



**Sabvest Limited**

*Annual Report*

**2015**

# Contents

	<b>Page</b>
Chairman's letter to shareholders	1
Integrated Report to stakeholders	2
Audited annual financial statements and related reports	31
Notice of 2016 annual general meeting	72
Administration	81
Form of proxy	<i>Attached</i>

# Chairman's letter to shareholders

## Overview

Sabvest had a successful year strategically and operationally notwithstanding weak economic conditions and volatile markets. At the year-end it had interests in two unlisted industrial groups, one unlisted investment group, six listed investments and offshore share, bond and cash portfolios. Details of the portfolio are set out on page 6.

## 2015 Performance

Sabvest's annual earnings are volatile as a result of all its investments being carried at fair value. 2015 was a record year for the group with PAT increasing by 125% to R459,9m and HEPS by the same percentage to 1 003,9 cents per share. Net asset value increased by 38,6% to 3 719 cents per share and shareholders' funds by the same percentage to R1,7bn.

## Medium-Term Performance

Management remains focused on achieving sustainable long-term investment returns comprising growth in net asset value per share and cash returned to shareholders by way of dividends. These metrics are set out on page 11. The group has achieved a compound growth of 25,3% in net asset value per share and 23,6% in normal dividends per share over the past ten years.

## 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 the custodian of its corporate governance policies and procedures.

I guide the Board in these primary functions. Management continues to deliver above average performance which facilitates the outcomes required by the Board.

There were no changes to the composition of the Board or its Committees during the year.

## Shareholders

I am pleased to welcome all new shareholders who have invested in the group during the year. At the year-end there were 467 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.

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

Sabvest's own corporate social responsibility initiatives continue to be noteworthy. Since the commencement of its bursary programme, Sabvest has funded 133 years of schooling for primary and high school pupils at urban and rural schools.

## Appreciation

I record my personal appreciation to our CEO and my colleagues on the Board, to our partners and directors of our investee companies and our bankers and advisors for their continued support.

**Philip Coutts-Trotter**  
*Chairman*

Cape Town  
9 March 2016

# Integrated Report to stakeholders

## CONTENTS

	Page
<b>1. Report profile</b>	3
<b>2. Corporate profile, structure and investment proposition</b>	3
2.1 Profile	3
2.2 Structure	3
2.3 Investment proposition	4
<b>3. Operational environment</b>	4
<b>4. Strategies, business model and performance indicators</b>	4
4.1 Investment strategy	4
4.2 Business model and performance indicators	4
4.2.1 Strategy	4
4.2.2 Performance metrics	5
<b>5. Asset profile</b>	6
5.1 Graphical presentation of assets	6
5.2 Investment portfolio	6
5.3 Nature of investments	7
5.4 Portfolio changes during the year	8
<b>6. Financial overview</b>	9
6.1 Changes in accounting policies	9
6.2 Salient financial features of the year	9
6.3 Ten-year financial review	9
6.4 Ten-year graphical review	10
6.5 Commentary on the 2015 financial results	11
6.6 Ten-year financial growth	11
6.7 Financial resources	11
6.8 Dividend policy and declaration	11
6.9 Performance of unlisted investments	11
6.10 Performance of listed investments	12
<b>7. Future strategic and financial outlook</b>	12
<b>8. Governance and sustainability</b>	12
8.1 Human resources	12
8.2 Directorate	13
8.3 The Board and its Committees	14
8.3.1 Company Secretary	15
8.3.2 Audit, Governance and Risk Committee	15
8.3.3 Remuneration and Nominations Committee	16
8.3.4 Social and Ethics Committee	17
8.3.5 Performance assessments	17
8.4 Ethics	17
8.5 Code of share dealing	18
8.6 Information Technology	18
8.7 Regulatory compliance	18
8.8 Social Responsibility Initiatives (SRI)	19
8.9 External relationships	19
8.10 Authorities	19
8.11 Management of risks	19
<b>9. Remuneration policy</b>	20
<b>10. Shares and shareholders</b>	21
<b>11. Commentary and conclusion</b>	21
<b>Annexures</b>	
1. Corporate structure	22
2. Shares and shareholders	23
3. Investment policy	24
4. Ten-year financial review	28

# 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. The report has been approved and recommended to the Board by the Audit Committee.

## 1. Report profile

The report covers the activities of Sabvest and its subsidiaries.

The Board has concluded that the report should not cover the activities of Sabvest's 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 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 III, except where reasons have been recorded why King III has not been applied.

In addition to relying on the representations and information provided by management, 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 have provided positive assurance to the Audit Committee and the Board on internal financial controls, human resource and payroll controls and information technology general controls, including disaster recovery and business continuity plans.

## 2. Corporate profile, structure and investment proposition

### 2.1 Results profile

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 interests in two unlisted industrial groups and one unlisted investment group, long-term holdings in six 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.

### 2.2 Structure

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 investees. 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 1 on page 22.

# Integrated Report to stakeholders

continued

## 2.3 Investment proposition

Sabvest offers investors:

- ◆ investment access to two substantial unlisted industrial groups – SA Bias and Sunspray;
- ◆ a sound growth orientated investment portfolio;
- ◆ investment access to three high quality, tightly held listed investments – Metrofile, Torre and Rolfes;
- ◆ a Rand hedge – a substantial portion of the group’s underlying assets are overseas through SA Bias Industries, Brait and the Sabvest foreign portfolio;
- ◆ no cash drag – Sabvest is usually fully invested;
- ◆ the benefit of gearing to enhance returns;
- ◆ stable and growing dividends;
- ◆ good long-term growth in earnings and net asset value per share; and
- ◆ a sound conservative balance sheet.

## 3. Operational environment

The group’s investment activities are primarily in the Republic of South Africa. However, Sabvest 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 China, Hong Kong, India, Sri Lanka, Turkey, Bangladesh, Vietnam, the United Kingdom, North America and Mexico.

The group 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 cognizant 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 stated Investment Policy remained unchanged during the year and is attached marked Annexure 3 on pages 24 to 27.

### 4.2 Business model and performance indicators

The following should be read as an amplification of the group’s Investment Policy:

#### 4.2.1 Strategy

- ◆ 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 interests in unlisted companies will usually be large minority holdings with sizeable interests held by management or by founding 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.

## Integrated Report to stakeholders

continued

- ◆ 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.
- ◆ Our approach to our investments 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 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 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 investments and debt instruments from time to time.

### 4.2.2 Performance metrics

Sabvest aims to:

- ◆ Increase net asset value per share by 15% per annum;
- ◆ Increase annual dividends to shareholders by 10% per annum; and
- ◆ Increase headline earnings per share by 15% per annum.

Sabvest has exceeded all three targets over calculation periods of 1, 3, 5 and 10 years.

In addition to these financial metrics, Sabvest aims to:

- ◆ 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.

Sabvest believes that it has achieved and complied with all of these metrics. With regard to King III, a full compliance report has been posted on Sabvest's website indicating the degree and manner of compliance.

Where individual points within each principle have not been applied, the reasons are addressed in the report.

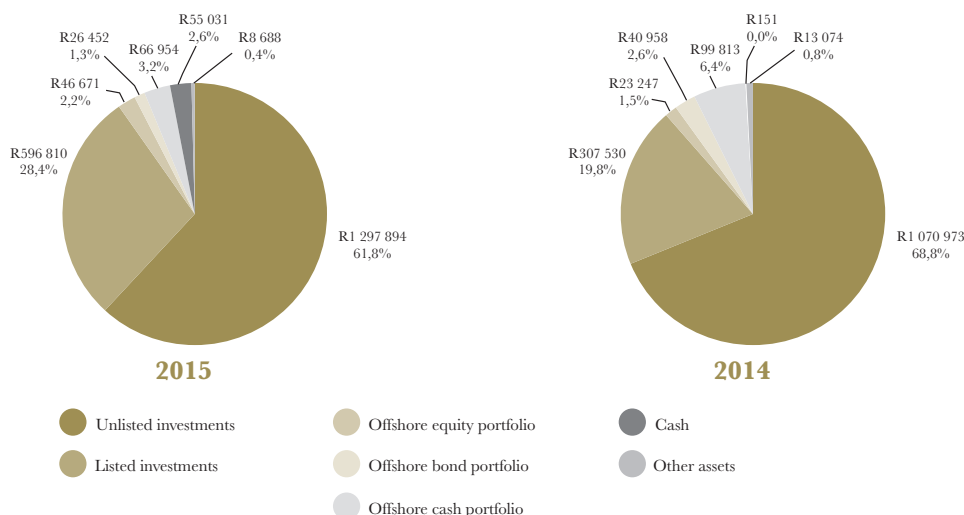
# Integrated Report to stakeholders

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)



### 5.2 Investment portfolio

at 31 December 2015

	Economic interest %	Fair value R'000
<b>Unlisted investments</b>		
Masimong Chemicals (Pty) Ltd * <sup>1</sup>	–	
SA Bias Industries (Pty) Ltd * <sup>2</sup>	58,2	
Sunspray Food Ingredients (Pty) Ltd * <sup>3</sup>	22,0	
		1 297 894
<b>Listed long-term investments</b>		
Brait S.E.	758 477	126 620
Metrofile Holdings Limited	20 000 000	93 000
Rolfes Holdings Limited	3 000 000	9 210
Torre Industries Limited	61 019 995	244 080
Transaction Capital Limited	10 000 000	123 900
		596 810
Long-term investment holdings		1 894 704
<b>Offshore investment holdings</b>		
Share portfolio		–
Bond portfolio		26 452
Cash portfolio		66 954
Corero Network Security Plc	13 120 000	46 671
<b>Total holdings</b>		<b>2 034 781</b>

At the year-end the offshore bond portfolio comprised 3 bonds and bond funds. Details of the bond portfolio are available on Sabvest's website and in note 4 of the financial statements.



