the Committee reviews and approves the fees payable to the external auditors, such fees are disclosed in note 9 to the annual financial statements.
- ◆ The appointment of the external auditor complies with the Companies Act, paragraphs 3.84 and 22.15(h) of the JSE Listings Requirements and with all other legislation relating to the appointment of external auditors.
- ◆ The nature and extent of non-audit services provided by the external auditors have been reviewed to ensure that the fees for such services do not become so significant as to call into question independence.
- ◆ The nature and extent of future non-audit services have been defined and pre-approved.
- ◆ The expertise and experience of the Finance Function and the CFO were assessed and approved.
- ◆ The Committee noted and considered the JSE’s report on proactive monitoring of the Company’s financial statements and implemented changes to the annual financial statements, as appropriate, based on these findings.
- ◆ The Group’s corporate governance procedures were reviewed and approved.
- ◆ The Committee has received and reviewed reports from management and the auditors concerning the Internal Control Environment Systems and Processes, in particular the report from the internal auditors on the internal financial controls informing the declaration by the CEO and CFO.
  - The CEO and CFO and the internal auditors have reviewed the controls over financial reporting, the process of which was concluded post year-end, and have presented their findings to the Committee. A number of internal control deficiencies were identified within certain functions, primarily deriving from the small size of the finance and accounting department not facilitating the division of responsibilities, and not having all the necessary policies and procedures formally documented. These have been reported to the Committee and are being dealt with by management in the ordinary course of business. The Committee is, however, satisfied that none of these deficiencies had a material effect for the purposes of the preparation and presentation of the financial statements for the year under review and the risk is accepted as reasonable given the size of the team.
- ◆ The Committee continued to engage the internal audit services of KPMG Services (Pty) Ltd. The internal audit function is risk rather than compliance based and conducts annual formal enterprise-wide risk assessments, on a rotational basis, based on inherent risk and the Board’s assessment of residual risk.
- ◆ The Committee reviewed and recommended the adoption by the Board of such financial information which is publicly disclosed and included in the annual financial statements, including accounting policies.



**L Mthimunye**

*Audit and Risk Committee Chairman*

Sandton

16 March 2023

**Audited annual financial statements**

continued

**DIRECTORS' REPORT**

for the year ended 31 December 2022

**Nature of business**

Sabcap Group's main activities are set out in the corporate profile on page 4.

**Results of operations**

The results of operations for the year ended 31 December 2022 are reflected in the attached audited annual financial statements.

**Subsidiaries**

Details of the Company's interest in its consolidated subsidiaries appear in Annexure A, which forms part of the annual financial statements.

**Going concern**

Based upon solvency, cash resources and forecasts, the Board has concluded that the Group and Company will be a going concern in the year ahead. Refer to Going Concern note 28.

**Investments**

Details of the Group's investments are set out in note 2 to the annual financial statements.

**Directors' interests**

The directors' beneficial and non-beneficial direct and indirect holdings in the ordinary shares of the Company at 31 December 2022 were as follows:

	2022 '000's	2021 000's
<b>Executive</b>		
CS Seabrooke	16 000	16 000
L Rood	336,4	300
K De Matteis * <sup>1</sup>	290	–
R Pleaner * <sup>2</sup>	–	1 055,2
<b>Non-executive</b>		
K Pillay	78,7	72,4
L Mthimunye	30	30
BJT Shongwe	30	30
O Ighodaro	–	–
	<b>16 765,1</b>	17 487,6

\*<sup>1</sup> Appointed effective 30 April 2022.

\*<sup>2</sup> Retired effective 30 April 2022.

Since the end of the financial year to the date of this report, the interests of the directors remained unchanged.

**Insurance and directors' indemnity**

The Group maintains comprehensive insurance providing cover under directors and officers' liability, public liability and other risks.

**Dividends**

An interim dividend of 30 cents per share (2021: 20 cents) was declared and paid during the year and a final dividend of 60 cents per share (2021: 55 cents) has been declared subsequent to the year-end, making a total of 90 cents for the year (2021: 75 cents). There were no changes to the dividend policy during the current year.

## Audited annual financial statements

continued

# DIRECTORS' REPORT

for the year ended 31 December 2022

*continued*

## Share capital

At 31 December 2021, Sabcap held 20 000 ordinary shares as treasury shares. During 2022, Sabcap repurchased 130 000 ordinary shares. Accordingly, the number of shares in issue at year end, net of treasury shares, was 39 400 000 ordinary shares (31 Dec 2021: 39 530 000).

## Changes in investment holdings

During the reporting period Sabcap:

- ◆ disposed of 1m Transaction Capital Limited shares for R48,7m during January 2022, retaining 5m shares;
- ◆ increased its holding in Corero Network Security Plc (Corero) by 3m shares to 50m shares, representing 10,1% of Corero, for GBP0,4m (R7,4m);
- ◆ increased its holding in Metrofile Holdings Limited (Metrofile) by 1m shares to 56m shares, representing 13,1% of Metrofile, for R3,2m;
- ◆ increased its holding in Classic Food Brands (Pty) Ltd from 25% to 40% as a result of a shareholding restructure;
- ◆ acquired an indirect effective interest of 18,5% in ARB Holdings (Pty) Ltd through a new investment of 49,9% in Masimong Electrical Holdings (Pty) Ltd (MEH) for shareholder funding of R199m and guarantees of R24,5m (which were subsequently released during the year), enabling MEH to acquire 37,07% of ARB;
- ◆ acquired an indirect effective interest of 18,95% interest in Halewood International South Africa (Pty) Ltd through a new investment of 41,03% in Masimong Beverage Holdings (Pty) Ltd (MBH), comprising shareholder loans of R117m and financial guarantees of R51m (which were subsequently released during the year), enabling MBH to acquire 46,19% of Halewood through an SPV;
- ◆ increased its effective holding in DNI by 0,8% to 19,99% for R38,3m after a restructure of direct and indirect holdings;
- ◆ acquired a 39,3% equity interest in Valemount Trading Proprietary Limited ("Valemount") through an initial investment in equity and shareholder loans of R44,7m (subject to a top-up adjustment formula to be calculated based on 28 February 2023 audited financial statements once finalised); and
- ◆ acquired 130 000 Sabcap shares through a shareholder approved buyback programme for R9,5m.

Sabcap's unlisted investees have concluded various transactions as follows:

- ◆ Apex acquired an interest in DRA Global;
- ◆ ARB acquired the minority interests in Eurolux;
- ◆ DNI disposed of tower assets in ITC, acquired Infinity Platform assets in ViaMedia and increased its interests in Paymenow and Hyve Mobile;
- ◆ SA Bias acquired YG Prefab in the UK through Flowmax; and
- ◆ Masimong acquired interests in ARB and Halewood.

## Audited annual financial statements

continued

# DIRECTORS' REPORT

for the year ended 31 December 2022

*continued*

## Directorate and governance

Details of the present Board of Directors and the Company Secretary appear on pages 19 and 101.

Mr CS Seabrooke, Mrs O Ighodaro and Ms L Mthimunye will retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

Mr K De Matteis was appointed an executive director of the Company and Group CFO with effect from 30 April 2022, with Mr R Pleaner, an executive director of the Company and Group CFO, retiring from the Board and as Group CFO with effect from the same date. Mr Pleaner will, however, continue in a corporate finance related role for an agreed period. Mr K De Matteis will retire at the forthcoming annual general meeting but, being eligible, offer himself for re-election.

## Auditors

Deloitte & Touche were reappointed as external auditors at the Annual General Meeting held on 30 May 2022.

## Corporate governance

Full details regarding the Company's commitment to, and its compliance with, appropriate international corporate governance practices are set out in the Integrated Annual Report.

## Controlling entity

The Company has no holding company. A controlling interest in the Company is held by The Seabrooke Family Trust. Details of shareholders are set out on page 98.

## Subsequent events

Subsequent to the reporting period:

- ◆ Sabcap reorganised its effective interest of 18,5% in ARB by way of a series of transactions which resulted in a reduction of its holding in MEH to 35,27% and the acquisition of a direct stake of 8,38% in ARB, investing a net amount of R50,8m;
- ◆ Sabcap increased its term debt by R100m and used the proceeds to reduce short-term debt by R100m; and
- ◆ The fair value of Transaction Capital was materially impacted. Refer to note 21.7.1 for more details.

Refer to Subsequent Events note 26.

## Special resolutions

The following is a summary of the special resolutions that were passed at the annual general meeting held on 30 May 2022:

### Special resolution number 1

#### ***Approval of proposed non-executive directors' remuneration for the year ending 31 December 2022***

“RESOLVED that the remuneration of the non-executive directors in respect of services as directors of the Company for the financial year ending 31 December 2022 be authorised and determined on the basis and the amounts set out below.

Fees are:

- (i) paid to non-executive directors semi-annually;
- (ii) determined by the Board on a market-related basis as recommended by the Sabcap Remuneration and Nominations Committees; and
- (iii) stated excluding VAT and before PAYE (where applicable).

**Audited annual financial statements**

continued

**DIRECTORS' REPORT**

for the year ended 31 December 2022

*continued*

	<b>Year ending 2022 R</b>	<b>Year ended 2021 (annualised) R</b>
Chairman	790 000	370 000
Deputy Chairman and Lead Independent Director	480 000	319 200
Non-executive directors	300 000	257 500
Chairman of the Audit Committee	215 000	175 000
Chairman of the Remuneration Committee	125 000	103 000
Chairman of the Nominations Committee	105 000	87 500
Chairman of the Social, Ethics and Transformation Committee	115 000	87 500
Audit and Risk Committee members/invitees	125 000	62 000
Remuneration Committee members/invitees	75 000	62 000
Nominations Committee members/invitees	72 000	62 000
Social, Ethics and Transformation Committee members/invitees	68 000	62 000
Chairman of the Investment Committee	350 000	–
Investment Committee members/invitees	275 000	–

The resolution was passed on 30 May 2022.

**Special resolution number 2*****Authority to provide financial assistance in terms of Section 45 of the Companies Act to any Group company***

“RESOLVED that the Board may, subject to compliance with the Company’s MOI and the requirements of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company) authorise the Company to provide at any time and from time to time during the 2 (two) years commencing on the date of adoption of this special resolution, direct or indirect financial assistance including without limitation by way of lending money, guaranteeing a loan or other obligation, securing any debt obligation or otherwise, as envisaged in Section 45 of the Companies Act, to related or inter-related companies or to members of the related or inter-related corporation, or to persons related to any such company or corporation provided that such financial assistance may be granted up to a limit of R5bn (five billion rand) on a cumulative and additive basis. This authority shall not extend beyond 2 (two) years from the date of this annual general meeting.”

The resolution was passed on 30 May 2022.

**Special resolution number 3*****Authority to provide financial assistance in terms of section 44 of the Companies Act***

“RESOLVED that the Board may, subject to compliance with the Company’s MOI and the requirements of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company) authorise the Company to provide at any time and from time to time during the 2 (two) years commencing on the date of adoption of this special resolution, direct or indirect financial assistance including without limitation by way of lending money, guaranteeing a loan or other obligation, securing any debt obligation or otherwise,

## Audited annual financial statements

continued

# DIRECTORS' REPORT

for the year ended 31 December 2022

*continued*

to related or inter-related companies or to members of the related or inter-related corporation, or to persons related to any such company or corporation provided that such financial assistance may be granted up to a limit of R5bn (five billion rand) on a cumulative and additive basis. This authority shall not extend beyond 2 (two) years from the date of this annual general meeting.”

The resolution was passed on 30 May 2022.

### Special resolution number 4

#### *General authority to repurchase shares*

“RESOLVED that the Company and/or any subsidiary of the Company is hereby authorised, by way of a renewable general authority, from time to time, to acquire ordinary shares in the share capital of the Company in accordance with the requirements of the Company’s MOI, the Companies Act and the JSE Listings Requirements, provided that:

- ◆ this general authority shall be valid until the earlier of the last day of the month prior to the Company’s next annual general meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that it shall not extend beyond 15 (fifteen) months from the date of passing this special resolution number four;
- ◆ an announcement will be published as soon as the Company or any of its subsidiaries have together acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue and for each 3% (three percent) in aggregate of the initial number acquired thereafter, in compliance with paragraph 11.27 of the JSE Listings Requirements;
- ◆ subject to section 48 of the Companies Act, the general authority to repurchase is limited to a maximum of 20% (twenty percent) in the aggregate in any one financial year of the Company’s issued share capital at the beginning of the financial year, provided that the number of shares purchased and held by or for the benefit of a subsidiary or subsidiaries of the Company, taken together, shall not exceed 10% (ten percent) in the aggregate of the number of issued shares in the Company at any time;
- ◆ such general repurchase will be subject to the applicable provisions of the Companies Act in relation to that particular repurchase;
- ◆ shares of the Company may not be acquired at a price greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of acquisition of such shares;
- ◆ the Company has been given authority to repurchase shares by its MOI;
- ◆ the Board of directors authorise the repurchase, the group and the Company passes the solvency and liquidity test and that from the time that the test is done, there will be no material changes to the financial position of the Company;
- ◆ at any point in time, the Company and/or its subsidiaries may only appoint one agent to effect any such repurchase;
- ◆ the Company and/or its subsidiaries will not repurchase any shares during a prohibited period, as defined in the JSE Listings Requirements unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed (not subject to any variation) and have been submitted to the JSE in writing. The Company and/or its subsidiaries will entrust an independent third party prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- ◆ repurchases will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party (reported trades are prohibited);



## Audited annual financial statements

continued

### DIRECTORS' REPORT

for the year ended 31 December 2022

*continued*

- ◆ that this general authority be valid only until the last day of the month prior to the next annual general meeting or 15 (fifteen) months from the date of the passing of this resolution, whichever is the earlier date;
- ◆ the Board will pass a resolution authorising the repurchase and that the Company and the Group have passed the solvency and liquidity test as set out in section 4 of the Companies Act, and that since the test was done there have been no material changes to the financial position of the Group;
- ◆ any general repurchase is subject to exchange control regulations and approvals in place at that point in time; and
- ◆ the Company is authorised to approve, to the extent necessary, a resolution to acquire shares in the Company by the board of a subsidiary company”.

The resolution was passed on 30 May 2022.

### Preparation and approval of financial statements

The preparation of these Consolidated and Company financial statements was supervised by the Chief Financial Officer, K De Matteis CA(SA) and approved by the Board on 16 March 2023.



**Audited annual financial statements**

continued

**INDEPENDENT AUDITOR'S REPORT****To the Shareholders of Sabvest Capital Limited****Report on the Audit of the Consolidated and Separate Financial Statements****Opinion**

We have audited the consolidated and separate financial statements of Sabvest Capital Limited (the Group and Company) set out on pages 60 to 97, which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sabvest Capital Limited and its subsidiaries as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters apply to the consolidated financial statements and there were no key audit matters identified for the separate financial statements.

