



# Sabvest Limited

Annual Report  
2011



# Chairman's letter to shareholders

## Integrated Reporting

Sabvest was one of the first groups in South Africa to initiate integrated reporting. The process of improving our reporting has continued. Our entire annual communication to stakeholders, other than the statutory financial statements and this introductory letter, is now contained in our Integrated Report.

## 2011 Performance

Sabvest achieved excellent results in the 2011 financial year with headline earnings per share increasing by 16%, intrinsic value per share by 27% and dividends per share by 41%.

## Medium-Term Performance

The Board encourages management to focus on implementing the group's strategy so as to achieve sustainable long-term investment returns. Over the past eight years intrinsic net asset value per share has increased at a compound rate of 21%, headline earnings per share at 17% and dividends per share at 29%.

## Governance and Functions of the Board

The board and management maintain the highest levels of governance and adherence to the relevant codes and legislation.

The Board is accountable for the development and execution of the group's strategy, operating performance and financial results as well as being the arbiter and monitor of risk and the custodian of its corporate governance policies and procedures.

I guide the board in these primary functions and management continues to deliver above average performance which facilitates the outcomes required of the board.

## Shareholders

I am pleased to welcome all new shareholders who have invested in the group during the year. At the year end there were 366 shareholders holding ordinary and 'N' ordinary shares in the company.

## 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.

I am particularly pleased with Sabvest's own corporate social responsibility initiatives. The ongoing high school bursary programmes and provision of facilities to rural schools are noteworthy.

## Outlook

Management is anticipating an improved performance in 2012 and the board will continue to provide support in the implementation of the group's strategy.

## Appreciation

I record my personal appreciation to our CEO and my colleagues on the board, to our partners and directors on the boards of our associated and investee companies and to our bankers and advisors for their support in the past year.

**Haroon Habib**  
*Chairman*

Sandton  
7 March 2012



# Integrated report to stakeholders

continued

Sabvest 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.

## 1. Report profile

The report covers the activities of Sabvest and its subsidiaries.

This report does not cover the activities of its associate or investee companies except insofar as is relevant to an assessment of Sabvest's investment interest in those entities. However, the socio economic, ethical and environmental policies and practices of associates and investees are considered when reviewing existing investments or making new investments. It is through this process that the company's influence on these policies and practices is achieved in its associate companies.

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 III, except where reasons have been recorded why King III has not been applied.

In addition to relying on representations and information provided by management, the Board has drawn assurance from the external auditors, 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 the prior reports from KPMG Services (Pty) Limited who provided assurance to the Audit Committee and the Board on internal financial controls and information technology general controls, including disaster recovery and business continuity plans.

## 2. Corporate profile and structure

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

Sabvest has significant or joint controlling interests in four unlisted industrial groups which are accounted for as associates, and a long-term portfolio of eight other investments which are accounted for on a fair value basis. Four of these are JSE listed.

In addition, Sabvest maintains finance advances and share, bond and debt instrument portfolios and undertakes other fee and profit earning activities.

Sabvest operates in South Africa from its head office in Johannesburg and internationally through its office in Monaco which it shares with certain of its associates. The activities of the listed holding company are conducted through three 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 2 attached.

## 3. Operational environment

The group's investment activities are primarily in the Republic of South Africa. However, Sabvest encourages its associates and investee companies to take advantage of international expansion opportunities for growth and for the spread of geographic and economic risk.

The group's investment in Flowmax is managed by its office in Monaco. That associate's operations are located in the United Kingdom and its customer and supplier relationships encompass Western Europe and the USA as well.

Sabvest's other South African associates have expanded into a number of African countries, the Middle East, China, India, Hong Kong, Sri Lanka, Turkey, North America, UK and Mexico.

# Integrated report to stakeholders

continued

The group is accordingly sensitive to economic growth rates in these territories, the availability of capital to its associates for expansion, the cost of that capital and succession and human resources planning requirements in these regions. All of the units consider exchange rates and trends in their reporting currencies and are cognisant of local empowerment requirements and BBBEE in South Africa in particular, environmental issues and socio economic factors in the territories in which they operate.

## 4. Strategies, business model and performance indicators

### Strategy and business model

- ◆ Our aim is to maintain and grow a portfolio of equity interests in a spread of industrial, service and financial businesses with sound growth records or potential for growth, that will generate cash and earn above average returns on capital over a period.
- ◆ Our interest in associates will usually be large minority holdings with sizeable interests held by management with whom we interact as partners. Our associates will usually be unlisted companies.
- ◆ 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 our percentage holdings.
- ◆ Our approach to our investments in associates is similar to that of a diversified holding company. However, each business in which we are invested is free standing in financial terms, ring-fenced as to risk and separately assessed.
- ◆ We wish to hold a meaningful level of investments in international currencies in countries other than South Africa.
- ◆ We do not follow a trading approach to our 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.
- ◆ 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 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, we also hold cash, bonds and other short term investments and debt instruments from time to time.

### Performance indicators

Sabvest aims to:

- ◆ Increase intrinsic value per share by 15% per annum.
- ◆ Increase annual dividends to shareholders by 10% per annum.
- ◆ Increase headline earnings per share by 15% per annum.



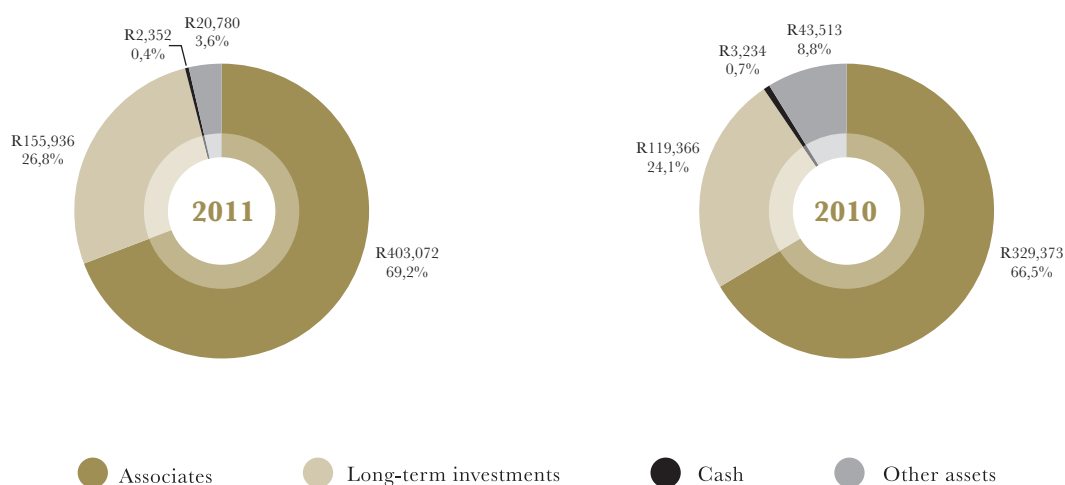
# Integrated report to stakeholders

continued

## 5. Asset profile

### 5.1 Graphical presentation of assets

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



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### 5.2 Investment portfolio