# Integrated Report to stakeholders

continued

## 5.3 Nature of investments

Company	Nature of business
<b>Unlisted industrial associates</b>	
SA Bias Industries (Pty) Ltd	<p>Industrial and investment group operating through five business units as follows:</p> <ul style="list-style-type: none"> <li>– International Trimmings and Labels (ITL) is a designer, manufacturer and distributor of apparel labelling and identification products and supply chain management solutions. Included in the product range are graphic tags and labels, care labels, screen printed labels, heat transfers, woven labels, QR Code labels, RFID tickets, ribbons and tapes, bows and specialized labels. The ITL Group operates from its factories and marketing/sales offices in the United Kingdom, Canada, China, India, Sri Lanka, Turkey, Bangladesh, Vietnam, Mexico, North America and South Africa for supply to the clothing industry worldwide.</li> <li>– The Narrowtex Group is a South African manufacturer, distributor and exporter of a range of motor vehicle restraint webbings, industrial webbings, strapping and tie down webbings, curtain tapes, cord, ropes and braids to the mining, automotive, timber, transport, luggage, household textiles and leisure industries. Its export markets include the USA, Australia, Africa and Europe.</li> <li>– The Apparel Components Group is a manufacturer and distributor of lingerie components, elastics and accessories to the clothing sector in South Africa.</li> <li>– The Flowmax Group, in which a 100% interest is now held by Sabias Investments, controls a group of companies engaged primarily in the distribution of fluid handling equipment and systems in the United Kingdom through its subsidiaries and associates – Action Sealtite, Alpeco, Bell Flow Systems, Cortex Displays, Center Tank Services, Hytek, Mechtronic, Lantech, Biopharma Dynamics, Castle Pumps, Industrial Flow Control and Anglo Nordic Burner Products.</li> <li>– Sabias Investments is a BVI registered and Monaco domiciled and managed investment company which invests in cash, bonds and equity portfolios pending new overseas acquisition opportunities within the group's competencies.</li> </ul>
Sunspray Food Ingredients (Pty) Ltd	Producers of spray-dried and blended powdered food and drink products and the largest independent contract supplier of these products and services in South Africa.
<b>Listed investments</b>	
Brait S.E.	<p>LUX/ JSE</p> <p>Investment group whose major assets are large proprietary investments in New Look, Virgin Active, Premier Foods and Iceland Foods.</p>
Corero Network Security Plc	<p>LSE – AIM</p> <p>A developer of network security solutions against distributed denial of services attacks and cyber threats at the point of connectivity to the internet for cloud data centers and virtual machine environments.</p>
Metrofile Holdings Limited	<p>JSE</p> <p>Market leader in on-site and off-site document management and information storage, primarily in South Africa.</p>
Rolfes Holdings Limited	<p>JSE</p> <p>Manufacturer and distributor of a diverse range of market leading, high quality chemical products through its agricultural, food, industrial and water divisions.</p>
Torre Industries Limited	<p>JSE</p> <p>A JSE listed industrial group whose activities include:</p> <ul style="list-style-type: none"> <li>– Value added sale and rental of branded capital equipment;</li> <li>– The supply of top quality parts and components to the equipment and automotive after markets;</li> <li>– The provision of critical analytical and testing services to the mining and industrial markets.</li> </ul>
Transaction Capital Limited	<p>JSE</p> <p>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 its major operating units – SA Taxi Finance, MBD and Principe.</p>

# Integrated Report to stakeholders

continued

## 5.4 Portfolio changes during the year

During the year, Sabvest:

- ◆ sold 200 000 shares in Datatec Limited realising R13,3m;
- ◆ sold its 49,9% interest in Set Point Group (Pty) Ltd (“Set Point”) to Torre Industries Limited (“Torre”) in exchange for 37m Torre shares which had a fair value of R159m at the transaction date, and which resulted in a gain on the sale of R36,3m relative to the carrying value at 31 December 2014;
- ◆ purchased a further 1,027m Torre shares for R4,6m thereby increasing its holding to 61m shares which represents a 12% interest in Torre;
- ◆ reduced its holding in the business of Sunspray Food Ingredients (Pty) Ltd from 48% to 22% in a new structure in which Shalamuka Capital, RMB Corvest and management are co-invested with Sabvest and which reduction of interest resulted in a net amount of R48,5m being received by Sabvest;
- ◆ purchased a further 7m shares in Transaction Capital Limited for R70,0m, thereby increasing its holding to 10m shares;
- ◆ purchased 8 413 Sabvest ordinary shares and 202 897 Sabvest “N” ordinary shares for R5,6m and which are presently held as treasury shares in a subsidiary;
- ◆ purchased and sold 60 000 shares in Greenyard Foods NV for approximately \$1m (R16m);
- ◆ purchased an additional 4,8m shares in Corero Network Security Plc for £480 000 (R11,0m), thereby increasing its holding to 13,12m shares which represent a 7,8% interest in Corero;
- ◆ purchased participating preference shares of R45m in Masimong Chemicals (Pty) Ltd, the value of which is directly linked to the performance of 15m ordinary shares in Rolfes Holdings Ltd in which Masimong Chemicals holds a 33% equity interest;
- ◆ purchased 3m shares in Rolfes Holdings Limited directly for R9,2m; and
- ◆ sold its entire offshore share portfolio, other than the investment in Corero, for R131m.

On 31 December 2015 Sabvest’s largest investee company, SA Bias Industries (Pty) Limited, acquired 40% of Flowmax Holdings Limited, thereby increasing its interest to 100%, for a provisional amount of GBP9,8m (R222,6m) subject to profit performance and payment over three years.

Subsequent to the reporting date, Sabvest:

- ◆ has purchased 500 000 shares in Datatec Limited for R21,7m;
- ◆ has contracted to purchase R22,5m additional participating preference shares in Masimong Chemicals (Pty) Ltd, the value of which is directly linked to the performance of 7,5m ordinary shares in Rolfes Holdings Limited; and
- ◆ has increased its offshore bond portfolio by \$6,6m (R105,6m) to \$8,3m (R132,8m).

# Integrated Report to stakeholders

continued

## 6. Financial overview

### 6.1 Changes in accounting policies

There has been no change in accounting policies relative to the prior year.

### 6.2 Salient financial features of the year

2015 US cents	2014 US cents		2015 RSA cents	2014 RSA cents
<b>RETURNS TO SHAREHOLDERS</b>				
77,6	40,9	Headline earnings per share	1 003,9	444,7
77,6	40,9	Earnings per share	1 003,9	445,0
3,9	4,0	Normal dividend proposed/paid	50,0	43
–	9,2	Special dividend paid	–	100
239,8	232	Net asset value per share	3 719	2 683
<hr/>				
US\$'000	US\$'000		R'000	R'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
35 562	18 802	Headline attributable income	459 917	204 436
35 562	18 817	Income attributable to equity shareholders	459 917	204 606
<b>STATEMENT OF FINANCIAL POSITION</b>				
109 698	106 538	Ordinary shareholders' equity	1 701 382	1 233 073
131 195	133 266	Investment holdings at fair value	2 034 781	1 542 521

#### Rand/Dollar exchange rate

**Statement of comprehensive income:** US\$1 = 12,9328 (2014: US\$1 = 10,8733)

**Statement of financial position:** US\$1 = 15,5097 (2014: US\$1 = 11,5740)

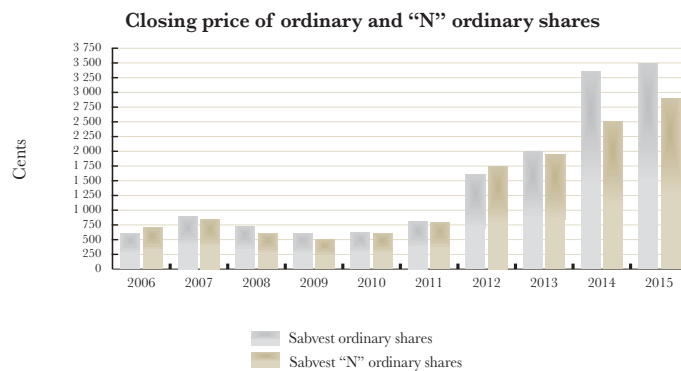
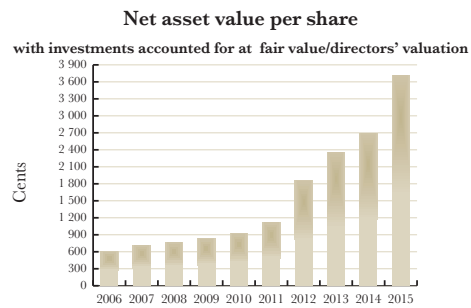
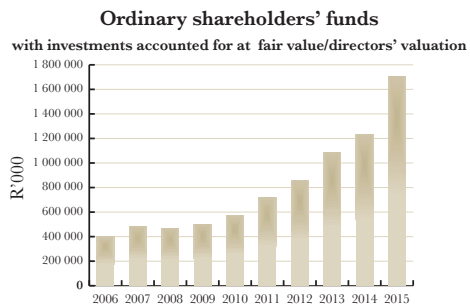
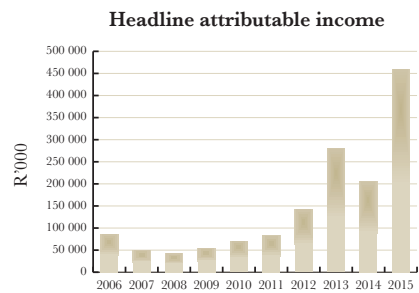
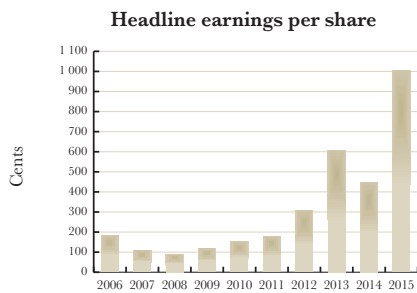
### 6.3 Ten-year financial review

A ten-year financial review is set out in Annexure 4 on pages 28 and 29.

