



Sabvest Limited

Incorporated in the Republic of South Africa

Registration number 1987/003753/06

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

ISIN: ZAE000006417 – ordinary shares

ISIN: ZAE000012043 – “N” ordinary shares

Share code: SBV – ordinary shares

Share code: SVN – “N” ordinary shares

AUDITED PRELIMINARY CONSOLIDATED SUMMARISED RESULTS

for the year ended 31 December 2016

and cash dividend declaration

Consolidated Summarised Statement of Financial Position

as at 31 December 2016

	31 Dec 2016 Audited R'000	Reclassified *1 31 Dec 2015 Audited R'000
Non-current assets	2 009 727	1 896 073
Property, plant and equipment	1 365	1 369
Investment holdings	2 008 362	1 894 704
Unlisted investments	1 421 820	1 252 040
Listed investments	586 542	642 664
Current assets	158 207	202 427
Finance advances and receivables	3 858	7 319
Offshore investment holdings	151 262	140 077
Share portfolio	–	–
Equity investment	23 003	46 671
Bond portfolio	128 259	26 452
Offshore cash investment portfolio	–	66 954
Cash balances	3 087	55 031
Local	3 087	55 031
Total assets	2 167 934	2 098 500
Ordinary shareholders' equity	1 659 255	1 701 382
Non-current liabilities	413 689	356 556
Interest-bearing debt	90 000	100 000
Deferred tax liabilities	323 689	256 556
Current liabilities	94 990	40 562
Interest-bearing debt	77 732	9 240
Offshore portfolio finance	36 577	–
Current portion of interest-bearing debt	30 000	–
Local other interest-bearing debt	11 155	9 240
Accounts payable	17 258	31 322
Total equity and liabilities	2 167 934	2 098 500
Net asset value per share with investments at fair value – cents	3 646	3 719
Number of shares in issue less held in treasury – 000's	45 513	45 748

Consolidated Summarised Statement of Cash Flows

for the year ended 31 December 2016

	31 Dec 2016 Audited R'000	31 Dec 2015 Audited R'000
Cash generated by operating activities	21 651	62 099
Cash (utilised in)/generated by investing activities	(101 748)	39 267
Cash effects of financing activities *	51 881	(20 402)
Cash utilised for the payment of dividends	(23 728)	(21 093)
Change in cash and cash equivalents	(51 944)	59 871
Cash balances, less current interest-bearing debt excluding portfolio finance, at beginning of year	55 031	(4 840)
Cash balances, less RSA interest-bearing debt, at end of year	3 087	55 031

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

Consolidated Summarised Statement of Comprehensive Income

for the year ended 31 December 2016

	31 Dec 2016 Audited R'000	31 Dec 2015 Audited R'000
Gross income from operations and investments	111 329	590 256
Dividends received	63 340	91 585
Interest received	10 980	5 062
Income on financial instruments and shares	5 313	57 312
Fees and sundry income	1 147	2 920
Fair value adjustments to investments	30 549	433 377
– Listed	(127 425)	82 753
– Unlisted	157 974	350 624
Direct transactional costs	(518)	(508)
Interest paid	(15 175)	(7 445)
Net income before expenses	95 636	582 303
Less: Expenditure	(24 329)	(43 689)
Operating costs	(23 943)	(43 392)
Depreciation	(386)	(297)
Net income before taxation	71 307	538 614
Taxation – deferred	(67 133)	(78 697)
– current year	(11 422)	(78 697)
– CGT arising from change in inclusion rate	(55 711)	–
Net income for the year attributable to equity shareholders	4 174	459 917
Translation of foreign subsidiary *2	(15 961)	35 079
Total comprehensive (loss)/income attributable to equity shareholders	(11 787)	494 996
Earnings per share – cents	9,2	1 003,9
Dividends per share (proposed after interim/year-end) – cents	55,0	50,0
Weighted average number of shares in issue – 000's	45 600	45 815
Headline earnings per share – cents *3	9,2	1 003,9
Reconciliation of headline earnings		
Net income for the year	4 174	459 917
Loss on sale of property, plant and equipment	5	–
Headline earnings for the year	4 179	459 917

*1 There has been a reclassification relating to listed and unlisted investments. This is with regard to 15 million Rolfes shares held indirectly through participating preference shares held in Masimong Chemicals (Pty) Ltd.

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

*3 There are no diluting instruments.