at 31 December 2011

	Economic interest %	Carrying value R'000	Intrinsic value R'000
<b>Unlisted Industrial Associates</b>		403 072	677 644
Flowmax Holdings Limited (BVI/UK)	40,00		
SA Bias Industries (Pty) Limited*	57,30		
Set Point Group (Pty) Limited	49,80		
Sunspray Food Ingredients (Pty) Limited	47,10		
* Voting interest 48,5%			
<b>Unlisted Investments</b>		19 161	19 161
Korbitec Holdings (Pty) Limited	17,00		
Korbicom (Pty) Limited	8,10		
Primedia Holdings 1 Limited – JPIK Loans			
Transaction Capital (Pty) Limited			
<b>Listed Investments</b>	Shares	139 138	139 138
Brait S.E.	1 500 000	29 925	29 925
Datatec Limited	1 000 000	40 900	40 900
Metrofile Holdings Limited	20 500 000	59 450	59 450
Net1 UEPS Technologies Inc	100 000	6 500	6 500
Other		2 363	2 363
<b>Total portfolio</b>		<b>561 371</b>	<b>835 943</b>

# Integrated report to stakeholders

continued

## 5.3 Nature of investments

Company	Nature of business
<b>Unlisted Industrial Associates</b>	
Flowmax Holdings Limited (BVI/UK)	Distributors of fluid handling equipment and systems in the United Kingdom through its subsidiaries Alpeco, CTS, Action Sealtite, Hytek, IFC, Mechtronic, Bell Flow and Anglo Nordic Burners.
SA Bias Industries (Pty) Limited	Global manufacturer of printed and woven labels, narrow fabric products and trimmings through International Trimmings and Labels, Narrowtex and Apparel Components with operating units in RSA, UK, Canada, Europe, China, Hong Kong, Turkey, Sri Lanka, India, Mexico and Australia.
Set Point Group (Pty) Limited	An industrial products and services group which operates through three divisions – analytics, fluid handling and mining services. Its operating units are Setpoint Laboratories, Wearcheck, African Mineral Standards, Letaba, Pneumax, Meter Systems and Reng & NW Gopro.
Sunspray Food Ingredients (Pty) Limited	Producers of spray-dried and blended powdered food and drink products.
<b>Unlisted Investments</b>	
Korbitec Holdings (Pty) Limited	Developer and provider of specialist software for the legal and property related industries through GhostConvey, Windeed and Property24.
Korbicom (Pty) Limited *	Developer and provider of software for the legal sector through Automated Civil Litigation in Canada and GhostPractice and GhostDraft in South Africa.
Primedia Holdings 1 Limited	South African media group with activities in broadcasting, film distribution and theatres, outdoor, home entertainment and sport marketing.
Transaction Capital (Pty) Limited	Financial services group which provides credit, credit services, payment services and prepaid services to niche segments of the consumer markets, small micro and medium enterprises through SA Taxi Finance, Bayport, MBD and Paycorp/ATM Solutions.
<i>* A subsidiary of Naspers Limited</i>	
<b>Listed Investments</b>	
Brait S.E.	Investment group whose major assets are large proprietary investments in Pepkor and Premier Foods.
Datatec Limited	International Communications and Technology group focused on networking, information security and convergence technologies through its Westcon, Logicalis and Analysys Mason divisions.
Metrofile Holdings Limited	Market leader in on-site and off-site document management and information storage.
Net1 UEPS Technologies Inc	A leading provider of secure and affordable transaction channels between business and unbanked and under-banked individuals through the supply of chip card technologies and systems such as universal electronic payment systems.



# Integrated report to stakeholders

continued

## 5.4 Portfolio changes during the year

During the year, Sabvest:

- ◆ Increased its holding in Brait S.E. to 1,5m shares.
- ◆ Acquired 0,1 million shares in Net 1 UEPS Technologies Inc
- ◆ Disposed of its listed foreign portfolio.
- ◆ Provided financial support to some of its unlisted investee companies for their growth programmes.
- ◆ Continued to invest in distressed debt and credit opportunity funds.

With regard to Sabvest's industrial associates:

- ◆ Flowmax acquired DEA Engineering I in the USA and 60% of Mechtronic in the UK.
- ◆ Set Point Group opened a new water laboratory with 16 quality accreditations, new operating units in the WearCheck oil analysis division in Dubai and India and widened the scope of the international activities of African Mineral Standards.

## 6. Financial overview

### 6.1 Salient financial features of the year

2011 US cents	2010 US cents		2011 RSA cents	2010 RSA cents
<b>RETURNS TO SHAREHOLDERS</b>				
24,6	20,9	Headline earnings per share	178,1	153
24,4	21,1	Earnings per share	176,6	154
3,3	2,3	Dividend proposed <sup>*1</sup>	24	17
193	185	Net asset value per share with investments at directors' valuation (intrinsic value)	1 563	1 230
US\$'000	US\$'000		R'000	R'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
11 362	9 602	Headline earnings attributable income	82 343	70 164
11 266	9 669	Income attributable to equity shareholders	81 651	70 656
<b>STATEMENT OF FINANCIAL POSITION</b>				
63 851	64 293	Ordinary shareholders' equity	517 323	427 098
71 852	74 588	Total assets	582 140	495 486
68 996	69 581	Investment holdings	559 008	448 739
5 914	8 017	Interest-bearing debt	47 915	53 257
89 055	85 756	Ordinary shareholders' equity with investments at directors' valuation (net of CGT provisions)	721 520	569 679

#### Rand/Dollar exchange rate

**Statement of comprehensive income:** US\$1 = 7,2474 (2010: US\$1 = 7,3072)

**Statement of financial position:** US\$1 = 8,1020 (2010: US\$1 = 6,6430)

<sup>\*1</sup> 20 cents after year-end (2010: 13 cents after year-end)

# Integrated report to stakeholders

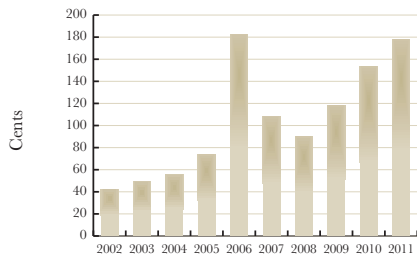
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## 6.2 Ten-year financial review

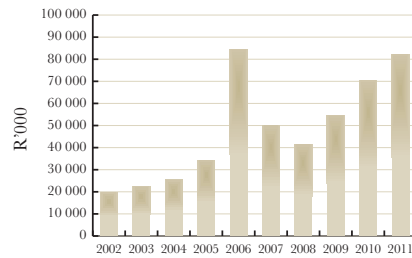
This is attached as Annexure 1.