# Integrated Report to stakeholders

continued

## 6.4 Ten-year graphical review



# Integrated Report to stakeholders

continued

## 6.5 Commentary on the 2015 financial results

Sabvest achieved record results for the year.

Headline earnings per share increased by 125,7% to 1 004 cents per share. The growth arose from the gain on the sale of Set Point, the strong share price increases of Brait, Transaction Capital and Corero Network Security, satisfactory returns on the offshore portfolios and satisfactory performances by SA Bias Industries and Sunspray. The gains in Brait, Corero and SA Bias were enhanced by the weak rand against the US dollar.

NAV per share increased by 38,6% to 3 719 cents per share.

DPS for the year increased by 16,3% to 50 cents per share.

PAT increased by 125% to R460m.

Shareholders' funds increased by 37,9% to R1,7 bn.

## 6.6 Ten-year financial growth

	Cents	Compound Growth 1 year (%)	Compound Growth 3 years (%)	Compound Growth 5 years (%)	Compound Growth 10 years (%)
Net asset value per share	3 719	38,6	26,1	32,1	25,3
Normal dividends per share	50	16,3	16,0	24,1	23,6
Headline earnings per share	1 003,9	125,7	48,2	45,7	29,8
Earnings per share	1 003,9	125,6	48,2	45,5	30,2

## 6.7 Financial resources

Shareholders' funds amounted to R1,701m at the year end, most of which was invested in the group's portfolio holdings.

In South Africa the group has R100m in term loans falling due 2017 to 2019. It has short-term bank facilities of R60m which were unutilised at the year-end. The group also utilises loans from entities associated with the directors. Utilisation at year-end was R9m. In addition, at the year-end RSA cash balances were R55m.

A £6m (R130m) facility is available offshore to enable the group to gear its foreign share, bond and cash portfolios in its wholly-owned subsidiary managed in Monaco and which is capitalised to the extent of \$9,1m (R141m). This facility is secured by the underlying assets of that subsidiary only. In addition at the year-end the offshore cash portfolio was R66m.

The group has sufficient financial resources to execute its strategies.

## 6.8 Dividend policy and declaration

Dividends are determined relative to Sabvest's own cash flows from investments and services and capital receipts that are not earmarked for new transactions. Dividends are considered twice annually. The normal dividend for the year has been increased by 16,3% to 50 cents per share (2014: 43 cents per share). No special dividends were declared in 2015 (2014: 100 cents per share).

## 6.9 Performance of unlisted investments

With regard to the performance of our unlisted investments:

- ◆ SA Bias Industries' results for the year showed satisfactory growth, assisted by conversion to rands at the weaker exchange rates applicable during the year. At the year-end it concluded a transaction to increase its interest in the UK based Flowmax Group to 100%.
- ◆ Sunspray traded well with profitability ahead of budget.

## Integrated Report to stakeholders

continued

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.

### 6.10 Performance of listed investments

- ◆ Brait's share price increased materially pursuant to its realisation of its interest in Pepkor, new investments in Virgin Active and New Look and the sale of its consideration shares in Steinhoff.
- ◆ Metrofile produced its usual steady growth in earnings but its share price was weak in the period.
- ◆ Torre's share price strengthened during the year as it implemented its strategies for the growth of its industrial footprint in RSA and Africa. This was given impetus by its acquisitions of Elephant Lifting and Set Point Group and its raising of additional capital through placements with Safika and Mineworkers Investment Company.
- ◆ Transaction Capital continues to trade very satisfactorily. It produced good growth for the year with the share price strengthening in response.
- ◆ Rolfes Holdings Limited is a new addition to the portfolio directly and indirectly through Masimong Chemicals preference shares. The Rolfes share price has been steady since the date of purchase.

The group's offshore share and bond portfolio performed satisfactorily in difficult market conditions with US dollar returns of 2,0% for the year excluding Corero and 6,70% for the year including Corero. The group disposed of its entire general equity portfolio before the year-end. The bond portfolio is listed on Sabvest's website.

## 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 or risk appetite and we continue to assess new opportunities on a regular basis.

The group's unlisted industrial investees are budgeting for improved profitability in 2016 but this may be affected by any strengthening of the rand and weaker trading conditions.

The group's listed investee companies are performing to expectation in a difficult trading environment. However, share prices have weakened in the first two months of the year and future movements in share prices are obviously uncertain.

It is not possible to comment on overall expected 2016 performance at this stage due to the likely effects on fair values of reduced listed share prices and of the strengthening rand on foreign currency earnings and valuations.

## 8. Governance and sustainability

### 8.1 Human resources

RSA executive directors	Overseas executive management	Staff	Sub-Total	Non-executive directors	<b>Total 2015</b>	Total 2014
2	1	4	7	5	<b>12</b>	12

# Integrated Report to stakeholders

continued

## 8.2 Directorate

### Executive directors



**Christopher Stefan SEABROOKE** (62)  
BCom, BAcc, MBA, FCMA  
*Chief Executive*

Joined the group in 1980.  
Appointed Chief Executive in 1987.  
Non-executive Chairman of Metrofile Holdings Limited, Torre Industries Limited and Transaction Capital Limited, Deputy Chairman of Massmart Holdings Limited and a non-executive director of Brait se, Datatec Limited and Net1 UEPS Technologies Inc. Also a director of numerous unlisted companies including SA Bias, Sunspray, Mineworkers Investment Company and Primedia. Former Chairman of the State Theatre of South Africa and Deputy Chairman of the inaugural National Arts Council of South Africa.



**Raymond PLEANER** (61)  
BCompt(Hons), CA(SA)  
*Financial Director*

Joined the group in 1985 and appointed to the Board in 1996.

### Non-Executive directors



**Philip COUTTS-TROTTER** (69)  
BCom, MBA  
*Non-Executive Chairman*  
*Member of the Remuneration and Nominations Committees*

Appointed to the Board in 1987.  
Executive Chairman, SA Bias Industries (Pty) Ltd.



**Dawn Nonceba Merle MOKHOBHO** (67)  
BA (Social Science)  
*Independent Non-executive Deputy Chairman*  
*Chairman of the Remuneration Committee*  
*Member of the Audit and Risk Committee and Nomination Committee*

Appointed to the Board in 2005.  
Non-executive Director of Engen Limited and Altron, Director of Partnership Investments, Chairperson of Wesizwe Platinum and Independent Director of Cricket South Africa. Former winner South African Businesswoman of the Year Award.



**Carl Philip COUTTS-TROTTER** (40)  
BBusSc (Actuarial Science),  
FASSA, FIA(UK)  
*Non-executive Director*

Appointed to the Board in 2007 as an Executive Director. Became Non-executive on 1 January 2013.

Group Managing Director of SA Bias Industries (Pty) Limited.



**Nigel Stuart Hamilton HUGHES** (61)  
BCom, CA(SA), FCMA  
*Lead Independent Non-executive director*  
*Chairman of the Audit and Risk Committee, Nomination Committee and the Social and Ethics Committee*  
*Member of the Remuneration Committee*

Appointed to the Board in 1987.  
Executive Chairman, Mertrade (Pty) Ltd.



**Bheki James Themba SHONGWE** (60)  
BA (Econ), MBA, ACIS, FCIBM  
*Independent Non-Executive Director*  
*Member of the Audit and Risk Committee*

Appointed to the Board in 2005.  
Chairman, Flow Communications (Pty) Ltd, Executive Chairman, Matsamo Group Limited, Chairman, Company Management Consultants (Pty) Ltd, Non-executive Director of Matsamo Capital (Pty) Ltd, Director of Marking Engineering (Pty) Ltd.

## Integrated Report to stakeholders

continued

### 8.3 The Board and its Committees

The group employs seven people of whom two are executive directors of the holding company. It also has the benefit of the experience and advice of five non-executive directors of whom three 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 three directors regarded as independent continue to exert this status vigorously.

The roles of Chairman and CEO are separate. The Chairman is a 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. 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. A consideration of 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 has established a gender policy relating to its composition. It will target a minimum of two female directors and aims to achieve this on the next occasion a vacancy arises.

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 investee companies. The Board fully respects the fiduciary duties of these directors to the respective companies and is cognizant 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.

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 Memorandum of Incorporation (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 a written charters adopted by the Board and published on the company's website.



## Integrated Report to stakeholders

continued

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

	<b>Attendance</b>
CP Coutts-Trotter	2/2
P Coutts-Trotter	2/2
NSH Hughes	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 13, shareholders on page 23 and remuneration details in note 13 on page 61.

### 8.3.1 *Company Secretary*

The role of the Company Secretary is outsourced to an independent individual and 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;
- ◆ 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. She has over fifteen years experience in the role. More particularly, the Board is satisfied that she has carried out each of her duties as set out above.

The Board confirms that she has maintained an arms 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.

### 8.3.2 *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 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.

Selected scope internal audit services are performed for the group by KPMG on an annual basis 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.

## Integrated Report to stakeholders

continued

The internal auditors attend when presenting their reports and opinions on internal financial and IT controls and other reviews which are done annually over a three year cycle. Their reports provided unqualified assurances to the Audit 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 effects 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 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.

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 Sabvest'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:

	<b>Attendance</b>
NSH Hughes (Independent Non-Executive Chairman)	2/2
DNM Mokhobo (Independent Non-Executive)	1/2
BJT Shongwe (Independent Non-Executive)	2/2

### 8.3.3 Remuneration and Nomination Committees

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

## Integrated Report to stakeholders

continued

The Committees comprises the following members:

	<b>Attendance</b>
DNM Mokhobo (Independent Non-executive Chairman of the Remuneration Committee)	1/1
P Coutts-Trotter (Non-executive)	1/1
NSH Hughes (Independent Non-executive Chairman of the Nomination Committee)	1/1

### 8.3.4 Social and Ethics 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 the group has properly considered these issues and taken the appropriate measures to the extent applicable to the group's activities.