Consolidated Summarised Statement of Changes in Equity

for the year ended 31 December 2016

	Share capital R'000	Share premium R'000	Non-distributable reserve R'000	Distri- butable reserve R'000	Total R'000
Balance as at 1 January 2015	856	45 748	35 397	1 151 072	1 233 073
Total comprehensive income for the year	–	–	35 079	459 917	494 996
Loss in share trust	–	–	(1)	–	(1)
Shares held in treasury	–	(5 593)	–	–	(5 593)
Dividends paid	–	–	–	(21 093)	(21 093)
Balance as at 31 December 2015	856	40 155	70 475	1 589 896	1 701 382
Total comprehensive loss for the year	–	–	(15 961)	4 174	(11 787)
Loss in share trust	–	–	(1)	–	(1)
Shares held in treasury – written back	–	5 593	–	–	5 593
Shares held in treasury	(1)	(12 203)	–	–	(12 204)
Dividends paid	–	–	–	(23 728)	(23 728)
Balance as at 31 December 2016	855	33 545	54 513	1 570 342	1 659 255

Contingent liabilities

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

Year 1	R481 000.
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- An offshore subsidiary has provided a guarantee of \$250 000 on behalf of an investee.

Investment holdings

as at 31 December 2016

	Economic interest %	Fair value R'000
Investments		
Unlisted		
Flexo Line Products (Pty) Ltd	25,0	
SA Bias Industries (Pty) Ltd *1	58,2	
Sunspray Food Ingredients (Pty) Ltd *2	22,0	
		1 421 820
Listed		
	Ordinary shares	
Brait S.E.	758 477	66 412
Metrofile Holdings Limited	25 000 000	124 750
Rolfes Holdings Limited	6 000 000	29 880
Rolfes Holdings Limited *3	22 500 000	112 050
Torre Industries Limited	62 200 000	108 850
Transaction Capital Limited	10 000 000	144 600
		586 542
Long-term investment holdings		2 008 362
Offshore investment holdings		151 262
Share portfolio		–
Bond portfolio		128 259
Corero Network Security Plc	15 500 000	23 003
TOTAL HOLDINGS		2 159 624

*1 Voting interest 49%.

*2 Held through Famdeen Investments (Pty) Ltd.

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

Commentary

Profile

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

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

Changes in investment holdings

During the year Sabvest:

- purchased 5m shares in Metrofile for R20,4m, thereby increasing its holding to 25m shares representing a 5,5% interest in Metrofile;
- purchased 1,2m shares in Torre Industries for R2,8m, thereby increasing its holding to 62,2m shares representing a 12% interest in Torre;
- purchased 3m shares in Rolfes Holdings for R10,8m, thereby increasing its direct holding in Rolfes to 6m shares;
- purchased additional participating preference shares of R23,5m in Masimong Chemicals, the value of which is directly linked to the performance of 7,5m ordinary shares in Rolfes Holdings, thereby increasing its holding in preference shares to an amount linked to the performance of 22,5m Rolfes shares, which, together with the 6m Rolfes shares referred to above, constitute direct and indirect interests of 17,5% in Rolfes;
- purchased and sold 500 000 shares in Datatec;
- purchased 2,38m shares in Corero Network Security for R3,6m (GB213 000), thereby increasing its interest in Corero to 15,5m shares representing an interest of 7,6% in Corero;
- increased its offshore bond portfolio to R128m;
- purchased 25% of Flexo Line Products (Pty) Ltd; and
- purchased 9 455 Sabvest ordinary shares and 225 526 Sabvest “N” ordinary shares for R6,6m, and which are presently held as treasury shares in a subsidiary.

Subsequent to the reporting date Sabvest:

- has contracted to purchase 26% of Classic Food Products (Pty) Ltd;
- has reduced its offshore bond portfolio by R46,9m (\$3,4m) to R81,3m (\$5,9m); and
- has re-opened its offshore share portfolio in an amount of R59,5m (\$4,5m).

Financial results

PAT decreased by 99% and headline earnings per share decreased by 99% to 9 cents per share.

The results for 2016 have been affected by negative fair value adjustments in the listed share portfolio arising from falls in the share prices of Sabvest’s holdings in Brait, Corero and Torre during the year, and by a one-off increase in the deferred tax liability on fair value adjustments relating to prior years due to the increase in the enacted rate of CGT.

All of the group’s unlisted investments and its listed investments in Metrofile, Rolfes and Transaction Capital performed satisfactorily.

NAV per share decreased by 2% to 3 646 cents per share.

Shareholders’ funds decreased by 2% to R1,659bn.

DPS for the year increased by 10% to 55 cents per share.

Listed investments

- Brait’s share price reduced materially pursuant to concerns relating to its interests in the United Kingdom after the Brexit vote and in particular the uncertain outlook for sterling and the weakness in the retail sector and the effects on its investment in New Look.
- Metrofile produced slightly lower growth in earnings than in prior years. Its share price was stable during the period.
- Torre Industries’ share price fell materially due to poor operating performances across the group and in particular in the divisions affected by weakness in the mining and industrial sectors. Prospects are satisfactory once activity in these sectors improves.
- Rolfes Holdings produced excellent results ahead of expectations and its share price increased materially.
- Transaction Capital continues to trade very satisfactorily and in line with expectations. It produced good growth for the year and its share price strengthened in response.