## 6.3 Ten-year graphical review

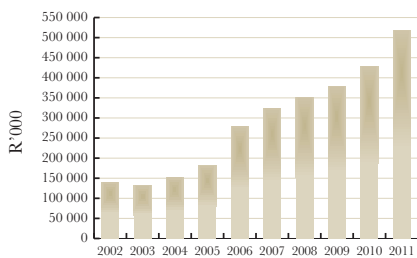
Headline earnings per share



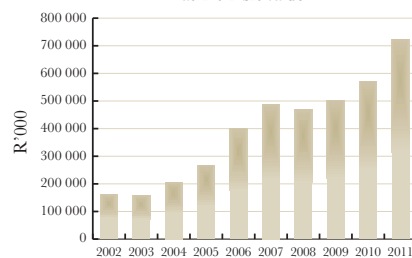
Headline attributable income



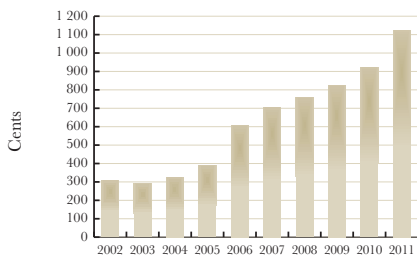
Ordinary shareholders' funds



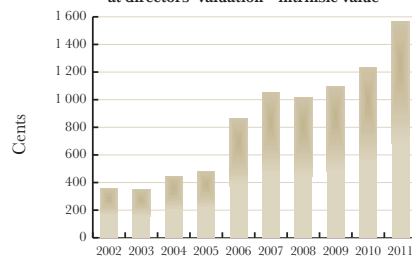
Ordinary shareholders' funds with investments at intrinsic value



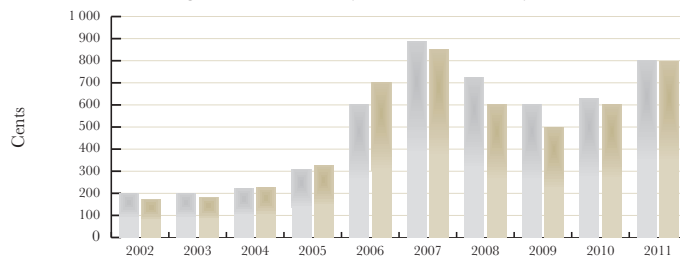
Net asset value per share



Net asset value per share with investments at directors' valuation - intrinsic value



Closing price of ordinary and "N" ordinary shares



■ Sabvest ordinary shares  
■ Sabvest "N" ordinary shares





# Integrated report to stakeholders

continued

## 6.4 Commentary on the 2011 financial results

Sabvest achieved good results for the twelve months. Headline earnings per share increased by 16% to 177 cents per share and intrinsic value per share by 27% to 1 563 cents per share.

The growth in HEPS was achieved through higher attributable earnings of associates and the strong share price performance of the listed investments. Operating costs include one-off amounts totaling R3,5m which will not recur in 2012.

The increase in intrinsic value was aided by exchange gains on the group's foreign operations and investments through S A Bias Industries and Flowmax due to the weakening of the Rand.

Shareholders' funds with investments at intrinsic value increased to R722m. Net gearing reduced to 6%.

Steadily increasing cash flows from the group's industrial associates have enabled Sabvest to declare an increase in dividends of 41% to 24 cents per share for the 2011 financial year.

With regard to medium-term growth, Sabvest continues to exceed its performance targets. Intrinsic net asset value per share has increased at a compound rate of 21% over the past eight years, dividends per share at 29% and HEPS at 17%. Over the past eight years, dividends have been maintained or increased annually.

In determining intrinsic values, Sabvest's associates have been valued using the maintainable earnings multiple model with PE ratios in the 6,5 to 7,5 times range, adjusted for net cash or net debt in each.

## 6.5 Eight-year financial growth

	Cents	Growth 1 year (%)	Compound Growth 3 years (%)	Compound Growth 8 years (%)
Intrinsic net asset value per share	1 563	27,07	15,44	20,66
Dividends per share	24	41,18	19,68	29,68
Headline earnings per share	176	16,41	25,59	17,36

## 6.6 Financial resources

Shareholders' funds with investments at intrinsic value amounted to R722m at the year-end (2010: R570m).

A three-year loan of R40m was raised to facilitate the group's South African investment programme. An offshore ring-fenced 13 months notice facility of \$2m was arranged for international short-term portfolio investing. This was utilised during the year but unutilised at the year-end.

The group also maintains short-term credit facilities of R50m in South Africa and £0,5m in Monaco to facilitate its investment and financial service activities and to support the requirements of its associates from time to time. The group also utilises loans from entities associated with the directors from time to time.

# Integrated report to stakeholders

continued

## 6.7 Dividend policy

Dividends are determined relative to Sabvest's own expected recurring net cash flows from investments, realisations and services over a period that are not earmarked for new investments. Dividends are considered twice annually.

Dividends for the year have been increased from 17 cents to 24 cents per share.

## 6.8 Performance of associates

Sabvest's four unlisted industrial associates performed well with Sabvest's share of their after tax income increasing by 19% to R82m. Flowmax and Sunspray recorded particularly strong results during the period and satisfactory results were achieved by Set Point and SA Bias Industries. On a look-through basis the unaudited combined revenues of the four groups for the twelve months increased by 18,4% to R1,55 bn.