The Committee comprises the following members:

	<b>Attendance</b>
NSH Hughes (Independent Non-Executive Chairman)	1/1
CS Seabrooke (CEO)	1/1
R Pleaner (CFO)	1/1

The report of the Committee to shareholders as required by the Companies Act is set out on page 39.

### 8.3.5 Performance assessments

The performances of the Board, the Committees, directors, Chairman, CEO 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 2015.

## 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 investees. Compliance with ethical standards is maintained and assessed. A tip-off hotline procedure is in place through the Audit Committee chairman. No incidents were reported during the year.

The setting of specific measurable metrics is not practicable as the group is an arms length investment group without operations as such.

## Integrated Report to stakeholders

continued

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

Sabvest's directors and Sabvest are similarly restricted relative to any listed investments it may have from time to time. Sabvest 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 Sabvest 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. When it is the intention to utilise the programme, the parameters and pricing are set at least two months before the financial reporting closed periods commence. The programme was not utilised in 2015.

### **8.6 Information Technology**

The effectiveness of the group's IT systems was favourably assessed by KPMG in the course of the provision of internal audit services to the group, and by Deloitte & Touche in the course of its audit. 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 effectively by an outside contractor, SA Outsourcing, for over fifteen 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.

KPMG has 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. He has been assisted by KPMG in preparing Sabvest's regulatory universe in South Africa. The Board, through the Audit Committee, also relies on Deloitte & Touche in the course of their audit relating to 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.

During the year the compliance officer did not note any breaches in regulatory compliance and the group was not subject to any penalties or fines in this regard.

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. The Board regards the compliance function as sufficient and effective.

# Integrated Report to stakeholders

continued

## 8.8 Social Responsibility Initiatives (SRI)

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

Sabvest invests between 0,25% and 1% of its own profit after tax (calculated as a three-year moving average) directly (and indirectly for SA Bias Industries) in specific programmes encompassing bursaries for secondary education and educational infrastructure. During 2015 fourteen high school bursaries were funded at Durban Preparatory High School, Durban High School, Glenwood High School and Maris Stella and general and specific grants were made for education related initiatives.

## 8.9 External relationships

Sabvest's direct 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 and on-site visits.
- ◆ *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 be attended by at least two company representatives and notes are made of the meetings.

## 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 in line with the group's strategy 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, its clearly stated and shareholder approved investment policy and the group's ongoing investment assessment 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:

<b>Risk</b>	<b>Residual risk level after mitigation</b>
◆ Reduced cash flow from investees	Low
◆ Financial controls in investees	Low
◆ Loss of any key executive in an investee	Low
◆ Security and crime	Medium
◆ CEO incapacitated or not available	Low
◆ Lack of liquidity	Low
◆ BEE requirements	Medium
◆ Exchange rate fluctuations	High
◆ Shareholder agreements	Low
◆ Change in strategies of investees	Low
◆ Lack of liquidity on the JSE	High
◆ Sabvest 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 and the internal audit service provider 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 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 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 for executives are targeted at between 50% and 100% of cost to company packages. In the case of the CEO, 25% of package is awarded if normal dividends over the three year period to the accounting date have increased by at least 10% p.a. and the second award is calculated as 2% of PAT. The CFO may earn 25% of package based on pre-set qualitative KPI's and the balance of his incentive is calculated as 1% of PAT. Our performance is allowed to 200% of package.

Sabvest has a long-term incentive plan (LTIP) for executives and staff. Participants receive a notional award of between 12% and 100% of their cost to company packages annually which is "invested" in the group's net asset value. The growth in this notional investment is measured annually and is tested after four years. An award will only vest if a hurdle rate of 10% per annum growth in net asset value is achieved. There is no retesting. 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 awards are capped at a gain of 200% of the notional investments.

Awards prior to 2012 had testing periods of 3 to 5 years.

# Integrated Report to stakeholders

continued

Accordingly when the short-term incentive scheme and the LTIP are viewed together, most of the potential annual incentive to executives is based on growth in NAV per share over one year and over four years and the balance on the growth in dividends.

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

Both executive directors are shareholders in the company and have previously received allocations from the share trust or the SARS scheme.

Accordingly the bases for short-term incentives and the LTIP combined with the previous allocation of shares to executive directors directly motivate management to achieve growth in Sabvest's key performance indicators.

The SARS, share trust and share option schemes are currently dormant.

Some of the directors who take the responsibility of appointments to the Boards of the group's investees may receive directors' fees from some of those companies. In addition the group's three unlisted investees 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, 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.

## 10. Shares and shareholders

At the year end Sabvest had 17,1m ordinary shares and 28,9m "N" ordinary shares in issue. The ordinary shares carry 500 votes per share and the "N" ordinary shares carry 1 vote per share.

Sabvest had 477 shareholders at the year end as profiled in Annexure 2. The shareholdings of directors are recorded in the directors' report on page 35.

## 11. Commentary and conclusion

Performance will be improved through encouraging and facilitating the growth of the group's unlisted investment 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 targets to be fully invested to optimise returns, and to enhance returns on capital by maintaining a level of borrowings, although at a conservative level.

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

For and on behalf of the Board

**Christopher Seabrooke**  
*Chief Executive Officer*

Sandhurst  
9 March 2016

# Integrated Report to stakeholders

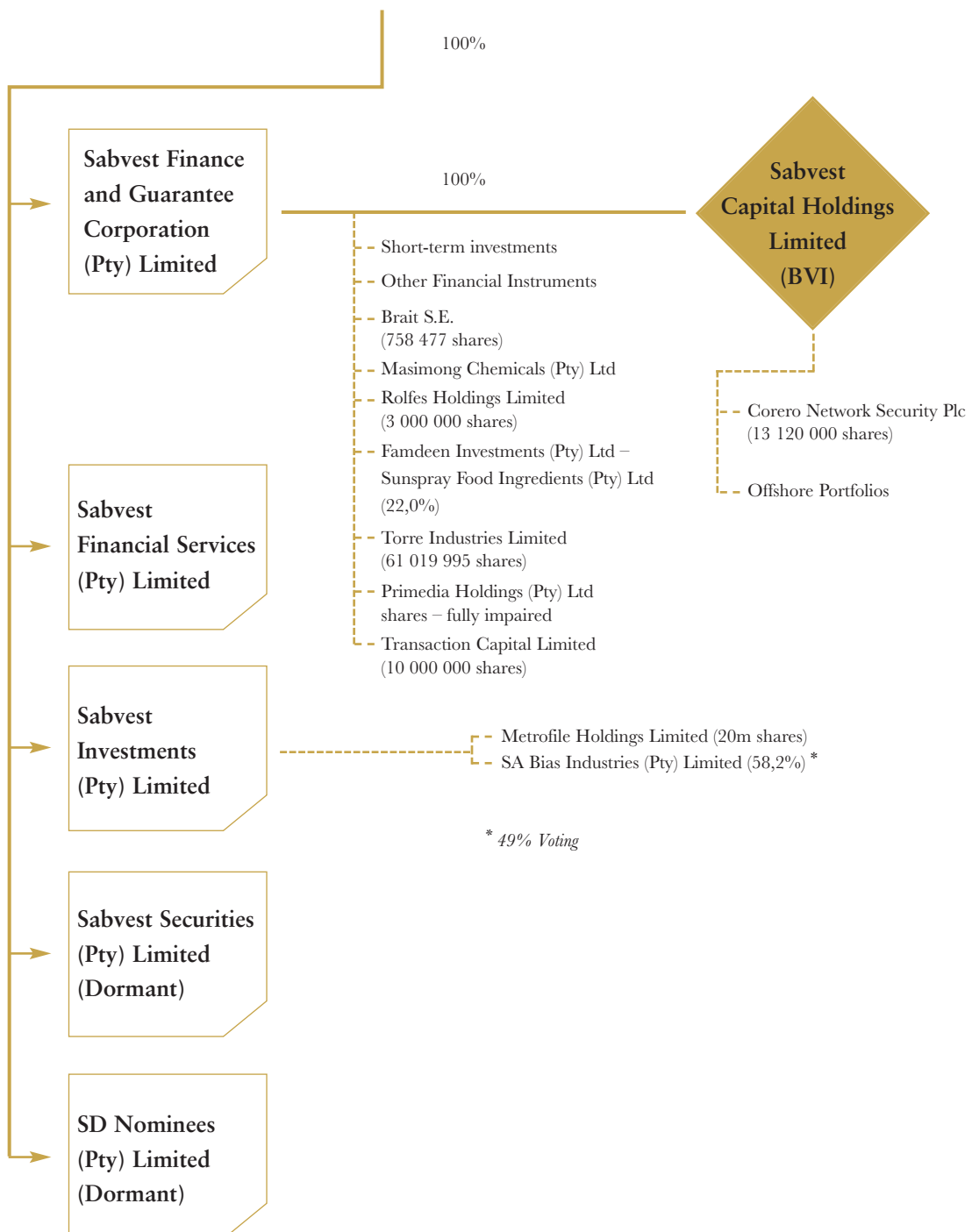
continued

ANNEXURE 1

## CORPORATE STRUCTURE



### SABVEST LIMITED





# Integrated Report to stakeholders

continued

ANNEXURE 2

## SHARES AND SHAREHOLDERS

### Shareholder analysis at 31 December 2015\*<sup>1</sup>

Category	Ordinary shares		'N' ordinary shares			
	Number of share-holders	% of total share-holders	Number of shares held	Number of share-holders	% of total share-holders	Number of shares held
Banks and nominee companies	4	2,5	371 964	8	2,6	5 801 548
Investment and trust companies	19	12,0	12 639 923	18	5,9	6 592 158
Other corporate bodies	18	11,3	3 515 680	29	9,4	13 885 503
Individuals	118	74,2	549 237	253	82,1	2 603 791
	<b>159</b>	<b>100,0</b>	<b>17 076 804</b>	<b>308</b>	<b>100,0</b>	<b>28 883 000</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	11 895 000	69,7	3 105 000	10,8	32,6	69,5
BNP Paribas (Suisse) SA	2 915 498	17,1	11 051 266	38,3	30,4	17,1
Credit Suisse Zurich	370 962	2,2	5 797 010	20,1	13,4	2,2
Ceejay Trust	680 670	4,0	2 829 453	9,8	7,6	4,0
Ellerine Brothers (Pty) Limited	500 150	2,9	1 581 187	5,5	4,5	2,9
	<b>16 362 280</b>	<b>95,9</b>	<b>24 363 916</b>	<b>84,5</b>	<b>88,5</b>	<b>95,7</b>