## Audited annual financial statements

continued

# INDEPENDENT AUDITOR'S REPORT

continued

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<b>Valuation of unlisted investments</b>	
<p>The assumptions used in the valuation of unlisted investments require significant judgement and therefore the valuation of unlisted investments is considered a key audit matter.</p> <p>In respect of the unlisted investments, the executive directors prepare valuation workings based on their selected valuation models. The valuation model is either a maintainable earnings model or an attributable net asset value.</p> <p>For the maintainable earnings model, earnings before interest, tax, depreciation and amortisation (EBITDA) is reduced by rental expenses to derive at a pre-IFRS 16 EBITDA. This EBITDA is then multiplied by the determined earnings multiple which is also a pre-IFRS 16 earnings multiple. These valuations incorporated a number of assumptions; the primary assumptions in notes 2 and 21 to the consolidated financial statements being:</p> <ol style="list-style-type: none"> <li>1. Determination of maintainable earnings; and</li> <li>2. Earnings multiple.</li> </ol> <p>Maintainable earnings are derived from the management account information and budgets of the underlying investments and earnings multiples are derived from market data and analysis of comparable companies.</p>	<p>The consolidated financial statements provide details of the valuation method. The requirements of IFRS 13: Fair value measurements have been considered.</p> <p>We assessed the appropriateness of the valuation methodology applied and the valuations prepared by the executive directors.</p> <p>Where appropriate, we involved our valuation specialists and with their assistance we completed the procedures below:</p> <ol style="list-style-type: none"> <li>1. assessed the application of the fair value principles of the valuation method;</li> <li>2. assessed the reasonability of the earnings multiple;</li> <li>3. assessed the reasonability of the maintainable earnings with reference to the latest management accounts and/or latest budgets available for investee companies;</li> <li>4. performed procedures to ensure that the management information used in the prior period, agreed materially to the audited financial statements for the investee companies; and</li> <li>5. assessed whether adjustments processed by management to the maintainable earnings calculation are appropriate and consistent to previous years.</li> </ol> <p>We concluded that the valuation method is widely applied and appropriate for valuing unlisted investments. We assessed the earnings and earnings multiples used and found the basis of determination appropriate resulting in a reasonable fair value.</p> <p>Historically, actual earnings was used as a basis for determining maintainable earnings unless the budgeted earnings was projected to be less than actual. In the current year, however, a combination of 2021, 2022 and budgeted 2023 earnings was used. The combination was determined taking into consideration any remaining COVID19 impacts as well as the impact of global economic factors where applicable to the investee and its maintainable earnings.</p> <p>In notes 2 and 21 to the consolidated financial statements details are provided of the valuation method and key assumptions for the level 3 fair value measurements. We assessed the adequacy of the Group's disclosures in relation to the judgement and estimation applied to investments.</p> <p>Based on the audit we performed, we found the overall valuation by the executive directors and disclosure of investments to be appropriate.</p>

**Audited annual financial statements**

continued

**INDEPENDENT AUDITOR'S REPORT***continued***Other Information**

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sabvest Capital Limited Annual Financial Statements for the year ended 31 December 2022", which includes the Directors' Report, the Audit and Risk Committee Report, the Company Secretary's Certificate and the Social, Ethics and Transformation Committee Report as required by the Companies Act of South Africa and the Declaration by the Group Chief Executive Officer and Chief Financial Officer, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Consolidated and Separate Financial Statements**

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**Audited annual financial statements**

continued

**INDEPENDENT AUDITOR'S REPORT***continued*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors<sup>6</sup>, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Sabvest Capital Limited for 3 years since inception and the auditor of the subsidiaries within the Group for 22 years.

**Deloitte & Touche***Registered Auditor**Per: André Dennis**Partner*

16 March 2023

Deloitte & Touche  
5 Magwa Crescent  
Waterfall City  
Waterfall

**Audited annual financial statements**

continued

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

at 31 December 2022

	Notes	2022 R'000	2021 R'000
<b>Non-current assets</b>		<b>5 046 053</b>	4 022 008
Property, plant and equipment	1	3 077	2 515
Right-of-use of asset	1	2 337	3 304
Finance advances and receivables	3	43 004	–
Investment holdings	2	4 997 635	4 016 189
Unlisted investments		4 541 649	3 430 078
Listed investments		455 986	586 111
<b>Current assets</b>		<b>64 086</b>	243 161
Finance advances and receivables	3	14 185	21 663
Investment funds offshore	2	–	75 138
Cash balances	4	49 901	146 360
<b>Total assets</b>		<b>5 110 139</b>	4 265 169
<b>Ordinary shareholders' equity</b>		<b>4 340 869</b>	3 704 327
Share capital	5	1 351 436	1 360 907
Non-distributable reserves	6	(1 166 660)	(1 218 340)
Accumulated profit	6	4 156 093	3 561 760
<b>Non-current liabilities</b>		<b>628 030</b>	499 302
Interest-bearing debt	7	400 000	240 000
Provisions	8	20 215	17 255
Lease liability	11	1 726	2 758
Deferred tax liabilities	10	206 089	239 289
<b>Current liabilities</b>		<b>141 240</b>	61 540
Interest-bearing debt		107 394	20 390
Portfolio finance offshore	7	–	12 944
Interest-bearing debt	7	107 394	7 446
Accounts payable and provisions	8	32 814	40 260
Lease liability	11	1 032	890
<b>Total equity and liabilities</b>		<b>5 110 139</b>	4 265 169

**Audited annual financial statements**

continued

**CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

for the year ended 31 December 2022

	Notes	2022 R'000	2021 R'000
<b>Gross income from operations and investments</b>		<b>718 355</b>	864 134
Dividends received	16	<b>227 795</b>	253 036
Interest income	16	<b>11 289</b>	18 355
Foreign exchange (loss)/gain		<b>(10 883)</b>	(2 584)
Fees	16	<b>1 599</b>	1 756
Fair value adjustments to investments		<b>488 555</b>	593 571
– Listed		<b>(119 991)</b>	227 173
– Unlisted		<b>608 546</b>	366 398
Transactional costs		<b>(12 697)</b>	(1 117)
Fair value loss on initial recognition and modification of interest-free loans		<b>(1 732)</b>	(3 612)
Interest expense		<b>(26 360)</b>	(19 922)
<b>Net income before operating expenses</b>		<b>677 566</b>	839 483
<i>Less:</i> Expenditure	9	<b>(82 893)</b>	(95 316)
<b>Net income before taxation</b>	9	<b>594 673</b>	744 167
Taxation	10	<b>33 200</b>	(64 966)
<b>Net income for the year attributable to equity shareholders</b>		<b>627 873</b>	679 201
Other comprehensive income – translation of foreign subsidiary * <sup>1</sup>	17	<b>51 680</b>	56 033
<b>Total comprehensive income for the year attributable to equity shareholders</b>		<b>679 553</b>	735 234
Earnings per share – cents * <sup>2</sup>	12	<b>1 590,7</b>	1 689,6

\*<sup>1</sup> This item may subsequently be classified to profit and loss.\*<sup>2</sup> There are no diluting instruments.

**Audited annual financial statements**

continued

**COMPANY STATEMENT OF  
FINANCIAL POSITION**

at 31 December 2022

	Notes	2022 R'000	2021 R'000
<b>Non-current assets</b>		<b>1 443 375</b>	1 443 375
Investment in subsidiaries	2	1 443 375	1 443 375
<b>Current assets</b>		<b>95 043</b>	26 730
Loans to subsidiaries (Annexure A)		94 636	26 686
Accounts receivable	3	367	–
Cash balances		40	44
<b>Total assets</b>		<b>1 538 418</b>	1 470 105
Share capital	5	1 349 264	1 349 264
Accumulated profit	6	186 637	118 582
<b>Ordinary shareholders' equity</b>		<b>1 535 901</b>	1 467 846
<b>Current liabilities</b>		<b>2 517</b>	2 259
Accounts payable	8	2 517	2 259
<b>Total equity and liabilities</b>		<b>1 538 418</b>	1 470 105

**COMPANY STATEMENT OF  
COMPREHENSIVE INCOME**

for the year ended 31 December 2022

	Notes	2022 R'000	2021 R'000
Dividends received	16	110 000	100 000
Interest received	16	1	1
<b>Gross income</b>		<b>110 001</b>	100 001
Expenditure		(8 377)	(6 264)
<b>Net income before taxation</b>	9	<b>101 624</b>	93 737
Taxation	10	(1)	–
<b>Total comprehensive income for the year attributable to equity shareholders</b>		<b>101 623</b>	93 737



## Audited annual financial statements

continued

## CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

for the year ended 31 December 2022

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>Cash flows from operating activities</b>	<b>82 066</b>	149 816	<b>68 313</b>	80 158
Net income for the year	<b>627 873</b>	679 201	<b>101 623</b>	93 737
Adjustments for:				
Depreciation	<b>1 731</b>	1 778	–	–
Fair value adjustments to investments	<b>(488 555)</b>	(593 571)	–	–
Fair value loss on initial recognition of interest-free loans	<b>1 732</b>	3 612	–	–
Unrealised currency fluctuations	<b>11 412</b>	–	–	–
Interest income	<b>(1 096)</b>	(1 163)	–	–
Interest expense	<b>26 360</b>	19 922	–	–
Deferred taxation	<b>(33 200)</b>	64 966	–	–
Taxation	–	–	<b>1</b>	–
Loss on disposal of property, plant and equipment	<b>194</b>	51	–	–
Provisions	<b>(10 511)</b>	12 450	–	–
Increase/(decrease) in accounts payable	<b>6 054</b>	(3 500)	<b>258</b>	429
<b>Cash flows from operations</b>	<b>141 994</b>	183 746	<b>101 882</b>	94 166
Cash interest paid	<b>(26 360)</b>	(19 922)	–	–
Dividends paid – ordinary	<b>(33 568)</b>	(14 008)	<b>(33 568)</b>	(14 008)
Taxation paid	–	–	<b>(1)</b>	–
<b>Cash flows (utilised in)/from investing activities</b>	<b>(413 769)</b>	168 490	<b>(68 317)</b>	(405)
Purchase of property, plant and equipment	<b>(1 535)</b>	(379)	–	–
Proceeds from sale of property, plant and equipment	<b>15</b>	–	–	–
Purchase of investment holdings and offshore portfolios	<b>(703 334)</b>	(440 414)	–	–
Proceeds from sale of investment holdings and offshore portfolios	<b>327 255</b>	498 746	–	–
Loan advances to subsidiaries	–	–	<b>(67 950)</b>	(405)
(Increase)/decrease in finance advances and receivables	<b>(36 170)</b>	110 537	<b>(367)</b>	–
<b>Cash flows from/(utilised in) financing activities</b>	<b>236 643</b>	(175 797)	–	(79 750)
Long-term loans – capital advances	<b>400 000</b>	–	–	–
Long-term loans – capital repayments	<b>(240 000)</b>	(100 000)	–	–
Other interest-bearing debt – advances/(repayments)	<b>99 948</b>	(22 164)	–	–
Repayment of principal portion of lease liability	<b>(890)</b>	(618)	–	–
Repurchase of Company shares	<b>(9 471)</b>	(65 959)	–	(79 750)
Offshore portfolio finance – (repayments)/advances	<b>(12 944)</b>	12 944	–	–
<b>Change in cash and cash equivalents</b>	<b>(95 060)</b>	142 509	<b>(4)</b>	3
<b>Currency fluctuations</b>	<b>(1 399)</b>	–	–	–
<b>Cash and cash equivalents at beginning of year</b>	<b>146 360</b>	3 851	<b>44</b>	41
<b>Cash and cash equivalents at end of year</b>	<b>49 901</b>	146 360	<b>40</b>	44

**Audited annual financial statements**

continued

**CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY**

for the year ended 31 December 2022

<b>GROUP</b>	Share capital R'000	Non-distributable reserves R'000	Accumulated profit R'000	Total R'000
<b>Balance as at 1 January 2021</b>	1 426 865	(1 274 373)	2 896 499	3 048 991
Total comprehensive income for the year	–	56 033	679 201	735 234
Shares held in treasury – written back	1 204	–	–	1 204
Shares repurchased and cancelled	(66 014)	–	–	(66 014)
Shares held in treasury	(1 148)	–	–	(1 148)
Unclaimed dividends – written back	–	–	68	68
Dividends paid	–	–	(14 008)	(14 008)
<b>Balance as at 1 January 2022</b>	<b>1 360 907</b>	<b>(1 218 340)</b>	<b>3 561 760</b>	<b>3 704 327</b>
Total comprehensive income for the year	–	51 680	627 873	679 553
Shares held in treasury – written back	1 148	–	–	1 148
Shares held in treasury	(10 619)	–	–	(10 619)
Unclaimed dividends – written back	–	–	28	28
Dividends paid	–	–	(33 568)	(33 568)
<b>Balance as at 31 December 2022</b>	<b>1 351 436</b>	<b>(1 166 660)</b>	<b>4 156 093</b>	<b>4 340 869</b>
<b>COMPANY</b>				
<b>Balance as at 1 January 2021</b>	1 429 014	–	38 853	1 467 867
Total comprehensive income for the year	–	–	93 737	93 737
Shares cancelled	(79 750)	–	–	(79 750)
Dividends paid	–	–	(14 008)	(14 008)
<b>Balance as at 1 January 2022</b>	<b>1 349 264</b>	<b>–</b>	<b>118 582</b>	<b>1 467 846</b>
Total comprehensive income for the year	–	–	101 623	101 623
Dividends paid	–	–	(33 568)	(33 568)
<b>Balance as at 31 December 2022</b>	<b>1 349 264</b>	<b>–</b>	<b>186 637</b>	<b>1 535 901</b>

## Audited annual financial statements

continued

# ACCOUNTING POLICIES

for the year ended 31 December 2022

### Accounting policies

The Consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), the requirements of the Companies Act, the JSE Listings Requirements, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. They 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 respects with those applied in the previous financial year, other than the standards which were adopted in the current year.

In line with the proactive monitoring feedback received from the JSE Limited, certain of the notes have been enhanced for more detailed disclosure.

### Basis of consolidation

The Consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 31 December each year. Control is achieved when the Company has the power over the investee, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

Sabcap is an investment company as defined by IFRS 10: *Consolidated Financial Statements*. Where an entity does not meet the requirements as set out in IFRS 10, the entity is consolidated.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair value. Any excess of the cost at acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost is less than the fair value of the identifiable net assets acquired (i.e. a discount on acquisition), this difference is credited to profit or loss in the period of acquisition.

All inter-company transactions and balances are eliminated on consolidation.

### Investments

All investments (which include investment loans) are accounted for at Fair Value Through Profit and Loss (“FVTPL”) in terms of IFRS 9: *Financial Instruments*.

Where investments are listed equities, fair value is calculated as market value. Should the disposal of any investment be restricted, then the market value is reduced by a discount to arrive at fair value. Gains and losses arising from changes in the fair value are included in the statement of comprehensive income for the period.

Where investments are unlisted equities, fair value is mostly calculated using the maintainable earnings model but also net asset value (“NAV”), discounted cash flow (“DCF”) valuations or recent transaction pricing, as appropriate. Maintainable earnings are based on historic and projected Earnings Before Interest, Taxation, Depreciation and Amortisation (“EBITDA”), as appropriate. Earnings have been normalised for one-off items, IFRS 16 and the effects of 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. The multiples are selected after considering peer group multiples and adjusting as appropriate. The resultant valuations are then adjusted for net cash or net debt balances. They may be measured for reasonableness against NAV (if this is a relevant metric), recent transaction prices and/or DCF valuations.

For other unlisted investments, fair value is determined using an appropriate valuation model.

**Audited annual financial statements**

continued

**ACCOUNTING POLICIES**

for the year ended 31 December 2022

*continued***Financial instruments**

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group has become a party to the contractual provisions of the instrument.

Financial instruments recognised on the statement of financial position include cash and cash equivalents, investments, finance advances and receivables, accounts payable and borrowings.

Equity instruments issued are recorded as the proceeds received net of direct issue costs.

Accounts payable are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Interest-bearing loans and overdrafts are recorded as the amounts of the proceeds received, net of direct raising costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Originated loans, finance advances and receivables are measured initially at cost. The loans, finance advances and receivables are measured subsequently at amortised cost using the effective interest rate method. If the terms of a loan, finance advance or receivable are not market-related, the payments are discounted at a market-related rate to determine the fair value at initial recognition and the amount of the discount is included in the statement of comprehensive income.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, offset by other current interest-bearing debt.

Long-term investments are measured at fair value. They are recognised as being held for trading purposes and gains or losses in fair value are included in the statement of comprehensive income for the period. Where investments are listed equities, the fair value is calculated using market value, and where the investments are unlisted equities, the fair value is calculated using inputs that are observable either directly or indirectly.

On disposal of investments the difference between the consideration received and the fair value of the investment at the commencement of the financial year is accounted for in the statement of comprehensive income as a gain or loss in fair value.

Redeemable or callable reset bonds purchased to hold to maturity or to call/reset dates are recognised at cost. Any surplus or discount to the maturity or call values are accounted for over the period to maturity/call and the investments are accounted for accordingly. The fair values calculated on this basis are regarded as appropriate estimates of fair value at the reporting date.

A loss allowance for expected credit losses on finance advances or investments is recognised when, in the opinion of the directors, taking into account that as a result of one or more events that may occur after the initial recognition of the asset, an expected loss exists. The amount of estimated credit losses is updated at each reporting date to reflect changes in the credit risk since initial recognition of the respective financial instrument.

## Audited annual financial statements

continued

### ACCOUNTING POLICIES

for the year ended 31 December 2022

*continued*

#### Treasury shares

Ordinary shares in Sabvest Capital Limited held by any subsidiary are classified as treasury shares in the Statement of Changes in Equity. Treasury shares are treated as a reduction from the issued and weighted average number of shares in issue and the cost price of the shares is presented as a deduction from equity.

#### Property, plant and equipment

Property, plant and equipment is reflected at cost less accumulated depreciation and any recognised impairment loss on the following basis:

Office furniture, equipment, computers and leasehold improvements	10% – 33%
Motor vehicles	20%

Depreciation is charged so as to write off the cost or valuation of assets to residual value over their estimated useful lives, using the straight-line basis.

The gain or loss arising on disposal of assets is determined as to the difference between the sale proceeds and the carrying amount of the assets and is recognised in profit or loss.

#### Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Rands, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at each reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Rands using exchange rates prevailing at the end of each reporting date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

**Audited annual financial statements**

continued

**ACCOUNTING POLICIES**

for the year ended 31 December 2022

*continued***Impairment provisions**

At each reporting date, the Group reviews the carrying amounts of its other tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for the long-term incentive plan (“LTIP”), measured annually and calculated on the growth in the notional investments, is expensed annually and the total amount expected to be paid is shown as a liability.

The amount recognised as a provision is a best estimate of the consideration to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

**Revenue recognition**

Revenue is measured based on the consideration to which the Group expects to be entitled and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer.

Revenue also includes dividends which are recorded in accordance with IFRS 9. Dividends are recognised in profit or loss when:

- (a) the entity’s right to receive payment of the dividend is established;
- (b) it is probable that the economic benefits associated with the dividend will flow to the entity; and
- (c) the amount of the dividend can be measured reliably.

Interest is recognised on a time proportion basis.

Capitalisation shares elected in lieu of a cash dividend are accounted for in investment income at the cash dividend equivalent.

Fees relate to fees received from investees and other entities for services as they are rendered, recorded in accordance with IFRS 15.

## Audited annual financial statements

continued

# ACCOUNTING POLICIES

for the year ended 31 December 2022

*continued*

### **Lease agreements**

Future lease payments discounted at market-related rates are recognised as a right-of-use asset (ignoring variable costs), with a matching financial liability.

The right-of-use asset is depreciated over the period of the lease and the depreciation is debited to the Consolidated Statement of Comprehensive Income.

Interest at market-related rates calculated on the value of the financial liability is debited to the Consolidated Statement of Comprehensive Income and credited to the financial liability.

Rentals paid during the year are debited to the financial liability.

### **Related party transactions**

All related party transactions are, unless otherwise disclosed, in the normal course of business. Refer to note 22.

### **Retirement benefits and medical aid schemes**

Payments to defined contribution retirement benefit plans are charged and expensed as they fall due.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, long-term and short-term investments and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **Cash and cash equivalents**

Cash and cash equivalents represent cash at bank.



**Audited annual financial statements**

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**ACCOUNTING POLICIES**

for the year ended 31 December 2022

*continued***Borrowing costs**

Borrowing costs are recognised in profit and loss in the period in which they are incurred.

**Critical judgements and key estimates**

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements, where applicable.

With regard to the fair value presentation of the investment holdings, both long-term and current, for the listed investments, critical judgement and estimates are limited as external observable market data is used to determine carrying value.

In respect of the unlisted investments which are carried at fair value, significant judgement and estimate is used to select the appropriate valuation model, determine maintainable earnings and estimate the earnings multiple. Details of the judgements are set out in note 21.

With regard to investments held through other entities or instruments, critical judgement is used to consider the underlying investments of the entity/instrument to ensure the appropriate classification of the investment in the Group is attained.

**New/Revised International Financial Reporting Standards Issued**

All new and revised standards and interpretations issued by IASB and the IFRS Interpretations Committee (“IFRIC”) of the IASB that are relevant to the Group’s operations and effective for annual reporting periods commencing on 1 January 2022 have been adopted and retrospectively applied. These standards include:

- ◆ IFRS 3 – *Business Combinations* (amendments effective for annual periods beginning on or after 1 January 2022).
- ◆ IAS 16 – *Property, Plant and Equipment* (amendments effective for annual periods beginning on or after 1 January 2022).
- ◆ IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* (amendments effective for annual periods beginning on or after 1 January 2022).

Their adoption has not had a significant impact on the presentation of the financial statements.

At the date of authorisation of these financial statements, the following standards and amendments were in issue but not yet effective for the annual periods commencing on or after the specified dates:

		<b>Effective date</b>
IAS 1	Presentation of Financial Statements	1 January 2023
IAS 8	Accounting policies, changes in accounting estimates and errors	1 January 2023
IAS 12	Income Taxes	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023

The Group does not expect these new or revised accounting standards to have a material impact on the results or financial position.



## Audited annual financial statements

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

	Motor vehicles R'000	Office furniture, equipment, computers and leasehold improvements R'000	Total R'000
<b>1. Property, plant and equipment and right-of-use asset</b>			
<b>1.1 Property, plant and equipment</b>			
<b>2022 GROUP</b>			
Beginning of year			
Cost	1 330	6 332	7 662
Accumulated depreciation	(1 054)	(4 093)	(5 147)
Net book value	276	2 239	2 515
Current year movements			
Additions	–	1 535	1 535
Disposals cost	–	(483)	(483)
Disposal – accumulated depreciation	–	274	274
Depreciation	(221)	(543)	(764)
Total movement	(221)	782	561
End of year			
Cost	1 330	7 384	8 714
Accumulated depreciation	(1 275)	(4 362)	(5 637)
Net book value	55	3 022	3 077
<b>2021 GROUP</b>			
Beginning of year			
Cost	1 330	6 087	7 417
Accumulated depreciation	(833)	(3 594)	(4 427)
Net book value	497	2 493	2 990
Current year movements			
Additions	–	379	379
Disposals cost	–	(134)	(134)
Disposal – accumulated depreciation	–	83	83
Depreciation	(221)	(582)	(803)
Total movement	(221)	(254)	(475)
End of year			
Cost	1 330	6 332	7 662
Accumulated depreciation	(1 054)	(4 093)	(5 147)
Net book value	276	2 239	2 515

As required by IAS 16 – *Property, Plant and Equipment*, the Group has reviewed the residual values and remaining useful lives used for the purposes of depreciation calculations in the light of the definition of residual value in the standard. The review did not highlight any requirement for an adjustment to the residual values or useful lives used in the current period. In line with the standard's requirements, these residual values and useful lives will be reviewed and updated annually in the future.

**Audited annual financial statements**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

*continued*

	<b>GROUP</b>	
	<b>2022 R'000</b>	2021 R'000
<b>1. Property, plant and equipment and right-of-use asset</b> <i>continued</i>		
<b>1.2 Right-of-use asset</b>		
Beginning of year		
Cost	<b>4 836</b>	4 767
Accumulated depreciation	<b>(1 532)</b>	(557)
Net book value	<b>3 304</b>	4 210
Current year movements		
Recognition of right-of-use asset	–	69
Depreciation	<b>(967)</b>	(975)
Total movement	<b>(967)</b>	(906)
End of year		
Cost	<b>4 836</b>	4 836
Accumulated depreciation	<b>(2 499)</b>	(1 532)
Net book value	<b>2 337</b>	3 304

The nature of the leases are all leases for premises.

**Audited annual financial statements**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

continued

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2022 R'000</b>	2021 R'000	<b>2022 R'000</b>	2021 R'000
<b>2. Investment holdings *</b>				
<b>2.1 Investment in subsidiaries</b>				
Shares at cost less impairments (refer Annexure A)	–	–	<b>1 443 375</b>	1 443 375
<b>2.2 Investment holdings</b>				
<i>Unlisted</i>				
Fair value	<b>4 541 649</b>	3 430 078	–	–
Opening balance	<b>3 430 078</b>	2 895 853	–	–
Acquisitions	<b>646 251</b>	257 298	–	–
Realisations	<b>(183 984)</b>	(131 218)	–	–
Currency fluctuations	<b>40 758</b>	42 362	–	–
Fair value movement for the year	<b>608 546</b>	365 783	–	–
<i>Held-for-sale</i>				
Fair value	–	–	–	–
Opening balance	–	35 435	–	–
Realisations	–	(36 050)	–	–
Fair value movement for the year	–	615	–	–
<i>Unlisted – Total</i>				
Fair value	<b>4 541 649</b>	3 430 078	–	–
Opening balance	<b>3 430 078</b>	2 931 288	–	–
Acquisitions	<b>646 251</b>	257 298	–	–
Realisations	<b>(183 984)</b>	(167 268)	–	–
Currency fluctuations	<b>40 758</b>	42 362	–	–
Fair value movement for the year	<b>608 546</b>	366 398	–	–

\* In line with the proactive monitoring feedback received from the JSE Limited, this note has been enhanced for more detailed disclosure.

**Audited annual financial statements**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

*continued*

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2022 R'000</b>	2021 R'000	<b>2022 R'000</b>	2021 R'000
<b>2. Investment holdings</b> <i>continued</i>				
<b>2.3 Investment holdings</b>				
<i>Listed</i>				
Fair value	<b>455 986</b>	586 111	–	–
Opening balance	<b>586 111</b>	461 566	–	–
Acquisitions	<b>57 083</b>	42 342	–	–
Realisations	<b>(78 555)</b>	(141 827)	–	–
Currency fluctuations	<b>(3 763)</b>	7 371	–	–
Fair value movement for the year	<b>(104 890)</b>	216 659	–	–
<i>Held-for-sale</i>				
Fair value	–	–	–	–
Opening balance	–	50 906	–	–
Realisations	–	(48 513)	–	–
Currency fluctuations/variations	–	1 096	–	–
Fair value movement for the year	–	(3 489)	–	–
<i>Investment funds offshore</i>				
Market value	–	75 138	–	–
Opening balance	<b>75 138</b>	56 295	–	–
Acquisitions	–	140 774	–	–
Realisations	<b>(64 716)</b>	(141 138)	–	–
Currency fluctuations	<b>4 679</b>	5 204	–	–
Fair value movement for the year	<b>(15 101)</b>	14 003	–	–
<i>Listed – Total</i>				
Fair value	<b>455 986</b>	661 249	–	–
Opening balance	<b>661 249</b>	568 767	–	–
Acquisitions	<b>57 083</b>	183 116	–	–
Realisations	<b>(143 271)</b>	(331 478)	–	–
Currency fluctuations	<b>916</b>	13 671	–	–
Fair value movement for the year	<b>(119 991)</b>	227 173	–	–

## Audited annual financial statements

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

continued

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>3. Finance advances and receivables</b>				
Finance advances	56 737	21 388	–	–
– short-term	13 733	21 388	–	–
– long-term	43 004	–	–	–
Sundry receivables	452	275	367	–
	57 189	21 663	367	–
<b>Interest-free loans</b>				
Gross advances	18 152	19 461	–	–
Fair value loss on initial recognition	(7 610)	(6 172)	–	–
Fair value loss on modification	(2 569)	(2 267)	–	–
Notional interest earned	4 780	3 684	–	–
Currency fluctuations	(56)	(56)	–	–
	12 697	14 650	–	–

The interest-free loans are included in finance advances.

No finance advances and receivables are past due.

The estimated credit losses were assessed and found not to be material.

Financial advances and receivables are carried at amortised cost which approximates the fair value.

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>4. Cash balances</b>				
Balances with banks *				
– local	227	146 344	40	44
– offshore	49 674	16	–	–
	49 901	146 360	40	44

\* Cash is predominantly held by Sabcap's indirectly wholly owned subsidiary, Sabvest Capital Holdings Limited. In the prior year, cash was predominantly held by the Company's wholly owned subsidiary, Sabvest Finance and Guarantee Corporation (Pty) Ltd. Cash is placed with banks having a credit rating of at least Baa3.

**Audited annual financial statements**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

*continued***5. Share capital****5.1 Share capital**

The Company has authorised ordinary share capital of 500 000 000 no par shares and 1 Z share.

There were 39 550 000 (2021: 39 550 000) Sabcap ordinary shares and 1 (2021: 1) Z share in issue at year end. Net of shares held in treasury, there were 39 400 000 (2021: 39 530 000) ordinary shares and 1 (2021: 1) Z share issued.

5% of the ordinary shares are under the control of the directors until the forthcoming annual general meeting.

	GROUP		COMPANY	
	2022	2021	2022	2021
<b>5.2 Reconciliation of number of shares in issue</b>				
<i>Ordinary shares</i>				
At beginning of year	<b>39 550 000</b>	41 000 000	<b>39 550 000</b>	41 000 000
Repurchased and cancelled *	–	(1 450 000)	–	(1 450 000)
	<b>39 550 000</b>	39 550 000	<b>39 550 000</b>	39 550 000
Treasury shares held	<b>(150 000)</b>	(20 000)	–	–
	<b>39 400 000</b>	39 530 000	<b>39 550 000</b>	39 550 000

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>5.3 Reconciliation of issued share capital</b>				
At beginning of year	<b>1 360 907</b>	1 426 865	<b>1 349 264</b>	1 429 014
Shares held in treasury – written back	<b>1 148</b>	1 204	–	–
Shares repurchased and cancelled *	–	(66 014)	–	(79 750)
Shares held in treasury *	<b>(10 619)</b>	(1 148)	–	–
Share capital	<b>1 351 436</b>	1 360 907	<b>1 349 264</b>	1 349 264

\* During the year the Group repurchased 130 000 shares at an average price per share of R72,85 (2021: 1 429 500 shares at an average price per share of R46,14). In the prior year, 1 409 500 shares were cancelled (which included the 40 500 shares held as treasury at the beginning of that year). No shares were cancelled during the current year.

**Audited annual financial statements**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

*continued*

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2022 R'000</b>	2021 R'000	<b>2022 R'000</b>	2021 R'000
<b>6. Reserves</b>				
<b>6.1 Non-distributable reserves</b>				
On translation of foreign subsidiary				
– prior years	<b>219 118</b>	163 085	–	–
– current year	<b>51 680</b>	56 033	–	–
Accumulated loss in share trust				
– prior years	<b>(640)</b>	(640)	–	–
Variation of interest in subsidiary				
– prior years	<b>5 144</b>	5 144	–	–
Reverse acquisition reserve	<b>(1 442 524)</b>	(1 442 524)	–	–
Capital redemption reserve fund	<b>562</b>	562	–	–
	<b>(1 166 660)</b>	(1 218 340)	–	–
<b>6.2 Accumulated profit</b>				
Accumulated profit at beginning of year	<b>3 561 760</b>	2 896 499	<b>118 582</b>	38 853
Unclaimed dividends written back	<b>28</b>	68	–	–
Accumulated profit less dividend paid for the year	<b>594 305</b>	665 193	<b>68 055</b>	79 729
Accumulated profit at end of year	<b>4 156 093</b>	3 561 760	<b>186 637</b>	118 582
Total reserves	<b>2 989 433</b>	2 343 420	<b>186 637</b>	118 582

**Audited annual financial statements**

continued

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

*continued*

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>7. Interest-bearing debt *</b>				
<b>7.1 Long-term</b>				
RSA borrowings	400 000	240 000	–	–
Opening balance	240 000	340 000	–	–
Capital repayments	(240 000)	(100 000)	–	–
Capital advances	400 000	–	–	–
Interest accrued	24 025	18 454	–	–
Interest paid	(24 025)	(18 454)	–	–
<i>Less:</i> Current portion payable within one year	–	–	–	–
	<b>400 000</b>	240 000	–	–

The loans bear interest at between JIBAR plus 3,00% and JIBAR plus 3,25% payable quarterly on 31 March, 30 June, 30 September and 31 December of each financial year.

The Group prepaid the loans of R60 million due on 30 April 2022 and R30 million due on 30 June 2022 during the prior year. The remaining loans were refinanced during the current year and are repayable as to R70 million on 30 June 2025, R70 million on 30 June 2026, R60 million on 30 June 2027 and R200 million on 30 September 2027.

The Group complies with the covenants required as per the bank facility agreements, with sufficient headroom available. The agreements require a minimum ratio of value of investments to total value of interest-bearing debt.

\* *In line with the proactive monitoring feedback received from the JSE Limited, this note has been enhanced for more detailed disclosure.*



**Audited annual financial statements**

continued

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

*continued*

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2022 R'000</b>	2021 R'000	<b>2022 R'000</b>	2021 R'000
<b>7. Interest-bearing debt</b> <i>continued</i>				
<b>7.2 Short-term</b>				
Other borrowings and related party borrowings	<b>107 394</b>	7 446	–	–
Opening balance	<b>7 446</b>	39 610	–	–
Capital repayments	–	(32 164)	–	–
Capital advances	<b>99 948</b>	–	–	–
Interest accrued	<b>1 993</b>	889	–	–
Interest paid	<b>(1 993)</b>	(889)	–	–
Portfolio finance offshore	–	12 944	–	–
Opening balance	<b>12 944</b>	–	–	–
Capital repayments	<b>(12 944)</b>	–	–	–
Capital advances	–	12 944	–	–
Interest accrued	<b>114</b>	146	–	–
Interest paid	<b>(114)</b>	(146)	–	–

The South African bank loans are secured by inter-company guarantees between the Company and all the South African subsidiaries, have no fixed terms of repayment and bear interest at rates varying between prime rate and prime minus 1% payable monthly in arrears. None of the South African assets are encumbered.