## 7. Future strategic and financial outlook

There has been no change in the group's financial targets or any of its strategies or its business model as described in this report.

We do not anticipate any change in the group's risk profile and we continue to review and assess new opportunities on a regular basis.

No changes are anticipated in our executive management and human resources.

In the year ahead all of the group's associates are projecting improved earnings. In addition, most of the companies in the group's investment portfolios are also expected to record improved results although the extent to which this will be reflected in share prices or valuations is obviously uncertain.

As a result we anticipate an improvement in Sabvest's results in the year ahead. This projection has not been reviewed or reported on by the group's auditors.

## 8. Governance and sustainability

### 8.1 Human resources

RSA executive directors	Overseas executive management	Staff	Sub-total	Non-executive directors	2011	Total 2010
3	1	6	10	6	16	16



# Integrated report to stakeholders

continued

## 8.2 Directorate

### Executive directors



**Christopher Stefan SEABROOKE** (58)  
BCom, BAcc, MBA, FCMA  
*Chief Executive*

Joined the group in 1980

Appointed Chief Executive in 1987

Non-executive Chairman of Metrofile Holdings Limited, Deputy Chairman of Massmart Holdings Limited and a Non-executive director of Datatec Limited (AIM/JSE), Net1 UEPS Technologies Inc (NASDAQ/JSE) and Brait SA (Luxembourg/JSE). Also a director of numerous unlisted companies including Mineworkers Investment Company (Pty) Limited and Transaction Capital (Pty) Limited.



**Raymond PLEANER** (57)  
BCompt(Hons), CA(SA)  
*Financial Director and  
Company Secretary*

Joined the group in 1985, appointed company secretary in 1988 and appointed to the board in 1996.

**Carl Philip  
COUTTS-TROTTER** (36)  
BBusSc (Actuarial Science),  
FASSA, FIA(UK)  
*Executive Director*

Joined the group and appointed to the board in 2007. Previously Vice-President and Deputy Chief Actuary of Old Mutual (US Life), Executive Deputy Chairman, SA Bias Industries (Pty) Limited and Non-executive Director of Set Point Group (Pty) Limited and Sunspray Food Ingredients (Pty) Limited.



### Non-Executive directors



**Haroon HABIB** (71)  
*Independent Non-executive Chairman*

Appointed to the board in 1996 and Chairman in 2003

Chairman, Financial Markets & Investments (Pty) Limited



**Philip COUTTS-TROTTER** (65)  
BCom, MBA  
*Non-executive Deputy Chairman  
Member of Remuneration Committee*

Appointed to the board in 1987  
Executive Chairman, SA Bias Industries (Pty) Limited.



**Graham Ernest NEL** (64)  
Pr Eng, BSc Eng, MBL, MSAICE  
*Non-executive Director*

Appointed to the board in 1987  
Executive Chairman of Flowmax Holdings Limited, Non-executive Director, Set Point Group (Pty) Limited.

**Nigel Stuart Hamilton  
HUGHES** (57)  
BCom, CA(SA), FCMA  
*Independent Non-executive Director  
Chairman of the Audit and Risk  
Committee and Social and Ethics  
Committee, Member of  
Remuneration Committee*

Appointed to the board in 1987  
Executive Chairman, Mertrade (Pty) Limited.



**Dawn Nonceba Merle  
MOKHOB** (63)  
BA (Social Science)  
*Independent Non-executive Director  
Chairman of Remuneration  
Committee, Member of the Audit  
and Risk Committee*

Appointed to the board in 2005  
Non-executive Director of Engen Limited. Deputy Executive Chairperson of Partnership Investments. Chairperson of Wesizwe Platinum Limited. Former winner South African Businesswoman of the Year Award.



**Bheki James Themba SHONGWE** (56)  
BA (Econ), MBA, ACIS, FCIBM  
*Independent Non-executive Director  
Member of the Audit and Risk Committee*

Appointed to the board in 2005

Managing Director, Kaizer Chiefs (Pty) Limited, Executive Chairman, Matsamo Global Investment Holdings Limited, Chairman, Company Management Consultants (Pty) Limited, Non-executive Chairman of Evraz Highveld Steel and Vanadium Limited, Non-executive Director of Matsamo Technologies (Pty) Limited.



# Integrated report to stakeholders

continued

## 8.3 The board and its committees

The group employs ten people of whom three are executive directors of the holding company. It also has the benefit of the experience and advice of six non-executive directors of whom four are independent. 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 an independent non-executive director and does not chair the Remuneration Committee nor is he a member of the Audit 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.

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. The Board retains full and effective control over the company and its subsidiaries and monitors the performance and decisions of executive management.

In addition, the company is represented on the boards of all of its associates and certain of the directors are directors of some of its 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.

All directors have access to management and the Company Secretary and to such information as is needed to carry out their duties and responsibilities. All directors are entitled to seek independent professional advice concerning the affairs of Sabvest at the company's expense.

The CFO is also the Company Secretary. The group is not large enough to warrant the cost nor does the position require sufficient time to justify appointing a separate individual and the Board does not favour outsourcing the function.

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 Articles of Association, the Board also has the ability to remove directors without requiring shareholder approval.

The Board usually meets three times a year. 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. A fourth scheduled meeting is not regarded as necessary due to this process and the limited movement in portfolio holdings.

The full responsibilities of the Board are set out in a written charter adopted by the Board.

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

	<b>Attendance</b>
CP Coutts-Trotter	1/2
P Coutts-Trotter	1/2
H Habib	2/2
NSH Hughes	2/2
GE Nel	2/2
R Pleaner	2/2
DNM Mokhobo	1/2
CS Seabrooke	2/2
BJT Shongwe	1/2

The profiles of directors are set out on page 11, shareholders on page 21, remuneration details on page 48 and share scheme allocations in note 15 on page 48.



## Integrated report to stakeholders

continued

### *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 and CFO are invited to attend. The Chief Executive may also attend by invitation from time to time. The external auditors have unrestricted access to the Committee.

The internal auditors attend when presenting their reports and opinions on internal and IT controls. This process is done periodically but not annually due to the small size of group operations. Their 2010 reports provided unqualified assurance to the audit committee and Board.

The principle functions of the Committee are to review the interim and annual financial statements and accounting policies, monitor the effects of internal controls, assess the risks facing the business, assess the expertise and experience of the Financial Director, discuss the findings and recommendations of the auditors and review corporate governance procedures. The Audit 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 has determined that the group is not of a size that requires a separate internal audit function. Selected scope internal audit services are performed for the group by KPMG from time to time. KPMG reports to the Chairman of the Committee and operationally to the CEO.