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

Category	Ordinary shares			'N' ordinary shares			Overall shares	
	Number ordinary share-holders	Number ordinary shares in issue	% ordinary shares in issue	Number 'N' ordinary share-holders	Number 'N' ordinary shares in issue	% 'N' ordinary shares in issue	Number overall shares in issue	% overall shares in issue
Non-public shareholders								
Directors	3	11 921 000	69,8	4	4 641 100	16,1	16 562 100	36,0
Other	1	2 915 498	17,1	1	11 051 266	38,3	13 966 764	30,4
Total non-public shareholders	4	14 836 498	86,9	5	15 692 366	54,4	30 528 864	66,4
Public shareholders	134	2 240 306	13,1	303	13 190 634	45,6	15 430 940	33,6
	<b>138</b>	<b>17 076 804</b>	<b>100,0</b>	<b>308</b>	<b>28 883 000</b>	<b>100,0</b>	<b>45 959 804</b>	<b>100,0</b>

Note: Directors' holdings are set out on page 33.

### Stock exchange performance

JSE Limited	Ordinary		'N' ordinary	
	2015	2014	2015	2014
Closing price (cents)	3 485	3 360	2 900	2 500
Highest price (cents)	3 650	4 800	3 400	3 700
Lowest price (cents)	2 100	2 050	2 100	2 051
Total number of shares traded ('000)	90	62	771	192
Total value of shares traded (R'000)	3 051	2 237	19 202	4 966
Total number of transactions recorded	155	125	252	92
Total volume of shares traded as a percentage of total issued shares (%)	0,5	0,4	2,7	0,7

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

# Integrated Report to stakeholders

continued

ANNEXURE 3

## INVESTMENT POLICY

### 1. Background and Rationale

- 1.1 Sabvest is an investment group which has been listed on the JSE since 1988. Its shares are quoted in the Financials – Equity Investment Instruments sector.
- 1.2 The JSE Listings Requirements deal specifically with investment companies in section 15 and in particular require an Investment Policy to be approved by shareholders on listing or, by implication, from time to time.
- 1.3 Sabvest has prepared its Investment Policy to be approved by the JSE and considered by its shareholders with a view to approving its existing investment parameters, scope and related features.

### 2. Definitions

Definitions of terms used in this Policy are contained in Appendix A attached.

### 3. Investment Parameters and Scope

#### 3.1 Investment focus

Sabvest:

- 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 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.

#### 3.2 Sectors

Sabvest's primary equity investments will be confined to the industrial, retail, trading, services, media, IT and financial sectors.

#### 3.3 Geographies

- a) Sabvest 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 are restricted to businesses in the United Kingdom and Europe.
- c) Foreign investments held indirectly are not restricted (as the location of these will be determined by the international strategies of the companies in which Sabvest has interests).

#### 3.4 Size, spread and stage

Sabvest:

- 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.

# Integrated Report to stakeholders

continued

ANNEXURE 3

(continued)

- 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.
- g) will not make stage one, start-up or greenfield investments.

### 3.5 Other parameters

Sabvest:

- 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.
- c) favours large minority stakes in unlisted companies with whom it interacts as associates.
- d) usually procures that its CEO or other Sabvest directors are directors of investee companies (other than general portfolio 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) will dispose of investments in the event of:
  - ◆ protracted periods of under-performance relative to criteria set by management depending on the nature, sector and stage of the investments;
  - ◆ any ongoing disagreements with management or other shareholders particularly concerning strategy, capital allocation and returns;
  - ◆ receipt of unsolicited offers at materially higher values than attributed by Sabvest;
  - ◆ availability of alternative investments with substantially superior returns.

## 4. Growth Targets

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

Intrinsic net asset value per share	15% p.a.
Dividends per share	10% p.a.

These may be changed by the Board from time to time, particularly if movement in macro-economic factors such as CPI, exchange rates, interest rates and rates of taxation that affect the group make changes appropriate. Any material changes will require shareholder approval.

## 5. Categorisation of Transactions

Investment transactions undertaken by Sabvest will be categorised relative to Sabvest's market capitalisation as required by the JSE.

## 6. Shareholder Approvals

- 6.1** Shareholder approval by way of ordinary resolution will be required for all purchase and sale transactions of a size in excess of 25% of market capitalisation, or in excess of 5% in the case of related party transactions.
- 6.2** Shareholder approval will not be required for purchase and sale transactions irrespective of size if these are a result of pre-agreed terms of shareholders' agreements which have been approved by Sabvest shareholders, or have been advised to Sabvest shareholders if the original transactions fall within the approved Investment Policy. Notwithstanding, 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).

## Integrated Report to stakeholders

continued

ANNEXURE 3  
(continued)

It is intended that this pre-approval will relate to come along, go along, pre-emptive, put and call provisions that may be contained in agreements between Sabvest and other investors in investee companies.

The approvals may be obtained at the time of the original transactions or subsequently.

**6.3** Shareholder approval is not required for non-related party transactions of any size in the following circumstances:

- a) the requirements of paragraph 6.2 have been met; or
- b) the transactions fall within the approved Investment Policy.

### 7. Communication of Investment Transactions

**7.1** All transactions concluded in accordance with this Investment Policy will be regarded as being in the ordinary course of business unless circumstances dictate otherwise.

**7.2** Communications with shareholders will be in accordance with JSE regulations for category 1 and category 2 transactions, except that:

- a) 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).
- b) no press announcements will be required for non-related party transactions less than 10% of market capitalisation provided that:
  - ◆ they are not regarded by the Board of Sabvest as price sensitive; and
  - ◆ the financial effects prepared in accordance with JSE regulations do not show a variance of any of the indicators of more than 3%.

**7.3** Notwithstanding the provisions of 7.2, the information required to be disclosed for a pre-listing 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 25% in accordance with Section 9.22.

**7.4** All transactions will be summarised for shareholders in the interim and final results announcements and in the annual report.

### 8. Communication of Investment Policy

The Investment Policy has been published on SENS, appears on Sabvest's website and is included in the annual report.

### 9. Approval of Investment Policy

This initial Investment Policy was approved by shareholders on 12 December 2012 and any future material changes must be approved by shareholders by way of ordinary resolution.

# Integrated Report to stakeholders

continued

APPENDIX A

## DEFINITIONS

1. **“Category one”** means transactions with a size greater than 25% of market capitalisation.
2. **“Category two”** means transactions with a size of 5% to 25% of market capitalisation.
3. **“Investment” or “transaction”** means equity, preference share, loan, option and guarantee commitments aggregated.
4. **“JSE”** means JSE Limited.

## Integrated Report to stakeholders

continued

## TEN-YEAR FINANCIAL REVIEW

at 31 December 2015

2014 US\$'000	2015 US\$'000	
<b>Consolidated Statement of Financial Position</b>		
119 236	<b>122 251</b>	Non-current assets
132	<b>88</b>	Property, plant and equipment
–	–	Deferred tax asset
–	–	Share trust receivables
–	–	Medium-term receivables
119 104	<b>122 163</b>	Investment holdings
92 533	<b>83 683</b>	Unlisted investments
26 571	<b>38 480</b>	Listed investments
–	–	Associates
–	–	Long-term
15 182	<b>13 052</b>	Current assets
997	<b>472</b>	Finance advances and receivables
14 172	<b>9 032</b>	Offshore investment holding
–	–	Short-term investments
–	–	Other financial instruments
13	<b>3 548</b>	Cash at bank – local
–	–	Cash portfolio
134 418	<b>135 303</b>	Total assets
106 538	<b>109 698</b>	Ordinary shareholders' equity
20 551	<b>22 989</b>	Non-current liabilities
5 184	<b>6 448</b>	Interest-bearing debt
15 367	<b>16 541</b>	Deferred tax liability
7 329	<b>2 616</b>	Current liabilities
5 965	<b>596</b>	Interest-bearing debt
1 364	<b>2 020</b>	Accounts payable
134 418	<b>135 303</b>	Total equity and liabilities
<b>Consolidated Statement of Comprehensive Income</b>		
22 703	<b>45 640</b>	Gross income from operations and investments
4 333	<b>7 082</b>	Dividends received
499	<b>391</b>	Interest received
1 653	<b>4 431</b>	Income on financial instruments and shares
226	<b>226</b>	Fees and sundry income
15 992	<b>33 510</b>	Fair value adjustment to investments
–	–	Equity accounted retained income of associates
–	–	Share of net income of associates
–	–	Less: Dividends received
98	<b>41</b>	Direct transactional costs
(3)	<b>(1)</b>	Impairments
674	<b>575</b>	Interest paid
21 934	<b>45 025</b>	Net income before expenses and exceptional items
2 918	<b>3 378</b>	Less: Expenditure
2 893	<b>3 355</b>	Operating costs
25	<b>23</b>	Depreciation
–	–	Exceptional items – (gains)/loss
19 016	<b>41 647</b>	Net income before taxation
199	<b>6 085</b>	Taxation
18 817	<b>35 562</b>	Net income attributable to equity shareholders
18 802	<b>35 562</b>	Headline attributable income
<b>Returns to shareholders</b>		
40,9	<b>77,6</b>	Headline earnings per share – cents
40,9	<b>77,6</b>	Earnings per share – cents
9,2	–	Special dividend per share – cents
4,0	<b>3,9</b>	Dividends per share – paid or proposed – cents
232	<b>239,8</b>	Net asset value per share – cents
–	–	Net asset value per share at directors' valuation (intrinsic value) – cents
45 960	<b>45 748</b>	Number of shares in issue – 000's
45 975	<b>45 815</b>	Weighted number of shares in issue – 000's

For years 2012 to 2013 unlisted investments (previously associates) are accounted for on a fair value basis; for 2011 and prior the unlisted investments were equity accounted.