Estimated losses on guarantees were assessed and considered immaterial.

The other interest-bearing debt, including from related parties, is unsecured, has no fixed terms of repayment and bears interest at prime minus 0,25%, payable monthly in arrears.

The equity portfolio finance offshore is secured by the listed investments in Sabvest Capital Holdings Limited (BVI) (refer to note 20.1).

**Audited annual financial statements**

continued

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

continued

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>8. Accounts payable and provisions</b>				
Provision for long-term incentive plan * <sup>1</sup>	2 071	6 548	–	–
Other provisions * <sup>2</sup>	6 551	15 546	–	–
Accounts payable	24 192	18 166	2 517	2 259
	<b>32 814</b>	40 260	<b>2 517</b>	2 259
<b>Provision for long-term incentive plan</b>				
Opening balance	6 548	6 007	–	–
Plus: prior year long-term portion	17 255	4 983	–	–
Utilised during the year	(15 503)	(6 007)	–	–
Increase in provision for the year	13 986	18 820	–	–
Less: long-term portion	(20 215)	(17 255)	–	–
Closing balance	2 071	6 548	–	–
<b>Other provisions</b>				
Opening balance	15 546	15 909	–	–
Utilised during the year	(46 981)	(15 863)	–	–
Increase in provision for the year	37 986	15 500	–	–
Closing balance	6 551	15 546	–	–

\*<sup>1</sup> Refer to remuneration policy and note 15. The current portion is expected to be settled within the next six months, with no material change expected to the balance. The long-term portion will be settled in line with the remuneration policy, with the balance to be determined based on the Company's net asset value in line with this policy.

\*<sup>2</sup> Other provisions comprise mainly provisions for audit fees and incentive bonuses to executives, which are expected to be settled within the next six months. No material changes are expected to these balances.

**Audited annual financial statements**

continued

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

continued

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>9. Net income before taxation</b>				
This is stated after taking into account:				
Loss on disposal of property, plant and equipment	(194)	(51)	–	–
Auditors' remuneration – audit fees – current year	2 635	2 410	–	–
Consulting fees	972	289	–	–
Depreciation (refer to note 1)	1 731	1 778	–	–
Payroll costs	56 952	76 892	–	–
Expenses disclosed are classified as follows:				
Operating costs – fixed	41 584	35 412	–	–
Operating costs – variable	39 578	58 126	–	–
Depreciation	1 731	1 778	–	–
<b>10. Taxation</b>				
<b>10.1 Charged for the year</b>				
South African normal taxation	–	–	1	–
Deferred taxation – current year	(25 567)	64 966	–	–
Deferred taxation – change in tax rate	(7 633)	–	–	–
	(33 200)	64 966	1	–
<b>10.2 Movement in deferred tax</b>				
Provision for capital gains tax on fair value adjustments to current and non-current investment holdings	(33 200)	64 966	–	–
	(33 200)	64 966	–	–
Two of the Group's subsidiaries have assessed losses and CGT losses for taxation purposes. The unutilised estimated losses and CGT losses of the subsidiaries amount to R53 million (2021: R60 million) and R100 million (2021: R42 million) respectively. The deferred tax asset has not been accounted for as this tax loss has been taken into account in assessing the exposure for taxation on fair value measurements recorded.				
<b>10.3 Deferred tax liabilities</b>				
Provision for capital gains tax on fair value adjustments to investments after use of assessed losses	(206 089)	(239 289)	–	–
	(206 089)	(239 289)	–	–

**Audited annual financial statements**

continued

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

continued

	GROUP		COMPANY	
	2022 %	2021 %	2022 %	2021 %
<b>10. Taxation</b> <i>continued</i>				
<b>10.4 Taxation rate reconciliation</b>				
Standard rate of taxation	<b>28,0</b>	28,0	<b>28,0</b>	28,0
Rate of taxation for the year affected by non-taxable income	<b>(28,0)</b>	(28,0)	<b>(28,0)</b>	(28,0)
Deferred tax on investments	<b>(4,3)</b>	8,7	–	–
Deferred tax – change in tax rate	<b>(1,3)</b>	–	–	–
Effective rate of taxation	<b>(5,6)</b>	8,7	–	–

The charge for current tax is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the financial year-end. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. As such, the corporate tax rate change to 27% from 28% used in the prior year has had an effect on the deferred tax liability at the capital gains tax rate for the year ended 31 December 2022. Non-taxable income relates primarily to dividend income and unrealised fair value gains.

**10.5 Capital gains tax on investments**

Cumulative deferred tax of R206 million (2021: R239 million) has been raised through the statement of comprehensive income for tax on investments that are accounted for on a fair value basis if they were sold at market values except where assessed losses are available for use, or where investees' foreign subsidiaries may be sold to foreign buyers, or where investees are likely to sell their businesses and have raised deferred CGT themselves.

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>11. Lease liability *</b>				
Maturity analysis (undiscounted cash flows):				
Not later than one year	<b>1 193</b>	1 118	–	–
Later than one year and not later than five years	<b>1 819</b>	3 012	–	–
	<b>3 012</b>	4 130	–	–
<i>Less:</i> interest	<b>(254)</b>	(482)	–	–
<i>Less:</i> current portion	<b>(1 032)</b>	(890)	–	–
Long-term lease liability	<b>1 726</b>	2 758	–	–
Reconciliation of lease liability	<b>2 758</b>	3 648	–	–
Opening balance	<b>3 648</b>	4 302	–	–
Capital repayments	<b>(890)</b>	(618)	–	–
Interest accrued	<b>228</b>	285	–	–
Interest paid	<b>(228)</b>	(285)	–	–

\* In line with the proactive monitoring feedback received from the JSE Limited, this note has been enhanced for more detailed disclosure.

**Audited annual financial statements**

continued

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

*continued*

	<b>GROUP</b>	
	<b>2022 cents</b>	2021 cents
<b>12. Earnings per share</b>		
Earnings per share represents the profits in cents attributable to each share and comprises net income for the year attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.		
Earnings per share	<b>1 590,7</b>	1 689,6
The weighted average number of shares used in the calculation for the current year is 39 472 033 (2021: 40 199 669). There are no potentially dilutive shares or options.	<b>39 472</b>	40 200
<b>13. Dividends per share</b>		
Dividends per share (final of 60 cents proposed after year-end) (cents) *	<b>90</b>	75
<i>* Withholding tax on dividends at a rate of 20% will be deducted for all shareholders who are not exempt in terms of the applicable legislation. This will result in a final net cash dividend of 48 cents per ordinary share to non-exempt shareholders.</i>		
	<b>2022 R'000</b>	2021 R'000
<b>14. Headline earnings per share</b>		
Headline earnings per share comprise attributable income adjusted by certain exceptional losses attributable to ordinary shareholders divided by the weighted average number of shares in issue as follows:		
Net income for the year attributable to equity shareholders	<b>627 873</b>	679 201
Loss on disposal of property, plant and equipment	<b>194</b>	51
<b>Headline earnings for the year</b>	<b>628 067</b>	679 252
Headline earnings per share (cents)	<b>1 591,2</b>	1 689,7
The taxation impact of the adjusting items is either not material or not applicable and therefore no tax impact is presented.		
The weighted average number of shares used in the calculation for the current year is 39 472 033 (2021: 40 166 669).		

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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continued

	CS Seabrooke		R Pleaner * <sup>1</sup>		L Rood		K De Matteis * <sup>2</sup>		Total	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>15. Directors' emoluments</b>										
<i>Executive directors</i>										
Salaries	2 926	2 785	823	2 352	3 476	3 310	1 583	–	8 808	8 447
Retirement and medical	459	449	121	408	330	314	150	–	1 060	1 171
Other benefits	1 652	1 573	210	600	550	524	172	–	2 584	2 697
Basic remuneration	5 037	4 807	1 154	3 360	4 356	4 148	1 905	–	12 452	12 315
Incentive bonuses										
– Short-term	13 951	12 452	–	5 340	6 289	5 537	4 633	–	24 873	23 329
– Provision * <sup>3</sup>	1 477	6 150	–	2 630	2 084	2 630	1 130	–	4 691	11 410
– LTIP	3 344	3 884	–	2 137	2 886	–	–	–	6 230	6 021
Total remuneration	23 809	27 293	1 154	13 467	15 615	12 315	7 668	–	48 246	53 075
<i>Non-executive directors</i>										
Fees as directors									4 500	2 341
L Mthimunye									1 052	619
K Pillay									1 388	582
O Ighodaro									915	506
BJT Shongwe									1 145	634
									52 746	55 416

Executive directors earn remuneration for services to all companies within the Group and therefore represents the total remuneration in relation to these services.

Some of the directors are also executives and/or directors of certain of the Group's investee companies from some of which they receive remuneration or fees separate from the consulting fees received by Sabcap for services provided to them by executive directors and staff of Sabcap. Directors' interest in the equities of the Group are set out on page 50.

Refer to note 22 for loan amounts owing to the Group by respective directors.

\*<sup>1</sup> Retired 30 April 2022 and therefore emoluments are only for the 4-month period.

\*<sup>2</sup> Appointed 30 April 2022 and therefore emoluments are only for the 8-month period.

\*<sup>3</sup> As per the remuneration policy, part of the executive bonuses are calculated on profit after tax and NAV. As these figures are only finalised once the financial statements have been audited, interim bonuses are paid before the year-end based on a conservatively estimated PAT and NAV and an accrual is created for the estimated balance and this is paid in the following year once the final PAT and NAV figures have been calculated.

**Audited annual financial statements**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

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	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2022 R'000</b>	2021 R'000	<b>2022 R'000</b>	2021 R'000
<b>16. Revenue</b>				
Revenue comprises dividends, fees and interest	<b>240 683</b>	273 147	<b>110 001</b>	100 001

	<b>GROUP</b>	
	<b>2022 R'000</b>	2021 R'000
<b>17. Other comprehensive income</b>		
Items that may subsequently be classified in profit and loss		
Translation of foreign subsidiary	<b>51 680</b>	56 033

	<b>GROUP</b>	
	<b>2022 R'000</b>	2021 R'000
<b>18. Net asset value per share</b>		
Net asset value per share – cents *	<b>11 017</b>	9 371
Number of shares in issue (less held in treasury) – 000's	<b>39 400</b>	39 530

\* Represents the net asset value of the Group per issued ordinary share (excluding treasury shares). This is a non-IFRS measure.

**19. Contingent liabilities and commitments**

- 19.1** The Group has rights and obligations in terms of shareholder or purchase and sale agreements relating to its present or former investments.
- 19.2** A subsidiary has given guarantees on behalf of certain investees in the ordinary course of business for deal and operational credit in amounts totalling R140m (31 Dec 2021: R150m) and which were utilised at reporting date in the amount of R40m (31 Dec 2021: Rnil).
- 19.3** A subsidiary had given an undertaking to follow a rights issue in an investee of up to \$3 million if so required by its bankers before 31 December 2022. This was released during the year.

**20. Hypothecations**

- 20.1** The investment funds and listed equities offshore are encumbered in favour of the lenders of the offshore portfolio finance as security for the funding facilities provided to Sabvest Capital Holdings Limited (BVI). No guarantees have been provided by any of the South African companies.
- 20.2** The facilities provided in South Africa have been guaranteed by each of the South African companies. None of the assets of the South African companies have been encumbered and non-encumbrance agreements have been given to the Group's RSA bankers and lenders.

**Audited annual financial statements**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

*continued***21. Financial instruments****21.1 Capital risk management**

The Group manages its capital to ensure that entities in the Group would be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of cash and cash equivalents, equity attributable to ordinary shareholders comprising issued share capital, reserves and accumulated profit (as disclosed in notes 5 and 6) and interest-bearing borrowings (as disclosed in note 7). The undrawn short-term facilities available to the Group are set out in note 21.6.

	GROUP		COMPANY	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
<b>21.2 Categories of financial instruments</b>				
<i>Financial assets</i>				
Fair value through profit or loss				
Held for trading – investment holdings	<b>4 997 635</b>	4 016 189	–	–
– investment funds offshore	–	75 138	–	–
Amortised cost				
Investment in subsidiaries	–	–	<b>1 443 375</b>	1 443 375
Finance advances and receivables	<b>57 189</b>	21 663	<b>367</b>	–
Cash at bank	<b>49 901</b>	146 360	<b>40</b>	44
<i>Financial liabilities</i>				
Amortised cost				
Interest-bearing debt – medium-term	<b>400 000</b>	240 000	–	–
– portfolio finance offshore	–	12 944	–	–
– interest-bearing debt	<b>107 394</b>	7 446	–	–
Accounts payable and lease liability	<b>26 950</b>	21 814	<b>2 517</b>	2 259

**21.3 Foreign currency risk**

The Group's financial statements are prepared using Rand as its presentation currency. The Group's foreign subsidiary has USD (US\$) as its functional currency. Therefore the Group's predominant exposure to foreign exchange fluctuations is related to the sensitivities of movements in the presentation value as a result of using Rand as its presentation currency.

The Group's foreign subsidiary may also hold assets and liabilities in currencies other than its functional currency, resulting in exposure to foreign exchange rate fluctuations. The Group does not seek to hedge the carrying value of these assets or liabilities but will consider hedging strategies for cash flows denominated in foreign currencies which are deemed significant for the Group.



## Audited annual financial statements

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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

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## 21. Financial instruments *continued*

### 21.3 Foreign currency risk *continued*

It is the policy of the Group to enter into forward exchange contracts to cover 100% of foreign currency repayments. Forward exchange contracts are taken as and when it receives the foreign exchange. As at 31 December 2022 and 31 December 2021, the Group's South African and foreign operations had no material foreign exchange exposure.

### 21.4 Interest rate risk

The Group has long-term borrowings from third parties in the amount of R400 million (2021: R240 million). The short-term interest-bearing borrowings comprise mainly short-term bank facilities in the amount of R93,4 million (2021: Rnil), those from related parties (refer note 22) in the amount of R6,2 million (2021: R2,8 million) and from third parties in the amount of R7,8 million (2021: R17,6 million). The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The Group manages the interest rate cost by monitoring cash flows on a daily basis and by borrowing on overnight call and term loans to match the cash flows. If interest rates during the year had been 1% higher or lower and other variables were held constant then the profit for the year would decrease/increase by R5,1 million (2021: R2,6 million). Interest rate risk in relation to financial assets, which is predominantly due to the loans to investees that are linked to prime, is not considered material to the Group.

### 21.5 Credit risk management

Credit risk refers to risk that a counter-party would default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only lending money to its investees or related parties of investees, the companies in which it holds long-term investments and for participating in the funding of the purchase of consumer book debt. Credit exposure is controlled by counter-party limits that are reviewed and approved by the Board annually.

The expected credit losses associated with its debt instruments carried at amortised cost are assessed on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The carrying amount of the financial asset is reduced by the expected credit loss directly only when all legal avenues have been exhausted and there is no possibility of an additional recovery. Changes in the carrying amount and subsequent recoveries of amounts previously written off are recognised in profit or loss.

For financial assets carried at amortised cost, the expected credit loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of financial assets recorded in the financial statements, which is net of expected credit losses, represents the Group's maximum exposure to credit risk.

### 21.6 Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows and matching the maturity or current liquidity profiles of financial assets and liabilities and listed investments.

At 31 December 2022 the Group had R106,6 million of undrawn facilities (2021: R150 million) and R49,9 million cash at bank (2021: R146,4 million) at its disposal to further reduce liquidity risk.

The liabilities, other than the long-term borrowings, are payable within the next year.

**Audited annual financial statements**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

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**21. Financial instruments** *continued***21.7 Fair value investments** \*<sup>1</sup>**21.7.1 Fair value of financial assets and liabilities measured at fair value on a recurring basis:**

IFRS 13 provides a hierarchy that classifies inputs employed to determine fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

**Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities (i.e. valued using quoted prices on various stock exchanges).

**Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3** – Inputs for the asset or liability that are not based on observable market data (valued at fair value using either the maintainable earnings model \*<sup>2</sup> or attributable NAV).

There are no financial assets or liabilities that are categorised as Level 2 in the current year or prior year.