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 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.

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. The Committee does not regard the company as having any current unmitigated risks arising from sustainability considerations.

The committee comprises the following members:

	<b>Attendance</b>
NSH Hughes (Independent Non-Executive Chairman)	3/3
DNM Mokhobo (Independent Non-Executive)	1/3
BJT Shongwe (Independent Non-Executive)	3/3

### *Remuneration and Nominations Committee*

The Remuneration and Nominations Committee operates within defined terms of reference granted to it by the Board and meets annually.

The 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. It also considers the composition and performance of the Board and its committees and makes recommendations on new appointments.

One committee for both functions is considered sufficient and appropriate.

# Integrated report to stakeholders

continued

The Committee comprises the following members:

	<b>Attendance</b>
DNM Mokhobo (Independent Non-executive Chairman)	1/1
NSH Hughes (Independent Non-executive)	1/1
P Coutts-Trotter (Non-executive)	0/1

The performance of the Board, the committees, directors, Chairman and CEO are subject to a 360° review annually. Appropriate feedback is given and discussions held by the Chairman, Committee Chairpersons or CEO, as appropriate.

#### *Social and Ethics Committee*

This new committee comprises the following members:

NSH Hughes (Independent Non-executive Chairman)  
CS Seabrooke (CEO)  
R Pleaner (CFO)

It will meet for the first time in 2012. It has a written charter which meets all the requirements of the new Companies Act in the scope of its functions.

#### **8.4 Ethics**

Sabvest has subscribed to a written code of ethics. It is committed to the highest standards of integrity and behaviour in dealing with all its stakeholders and those of its associates, and with society as a whole. It maintains a high awareness of the South African Constitution and Bill of Rights and promotes this awareness and compliance in its associates. Compliance with ethical standards is maintained and assessed. The setting of specific measurable metrics is not practicable as the group is an arm's length investment group without a trading operations as such.

#### **8.5 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 Sabvest 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 or at any time when Sabvest has issued a cautionary announcement.

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

Directors require prior approval from the Chairman or CEO in order to deal in Sabvest shares.

#### **8.6 Information Technology**

The group's IT systems were recently upgraded. Assurance of their effectiveness was received from KPMG in terms of their mandate to perform selected internal audit services. In view of the size of the group, a separate IT charter and policies would not improve the reliability and monitoring of the current IT functions. The Board and Audit Committee continue to monitor the effectiveness of the internal controls over the IT environment which is currently adequate for the company's strategic plans and business model. Similarly, no IT Steering Committee is required. The design and maintenance of the group's IT platform has been managed by an outside contractor, S A Outsourcing, for over ten years.

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



## Integrated report to stakeholders

continued

During the prior year KPMG also reported to the CFO and the Audit Committee on the adequacy of the group's disaster recovery and business continuity plans. Sabvest ensures that the integrity of the IT process is maintained including information security, privacy and IT laws and related rules that may be applicable to Sabvest.

### 8.7 Regulatory compliance

The CFO undertakes the compliance function on behalf of the Board as the group is too small to warrant an independent compliance officer. He has been assisted by KPMG in preparing Sabvest's regulatory universe in South Africa. The Board, through the Audit Committee, also relies on the assurances of Deloitte & Touche in their role as external auditors of the group to detect possible non-compliance with applicable legislation and regulations.

The CFO, in discharging the compliance function, also monitors compliance with the group's code of ethics and the risk management process.

The Board does not believe it is necessary for Sabvest as an investment holding company to adopt formal dispute resolution processes. External disputes are handled through the group's attorneys and there have been no occasions of internal disputes over the years.

### 8.8 Corporate Social Investment (CSI) programmes

The company itself and most of its associates have CSI programmes to facilitate the sustainability of the broader social and economic environment.

Sabvest invests between 0,5% and 1% of its own profit after tax in specific programmes encompassing secondary education, medical care and research and support for children. During 2011 ten high school bursaries were funded at Durban High School, general grants were made for education, Sabvest, Datatec and SA Bias Industries jointly participated in the building of rural class rooms and computer centres at Celukuphiwa School in KwaZulu-Natal and Sabvest partnered with Massmart, Metrofile and Set Point in the building of primary school infrastructure at Cosmos City School together with Cornell University.

Sabvest has been awarded Platinum Community Contributor status by the National CSI Registrar.

### 8.9 External relationships

Sabvest's direct external relationships with stakeholders are primarily with its shareholders, financiers, partners and the boards of its associate and investee companies. These relationships are actively managed by the executive directors.

### 8.10 Authorities

The Board reviews its delegation of financial responsibilities to the executive management annually and sets appropriate limits. It also considers rolling three-year financial and strategic plans and targets and grants the requisite authorities for their implementation.

### 8.11 Management of risks

The CEO functions as the Chief Risk Officer. This function is performed in Sabvest by the CEO and not the CFO as the primary risks relate to the investment portfolio which is 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. 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 risk appetite and tolerance levels are expressed in its low gearing levels, the boundaries of its business model and the group's ongoing investment assessment procedures. 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:

- ◆ Reduced cash flow from associates.
- ◆ Financial controls in associates.
- ◆ Loss of any key executive in an associate.
- ◆ Unexpected changes in strategies of associates.
- ◆ Compliance with shareholder agreements.
- ◆ Levels of crime and related security requirements.
- ◆ CEO incapacitated or not available.
- ◆ Ongoing liquidity management.
- ◆ Maintenance of Sabvest's internal controls and procedures and IT systems.
- ◆ Compliance with Sabvest's Code of Ethics and applicable laws and regulations.

The Board is comfortable with the level of combined assurance obtained from management, the audit and risk committee, the external auditors and the internal auditors relative to the group's key risks and its control environment.

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

## 9. Remuneration policy

The Remuneration and Nominations Committee ensures that the remuneration of executives and staff is competitive.

Sabvest's policy is to pay cost to company packages in the upper quartiles for comparable positions.

Short-term incentives may be earned between 50% and 65% of cost to company packages, with allowance for out performance on some of the financial criteria. All of the criteria are quantitative and are calculated relative to profit after tax, growth in dividends paid to shareholders and reduction in the cost to intrinsic value ratio. Some of the executives have incentive modifiers where if certain qualitative criteria are not met the quantitative incentives calculated are reduced.