## Integrated Report to stakeholders

continued

## ANNEXURE 4

2006 R'000	2007 R'000	2008 R'000	2009 R'000	2010 R'000	2011 R'000	2012 R'000	2013 R'000	2014 R'000	2015 R'000
234 804	304 076	365 160	365 442	453 800	563 755	975 780	1 289 083	1 380 032	<b>1 896 073</b>
1 787	1 501	1 380	1 070	745	616	971	962	1 529	<b>1 369</b>
2 778	2 545	1 897	1 249	555	–	–	–	–	–
3 090	3 574	4 134	6 126	3 761	4 131	2 759	–	–	–
–	–	–	–	–	–	–	–	–	–
227 149	296 456	357 749	356 997	448 739	559 008	972 050	1 225 441	1 378 503	<b>1 894 704</b>
–	–	–	–	–	–	741 600	978 000	1 070 973	<b>1 297 894</b>
–	–	–	–	–	–	230 450	247 441	307 530	<b>596 810</b>
172 088	219 099	279 139	292 994	329 373	403 072	–	–	–	–
55 061	77 357	78 610	64 003	119 366	155 936	–	–	–	–
61 156	38 350	18 614	31 205	41 686	18 385	64 304	173 669	175 714	<b>202 427</b>
17 471	28 700	18 518	24 672	16 532	5 943	22 061	14 959	11 545	<b>7 319</b>
–	–	–	–	–	–	38 489	151 107	164 018	<b>140 077</b>
2 550	–	–	–	16 021	2 363	–	–	–	–
–	–	–	–	5 899	7 727	–	–	–	–
41 135	9 650	96	6 533	3 234	2 352	3 754	7 603	151	<b>55 031</b>
–	–	–	–	–	–	–	–	–	–
295 960	342 426	383 774	396 647	495 486	582 140	1 040 084	1 400 072	1 555 746	<b>2 098 500</b>
279 371	324 786	350 636	379 071	427 098	517 323	854 652	1 085 011	1 233 073	<b>1 701 382</b>
3 338	4 645	3 486	5 212	55 491	49 417	168 776	175 699	237 859	<b>356 556</b>
–	–	–	–	48 124	40 000	40 000	–	60 000	<b>100 000</b>
3 338	4 645	3 486	5 212	7 367	9 417	128 776	175 699	177 859	<b>256 556</b>
13 251	12 995	29 652	12 364	12 897	15 400	16 656	139 362	84 814	<b>40 562</b>
7 615	7 101	24 100	7 350	5 133	7 915	8 697	127 555	69 040	<b>9 240</b>
5 636	5 894	5 552	5 014	7 764	7 485	7 959	11 807	15 774	<b>31 322</b>
295 960	342 426	383 774	396 647	495 486	582 140	1 040 084	1 400 072	1 555 746	<b>2 098 500</b>
108 715	67 818	59 216	78 938	100 031	115 522	220 180	360 562	246 857	<b>590 256</b>
12 248	18 729	38 149	34 939	17 208	29 302	37 788	46 617	47 114	<b>91 585</b>
7 827	6 423	3 938	1 567	2 884	881	739	3 473	5 425	<b>5 062</b>
37 156	311	–	9 976	(1 166)	6 223	26 335	9 518	17 972	<b>57 312</b>
6 386	2 213	2 781	2 809	5 125	2 407	2 730	2 067	2 461	<b>2 920</b>
22 429	7 406	(16 939)	8 274	21 585	21 027	152 588	298 887	173 885	<b>433 377</b>
22 669	32 736	31 287	21 373	54 395	55 682	–	–	–	–
34 640	49 996	67 056	53 936	68 752	81 631	–	–	–	–
(11 971)	(17 260)	(35 769)	(32 563)	(14 357)	(25 949)	–	–	–	–
4 452	–	–	–	–	209	1 284	1 939	1 066	<b>525</b>
1 000	–	(45)	(181)	(144)	1 013	(1 279)	(57)	(35)	<b>(17)</b>
1 594	1 643	2 335	3 467	3 892	4 741	5 275	5 101	7 328	<b>7 445</b>
101 669	66 175	56 926	75 652	96 283	109 559	214 900	353 579	238 498	<b>582 303</b>
11 759	14 503	15 869	18 538	23 103	24 610	22 385	26 831	31 732	<b>43 689</b>
11 296	14 095	15 473	18 208	22 783	24 460	22 263	26 683	31 453	<b>43 392</b>
463	408	396	330	320	150	122	148	279	<b>297</b>
(1 256)	3 449	33 509	(9 344)	(325)	692	–	–	–	–
91 166	48 223	7 548	66 458	73 505	84 257	192 515	326 748	206 766	<b>538 614</b>
5 269	1 574	(512)	2 374	2 849	2 606	50 164	46 922	2 160	<b>78 697</b>
85 897	46 649	8 060	64 084	70 656	81 651	142 351	279 826	204 606	<b>459 917</b>
84 550	50 110	41 570	54 740	70 164	82 343	142 233	279 825	204 436	<b>459 917</b>
182,7	108,3	89,9	118,8	153,0	178,1	308,4	607,9	444,7	<b>1 003,9</b>
185,6	100,8	17,4	139,1	154,0	176,6	308,6	607,9	445,0	<b>1 003,9</b>
–	–	–	–	–	–	–	100,0	100,0	–
12,0	14,0	14,0	14,0	17,0	24,0	32,0	40,0	43,0	<b>50,0</b>
604	702	759	825	922	1 120	1 855	2 358	2 683	<b>3 719</b>
862	1 050	1 016	1 094	1 230	1 563	–	–	–	–
46 275	46 276	46 180	45 968	46 320	46 172	46 061	46 015	45 960	<b>45 748</b>
46 272	46 276	46 260	46 078	45 869	46 236	46 126	46 031	45 975	<b>45 815</b>

# Audited annual financial statements

## Contents

	<b>Page</b>
Directors' approval of the annual financial statements	31
Declaration by Company Secretary	31
Independent auditors' report	32
Directors' report	33
Audit Committee report	38
Social, Ethics and Transformation Committee report	39
Consolidated statement of financial position	40
Consolidated statement of comprehensive income	41
Company statement of financial position	42
Company statement of comprehensive income	42
Consolidated and company statements of cash flows	43
Consolidated and company statements of changes in equity	44
Accounting policies	45
Notes to the annual financial statements	52
Annexure A: Schedule of consolidated subsidiaries	70
Shareholders' diary	71



## Audited annual financial statements

continued

### DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

#### To the shareholders of Sabvest Limited

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. 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 page 32 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*

Sandton

26 February 2016

**R Pleaner**

*Chief Financial Officer*

### DECLARATION BY COMPANY SECRETARY

The secretary certifies that the company has lodged with the Companies and Intellectual Property Registration Office all such returns as are required of a public company, in terms of the Companies Act, No 71 of 2008, and that all such returns are true, correct and up to date.

**Mrs P Atkins**

*Company Secretary*

Sandton

26 February 2016

# Audited annual financial statements

continued

## INDEPENDENT AUDITORS' REPORT

### To the shareholders of Sabvest Limited

We have audited the consolidated and separate financial statements of Sabvest Limited set out on pages 40 to 70, which comprise the consolidated and separate statement of financial position as at 31 December 2015, and the consolidated and separate statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Directors' Responsibility for the Consolidated and Separate Financial Statements*

The company's directors are responsible for the preparation and fair presentation of these 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sabvest Limited as at 31 December 2015, and its consolidated and separate financial performance and its 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.

#### *Other reports required by the Companies Act*

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2015, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

#### *Report on other legal and regulatory requirements*

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Sabvest Limited for 15 years. We are independent of Sabvest Limited in accordance with the IRBA 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

**Deloitte & Touche**  
Registered Auditor

per **RC Campbell**  
Partner

26 February 2016

Buildings 1 and 2, Deloitte Place, The Woodlands, Woodlands Drive, Woodmead, Sandton

National Executive: \*LL Bam Chief Executive \*AE Swiegers Chief Operating Officer \*GM Pinnock Audit \*N Sing Risk Advisory  
\*NB Kader Tax TP Pillay Consulting S Gwala BPaaS \*K Black Clients & Industries \*JK Mazzocco Talent & Transformation  
\*MJ Jarvis Finance \*M Jordan Strategy \*MJ Comber Reputation & Risk \*TJ Brown Chairman of the Board

*A full list of partners and directors is available on request.*

*\*Partner and Registered Auditor*

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code  
Member of Deloitte Touche Tohmatsu Limited

## Audited annual financial statements

continued

### DIRECTORS' REPORT

at 31 December 2015

#### Nature of business

Sabvest Group's main activities are set out in the corporate profile on page 3.

#### Results of operations

The results of operations for the year ended 31 December 2015 are reflected in the attached annual financial statements.

#### Subsidiaries

Details of the company's interest in its consolidated subsidiaries appear in Annexure A, which forms part of this report.

#### Going concern

Based upon solvency, cash resources and forecasts, the board has concluded that the business will be a going concern in the year ahead.