- The group's geared offshore bond portfolio performed satisfactorily with US dollar returns of 9,4% for the year. The portfolio comprised 29 fixed date redeemable bonds 2018 – 2022 with an average rating of BB.
- The group's offshore share portfolio was re-opened after the year-end in an initial amount of \$4,5m. It comprises a spread of large cap shares but primarily focused on the IT and biotech sectors. The bond and share portfolios are listed on Sabvest's website.
- The Corero share price continues to be volatile on small volumes and reduced materially during the year. Corero continues to extend its customer base and prospects remain satisfactory.

Unlisted industrial investments

- SA Bias Industries' results for the year showed satisfactory growth assisted by its increased interest from 60% to 100% in the UK based Flowmax Group, effective 31 December 2015. Its business units comprise:
 - International Trimmings & Labels Group (ITL);
 - Narrowtex Group;
 - Apparel Components;
 - Flowmax Group; and
 - Sabias Investments.
- Sunspray traded well with profitability ahead of budget.
- Flexo Line is trading to expectations since its acquisition in October 2016. Flexo Line is a manufacturing business that specialises in high quality injection moulded plastic products primarily for the spice industry locally and internationally.
- Subsequent to the year-end Sabvest has contracted to acquire 26% of Classic Food Products (Pty) Ltd which is a Durban based producer of fresh and packaged food products to the retail and food distribution centres, and its production facilities are also Halaal accredited.

Unlisted investments continue to be valued using the maintainable earnings model (NOPAT) adjusted for net cash/debt. The earnings multiples utilised were unchanged from prior periods. The investment in Flexo Line will be carried at cost for the first twelve months.

Subsequent events

There were no subsequent events.

Dividends

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

Dividends are considered twice annually. The dividend has been increased by 10% to 55 cents per share (2016: 50 cents per share).

Shareholders are referred to the final cash dividend declaration included in this report.

Related parties

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

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

Accounting policies

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

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

This announcement does not include the information required pursuant to paragraph 16A(j) of IAS34. The full annual financial statements of the group, set out these disclosures and are available at the issuer's registered offices.

Audit opinion

The auditors, Deloitte & Touche, have issued an unmodified audit opinion on the consolidated financial statements for the year ended 31 December 2016. Their audit was conducted in accordance with the International Standards of Auditing. The audited preliminary consolidated summarised results presented have been derived from the audited consolidated financial statements for the year ended 31 December 2016. The auditors, Deloitte & Touche, have issued an unmodified opinion of the preliminary consolidated summarised financial information. The auditors' report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' work they should obtain a copy of that report with the accompanying financial information from the registered office of the company. A copy of the full consolidated financial statements including the audit report and report on this preliminary consolidated summarised information are available for inspection at the company's registered office.

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

Directorate

There were no changes during the period.

Changes within the existing directorate were advised to shareholders on SENS on 19 January 2017 and will be effective on 15 May 2017.

King III compliance

Sabvest's compliance report has been updated on the Sabvest website.

Prospects

The group's unlisted investee companies are budgeting for improved profitability in 2017.

Most of the group's listed investee companies are performing to expectations except for those trading in the industrial and mining sectors in Africa where performance is difficult to project. It is obviously not possible to project likely listed share prices.

Overall we anticipate a satisfactory year in 2017.

For and on behalf of the Board

Philip Coutts-Trotter <i>Chairman</i>	Christopher Seabrooke <i>CEO</i>	Raymond Pleaner <i>CFO</i>
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Sandton
28 February 2017

Cash dividend declaration

Notice is hereby given that a final gross dividend of 32 cents (2015: 29 cents) per ordinary and "N" ordinary share, out of income reserves, for the twelve months ended 31 December 2016 has been declared.

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

Withholding tax on dividends at a rate of 20% will be deducted for all shareholders who are not exempt in terms of the legislation. This will result in a final net cash dividend of 25,6 cents per ordinary and "N" ordinary share to non-exempt shareholders.

Last date to trade "CUM" dividend	Monday, 20 March 2017
Trading "EX" dividend commences	Wednesday, 22 March 2017
Record date	Friday, 24 March 2017
Dividend payment date	Monday, 27 March 2017

No dematerialisation or rematerialisation of share certificates will be allowed during the period Wednesday, 22 March 2017 to Friday, 24 March 2017, both days inclusive.

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

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

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