The other material quantitative metric relevant to shareholders is growth in intrinsic value per share. Sabvest has a long term incentive plan (LTIP) for executives and staff. Participants receive a notional award of between 10% and 65% of their cost to company package annually which is "invested" in the group's intrinsic net asset value. The growth in this notional investment is measured annually and may vest over three to five years. An award will expire and not vest if a hurdle rate of 10% per annum growth in intrinsic net asset value is not achieved. Adjustments are made to account for the notional re-investment of dividends. The awards are cash settled and accounted for in profit and loss annually. The potential awards are capped at a gain of 150% of the notional investments.

In line with best practice, the basis of this award will change in 2012 with the vesting date set at four years thereby eliminating the re-testing permitted previously in the three to five year period. As this reduces the maximum potential gain from five years to four years, the notional award range will increase to between 12% and 80%.





## Integrated report to stakeholders

continued

The 2007 LTIP vested on 31 December 2010 and was paid out in 2011. The 2008 and 2009 LTIPs vested on 31 December 2011 and will be paid out in 2012.

Accordingly when the short-term incentive scheme and the LTIP are viewed together, about 50% of the potential annual incentive to executives is based on growth in intrinsic value per share and the balance on the other three quantitative metrics.

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

All three executive directors are shareholders in the company and have previously received allocations from the share trust or the SARS scheme or special bonuses for the purchase of shares.

Presently the SARS and share option schemes are regarded as dormant. Share trust allocations are considered periodically and not made annually.

Some of the executive directors who take the responsibility of appointments to the Boards of the group's associates may receive directors' fees from some of those companies. In addition the group's four associates pay consulting fees directly to Sabvest.

The CEO holds certain non-executive directorships independently and not as a representative of the group. These enhance the group's influence, improve the group's access to new investments, and result in income to the group from time to time. The CEO retains the fees from those appointments.

Non-executive directors receive annual fees for their roles as directors and as Board Committee members. 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.

### 10. Shares and shareholders

At the year-end, Sabvest had 17,1 million ordinary shares and 29,1 'N' ordinary shares in issue, net of treasury shares. The ordinary shares carry 500 votes per share and the 'N' ordinary shares carry 1 vote per share.

Sabvest had 369 shareholders at the year-end as profiled in Annexure 3. The shareholdings of directors are recorded in the Directors' Report on page 25.

### 11. Commentary and conclusion

The Board and management are satisfied with the current and anticipated sustainability and performance of the group in the context of its strategic and financial objectives.

Performance will be improved through encouraging and facilitating the growth of the group's associated companies and by the continued realigning of the investment portfolio to realise investments in any under-performing entities and to reallocate those funds within the portfolio. Sabvest intends to remain fully invested to optimise returns and to enhance returns on capital by maintaining a level of borrowings, although at a conservative level.

Attention also continues to be given to reducing the group's net cost/asset ratio over a period.

For and on behalf of the Board

**CS Seabrooke**  
*Chief Executive Officer*

14 March 2012  
Sandhurst

# Integrated report to stakeholders

continued

ANNEXURE 1

## TEN-YEAR FINANCIAL REVIEW

at 31 December 2011

2010 US\$'000	2011 US\$'000	Consolidated Statements of Financial Position
68 312	<b>69 583</b>	Non-current assets
112	<b>75</b>	Property, plant and equipment
84	<b>–</b>	Deferred tax asset
565	<b>512</b>	Share trust receivables
–	<b>–</b>	Medium-term receivables
67 551	<b>68 996</b>	Investment holdings
49 582	<b>49 750</b>	Associates
17 969	<b>19 246</b>	Long-term
6 276	<b>2 269</b>	Current assets
2 489	<b>733</b>	Finance advances and receivables
2 412	<b>292</b>	Short-term investments
888	<b>954</b>	Other financial instruments
487	<b>290</b>	Cash balances
74 588	<b>71 852</b>	Total assets
64 293	<b>63 851</b>	Ordinary shareholders' equity
8 353	<b>6 099</b>	Non-current liability
7 244	<b>4 937</b>	Interest-bearing debt
1 109	<b>1 162</b>	Deferred tax liability
1 942	<b>1 902</b>	Current liabilities
773	<b>977</b>	Interest-bearing debt
1 169	<b>925</b>	Accounts payable
74 588	<b>71 852</b>	Total equity and liabilities
13 689	<b>15 940</b>	Consolidated Statement of Comprehensive Income
2 355	<b>4 043</b>	Gross income from operations and investments
395	<b>122</b>	Dividends received
(160)	<b>859</b>	Interest received
701	<b>332</b>	Income on financial instruments and shares
2 954	<b>2 901</b>	Fees and sundry income
7 444	<b>7 683</b>	Fair value adjustment to investments
9 409	<b>11 264</b>	Equity accounted retained income of associates
(1 965)	<b>3 581</b>	Share of net income of associates
–	<b>29</b>	Less: Dividends received
(20)	<b>140</b>	Direct transactional costs
533	<b>654</b>	Impairments
13 176	<b>15 117</b>	Interest paid
3 162	<b>3 396</b>	Net income before expenses and exceptional items
3 118	<b>3 375</b>	Less: Expenditure
44	<b>21</b>	Operating costs
(45)	<b>96</b>	Depreciation
10 059	<b>11 625</b>	Exceptional items – (gains)/loss
390	<b>359</b>	Net income before taxation
9 669	<b>11 266</b>	Taxation
9 602	<b>11 362</b>	Net income attributable to equity shareholders
		Headline attributable income
20,9	<b>24,6</b>	Returns to shareholders
21,1	<b>24,4</b>	Headline earnings per share – cents
2,3	<b>3,3</b>	Earnings per share – cents
139	<b>138,2</b>	Dividends per share – paid or proposed – cents
185	<b>1 930</b>	Net asset value per share – cents
46 320	<b>46 172</b>	Net asset value per share at directors' valuation (intrinsic value) – cents
45 869	<b>46 236</b>	Number of shares in issue – 000's
		Weighted number of shares in issue – 000's