<b>Level 1 – Listed investments valuation summaries</b>	<b>2022</b>	<b>2021</b>
<b>Corero</b> – a LSE listed group focused on cyber and network security and, in particular, protection from DDOS attacks		
Number of ordinary shares * <sup>3</sup>	<b>50 000 000</b>	47 000 000
Price per share – GBP	<b>9,25</b>	12,5
Fair value – GBP'000	<b>4 625</b>	5 875
Fair value – R'000	<b>94 486</b>	126 181
<b>Metrofile</b> – a JSE listed service provider to industry in four categories – secure storage, digital services, business support services and products and solutions		
Number of ordinary shares * <sup>4</sup>	<b>56 000 000</b>	55 000 000
Price per share – cents	<b>350</b>	345
Fair value – R'000	<b>196 000</b>	189 750
<b>Transaction Capital</b> – a JSE listed specialised financial group whose operations comprise SA Taxi, TC Risk Services and WeBuyCars		
Number of ordinary shares * <sup>5</sup>	<b>5 000 000</b>	6 000 000
Price per share – cents	<b>3 310</b>	4 503
Fair value * <sup>6</sup> – R'000	<b>165 500</b>	270 180
<b>Total listed fair value – R'000</b>	<b>455 986</b>	586 111

\*<sup>1</sup> In line with the proactive monitoring feedback received from the JSE Limited, this note has been enhanced for more detailed disclosure, whereas it was abbreviated in prior years.

\*<sup>2</sup> Level of maintainable earnings based on historic and future projections and normalisation of earnings, where appropriate. The higher the multiples used the higher the value.

\*<sup>3</sup> Increased holding during the year by 3m shares to 50m shares, representing 10,1% of Corero, for GBP0,4m (R7,4m).

\*<sup>4</sup> Increased holding during the year by 1m shares to 56m shares, representing 13,1% of Metrofile, for R3,2m.

\*<sup>5</sup> Disposed of 1m shares during the year for R48,7m, retaining 5m shares, as part of Sabcap's liquidity and portfolio balancing decisions.

\*<sup>6</sup> In a SENS announcement released on 14 March 2023, Transaction Capital ("TC") advised shareholders that the cyclical headwinds facing its SA Taxi division post the disruption of COVID, together with the ongoing effects of load shedding and adverse economic conditions, necessitate a simplification of its business model to a lower and more variable cost base, higher quality loan origination and a lower number of new loans. As a consequence, TC has advised of the need for one-off provisions against SA Taxi's loan book and repossessed inventory, and signaled lower TC core EPS in the coming reporting period. The TC share price dropped materially after the announcement. As a result, the fair value of Sabcap's investment in TC has reduced from R165,5m at 31 December 2022 to R73,0m at 15 March 2023 (being the last practicable date before the release of Sabcap's 2022 results). After adjusting for deferred tax of R20,0m on this movement, the net impact of R72,5m on Shareholders Equity is equivalent to a reduction of 184c in Sabcap NAV per share of 11 017c at the reporting date.

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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

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## 21. Financial instruments *continued*

### 21.7 Fair value investments *continued*

#### 21.7.1 Fair value of financial assets and liabilities measured at fair value on a recurring basis:

<b>Level 1 – Listed investments valuation summaries</b> <i>continued</i>	<b>2022</b>	<b>2021</b>
<b>Investment fund offshore</b> – investment in the Capital Group		
New Perspective Fund (LUX – Equity)		
Number of units	–	191 662
Price per unit – USD	–	24,66
Fair value – USD'000	–	4 726
Fair value – R'000	–	75 138
<b>Total investment funds offshore fair value – R'000</b>	<b>–</b>	<b>75 138</b>

<b>Level 3 – Unlisted Investments valuation summaries</b> * <sup>1</sup>	<b>2022</b>	<b>2021</b>
<b>Apex</b> – an industrial group with controlling interests in distribution, engineering and manufacturing businesses in South Africa. The distribution segment comprises Letaba Pumps, TGS, Elephant Lifting and ELB Equipment. The engineering segment comprises ET-X Projects and CBZ Solutions. The manufacturing division includes Gabriel SA. It also holds special situation financial assets.		
EBITDA valuation multiple * <sup>2</sup>	<b>5,5x</b>	4,5x
44,8% equity interest – R'000	<b>504 023</b>	303 760
<b>ARB Holdings</b> – a distributor of electrical, lighting and related products to the mining, industrial, construction, parastatal, retail and domestic markets in Southern Africa. ARB Electrical Wholesalers is one of Southern Africa's largest distributors of electrical projects in three main categories: power and instrumentation cable; overhead line equipment and conductors; and general low-voltage and solar products. Eurolux and Radiant are leading distributors of energy-saving; LED; halogen and fluorescent lamps; light fittings, electrical accessories; cut cable and ancillary products, including fans and lighting components.. (ARB was acquired in June 2022)		
EBITDA valuation multiple/basis of valuation	<b>6,5x</b>	–
18,5% equity interest * <sup>3</sup> – R'000	<b>13 930</b>	–
Investment loans – R'000	<b>236 326</b>	–
Fair value – R'000	<b>250 256</b>	–

\*<sup>1</sup> Equity interests unchanged from prior year unless otherwise stated.

\*<sup>2</sup> Apex previously applied the investment entity exemption under IFRS 10, with its investments treated by it as portfolio holdings. Therefore, in measuring its investments at fair value in its financial statements it had already applied the maintainable earnings model and multiples to its holdings and it was therefore appropriate for Sabcap to take the NAV after Apex had revalued under IFRS 10. In 2021, it changed its strategy and model to be an industrial group controlling and growing its business units and switched to consolidated accounting without valuing on a portfolio basis under IFRS10. Therefore Sabcap switched to doing a maintainable earnings valuation based on the new consolidated accounts, as it does with all its other industrial investees. The provisional multiple applied to Apex of 4,5x was reassessed to 5,5x at the 30 June 2022 reporting date after taking into consideration annualised sales revenues then close to R2 billion and the multiples of a comparative group of South African industrial businesses.

\*<sup>3</sup> Acquired an indirect effective interest of 18,5% in ARB Holdings (Pty) Ltd during the year through a new investment of 49,9% in Masimong Electrical Holdings (Pty) Ltd (MEH) for shareholder funding of R199m and guarantees of R24,5m (which were subsequently released during the year), enabling MEH to acquire 37,07% of ARB.

## Audited annual financial statements

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

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21. Financial instruments *continued*21.7 Fair value investments *continued*

## 21.7.1 Fair value of financial assets and liabilities measured at fair value on a recurring basis:

Level 3 – Unlisted investments valuation summaries <i>continued</i>	2022	2021
<b>Classic Food Brands</b> – a food manufacturer specialising in crumbed chicken products distributed mostly through retail outlets, including major supermarket and food chains in South Africa.		
Basis of valuation	NAV	NAV
40% equity interest * <sup>1</sup> (31 Dec 2021: 25%) – R'000	–	–
Investment loans – R'000	8 205	15 091
Fair value * <sup>2</sup> – R'000	8 205	15 091
<b>DNI</b> – a leading distribution and technology company operating in emerging market economies but mostly in South Africa at present. The DNI group provides and distributes products and services to the telecommunications, banking and retail sectors. The group has four main operating segments, being Mobile distribution, Hardware distribution, Technology, and Value-added services		
EBITDA valuation multiple	6,5x	6,5x
19,9% equity interest (31 Dec 2021: 19,1%) * <sup>3</sup> – R'000	1 028 087	907 682
<b>Flexo Line Products</b> – manufacturer of high quality injection moulded plastic products primarily for the spice and food industries locally and internationally and is the largest manufacturer of these products in the southern hemisphere.		
EBITDA valuation multiple	4,5x	4,5x
47,5% equity interest – R'000	–	29 882
Investment loans – R'000	7 033	79 729
Fair value * <sup>2</sup> – R'000	7 033	109 611
<b>Halewood South Africa</b> – a manufacturer of a wide range of premium award-winning alcoholic, non-alcoholic and RTD (Ready-To-Drink) beverages, including brands such as Belgravia, Whitley Neill, Red Square, Caribbean Twist and Buffelsfontein. It is also an importer of finished goods brands from the UK, France, Italy and Mexico. (Halewood South Africa was acquired in June 2022).		
EBITDA valuation multiple/basis of valuation	7,25x	–
19,0% equity interest * <sup>4</sup> – R'000	–	–
Investment loans – R'000	165 586	–
Fair value – R'000	165 586	116 539

\*<sup>1</sup> Increased holding in current year from 25% to 40% as a result of a shareholding restructure.

\*<sup>2</sup> Fair values are net of impairments to investment loans.

\*<sup>3</sup> Effective interest of 19,99% (2021: 19,1%) through 35,98% of JAAH Investments (2021: 28,74%), which indirectly owns 45,35% of DNI (2021: 46,12%) through DNI Invest (Pty) Ltd and a 3,32% interest in DN Invest (Pty) Ltd (2021: 5,85%), which owns 100% of DNI. Shareholding increased in the current year as a result of a restructure of direct and indirect holdings. Increased effective holding in DNI during the year by 0,8% to 19,99% for R38,3m, after a restructure of direct and indirect holdings.

\*<sup>4</sup> Acquired an indirect effective interest of 18,95% interest in Halewood International South Africa (Pty) Ltd during the year through a new investment of 41,03% in Masimong Beverage Holdings (Pty) Ltd (MBH), comprising shareholder loans of R117m and financial guarantees of R51m (which were subsequently released during the year), enabling MBH to acquire 46,19% of Halewood through an SPV.

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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21. Financial instruments *continued*21.7 Fair value investments *continued*

## 21.7.1 Fair value of financial assets and liabilities measured at fair value on a recurring basis:

Level 3 – Unlisted investments valuation summaries <i>continued</i>	2022	2021
<b>ITL Group</b> (Intelligent Labelling Solutions) – 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, Mexico, United Kingdom, Germany, China, India, Vietnam, Sri Lanka, Bangladesh, Hong Kong, Turkey, Mauritius, Madagascar and South Africa for supply to the clothing industry worldwide through multiple international retail chain accreditations		
EBITDA valuation multiple	9,0x	9,0x
34,4% equity interest * <sup>1</sup> (31 Dec 2021: 34%) – R'000	167 600	26 139
Investment loans – R'000	618 854	585 100
Fair value – R'000	786 454	611 239
<b>Masimong Group Holdings</b> – an investment group with a portfolio of high performing growth assets and, in particular, its mining interests in Seriti Coal, Seriti Power and Lephalale Coal and Power, and its agricultural interests in Mouton Citrus, Carmien Tea, Southern Cross Investment Holdings (which owns grape and date farms) and Winfield United South Africa (which is a provider of specialist crop input products and services including crop protection, plant nutrition, soil conditioning, fumigation and seeds). It also holds diversified interests including Rolfes, ARB, Halewood South Africa and Anchor Capital		
Basis of valuation	NAV	NAV
10% equity interest – R'000	452 510	286 197
<b>Revix UK</b> – offers an investment platform that enables retail investors to obtain direct access to and ownership of several individual crypto currencies, ready-made crypto portfolios called “bundles” and crypto-based yield-bearing opportunities		
Basis of valuation	NAV	NAV
11,0% equity interest * <sup>2</sup> (31 Dec 2021: 15,1%) – R'000	–	–
<b>Rolfes Holdings</b> – a specialist manufacturer and distributor of agricultural, food, industrial and water chemical solutions and services.		
EBITDA valuation multiple	5,5x	6,0x
25,0% equity interest * <sup>3</sup> – R'000	189 289	201 594

\*<sup>1</sup> *ITL Holdings Limited Jersey held indirectly through Mandarin Investors Limited and directly through Mandarin Industries Limited BVI and ITL Holdings SA (Pty) Ltd held directly through Mandarin Holdings (Pty) Ltd. The percentage look-through shareholding in ITL Group increased from 34,0% to 34,4% due to share buy backs from retiring executives. It is expected that these may be reissued in future periods.*

\*<sup>2</sup> *Sabcap elected not to follow the latest funding rounds and to accept a dilution in its interests to 11,0%. However, it is probable that it will follow the next round which should be Revix's last funding requirement.*

\*<sup>3</sup> *Effective interest of 25,0% through 11,0% held directly and 14,0% indirectly through Masimong Chemicals (Pty) Ltd. The EBITDA valuation multiple has been reduced from 6,0 x to 5,5 x due to a change in its business mix with the proportion from food chemicals increasing materially.*

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**21. Financial instruments** *continued***21.7 Fair value investments** *continued***21.7.1 Fair value of financial assets and liabilities measured at fair value on a recurring basis:**

<b>Level 3 – Unlisted investments valuation summaries</b> <i>continued</i>	<b>2022</b>	<b>2021</b>
<b>SA Bias</b> – an international industrial group comprising:		
– Flowmax, which is a group of 16 companies in the United Kingdom and Europe engaged in the manufacture, distribution and servicing of medium technology fluid handling equipment, consumables and measurement systems, and solutions for other industrial variables such as heat management and control.		
– Narrowtex Group, which is a South African manufacturer and exporter of a range of narrow fabric products including webbings, strapping, tapes and braids, and of lingerie components, elastics and accessories.		
EBITDA valuation multiple <sup>*1</sup>	<b>6,0x / 4,5x</b>	6,0x / 4,5x
85,2% equity interest <sup>*2</sup> – R'000	<b>1 018 861</b>	906 348
<b>Sunspray</b> – provides food ingredient solutions to South African and African manufacturers by supplying spray-dried and blended powdered food and drink products and services. It is the largest independent contract supplier in Africa.		
EBITDA valuation multiple	<b>5,0x</b>	5,0x
27,7% equity interest – R'000	<b>80 915</b>	73 316
Investment loans – R'000	<b>5 709</b>	5 240
Fair value – R'000	<b>86 624</b>	78 556
<b>Valemount</b> – the largest manufacturer and distributor of bird seed and related feeder products in South Africa and is also rapidly expanding the range of products it supplies to the wider pet market. (Valemount was acquired in December 2022).		
Basis of valuation	<b>COST</b>	–
39,3% equity interest <sup>*3</sup> – R'000	<b>19 548</b>	–
Investment loans – R'000	<b>25 173</b>	–
Fair value – R'000	<b>44 721</b>	–
<b>Total unlisted investments fair value – R'000</b>	<b>4 541 649</b>	3 430 078

<sup>\*1</sup> Flowmax is valued at 6,0 times and Narrowtex at 4,5 times.<sup>\*2</sup> Joint voting control with the PC-T Trust.<sup>\*3</sup> Acquired a 39,3% equity interest in Valemount Trading (Pty) Ltd (“Valemount”) during the year through an initial investment in equity and shareholder loans of R44,7m (subject to a top-up formula to be calculated based on their 28 February 2023 audited financial statements once finalised).

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

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**21. Financial instruments** *continued***21.7 Fair value investments** *continued*

If the notable unobservable inputs to the valuation model were changed, as noted in the table below, while all other variables were held constant, the fair value amount of the investments measured on Level 3 inputs would change as follows:

	Change in the maintainable earnings		Change in the price earnings ratio	
	Increase by 10% Rm	Decrease by 10% Rm	Increase by 10% Rm	Decrease by 10% Rm
<b>Increase/(decrease) in fair value 31 December 2022</b>	<b>462,5</b>	<b>(459,4)</b>	<b>462,5</b>	<b>(459,4)</b>
Increase/(decrease) in fair value 31 December 2021	338,7	(338,7)	338,7	(338,7)

Should the market price of both the listed investments held directly and the offshore listed shares have been 10% higher or lower at 31 December 2022, the value of shares would have increased or decreased by R45,6 million (2021: R66,1 million).

Should the market price of the investment funds offshore have been 10% higher or lower at 31 December 2021, the value would have increased or decreased by R7,5 million.

**21.7.2 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).**

The directors consider the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements to approximate their fair values.