#### Investments

Details of the group's investments are set out on pages 6 and 7 and in note 4 to the annual financial statements.

#### Directors' interests

The directors' beneficial and non-beneficial direct and indirect holdings in the ordinary shares and the 'N' ordinary shares of the company at 31 December 2015 were as follows:

	2015			2014 Total 000's
	Ordinary shares 000's	'N' ordinary shares 000's	Total 000's	
<b>Executive</b>				
CS Seabrooke	11 895	3 105	15 000	15 000
R Pleaner	21	1 032	1 053	1 053
<b>Non-executive</b>				
CP Coutts-Trotter	–	500	500	500
P Coutts-Trotter	5	4	9	9
NSH Hughes	–	–	–	–
DNM Mokhobo	–	–	–	–
BJT Shongwe	–	–	–	–
	<b>11 921</b>	<b>4 641</b>	<b>16 562</b>	16 562

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

## Audited annual financial statements

continued

### DIRECTORS' REPORT

at 31 December 2015

continued

#### 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 21 cents per share (2014: 18 cents) was declared during the year and a final dividend of 29 cents per share (2014: 25 cents) has been declared subsequent to the year-end.

#### Changes in investment holdings

During the year the group acquired 4,8 million shares in Corero Network Security Plc, 2 858 preference shares in Masimong Chemicals (Pty) Ltd, linked to 15 million ordinary shares in Rolfes Holdings Limited, 3 million shares in Rolfes Holdings Limited, 1,027 million shares in Torre Industries Limited and 7 million shares in Transaction Capital Limited.

During the year the group disposed of 0,2 million shares in Brait S.E., 0,2 million shares in Datatec Limited and decreased its foreign share and bond portfolios to R26,5 million.

During the year the group disposed of its 49,9% interest in Set Point Group (Pty) Ltd to Torre Industries Limited in exchange for 37 million shares in Torre Industries Limited.

#### Directors and secretary

Details of the present board of directors and the secretary appear on pages 13 and 15.

Messrs CP Coutts-Trotter, DNM Mokhobe and R Pleaner retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

#### 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 23.

#### Subsequent events

There were no subsequent events.

#### Special resolutions

The following is a summary of the special resolutions that were passed during the year:

##### Special resolution number 1

*Approval of proposed non-executive directors' remuneration for the year ended 31 December 2015*

"RESOLVED that the remuneration of the non-executive directors in respect of services as directors of the company for the financial year ended 31 December 2015 be authorised and determined on the basis of the amounts set out below:

Fees are:

- (i) paid to non-executive directors annually;

# Audited annual financial statements

continued

## DIRECTORS' REPORT

at 31 December 2015

continued

- (ii) determined by the Board on a market-related basis as recommended by the Sabvest Remuneration and Nominations Committee; and
- (iii) subject to the following maximum amounts:

	<b>Year ended 2015 R</b>
Chairman	210 000
Deputy Chairman	195 999
Non-executive directors	175 000
Chairman of the Audit Committee	175 000
Chairman of the Remuneration and Nominations Committee	58 000
Chairman of the Social, Ethics and Transformation Committee	36 000
Committee members/invitees	36 000
Directorship of an associate by a non-executive director of Sabvest	195 000"

The resolution was passed on 13 May 2015.

### Special resolution number 2

*Authority to provide financial assistance to any group company*

“RESOLVED that in accordance with Section 45 of the Companies Act, the company be and is hereby authorised to provide direct or indirect financial assistance to any related or inter-related company (as defined in the Companies Act) of the company by way of a general authority in favour of that category of recipients as contemplated in Section 45(3)(a)(ii) of the Companies Act, on the terms and conditions and for amounts that the board of the directors may determine from time to time up to a limit of R500 million (five hundred million rand). This authority shall not extend beyond two years from this Annual General Meeting.”

The resolution was passed on 13 May 2015.

### Special resolution number 3

*General authority to repurchase shares*

“RESOLVED that the company and/or any subsidiary of the company is hereby authorised, by way of a general authority, from time to time, to acquire ordinary and/or ‘N’ ordinary shares in the share capital of the company from any person 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 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 months from the date of passing this special resolutions number 3;

## Audited annual financial statements

continued

### DIRECTORS' REPORT

at 31 December 2015

continued

- an announcement will be published as soon as the company or any of its subsidiaries have acquired ordinary or 'N' ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary or 'N' ordinary shares in issue and for each 3% 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% 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 105 in the aggregate of the number of issued shares in the company;
- shares of the company may not be acquired at a price greater than 10% above the weighted average of the market value at which such shares are traded on the JSE as determined over the 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 authorises the repurchase, the group and the company pass 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 reacquisition;
- 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; and
- repurchases are to 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)."

The resolution was passed on 13 May 2015.

#### **Special resolution number 4**

*Authority to provide financial assistance in terms of section 44 of the Companies Act*

"RESOLVED that the board may, subject to compliance with the requirements of the company's MOI and the requirements of the Companies Act (including but not limited to the board being satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 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 any and all direct or indirect financial assistance, as envisaged in section 44 of the Companies Act, by way of the company giving effect to any other act/s or performing any such activity/ies as may be construed to be 'financial assistance' as envisaged in section 44 of the Companies Act, subject to the

## Audited annual financial statements

continued

### DIRECTORS' REPORT

at 31 December 2015

continued

provisions of section 44 of the Companies Act and provided that such financial assistance may be granted up to a limit of R500 million per transaction on the basis that the aggregate net outstanding financial assistance provided by the company in terms of section 44 of the Companies Act will not at any time exceed an aggregate amount of R500 million.”

The resolution was passed on 13 May 2015.

#### **Special resolution number 5**

*Placing 1 million unissued ordinary shares and all unissued 'N' ordinary shares under the control of the directors and general authority to allot and issue*

“RESOLVED that 1 million of the ordinary shares and all the 'N' ordinary shares in the authorised but unissued share capital of the company be and are hereby placed under the control and authority of the directors of the company and that the directors of the company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act, including but without limitation Section 41(1) and Section 41(3) of the Companies Act, the MOI of the company and the JSE Listings Requirements, when applicable, subject to the following:

- The authority shall be valid until the date of the next annual general meeting of the company provided it shall not extend beyond 15 months from the date of this annual general meeting.
- Notwithstanding the foregoing, the issue of 'N' ordinary shares authorised under this resolution will be limited to 30% of the 29 million in total issued 'N' ordinary shares as at the date of this notice, i.e. 8,7 million shares.”

The resolution was passed on 13 May 2015.

#### **Preparation of financial statements**

The preparation of these consolidated and company financial statements was supervised by the Chief Financial Officer, R Pleaner CA(SA).

## Audited annual financial statements

continued

### AUDIT COMMITTEE REPORT

for the year ended 31 December 2015

The Audit Committee met twice during the year and the external auditors presented formal reports to the Committee and attended meetings by invitation in accordance with section 94(7)(f) of the Companies Act, No. 71 of 2008. The Committee reports as follows:

- ◆ The scope, independence and objectivity of the external auditors were reviewed.
- ◆ The expertise and experience of the Financial Director was assessed and approved.
- ◆ The Group's Corporate Governance procedures were reviewed and approved.
- ◆ The audit firm Deloitte & Touche, and audit partner, Roy Campbell, are, in the Committee's opinion, independent of the Company, and Deloitte & Touche and Sabvest's new audit partner, André Dennis, have been proposed to the shareholders for approval to be the group's auditor and audit partner for the 2016 financial year.
- ◆ On an ongoing basis, the Committee reviews and approves the fees payable to the external auditors.
- ◆ The appointment of the external auditor complies with the Companies Act, 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 Committee has received and reviewed reports from the auditors concerning the Internal Control Environment Systems and Processes.
- ◆ The Committee reviewed and recommended the adoption by the Board of such financial information which is publically disclosed and included in the annual financial statements including accounting policies.

**Nigel Hughes**

*Audit Committee Chairman*

Sandton

26 February 2016



## Audited annual financial statements

continued

### SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

for the year ended 31 December 2015

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 is and remains a good and responsible corporate citizen, and to perform the statutory functions required of a Social and Ethics Committee in terms of the Companies Act, No. 71 of 2008, (“the Companies Act”).

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 that the Group’s performance in the categories noted above and will continue to review, assess and report on these areas in the future.

Shareholders’ attention is also drawn to Section 8.4 and 8.8 of the 2015 Integrated Report dealing with ethics and social initiatives.