## Integrated report to stakeholders

continued

2002 R'000	2003 R'000	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000	2009 R'000	2010 R'000	2011 R'000
134 395	125 861	138 156	171 868	234 804	304 076	365 160	365 442	453 800	<b>563 755</b>
934	1 202	2 106	1 835	1 787	1 501	1 380	1 070	745	<b>616</b>
–	724	868	4 758	2 778	2 545	1 897	1 249	555	–
3 445	1 372	2 312	2 674	3 090	3 574	4 134	6 126	3 761	<b>4 131</b>
–	–	–	11 397	–	–	–	–	–	–
130 016	122 563	132 870	151 204	227 149	296 456	357 749	356 997	448 739	<b>559 008</b>
125 677	110 985	125 465	140 330	172 088	219 099	279 139	292 994	329 373	<b>403 072</b>
4 339	11 578	7 405	10 874	55 061	77 357	78 610	64 003	119 366	<b>155 936</b>
18 165	12 980	22 305	17 061	61 156	38 350	18 614	31 205	41 686	<b>18 385</b>
17 236	12 321	22 216	14 841	17 471	28 700	18 518	24 672	16 532	<b>5 943</b>
–	–	–	2 186	2 550	–	–	–	16 021	<b>2 363</b>
–	–	–	–	–	–	–	–	5 899	<b>7 727</b>
929	659	89	34	41 135	9 650	96	6 533	3 234	<b>2 352</b>
152 560	138 841	160 461	188 929	295 960	342 426	383 774	396 647	495 486	<b>582 140</b>
139 037	131 495	151 034	180 933	279 371	324 786	350 636	379 071	427 098	<b>517 323</b>
–	–	49	49	3 338	4 645	3 486	5 212	55 491	<b>49 417</b>
–	–	–	–	–	–	–	–	48 124	<b>40 000</b>
–	–	49	49	3 338	4 645	3 486	5 212	7 367	<b>9 417</b>
13 523	7 346	9 378	7 947	13 251	12 995	29 652	12 364	12 897	<b>15 400</b>
10 888	5 852	7 906	5 279	7 615	7 101	24 100	7 350	5 133	<b>7 915</b>
2 635	1 494	1 472	2 668	5 636	5 894	5 552	5 014	7 764	<b>7 485</b>
152 560	138 841	160 461	188 929	295 960	342 426	383 774	396 647	495 486	<b>582 140</b>
31 062	31 217	36 152	41 814	108 715	67 818	59 216	78 938	100 031	<b>115 522</b>
1 674	2 048	3 500	5 485	12 248	18 729	38 149	34 939	17 208	<b>29 302</b>
3 270	5 720	4 932	7 656	7 827	6 423	3 938	1 567	2 884	<b>881</b>
–	–	–	2 879	37 156	311	–	9 976	(1 166)	<b>6 223</b>
2 722	2 658	2 378	2 314	6 386	2 213	2 781	2 809	5 125	<b>2 407</b>
–	–	–	3 268	22 429	7 406	(16 939)	8 274	21 585	<b>21 027</b>
23 396	20 791	25 342	20 212	22 669	32 736	31 287	21 373	54 395	<b>55 682</b>
25 070	22 682	27 717	25 611	34 640	49 996	67 056	53 936	68 752	<b>81 631</b>
(1 674)	(1 891)	(2 375)	(5 399)	(11 971)	(17 260)	(35 769)	(32 563)	(14 357)	<b>(25 949)</b>
–	–	–	–	4 452	–	–	–	–	<b>209</b>
–	–	–	–	1 000	–	(45)	(181)	(144)	<b>1 013</b>
3 528	2 191	1 425	1 330	1 594	1 643	2 335	3 467	3 892	<b>4 741</b>
27 534	29 026	34 727	40 484	101 669	66 175	56 926	75 652	96 283	<b>109 559</b>
6 339	7 402	8 462	9 879	11 759	14 503	15 869	18 538	23 103	<b>24 610</b>
5 946	6 961	7 991	9 431	11 296	14 095	15 473	18 208	22 783	<b>24 460</b>
393	441	471	448	463	408	396	330	320	<b>150</b>
5 214	5 733	1 163	1 469	(1 256)	3 449	33 509	(9 344)	(325)	<b>692</b>
15 981	15 891	25 102	29 136	91 166	48 223	7 548	66 458	73 505	<b>84 257</b>
–	(724)	(145)	(3 890)	5 269	1 574	(512)	2 374	2 849	<b>2 606</b>
15 981	16 615	25 247	33 026	85 897	46 649	8 060	64 084	70 656	<b>81 651</b>
19 695	22 348	25 390	34 262	84 550	50 110	41 570	54 740	70 164	<b>82 343</b>
42,5	49,5	55,4	74,1	182,7	108,3	89,9	118,8	153,0	<b>178,1</b>
34,5	36,8	55,1	71,4	185,6	100,8	17,4	139,1	154,0	<b>176,6</b>
–	3,0	3,0	6,0	12,0	14,0	14,0	14,0	17,0	<b>24,0</b>
307	292	326	391	604	702	759	825	922	<b>1 120</b>
357	348	447	481	862	1 050	1 016	1 094	1 230	<b>1 563</b>
45 217	45 109	46 259	46 259	46 275	46 276	46 180	45 968	46 320	<b>46 172</b>
46 230	45 144	45 845	46 259	46 272	46 276	46 260	46 078	45 869	<b>46 236</b>