	<b>GROUP</b>			
	<b>31 December 2022</b>		31 December 2021	
	<b>Carrying amount R'000</b>	<b>Fair value R'000</b>	Carrying amount R'000	Fair value R'000
<b>Financial assets</b>				
<i>Financial assets held at amortised cost</i>	<b>107 090</b>	<b>107 090</b>	168 023	168 023
Finance advances and receivables	<b>57 189</b>	<b>57 189</b>	21 663	21 663
<b>Cash balances</b>	<b>49 901</b>	<b>49 901</b>	146 360	146 360
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost</i>	<b>534 344</b>	<b>534 344</b>	285 949	285 949
Interest-bearing debt – long-term	<b>400 000</b>	<b>400 000</b>	240 000	240 000
Portfolio finance offshore	–	–	12 944	12 944
Interest-bearing debt	<b>107 394</b>	<b>107 394</b>	7 446	7 446
Accounts payable and lease liability	<b>26 950</b>	<b>26 950</b>	21 814	21 814



**Audited annual financial statements**

continued

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

continued

**21. Financial instruments** *continued***21.7 Fair value investments** *continued*

	<b>COMPANY</b>			
	<b>31 December 2022</b>		31 December 2021	
	<b>Carrying amount R'000</b>	<b>Fair value R'000</b>	Carrying amount R'000	Fair value R'000
<b>Financial assets</b>				
<i>Financial assets held at amortised cost</i>	<b>95 043</b>	<b>95 043</b>	26 730	26 730
Loans and receivables	<b>95 003</b>	<b>95 003</b>	26 686	26 686
<b>Cash balances</b>	<b>40</b>	<b>40</b>	44	44
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost</i>	<b>2 517</b>	<b>2 517</b>	2 259	2 259
Accounts payable	<b>2 517</b>	<b>2 517</b>	2 259	2 259

IFRS 13 provides a hierarchy that classifies inputs employed to determine fair value. Financial assets and financial liabilities are classified and disclosed as follows:

	<b>Financial fair value hierarchy as at 31 December 2022</b>			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>Financial assets</b>				
<i>Fair value through profit and loss</i>				
Listed investments	<b>455 986</b>	–	–	<b>455 986</b>
Unlisted investments	–	–	<b>4 541 649</b>	<b>4 541 649</b>
Investment funds offshore	–	–	–	–
<b>Total</b>	<b>455 986</b>	–	<b>4 541 649</b>	<b>4 997 635</b>

	<b>Financial fair value hierarchy as at 31 December 2021</b>			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>Financial assets</b>				
<i>Fair value through profit and loss</i>				
Listed investments	586 111	–	–	586 111
Unlisted investments	–	–	3 430 078	3 430 078
Investment funds offshore	75 138	–	–	75 138
<b>Total</b>	661 249	–	3 430 078	4 091 327



**Audited annual financial statements**

continued

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

continued

**22. Related party transactions**

Related party transactions can exist between subsidiaries and the holding company, fellow subsidiaries, associated companies and key management personnel. The subsidiaries of the Group are identified in Annexure A on page 97.

Transactions between the holding company, its subsidiaries and fellow subsidiaries relate to fees, dividends and interest. The income and loans are regarded as intergroup transactions and are eliminated on consolidation. Refer to Annexure A for indebtedness of subsidiaries.

Transactions between the holding company, its subsidiaries, and investees relate to fees, dividends and interest and these are reflected as income in the statement of comprehensive income.

Short-term loans are included in finance advances and receivables.

Transactions with directors relate to fees as disclosed in note 15 and fees and incentives as set out in this note. Monies lent to the Group by entities controlled by directors are included in interest-bearing debt (refer note 7) in the statement of financial position.

During the year Group entities entered into the following transactions with related parties that are not members of the Group:

	Fees received R'000	Fees paid R'000	Dividends received * <sup>2</sup> R'000	Interest received R'000	Interest paid R'000	Amounts owed by related parties R'000	Amounts owed to related parties R'000
<b>31 December 2022</b>							
K De Matteis							
Individual * <sup>1</sup>	–	–	–	–	9	3 396	–
R Pleaner							
Individual * <sup>3</sup>	–	–	–	–	154	–	1 925
CS Seabrooke and family							
Individual	–	–	–	–	123	–	6 556
Company	54	–	–	–	11	–	382
L Rood							
Individual * <sup>1</sup>	–	–	–	–	43	3 179	488
Investees	1 738	345	215 295	5 317	–	36 582	–

31 December 2021

R Pleaner and family							
Individual	–	–	–	–	116	–	1 771
CS Seabrooke and family							
Individual	–	–	–	–	58	–	338
Company	136	369	–	–	13	–	145
L Rood							
Individual * <sup>1</sup>	–	–	–	–	39	3 785	529
Investees	1 509	800	253 036	14 206	–	–	–

\*<sup>1</sup> In terms of IFRS, interest-free loans are recorded at their present value. The gross amounts owing by K De Matteis and L Rood were R6 million (2021: n/a) and R5 million (2021: R5 million) respectively.

\*<sup>2</sup> Dividends received from short-term, non-related party investments totalled R12,5m (2021: Rnil) during the period.

\*<sup>3</sup> While Mr Pleaner retired as a director of the Company on 30 April 2022, he was still deemed a related party for the reporting period. Mr Pleaner earned a total basic remuneration of R3,5m and total incentive bonuses of R9,0m for the 2022 financial year.

**Audited annual financial statements**

continued

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2022

*continued***23. Retirement benefit information**

Eight employees are members of the Group's retirement fund which operates on a defined contribution basis. Employee benefits are determined according to each member's equitable share of the total assets of the fund. Employees contribute 7,5% and the company contributes 9,5% of pensionable salary. The fund is reviewed on an annual basis and every three years a statutory valuation is performed and submitted to the Registrar of Pension Funds. The fund is governed by the Pension Fund Act of 1956. Retirement costs are expensed in the year in which they are incurred, which amounted to R1 264 672 (2021: R1 189 065).

The Group has no post-retirement medical aid commitments.

**24. Capital commitments**

The investment cost in Valemount Trading is subject to a top-up adjustment formula based on their 28 February 2023 audited financial statements once finalised. The top-up is not expected to exceed R10m. There are no other capital commitments.

**25. Borrowing powers**

The borrowing powers of the Group are not limited.

**26. Subsequent events**

Subsequent to the report period:

- 26.1** Sabcap reorganised its effective interest of 18,5% in ARB by way of a series of transactions, which resulted in a reduction of its holding in MEH to 35,27% and the acquisition of a direct stake of 8,38% in ARB, investing a net amount of R50,8m;
- 26.2** Sabcap increased its term debt by R100m and used the proceeds to reduce short-term debt by R100m; and
- 26.3** The fair value of Transaction Capital was materially impacted. Refer to note 21.7.1 for more details.

**27. Operating segments**

No operating segments have been disclosed in the annual financial statements as management view the business as one segment.

**28. Going concern**

Based on current revenues and projected revenues, the continuing build up in forward order books, the assumption of no further lockdowns of businesses and taking into consideration solvency, cash resource, forecasts, and the impact of COVID-19 on the Group's investee companies, the Board has concluded that the Group and Company will be a going concern in the year ahead. Refer to note 7 and note 21.6.

**Audited annual financial statements**

continued

***ANNEXURE A*****SCHEDULE OF CONSOLIDATED SUBSIDIARIES**

Nature of business	Amount of issued capital R	Held directly or indirectly		Book value of interest shares		Indebtedness *		
		2022 %	2021 %	2022 R'000	2021 R'000	2022 R'000	2021 R'000	
<b>Subsidiaries of Sabvest Capital Limited</b>								
Sabvest Limited	Investment holding company	851	100	100	1 443 375	1 443 375	94 636	26 686
Investment in subsidiaries				1 443 375	1 443 375	–	–	
Indebtedness included in the company's assets						94 636	26 686	
<b>Subsidiaries of Sabvest Limited</b>								
Sabvest Investments (Pty) Limited	Investment holding company	4 000	100	100	4	4	92 836	91 225
Sabvest Financial Services (Pty) Limited	Corporate services	5 000	100	100	1	1	12 336	9 586
	Gross						28 739	29 219
	Impairment						(16 403)	(19 634)
Sabvest Finance and Guarantee Corporation (Pty) Limited	Finance investments and guarantees	6 000	100	100	5 000	5 000	1 452 799	1 435 971
Investment in subsidiaries				5 015	5 015			
Indebtedness included in the company's assets						1 557 971	1 536 782	
<b>Subsidiaries of Sabvest Finance and Guarantee (Pty) Ltd</b>								
Sabvest Capital Holdings Limited (BVI)	Investment holding company and corporate financier	US\$ 3	100	100	–	–	–	–
Aggregate net income after taxation, attributable to Sabvest Capital Limited's interest in its subsidiaries						636 250	685 465	

\* Refer to note 22 – Related party transactions.

**Audited annual financial statements**

continued

*ANNEXURE B***SHARES AND SHAREHOLDERS****Shareholder analysis at 31 December 2022**

Category	Ordinary shares		
	Number of share-holders	% of total of share-holders	Number of shares held
Banks and nominee companies	22	0,8	3 168 218
Investment and trust companies	128	4,6	25 082 560
Other corporate bodies	142	5,1	5 770 332
Individuals	2 497	89,5	5 528 890
	<b>2 789</b>	<b>100,0</b>	<b>39 550 000</b>

**Major shareholders**

Shareholders whose holdings of ordinary shares in the Company total more than 5% of the ordinary shares in issue:

Category	Ordinary shares	
	Number of shares held	% of issued shares
The Seabrooke Family Trust	16 000 000	40,5
Eric Ellerine Trust and Ellerine Group Investments	3 752 541	9,5
InsingerGilissen Bankiers N.V.	2 928 789	7,4
	<b>22 681 330</b>	<b>57,4</b>

**Shareholder spread**

Category	Ordinary shares		
	Number ordinary share-holders	Number ordinary shares in issue	% ordinary shares in issue
Non-public shareholders			
Directors	6	16 765 176	42,4
Total non-public shareholders	6	16 765 176	42,4
Public shareholders	2 783	22 784 824	57,6
	<b>2 789</b>	<b>39 550 000</b>	<b>100,0</b>

Note: Directors' holdings are set out on page 50.

**Stock exchange performance**

Category	Subcap ordinary shares	
	2022	2021
Closing price (cents)	8 360	6 100
Highest price (cents)	8 500	6 100
Lowest price (cents)	5 700	2 700
Total number of shares traded ('000)	2 291	4 652
Total value of shares traded (R'000)	157 936	208 608
Total number of transactions recorded	3 084	3 229
Total volume of shares traded as a percentage of total issued shares (%)	5,8	11,8

## SHAREHOLDERS' DIARY

Announcement of 2022 results	16 March 2023
Publication of 2022 annual report	31 March 2023
Annual general meeting	18 May 2023
Financial year-end	31 December



# ADMINISTRATION

## Sabvest Capital Limited

Registration number: 2020/030059/06

ISIN: ZAE000283511

JSE share code: SBP

## Directorate

K Pillay (*Chairperson*)

O Ighodaro (*Lead Independent*)

BJT Shongwe

CS Seabrooke \* (*Chief Executive*)

L Mthimunye

K De Matteis \*

L Rood \*

\* *Executive*

## Secretary

Levitt Kirson Business Services (Pty) Ltd

## Communications

4 Commerce Square

39 Rivonia Road

Sandhurst

2196

PO Box 78677, Sandton 2146

Republic of South Africa

Telephone +27 11 268 2400

Telefax +27 11 268 2422

e-mail: [ho@sabvest.com](mailto:ho@sabvest.com)

Web site: [www.sabvestcapital.com](http://www.sabvestcapital.com)

## Sabvest Capital Holdings Limited BVI

Registration number: 30949

AA Corporate Management Sarl

Le Victoria

Block 6, 2nd Floor

13 Boulevard Princesse Charlotte

MC 98000 Monaco

Telephone +3 779 797 4095

Telefax +3 779 797 4097

## JSE Sponsor

Rand Merchant Bank

(A division of FirstRand Bank Limited)

Telephone +27 11 282 8000

Telefax +27 11 282 4184

## Transfer secretaries

Computershare Investor Services (Pty) Ltd

Telephone +27 11 370 5000

Telefax +27 11 370 5271

## Bankers

ABSA Bank

FirstRand Bank

Standard Bank

UBS

## Attorneys and legal advisors

Edward Nathan Sonnenbergs Inc, Sandton

Cliffe Dekker Hofmeyer, Sandton

Werkmans Attorneys, Sandton

## Auditors

Deloitte & Touche, Johannesburg

## Internal auditors

KPMG, Johannesburg

## Corporate advisors

Apex Management Services (Pty) Ltd

# NOTICE OF ANNUAL GENERAL MEETING

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## Notice of annual general meeting

continued

### SABVEST CAPITAL LIMITED

("the Company" or "Sabcap")

Registration number 2020/030059/06

ISIN number: ZAE000283511 – ordinary shares • Share code: SBP

**This notice is important and requires your immediate attention**

### ACTION REQUIRED

If you are in any doubt as to what action you should take arising from this notice, please consult with your broker, CSDP representative/agent/manager, banker, accountant, attorney or other professional advisor immediately.

If you have disposed of all of your shares in the Company, please forward this notice to the purchaser of such shares or to the broker, CSDP representative/agent/manager, banker, accountant, attorney or other agent through whom the disposal of the Company shares was effected.

The Company does not accept any responsibility and will not be held liable for any failure on the part of the broker or CSDP representative of any holder of dematerialised Company shares to notify such shareholder of this notice and the annual general meeting.

### Notice to shareholders of annual general meeting

FOR THE YEAR ENDED 31 DECEMBER 2022 AND CONVENED IN TERMS OF SECTION 61(7) OF THE COMPANIES ACT, NO. 71 OF 2008, AS AMENDED ("THE COMPANIES ACT")

Notice is hereby given to shareholders that the annual general meeting of shareholders will be held on Thursday, 18 May 2023 at 9:30 (South African Standard Time), or any other adjourned or postponed date and time determined in accordance with the provisions of sections 64(4) or 64(11)(a)(i) of the Companies Act, as read with the JSE Limited ("JSE") Listings Requirements (the "JSE Listings Requirements") for the purposes of transacting the business set out below and considering (and, if deemed fit, passing, with or without modification) the ordinary and special resolutions contained in this notice in the manner required by the Companies Act and subject to the JSE Listings Requirements.

The annual general meeting will be conducted entirely via an interactive electronic platform, in accordance with section 63(2)(a) of the Companies Act and clause 19.6 of the Company's memorandum of incorporation ("MOI") and in compliance with, *inter alia*, the quorum requirements contained in the MOI and the Companies Act. For more information about the electronic platform and how it can be accessed, please see the section titled "Electronic participation at the annual general meeting" starting on page 105.

### Dematerialised shareholders without "own-name" registration

If you have dematerialised your ordinary shares without "own-name" registration, then the following actions are relevant to you with regard to the annual general meeting.

If you do not wish to or are unable to participate in the annual general meeting, but wish to vote thereat, you should:

- ◆ Provide your CSDP or broker with your voting instructions in terms of the custody agreement entered into between you and your CSDP or broker.
- ◆ Contact your CSDP or broker regarding the cut-off time for submitting your voting instructions to them.

If your CSDP or broker does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or broker.

Please DO NOT complete the attached form of proxy if you have dematerialised shares without "own-name" registration.

You are strongly urged to ensure the timely receipt by the transfer secretaries of the documents referred to in this notice, due to the exigencies of the necessary verification exercise that must be completed to ensure that all attendees are lawful participants. It may not be possible to promptly verify a dematerialised shareholder without "own-name" registration once the annual general meeting has commenced.



## Notice of annual general meeting

continued

### Certificated shareholders and dematerialised shareholders with “own-name” registration

If you are a certificated shareholder or you have dematerialised your ordinary shares with “own-name” registration, then the following actions are relevant to you in connection with the annual general meeting.

You may participate in the annual general meeting as outlined in the paragraphs below.

If you do not wish to or are unable to attend the annual general meeting but wish to be represented thereat, you should complete the form of proxy and return same, together with proof of identification (i.e. South African identity document, driver’s licence or passport) and authority to do so (where acting in a representative capacity), to the transfer secretary, as follows:

- ◆ by email: at [proxy@computershare.co.za](mailto:proxy@computershare.co.za);
- ◆ by hand: Rosebank Towers, 15 Biermann Avenue, Rosebank; or
- ◆ by post: Private Bag X9000, Saxonwold, 2132,

so as to be received by the transfer secretary by no later than 9:30 on Tuesday, 16 May 2023, provided that any form of proxy not delivered (to any one of the above addresses) to the transfer secretary by this time and date may be emailed to the transfer secretary (who will provide same to the chairman of the annual general meeting) at any time prior to the annual general meeting, with the understanding that such form of proxy and identification must be verified and registered before the commencement of the annual general meeting before you will be permitted to participate. You are encouraged to appoint a proxy if you do not intend to participate in the annual general meeting yourself. Unfortunately no late submissions will be accepted.

### Electronic participation at the annual general meeting

The annual general meeting will be conducted entirely through electronic communication. The decision was taken by the Board of directors (‘the Board’) that it is appropriate to hold the annual general meeting entirely by electronic communication in accordance with the provisions of clause 19.6 of the MOI read with section 63(2) of the Companies Act. The interactive electronic platform will permit all shareholders to communicate directly with the Chairman of the meeting without an intermediary, and to effectively participate in the meeting.

Voting via the electronic platform will be the only method available to holders of ordinary shares to vote at the annual general meeting. The electronic platform selected for the purposes of the annual general meeting is Lumi AGM, which may be accessed by using a smartphone, tablet device or computer. Shareholders are requested to familiarise themselves with the Lumi AGM platform to ensure effortless participation.

## REGISTRATION

Should you wish to participate in the annual general meeting you will be required to pre-register your personal details by taking the following action:

- ◆ register online at [www.smartagm.co.za](http://www.smartagm.co.za) by no later than 9:30 on Tuesday, 16 May 2023. While registration after this date and time to participate in and/or vote electronically at the annual general meeting is permitted, you must be verified and registered before the commencement of the annual general meeting; and
- ◆ upload proof of identification (e.g. identity document, driver’s licence or passport), and provide the following details: your name, surname, email address and contact number.

If you have dematerialised your ordinary shares without “own-name” registration then, in addition to the actions listed above, you must request your CSDP or broker to provide you or your proxy with the necessary authority (i.e. letter of representation) in terms of the custody agreement entered into between you and your CSDP or broker and upload same.

## PARTICIPATION

Following successful completion of the registration process contemplated above, you will be required to connect to the annual general meeting by using the link below and following the relevant prompts:

## Notice of annual general meeting

continued

### ACCESS AND NAVIGATION

If participating via computer, smartphone or tablet device, enter the following address into your web browser <https://web.lumiagm.com>. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.

Once you have entered <https://web.lumiagm.com> into your browser, you will be prompted to enter the meeting ID, which will be emailed to you (or your representative or proxy) following completion of the registration process outlined above.

Once you have successfully entered the meeting ID, you will be required to enter your username and password, both of which will have been emailed to you following completing of the registration process outlined above.

When you are successfully authenticated, the info screen will be displayed. You can view company information, ask questions, and watch the webcast. If you would like to watch the webcast, press the webcast icon at the bottom of the screen.

If viewing on a computer, the webcast will appear at the side automatically once the meeting has started.

### VOTING

Shareholders will be able to participate and vote during the annual general meeting on the electronic platform described above. Equity securities held by a company share trust or scheme will not have their votes taken into account at the annual general meeting for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

In terms of clause 19.6 of the MOI, voting at the annual general meeting is by way of a poll.

The chairman will open voting on the proposed resolutions. Once voting has opened, the polling icon will appear on the navigation bar at the bottom of the screen. From here, the proposed resolutions and voting choices will be displayed. To vote, simply select the requisite voting direction from the options shown on screen. A confirmation message will appear to show that the vote has been received. The confirmation of the vote being received will be depicted as follows: 'For – Vote received' or 'Against – Vote received'.

To change the vote, simply select another direction. If you wish to cancel the vote, press "Cancel".

Once the chairman has opened voting, voting can be performed at any time during the annual general meeting until the chairman closes the voting on the proposed resolutions. At that point your last recorded votes will be submitted.

You will still be able to send messages and view the webcast while the poll is open.

Shareholders who are participating via the electronic platform or by proxy at the annual general meeting will have 1 (one) vote for every ordinary share held or represented.

Although voting will be permitted by way of electronic communication, you are strongly encouraged to submit your votes by proxy before the annual general meeting.

### ASSISTANCE

If you experience any difficulty with (i) the registration process outlined above or (ii) logging into the annual general meeting you should request an agent of the transfer secretaries to assist you with such difficulty by emailing the following email address: [proxy@computershare.co.za](mailto:proxy@computershare.co.za).

## Notice of annual general meeting

continued

### ELECTRONIC NOTICE AND IDENTIFICATION

IMPORTANT NOTE: As required in terms of section 63(1) of the Companies Act, before any person may attend or participate in the annual general meeting, that person must present reasonably satisfactory identification, and the presiding person at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder or as a proxy for a shareholder, has been reasonably verified.

To comply with this verification procedure, if you wish to participate electronically in the annual general meeting you are strongly encouraged to email a written notice to the transfer secretary at [proxy@computershare.co.za](mailto:proxy@computershare.co.za) by no later than 9:30 on Tuesday, 16 May 2023 confirming that you wish to participate via electronic communication at the annual general meeting (the “electronic notice”). The electronic notice must contain a valid email address for the person wishing to participate and must be accompanied by:

- ◆ if you are an individual, a copy of your original South African identity document and/or passport and/or South African driver’s licence;
- ◆ if you are not an individual, a copy of a resolution by the relevant entity and a certified copy of the South African identity documents and/or passports of the persons who passed the relevant resolution, which resolution must set out who from the relevant entity is authorised to represent it at the annual general meeting via electronic communication; and
- ◆ in all cases, a valid email address and/or mobile telephone number.

Providing the above information is necessary for you to obtain a username and a unique nine-digit meeting identity code, without which it will not be possible to participate in the annual general meeting. Sufficient time is needed for the transfer secretary to verify the participant and then assign the username and meeting identity code, which reflects the number of ordinary shares in respect of which voting is permitted. If the number of ordinary shares reflected is nil, you will be able to attend the annual general meeting and view the proceedings as a guest but will not be able to ask questions, make comments or vote.

If you do not send an electronic notice recording your intention to participate in the annual general meeting to the transfer secretaries by 9:30 on Tuesday, 16 May 2023, you may still participate via electronic communication at the annual general meeting and may email the electronic notice to the transfer secretaries at any time prior to the commencement of the annual general meeting. However, for the purpose of effective administration, you (and your proxies and representatives) are strongly urged to send the electronic notice by 9:30 on Tuesday, 16 May 2023).

The electronic platform available via Lumi AGM is available for the duration of the annual general meeting at no cost to you. However, any third-party costs relating to the use or access of the webcast facilities will be for your own account, including network charges incurred while participating electronically. Any such charges will not be for the account of the JSE, the Company and/or the transfer secretaries.

None of the JSE, the Company or the transfer secretaries will be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents you from participating in and/or voting at the annual general meeting.

The provisions of the above paragraphs, in particular the procedures and actions to be taken in order to participate electronically in the annual general meeting, apply equally to your representative and/or proxy (if any).

Record date to receive notice of annual general meeting	Friday, 17 March 2023
Posting date of notice of annual general meeting and announced on SENS	Friday, 31 March 2023
Last date to trade to be eligible to attend, participate and vote at annual general meeting	Tuesday, 2 May 2023
Record date to be eligible to attend, participate and vote at annual general meeting	Friday, 5 May 2023
Forms of proxy to be lodged preferably by	9:30 on Tuesday, 16 May 2023
Annual general meeting to be held at	9:30 on Thursday, 18 May 2023
Results of annual general meeting announced on SENS	Thursday, 18 May 2023

## Notice of annual general meeting

continued

Sabcap shareholders should note that as transactions in Sabcap shares are settled in the electronic settlement system used by Strate, settlement of trades takes place 3 (three) business days after such trade. Therefore, persons who acquire Sabcap shares after the last day to trade in order to be eligible to attend and vote at the annual general meeting (i.e., Tuesday, 2 May 2023) will not be eligible to vote at the annual general meeting.

The purpose of the annual general meeting is for the following business to be transacted and for the ordinary and special resolutions set out below to be proposed.

### 1. Audited financial statements

To present the audited financial statements of the group and the Company as envisaged in section 30 of the Companies Act, including the directors' report, external auditors' report and the Audit, Risk and Compliance Committee report for the year ended 31 December 2022 as contained in the 2022 Annual Report available on the Company's website ([www.sabvestcapital.com](http://www.sabvestcapital.com)).

### 2. Integrated report, including King IV™ compliance report

To present this report as is contained on pages 22 to 32 of the 2022 Annual Report.

### 3. Report relating to the Social and Ethics Committee

To present this report, through one of its members, as is contained on page 48 of the 2022 Annual Report.

### 4. Ordinary and special resolutions

To consider and, if deemed fit, to pass with or without modification the following ordinary and special resolutions:

#### 4.1 Ordinary resolution number one

##### **Re-election of director**

“RESOLVED that Mr CS Seabrooke who retires as a director in terms of the Company's MOI and who offers himself for re-election, be and is hereby re-elected as a director of the Company.”

Please refer to page 21 of the 2022 Annual Report for Mr Seabrooke's brief curriculum vitae.

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

##### ***Explanation and effect of the resolution***

The reason for proposing ordinary resolution number one is to elect Mr CS Seabrooke as a director of the Company and the effect of the resolution is that Mr CS Seabrooke will be elected as a director of the Company.

#### 4.2 Ordinary resolution number two

##### **Re-election of director**

“RESOLVED that Mrs O Ighodaro, who retires as a non-executive director in terms of the Company's MOI and who offers herself for re-election, be and is hereby re-elected as a non-executive director of the Company.”

Please refer to page 21 of the 2022 Annual Report for Mrs Ighodaro's brief curriculum vitae.

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

##### ***Explanation and effect of the resolution***

The reason for proposing ordinary resolution number two is to elect Mrs O Ighodaro as a non-executive director of the Company and the effect of the resolution is that Mrs O Ighodaro will be elected as a non-executive director of the Company.

## Notice of annual general meeting

continued

### 4.3 Ordinary resolution number three

#### **Election of director**

“RESOLVED that Ms L Mthimunye, who retires as a non-executive director in terms of the Company’s MOI and who offers herself for re-election, be and is hereby re-elected as a non-executive director of the Company.”

Please refer to page 21 of the 2022 Annual Report for Ms Mthimunye’s brief curriculum vitae.

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

#### ***Explanation and effect of the resolution***

The reason for proposing ordinary resolution number three is to elect Ms L Mthimunye as a non-executive director of the Company and the effect of the resolution is that Ms L Mthimunye will be elected as a non-executive director of the Company.

### 4.4 Ordinary resolution number four

#### **Election of director**

“RESOLVED that Mr K De Matteis, who retires as a director in terms of the Company’s MOI and who offers himself for re-election, be and is hereby re-elected as a director of the Company.”

Please refer to page 21 of the 2022 Annual Report for Mr De Matteis’ brief curriculum vitae.

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

#### ***Explanation and effect of the resolution***

The reason for proposing ordinary resolution number four is to elect Mr K De Matteis as a director of the Company and the effect of the resolution is that Mr K De Matteis will be elected as a director of the Company.

### 4.5 Ordinary resolution number five

#### **Appointment of independent external auditors**

“RESOLVED that on the recommendation of the Audit Committee, PricewaterhouseCoopers be appointed as independent registered auditors of the Company, with Mr Pieter Pelcher as the lead audit partner.”

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

#### ***Explanation and effect of the resolution***

The reason for proposing ordinary resolution number five is to appoint PricewaterhouseCoopers as the Company’s independent registered auditors and Mr Pieter Pelcher as the individual registered auditor (following the mandatory rotation of Deloitte & Touche). The effect of the resolution is that PricewaterhouseCoopers will be appointed as the Company’s independent registered auditors and Mr Pieter Pelcher as the independent registered auditor.

## Notice of annual general meeting

continued

### 4.6 Ordinary resolution number six

“RESOLVED that, subject to the passing of ordinary resolution number three, Ms L Mthimunye, as an independent non-executive director of the Company, who meets the required criteria for a member of the Audit Committee stipulated in the MOI of the Company and the Companies Act, be elected as a member of the Audit Committee, until the next annual general meeting of the shareholders of the Company, subject to the provisions of the MOI of the Company and the Companies Act.”

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

### 4.7 Ordinary resolution number seven

“RESOLVED that, subject to the passing of ordinary resolution number two, Mrs O Ighodaro, as an independent non-executive director of the Company, who meets the required criteria for a member of the Audit Committee stipulated in the MOI of the Company and the Companies Act, be elected as a member of the Audit Committee, until the next annual general meeting of the shareholders of the Company, subject to the provisions of the MOI of the Company and the Companies Act.”

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

### 4.8 Ordinary resolution number eight

“RESOLVED that, Mr BJT Shongwe, as an independent non-executive director of the Company, who meets the required criteria for a member of the Audit Committee stipulated in the MOI of the Company and the Companies Act, be elected as a member of the Audit Committee, until the next annual general meeting of the shareholders of the Company, subject to the provisions of the MOI of the Company and the Companies Act.”

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

#### *Explanation and effect of resolutions six to eight*

All public companies are required to have an Audit Committee comprising at least three persons who are independent non-executive directors and eligible in terms of Section 94(2) of the Companies Act. In terms of Section 94(2) of the Companies Act, an Audit Committee must be elected annually at the annual general meeting of a public company. The Section 94 requirements of the Companies Act are fulfilled by the Audit Committee. The effect is that the three aforesaid persons will be appointed as members of the Audit Committee of the Company.

### 4.9 Ordinary resolution number nine

#### **Non-binding advisory vote on Remuneration Policy**

“RESOLVED that the Company’s Remuneration Policy is hereby endorsed by way of a non-binding advisory vote.”

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

The remuneration policy appears on pages 35 and 36 of the 2022 Annual Report.

## Notice of annual general meeting

continued

### 4.10 Ordinary resolution number ten

#### **Non-binding advisory vote on Remuneration Implementation Report**

“RESOLVED that the Company’s Remuneration Implementation Report be and is hereby endorsed by way of non-binding advisory vote.”

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

The Remuneration Implementation Report appears on page 36 of the 2022 Annual Report.

#### ***Explanation and effect of the resolution***

In accordance with the recommendations of the King Code of Corporate Governance for South Africa as well as the JSE Listings Requirements, it is recommended that the Board of the Company put the Remuneration Implementation Report to shareholders who can vote thereon in a non-binding advisory capacity. The Report includes details of intended changes to 2023 packages, fees and incentives relative to 2022.

### 4.11 Ordinary resolution number eleven

#### **Amendment to the Company’s Investment Policy**

“RESOLVED that the proposed Investment Policy, the salient features of which are substantially the same as the current approved Investment Policy except for those outlined in the explanation, is hereby approved.”

In order for this ordinary resolution to be adopted, it must be supported by more than 50% of the votes cast by shareholders present or represented by proxy at this meeting.

#### ***Explanation and effect of the resolution***

The Company adheres to the King Code of Corporate Governance for South Africa, and accordingly puts the Company’s updated Investment Policy to shareholders who can vote thereon.

The proposed Investment Policy includes an amendment to the Growth Targets as follows:

- ◆ Subcap aims over three year periods to:
  - increase NAV per share by CPI +10% p.a.; and
  - maintain or increase dividends annually but subject to the sole discretion of the Board in each reporting period in the course of considering capital allocation decisions between new investments, liquidity, share buybacks and dividends.

A full copy of the Investment Policy appears on pages 40 to 42 of the 2022 Annual Report. The effect of this resolution is that the proposed amendment to the Investment Policy will be approved and adopted.

### 4.12 Ordinary resolution number twelve

#### **Authority to sign all documents required**

“RESOLVED that any director of the Company or the Company Secretary be and is hereby authorised to sign all documents and perform all acts which may be required to give effect to such ordinary resolutions 1 to 11 and special resolutions 1 to 4 passed at the annual general meeting.”

#### ***Explanation and effect of the resolution***

The resolution grants authority to any director or the Company Secretary to carry out, execute all documents and do all such things as he may in his discretion consider necessary or appropriate in connection with and to implement and give effect to the ordinary resolutions above and special resolutions below.

## Notice of annual general meeting

continued

### 4.13 Special resolution number one

#### Approval of proposed non-executive directors' remuneration for the year ending 31 December 2023

“RESOLVED that the remuneration of the non-executive directors in respect of services as directors of the Company for the financial year ending 31 December 2023 be authorised and determined on the basis and the amounts set out below.

Fees are:

- (i) paid to non-executive directors semi-annually;
- (ii) determined by the Board on a market-related basis as recommended by the Sabcap Remuneration and Nominations Committees; and
- (iii) stated excluding VAT and before PAYE (where applicable).

	Year ending 2023 R	Year ended 2022 R
Chairman	845 000	790 000
Lead independent director	513 000	480 000
Non-executive directors	321 000	300 000
Chairman of the Audit Committee	230 000	215 000
Chairman of the Remuneration Committee	134 000	125 000
Chairman of the Nominations Committee	112 000	105 000
Chairman of the Social, Ethics and Transformation Committee	123 000	115 000
Audit Committee members/invitees	134 000	125 000
Remuneration Committee members/invitees	80 000	75 000
Nomination Committee members/invitees	77 000	72 000
Social, Ethics and Transformation Committee members/invitees	73 000	68 000
Chairman of the Investment Committee	350 000	350 000
Investment Committee members/invitees	275 000	275 000

#### *Explanation and effect of special resolution number one*

The Companies Act requires shareholder approval of directors' fees in advance by way of special resolution.

These fees have been recommended by the Sabcap Remuneration Committee and are regarded as fair for the level and quality of services provided by the non-executive directors of the Company, in Board and Committee forums and generally during the year and relative to the size of the Company. The fees have been adjusted relative to the prior year after consideration of the benchmark fees survey by IoDSA. Attendance fees are not regarded as necessary or appropriate.