# Integrated report to stakeholders

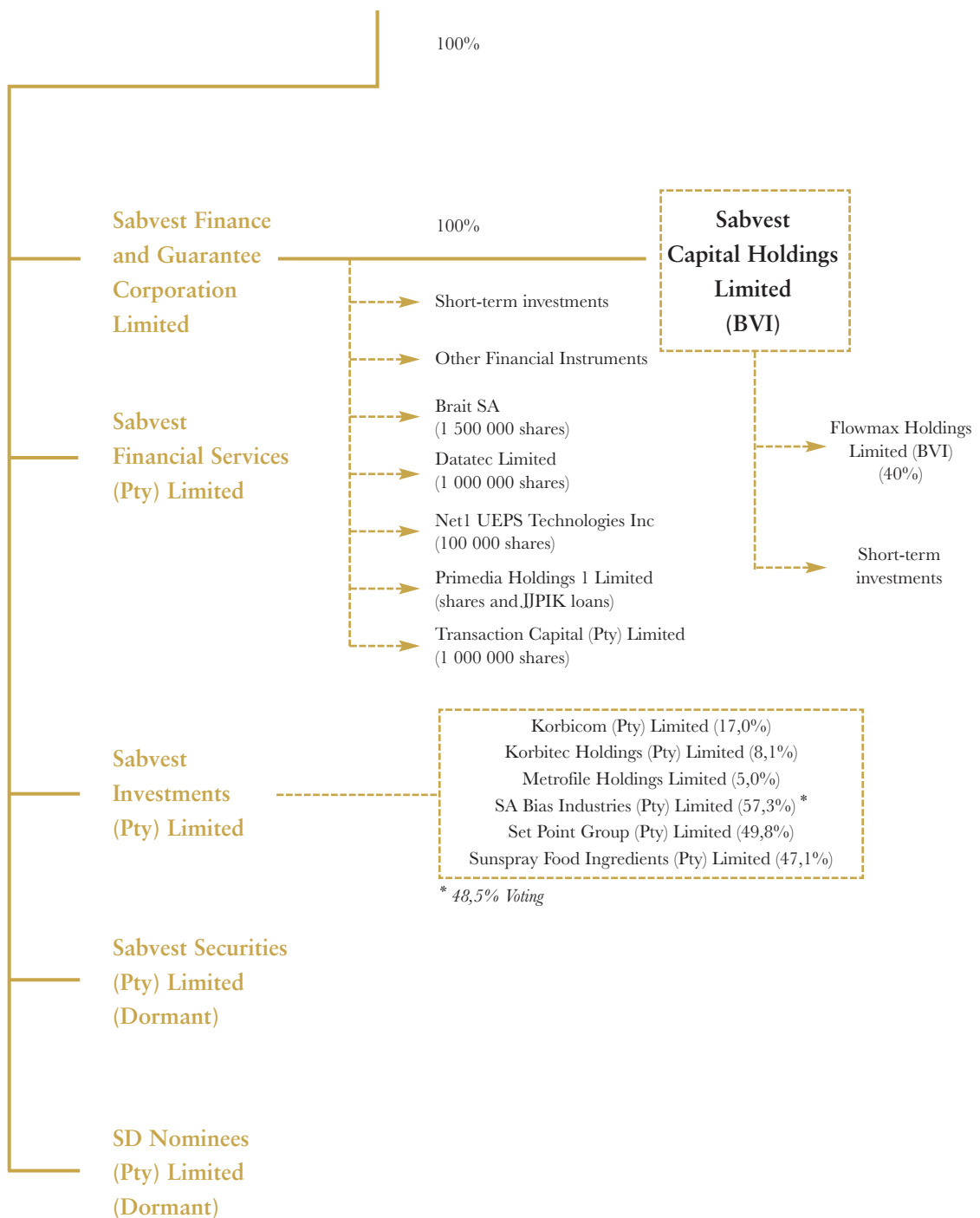
continued

ANNEXURE 2

## CORPORATE STRUCTURE



### SABVEST LIMITED





# Integrated report to stakeholders

continued

ANNEXURE 3

## SHARES AND SHAREHOLDERS

### Shareholder analysis at 31 December 2011\*<sup>1</sup>

Category	Ordinary shares		"N" ordinary shares			
	Number of shareholders	% of total shareholders	Number of shares held	Number of shareholders	% of total shareholders	Number of shares held
Banks and nominee companies	4	4,9	6 002	10	3,5	4 981 591
Investment and trust companies	11	13,6	13 016 859	14	4,9	6 824 172
Other corporate bodies	11	13,6	4 018 697	20	7,0	14 945 489
Individuals	63	67,9	254 426	236	84,6	2 728 602
	<b>89</b>	<b>100,0</b>	<b>17 295 984</b>	<b>280</b>	<b>100,0</b>	<b>29 479 854</b>

### Major shareholders\*<sup>1</sup>

Shareholders whose holdings of ordinary and "N" ordinary shares in the company total more than 1 500 000 shares:

Name	Ordinary shares		"N" ordinary shares		Overall	
	Number of shares held	% of issued shares	Number of shares held	% of issued shares	% of total issued equity shares	% of voting rights
The Seabrooke Family Trust	11 870 000	68,6	3 080 000	10,4	32,0	68,4
BNP Paribas (Suisse) SA	2 915 498	16,9	11 051 266	37,5	29,9	16,9
Credit Suisse Zurich	-	-	4 500 000	15,3	9,6	0,1
Cecjay Trust	691 038	4,0	2 730 676	9,3	7,3	4,0
Ellerine Brothers (Pty) Limited	500 150	2,9	1 581 187	5,4	4,4	2,9
	<b>15 976 686</b>	<b>92,4</b>	<b>22 943 129</b>	<b>77,8</b>	<b>83,2</b>	<b>92,3</b>

### Shareholder spread\*<sup>1</sup>

Category	Ordinary shares			"N" ordinary shares			Overall shares	
	Number of ordinary shareholders	Number of ordinary shares in issue	% of ordinary shares in issue	Number of "N" ordinary shareholders	Number of "N" ordinary shares in issue	% of "N" ordinary shares in issue	Number of overall shares in issue	% of overall shares in issue
Non-public shareholders								
Directors	3	11 896 000	68,8	4	4 566 100	15,5	16 462 100	35,2
Other	1	2 915 498	16,9	1	11 051 266	37,5	13 966 764	29,9
Total non-public shareholders	<b>4</b>	<b>14 811 498</b>	<b>85,7</b>	<b>5</b>	<b>15 617 366</b>	<b>53,0</b>	<b>30 428 864</b>	<b>65,1</b>
Public shareholders	<b>85</b>	<b>2 484 486</b>	<b>14,3</b>	<b>276</b>	<b>13 862 488</b>	<b>47,1</b>	<b>16 346 974</b>	<b>34,9</b>
	<b>89</b>	<b>17 295 984</b>	<b>100,0</b>	<b>280</b>	<b>29 479 854</b>	<b>100</b>	<b>46 775 838</b>	<b>100,0</b>

Note: Directors' holdings are set out on page 25.

### Stock exchange performance

JSE Limited	Ordinary		"N" ordinary	
	2011	2010	2011	2010
Closing price (cents)	800	627	795	602
Highest price (cents)	950	627	900	630
Lowest price (cents)	600	538	601	480
Total number of shares traded ('000)	565	404	599	1 270
Total value of shares traded (R'000)	4 044	2 420	4 514	7 096
Total number of transactions recorded	19	43	42	72
Total volume of shares traded as a percentage of total issued shares (%)	3,3	2,3	2,1	4,4

\*<sup>1</sup> Calculations are based upon actual number of shares in issue less shares held in treasury.