The passing of this special resolution number one will have the effect of approving the remuneration and the basis, therefore, of each of the non-executive directors of the Company for the financial year ending 31 December 2023. The above fee structure for non-executive directors will replace any fee structure which may have been agreed by a special resolution of the shareholders at a previous meeting of shareholders.

In terms of the Companies Act, 75% of the votes cast by shareholders present or represented by proxy at this meeting must be cast in favour of this resolution for it to be adopted.



## Notice of annual general meeting

continued

### 4.14 Special resolution number two

#### **Authority to provide financial assistance in terms of Section 45 of the Companies Act to any group company**

“RESOLVED that the Board may, subject to compliance with the Company’s MOI and the requirements of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company) authorise the Company to provide at any time and from time to time during the 2 (two) years commencing on the date of adoption of this special resolution, direct or indirect financial assistance including without limitation by way of lending money, guaranteeing a loan or other obligation, securing any debt obligation or otherwise, as envisaged in Section 45 of the Companies Act, to related or inter-related companies or to members of the related or inter-related corporation, or to persons related to any such company or corporation provided that such financial assistance may be granted up to a limit of R5bn (five billion rand) on a cumulative and additive basis. This authority shall not extend beyond 2 (two) years from the date of this annual general meeting.”

#### ***Explanation and effect of special resolution number two***

In terms of the Companies Act, the Board may authorise the Company to provide any financial assistance to related or inter-related companies which are group companies, including subsidiary companies of the Company, where it believes it would be beneficial to the Company to do so in future, subject to certain requirements set out in the Companies Act, including the Company meeting the solvency and liquidity tests as set out in the Companies Act. This general authority for a maximum specific amount is necessary for the Company to continue making loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. If approved, this general authority will expire at the end of 2 (two) years and the R5bn cap will apply cumulatively over that period. It is, however, the intention to renew the authority annually at the annual general meeting.

#### ***Notifications***

Shareholders are hereby notified in terms of Section 45(5) of the Companies Act that the Board will pass the same resolution to take effect on the passing of this special resolution by shareholders and that the Board is satisfied that the Company meets the solvency and liquidity tests.

In terms of the Companies Act, 75% of the votes cast by shareholders present or represented by proxy at the meeting must be cast in favour of this special resolution for it to be adopted.

### 4.15 Special resolution number three

#### **Authority to provide financial assistance in terms of section 44 of the Companies Act**

“RESOLVED that the Board may, subject to compliance with the Company’s MOI and the requirements of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company) authorise the Company to provide at any time and from time to time during the 2 (two) years commencing on the date of adoption of this special resolution, direct or indirect financial assistance including without limitation by way of lending money, guaranteeing a loan or other obligation, securing any debt obligation or otherwise, to related or inter-related companies or to members of the related or inter-related corporation, or to persons related to any such company or corporation provided that such financial assistance may be granted up to a limit of R5bn (five billion rand) on a cumulative and additive basis. This authority shall not extend beyond 2 (two) years from the date of this annual general meeting.”



## Notice of annual general meeting

continued

### *Reason for and effect of special resolution number three*

The reason for special resolution number three is to obtain the mandatory approvals from the shareholders to enable the Company to provide any financial assistance (to the extent that it is construed to be financial assistance for the purposes of section 44 of the Companies Act) to any person/s for the purpose of or in connection with the subscription of any shares, option, or any securities issued or to be issued by the Company or a related or inter-related company as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the Company or a related or inter-related company in accordance with the provisions of section 44 of the Companies Act. The effect of special resolution number three, if approved, is that the Company will have the necessary authority to provide financial assistance, as envisaged in section 44 of the Companies Act, provided that the Board will not approve a resolution to authorise such financial assistance unless the Board is satisfied that:

- ◆ immediately after providing such financial assistance, the Company would satisfy the solvency and liquidity tests as contemplated in section 4 of the Companies Act;
- ◆ the terms under which such financial assistance is proposed to be given in terms of section 44 of the Companies Act are fair and reasonable to the Company; and
- ◆ it has ensured that any conditions and restrictions respecting the granting of financial assistance set out in the Company's MOI have been satisfied.

The authority from the shareholders in this special resolution number three will allow the Company to give effect to the provision by the Company of any financial assistance (to the extent that such assistance constitutes financial assistance for the purposes of section 44 of the Companies Act).

In terms of the Companies Act, 75% of the votes cast by shareholders present or represented by proxy at the meeting, must be in favour of this special resolution for it to be adopted.

## 4.16 Special resolution number four

### **General authority to repurchase shares**

“RESOLVED that the Company and/or any subsidiary of the Company is hereby authorised, by way of a renewable general authority, from time to time, to acquire ordinary shares in the share capital of the Company in accordance with the requirements of the Company's MOI, the Companies Act and the JSE Listings Requirements, provided that:

- ◆ this general authority shall be valid until the earlier of the last day of the month prior to the Company's next annual general meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that it shall not extend beyond 15 (fifteen) months from the date of passing this special resolution number four;
- ◆ an announcement will be published as soon as the Company or any of its subsidiaries have together acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue and for each 3% (three percent) in aggregate of the initial number acquired thereafter, in compliance with paragraph 11.27 of the JSE Listings Requirements;
- ◆ subject to section 48 of the Companies Act, the general authority to repurchase is limited to a maximum of 20% (twenty percent) in the aggregate in any one financial year of the Company's issued share capital at the beginning of the financial year, provided that the number of shares purchased and held by or for the benefit of a subsidiary or subsidiaries of the Company, taken together, shall not exceed 10% (ten percent) in the aggregate of the number of issued shares in the Company at any time;
- ◆ such general repurchase will be subject to the applicable provisions of the Companies Act in relation to that particular repurchase;
- ◆ shares of the Company may not be acquired at a price greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of acquisition of such shares;

## Notice of annual general meeting

continued

- ◆ the Company has been given authority to repurchase shares by its MOI;
- ◆ the Board of directors authorise the repurchase, the group and the Company passes the solvency and liquidity test and that from the time that the test is done, there will be no material changes to the financial position of the Company;
- ◆ at any point in time, the Company and/or its subsidiaries may only appoint one agent to effect any such repurchase;
- ◆ the Company and/or its subsidiaries will not repurchase any shares during a prohibited period, as defined in the JSE Listings Requirements unless a repurchase programme is in place, as contemplated in terms of 5.72(h) of the JSE Listings Requirement, the full details of which have been submitted to the JSE in writing. The Company and/or its subsidiaries will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- ◆ repurchases will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party (reported trades are prohibited);
- ◆ that this general authority be valid only until the last day of the month prior to the next annual general meeting or 15 (fifteen) months from the date of the passing of this resolution, whichever is the earlier date;
- ◆ the Board will pass a resolution authorising the repurchase and that the Company and the Group have passed the solvency and liquidity test as set out in section 4 of the Companies Act, and that since the test was done there have been no material changes to the financial position of the Group;
- ◆ any general repurchase is subject to exchange control regulations and approvals in place at that point in time; and
- ◆ the Company is authorised to approve, to the extent necessary, a resolution to acquire shares in the Company by the board of a subsidiary company".

In order for this special resolution to be adopted, it must be supported by more than 75% of the votes cast by shareholders present or represented by proxy at this meeting.

Shareholders are referred to page 114 of this notice of annual general meeting for further disclosure pertaining to this special resolution four in accordance with the JSE Listings Requirements.

### ***Notification***

Shareholders are advised that the Board will not authorise any repurchase unless it is satisfied that the Company will satisfy the solvency and liquidity test and will ensure that terms under which the shares are repurchased are fair and reasonable to the group and the Company.

### ***Reason for and effect of special resolution number four***

The reason for and the effect of the special resolution is to grant to the directors of the Company a general authority, up to and including the last day of the month before the next annual general meeting of the Company or the expiration date of the period commencing on the date of passing of the special resolution and expiring on the date 15 (fifteen) months thereafter, to approve the Company's repurchase of shares in itself, or to permit a subsidiary of the Company to purchase shares in the Company.

The directors of the Company will continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number four.

In terms of the Companies Act, 75% of the votes cast by shareholders present or represented by proxy at the meeting, must be cast in favour of this resolution for it to be adopted.

## Notice of annual general meeting

continued

### 5. To transact such other business as may be transacted at an annual general meeting

The JSE Listings Requirements require the following disclosure, some of which are elsewhere in the 2022 Annual Report of which this notice forms part as set out below:

#### 5.1 Directors' responsibility statement

The directors, whose names are given on page 21 of the 2022 Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this disclosure and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

#### 5.2 Material change 11.26 (b) (iii) or no material changes to report

Other than the facts and developments reported on in the 2022 Annual Report, there have been no material changes in the financial position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice.

Additional disclosure required in terms of the Companies Act and the JSE Listings Requirements relating to special resolution numbers 2, 3 and 4.

#### 5.3 Solvency and liquidity statement

The Board of directors of the Company confirms that the Company will not enter into a transaction to provide financial assistance or to repurchase shares pursuant to special resolutions numbers 2, 3 and 4 unless:

- ◆ the Company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date of the provision of financial assistance or the repurchase of shares as the case may be;
- ◆ the assets of the Company and the group, as fairly valued, equal to or exceed the liabilities of the Company, as fairly valued, for a period of 12 (twelve) months after the date of the provision of financial assistance or the repurchase of shares as the case may be;
- ◆ the share capital and reserves of the Company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the provision of financial assistance or the repurchase of shares as the case may be; and
- ◆ the working capital available to the Company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the provision of financial assistance or the repurchase of shares as the case may be.

# FORM OF PROXY



## SABVEST CAPITAL LIMITED

Incorporated in the Republic of South Africa  
 Registration number 2020/030059/06  
 ISIN: ZAE000283511 JSE share code: SBP  
 "Sabcap" or "the Company"

All the terms defined in the Notice to Shareholders of the Annual General Meeting ("Notice"), to which this Form of Proxy is attached, shall bear the same meaning when used in this Form of Proxy.

This Form of Proxy is for use only by Certificated Shareholders or Dematerialised Shareholders who have Dematerialised their Sabcap Shares with "Own Name" Registration and who are unable to attend the Annual General Meeting to be held at 9:30 in electronic format only via the Lumi AGM platform in terms of the provisions of the Companies Act, 2008, on Thursday, 18 May 2023, but who wish to be represented thereat.

Dematerialised Shareholders, other than those with "Own Name" Registration, are advised to contact their CSDP or Broker with their voting instructions in respect of the Annual General Meeting. Dematerialised Shareholders, other than those with "Own Name" Registration, who wish to attend the Annual General Meeting should obtain a letter of representation from their CSDP or Broker.

A Sabcap Shareholder is entitled to appoint one or more proxies to attend, participate in, speak and vote or abstain from voting in the place of that Sabcap Shareholder at the Annual General Meeting.

Shareholders are advised to consult the Notice for full details on electronic participation and voting at the Annual General Meeting.

I/We (Full name in block letters)

of address

Telephone number:

Cellphone number:

being the holder of

Sabcap Shares, do hereby appoint

1. \_\_\_\_\_ or failing him/her,
2. \_\_\_\_\_ or failing him/her,
3. the chairman of the Annual General Meeting

as my/our proxy to attend and speak for me/us and on my/our behalf at the Annual General Meeting and at any adjournment or postponement thereof and to vote or abstain from voting as indicated on the resolutions to be considered at the Annual General Meeting

	For	Against	Abstain
<b>Ordinary resolution number one</b> – Re-election of director – Mr CS Seabrooke			
<b>Ordinary resolution number two</b> – Re-election of director – Mrs O Ighodaro			
<b>Ordinary resolution number three</b> – Re-election of director – Ms L Mthimunywe			
<b>Ordinary resolution number four</b> – Re-election of director – Mr K De Matteis			
<b>Ordinary resolution number five</b> – Appointment of independent external auditors			
<b>Ordinary resolution number six</b> – Re-election of Audit Committee member – Ms L Mthimunywe			
<b>Ordinary resolution number seven</b> – Re-election of Audit Committee member – Ms O Ighodaro			
<b>Ordinary resolution number eight</b> – Re-election of Audit Committee member – Mr BJT Shongwe			
<b>Ordinary resolution number nine</b> – Non-binding advisory vote on Remuneration Policy			
<b>Ordinary resolution number ten</b> – Non-binding advisory vote on Remuneration Implementation Report			
<b>Ordinary resolution number eleven</b> – Approval of proposed amendment to the Investment Policy			
<b>Ordinary resolution number twelve</b> – Authority to sign all documents required			
<b>Special resolution number one</b> – Approval of proposed non-executive directors' remuneration for the year ending 31 December 2023			
<b>Special resolution number two</b> – Authority to provide financial assistance in terms of Section 45 of the Companies Act to any group company			
<b>Special resolution number three</b> – Authority to provide financial assistance in terms of section 44 of the Companies Act			
<b>Special resolution number four</b> – General authority to repurchase shares			

**Note:** Please indicate with an "X" or the number of Sabcap Shares in the spaces above how you wish your votes to be cast. If no indication is given, the proxy will vote or abstain in his discretion.

All resolutions put to the vote shall be decided by way of a poll. Every Ordinary Shareholder who is present in person, by proxy or represented at the Annual General Meeting shall, on a poll, have 1 vote for each Ordinary Share held by it.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023

Signature

Assisted by (where applicable) (state capacity and full name)

Please read the notes appearing on the reverse hereof.

## Instructions for completing and lodging this Form of Proxy

1. This Form of Proxy should only be used by Certificated Shareholders or Sabcap Shareholders who have Dematerialised their Sabcap Shares with "Own Name" Registration.
2. All other Sabcap Shareholders who have Dematerialised their Sabcap Shares through a CSDP or Broker and wish to attend the Annual General Meeting, must provide the CSDP or Broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or Broker.
3. A Sabcap Shareholder may insert the name/s of one or more proxies, none of whom need be a Sabcap Shareholder, in the space provided, with or without deleting "the chairman of the Annual General Meeting". The person whose name appears first on the Form of Proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the Annual General Meeting.
4. A Sabcap Shareholder's instructions on a Form of Proxy must be indicated by the insertion of an "X" or the number of Sabcap Shares in the appropriate space provided. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all of the Sabcap Shareholder's votes exercisable thereat. A Sabcap Shareholder or its proxy is not obliged to use all the votes exercisable by the Sabcap Shareholder or its proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the Sabcap Shareholder or by its proxy.
5. For administrative purposes, completed Forms of Proxy must reach the Transfer Secretaries at [proxy@computershare.co.za](mailto:proxy@computershare.co.za) by 9:30 on Tuesday, 16 May 2023 or emailed to the transfer secretary (who will provide this to the Chairman of the Annual General Meeting) before at any time prior to the Annual General Meeting, with the understanding that such form of proxy and identification must be verified and registered before the commencement of the Annual General Meeting before the proxy/ies will be permitted to participate.
6. The completion and lodging of this Form of Proxy shall in no way preclude the Sabcap Shareholder from attending, speaking and voting in person (via the electronic platform) at the Annual General Meeting to the exclusion of any proxy appointed in terms hereof, subject to the electronic participation procedures.
7. Should this Form of Proxy not be completed and/or received in accordance with these notes, the chairman of the Annual General Meeting may accept or reject it, provided that in the case of acceptance, the chairman of the Annual General Meeting is satisfied as to the manner in which the Sabcap Shareholder wishes to vote.
8. Documentary evidence establishing the authority of the person signing this Form of Proxy in a representative or other legal capacity must be attached to this Form of Proxy unless previously recorded by the Transfer Secretaries or waived by the chairman of the Annual General Meeting.
9. The chairman of the Annual General Meeting shall be entitled to reject the authority of a person signing the Form of Proxy -
  - 9.1 under a power of attorney; or
  - 9.2 on behalf of a company,
 unless that person's power of attorney or authority is deposited at the registered office of or emailed to the Company or the Transfer Secretaries not less than 48 hours before the Annual General Meeting.
10. Where Sabcap Shares are held jointly, all joint holders are required to sign the Form of Proxy.
11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered with the Transfer Secretaries.
12. Any alteration of or correction to this Form of Proxy must be initialled by the signatory/ies.
13. All resolutions put to the vote at the Annual General Meeting shall be decided by way of poll. Every Ordinary Shareholder who is present in person, by proxy or represented at the Annual General Meeting shall, on a poll, have 1 vote for each Ordinary Share held by it.
14. If the Annual General Meeting is adjourned or postponed, Forms of Proxy submitted for the initial Annual General Meeting will remain valid in respect of any adjournment or postponement of the Annual General Meeting.





[www.sabvestcapital.com](http://www.sabvestcapital.com)