**Nigel Hughes**

*Social, Ethics and Transformation Committee Chairman*

Sandton

26 February 2016

## Audited annual financial statements

continued

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015

	Notes	2015 R'000	2014 R'000
<b>Non-current assets</b>		<b>1 896 073</b>	1 380 032
Property, plant and equipment	1	1 369	1 529
Investment holdings	2	1 894 704	1 378 503
Unlisted investments		1 297 894	1 070 973
Listed investments		596 810	307 530
<b>Current assets</b>		<b>202 427</b>	175 714
Finance advances and receivables	3	7 319	11 545
Offshore investment holdings		140 077	164 018
Share portfolio	4.1	–	99 813
Equity investment	4.2	46 671	23 247
Bond portfolio	4.3	26 452	40 958
Cash portfolio		66 954	–
Cash balances – local		55 031	151
<b>Total assets</b>		<b>2 098 500</b>	1 555 746
<b>Ordinary shareholders' equity</b>		<b>1 701 382</b>	1 233 073
Share capital and premium	5	41 011	46 604
Non-distributable reserves	6.1	70 475	35 397
Accumulated profit	6.2	1 589 896	1 151 072
<b>Non-current liabilities</b>		<b>356 556</b>	237 859
Interest-bearing debt	7	100 000	60 000
Deferred tax liabilities	10.3	256 556	177 859
<b>Current liabilities</b>		<b>40 562</b>	84 814
Interest-bearing debt		9 240	69 040
Offshore portfolio finance	7	–	64 049
Other interest-bearing debt	7	9 240	4 991
Accounts payable	8	11 137	6 320
Provisions	8	20 185	9 454
<b>Total equity and liabilities</b>		<b>2 098 500</b>	1 555 746

## Audited annual financial statements

continued

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Notes	2015 R'000	2014 R'000
<b>Gross income from operations and investments</b>		<b>590 256</b>	246 857
Dividends received		<b>91 585</b>	47 114
Interest received		<b>5 062</b>	5 425
Income on financial instruments and shares		<b>57 312</b>	17 972
Fees and sundry income		<b>2 920</b>	2 461
Fair value adjustments to investments		<b>433 377</b>	173 885
Direct transactional costs		<b>(525)</b>	(1 066)
Impairment reversals		<b>17</b>	35
Interest paid		<b>(7 445)</b>	(7 328)
<b>Net income before operating expenses</b>		<b>582 303</b>	238 498
<i>Less:</i> Expenditure		<b>(43 689)</b>	(31 732)
Operating costs		<b>(43 392)</b>	(31 453)
Depreciation		<b>(297)</b>	(279)
<b>Net income before taxation</b>	9	<b>538 614</b>	206 766
Taxation	10	<b>(78 697)</b>	(2 160)
<b>Net income for the year attributable to equity shareholders</b>		<b>459 917</b>	204 606
Translation of foreign subsidiary	15	<b>35 079</b>	9 211
<b>Total comprehensive income for the year attributable to equity shareholders</b>		<b>494 996</b>	213 817
Earnings per share – cents		<b>1 003,9</b>	445,0
Dividends per share (final proposed after year-end) – cents		<b>50,0</b>	43,0
Weighted average number of shares in issue – 000's		<b>45 815</b>	45 975

## Audited annual financial statements

continued

COMPANY STATEMENT OF  
FINANCIAL POSITION

at 31 December 2015

	Notes	2015 R'000	2014 R'000
<b>Non-current asset</b>		<b>5 015</b>	5 015
Investment in subsidiaries	2	5 015	5 015
<b>Current assets</b>		<b>330 380</b>	203 314
Loans to subsidiaries (Annexure A)		330 352	203 294
Cash at bank		28	20
<b>Total assets</b>		<b>335 395</b>	208 329
Ordinary share capital and premium	5	31 547	31 547
Accumulated profit		290 610	164 018
<b>Ordinary shareholders' equity</b>		<b>322 157</b>	195 565
<b>Current liabilities</b>		<b>13 238</b>	12 764
Amount due to share trust		11 548	11 548
Accounts payable	8	1 690	1 216
<b>Total equity and liabilities</b>		<b>335 395</b>	208 329

COMPANY STATEMENT OF  
COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Notes	2015 R'000	2014 R'000
Dividends received	9	152 000	40 000
<b>Gross income</b>		<b>152 000</b>	40 000
Impairment reversal		(1 179)	36 671
Expenditure		(3 136)	(3 195)
<b>Total comprehensive income for the year attributable to equity shareholders</b>		<b>147 685</b>	73 476

## Audited annual financial statements

continued

## CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

for the year ended 31 December 2015

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>Cash flows from operating activities</b>	<b>41 006</b>	(44 649)	<b>128 245</b>	(27 642)
Net income for the year	459 917	204 606	147 685	73 476
Adjustments for:				
Depreciation	297	279	–	–
Fair value adjustments to investments	(433 377)	(173 885)	–	–
Single capitalisation issue by investee	(776)	(487)	–	–
Deferred taxation	78 697	2 160	–	–
(Reversals)/impairment	(17)	(35)	1 179	(36 671)
Other income on financial instruments and shares	(58 188)	(16 722)	–	–
Profit on sale of property, plant and equipment	–	(170)	–	–
Provisions	14 266	4 548	–	–
Decrease/(increase) in accounts payable	1 280	(581)	474	534
<b>Cash flows from operations</b>	<b>62 099</b>	19 713	<b>149 338</b>	37 339
Dividends paid	(21 093)	(64 362)	(21 093)	(64 981)
<b>Cash flows from investing activities</b>	<b>39 267</b>	37 102	<b>(128 237)</b>	38 732
Purchase of property, plant and equipment	(137)	(846)	–	–
Proceeds from sale of fixed assets	–	170	–	–
Purchase of investment holdings and offshore portfolios	(271 746)	(312 811)	–	–
Proceeds from sale of investment holdings and offshore portfolios	373 861	347 140	–	–
Increase in offshore cash investment portfolio	(66 954)	–	–	–
(Increase)/decrease in loans to subsidiaries	–	–	(128 237)	38 732
Decrease in finance advances and receivables and share trust receivable	4 243	3 449	–	–
<b>Cash effects of financing activities</b>	<b>(20 402)</b>	16 378	–	(11 101)
Increase in long-term loan	40 000	20 000	–	–
Increase in other interest-bearing debt	9 240	–	–	–
Purchase of company shares held in treasury	(5 593)	(1 390)	–	–
Shares repurchased	–	–	–	(22 649)
Increase in loan from share trust	–	–	–	11 548
Decrease in offshore portfolio finance	(64 049)	(2 232)	–	–
<b>Change in cash and cash equivalents</b>	<b>59 871</b>	8 831	<b>8</b>	(11)
<b>Cash and cash equivalents at beginning of year</b>	<b>(4 840)</b>	(13 671)	<b>20</b>	31
<b>Cash and cash equivalents at end of year</b>	<b>55 031</b>	(4 840)	<b>28</b>	20

## Audited annual financial statements

continued

## CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2015

GROUP	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Accumulated profit R'000	Total R'000
<b>Balance as at</b>					
<b>1 January 2014</b>	856	47 140	26 187	1 010 828	1 085 011
Total comprehensive income for the year	–	–	9 211	204 606	213 817
Accumulated loss in share trust	–	–	(1)	–	(1)
Shares held in treasury					
– written back	8	3 411	–	–	3 419
Shares held in treasury – cancelled	(8)	(4 771)	–	–	(4 779)
Shares held in share trust – written back	3	2 778	–	–	2 781
Shares held in share trust – cancelled	(3)	(2 810)	–	–	(2 813)
Dividends paid	–	–	–	(64 362)	(64 362)
<b>Balance as at</b>					
<b>31 December 2014</b>	<b>856</b>	<b>45 748</b>	<b>35 397</b>	<b>1 151 072</b>	<b>1 233 073</b>
Total comprehensive income for the year	–	–	35 079	459 917	494 996
Accumulated loss in share trust	–	–	(1)	–	(1)
Shares held in treasury	–	(5 593)	–	–	(5 593)
Dividends paid	–	–	–	(21 093)	(21 093)
<b>Balance as at</b>					
<b>31 December 2015</b>	<b>856</b>	<b>40 155</b>	<b>70 475</b>	<b>1 589 896</b>	<b>1 701 382</b>
<b>COMPANY</b>					
<b>Balance as at</b>					
<b>1 January 2014</b>	867	53 329	–	155 523	209 719
Total comprehensive income for the year	–	–	–	73 476	73 476
Shares repurchased and cancelled	(11)	(22 638)	–	–	(22 649)
Dividend paid	–	–	–	(64 981)	(64 981)
<b>Balance as at</b>					
<b>31 December 2014</b>	<b>856</b>	<b>30 691</b>	<b>–</b>	<b>164 018</b>	<b>195 565</b>
Total comprehensive income for the year	–	–	–	147 685	147 685
Dividend paid	–	–	–	(21 093)	(21 093)
<b>Balance as at</b>					
<b>31 December 2015</b>	<b>856</b>	<b>30 691</b>	<b>–</b>	<b>290 610</b>	<b>322 157</b>

# Audited annual financial statements

continued

## ACCOUNTING POLICIES

for the year ended 31 December 2015

### Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act, No. 71 of 2008, 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.

The group has also adopted the revised or amended accounting standards issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) which were effective and applicable to the group from 1 January 2015. The application of these changes, had no impact on the group's financial results for the period.

The principal accounting policies adopted are set out below.

### Basis of consolidation

The consolidated financial statements include the financial statements of the company and entities controlled by the company (its subsidiaries) at 31 December each year. Control occurs where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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 (ie 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 are accounted for at fair value in terms of Investment Entities.

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. On disposal of the investments the profit or loss is accounted for as the difference between the consideration received and the fair value of the investment at the commencement of the financial year.

Where investments are unlisted equities, fair value is calculated using the maintainable earnings model. Maintainable earnings are based on historic and projected Net Operating Profit After Tax (NOPAT) earnings as appropriate. 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 net asset value (if this is a relevant metric), recent transaction prices and/or Discounted Cash Flow (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 2015

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.

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

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

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised in other comprehensive income. Amounts deferred in equity are recognised in the statement of comprehensive income in the same period in which the hedged firm commitment or forecast transaction affects net profit or loss.

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 and receivables are measured initially at cost. The loans and receivables are measured subsequently at amortised cost using the effective interest rate method. If the terms of a loan or receivable are not market-related, the payments are discounted at a market-related rate to determine the fair value at initial recognition.

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 profit or loss is accounted for as the difference between the consideration received and the carrying value of the investment and is included in the statement of comprehensive income.

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 carrying values calculated on this basis are regarded as appropriate estimates of fair value at the reporting date.

Specific impairment provisions or debt write-offs may be deducted from finance advances and receivables or investments where in the opinion of the directors, taking into account that as a result of one or more events that occurred after the initial recognition of the asset, the estimated future cash flows from the asset have been impacted, recoverability is doubtful or unlikely.



# Audited annual financial statements

continued

## ACCOUNTING POLICIES

for the year ended 31 December 2015

continued

### Treasury shares

Ordinary and 'N' ordinary shares in Sabvest Limited held by any subsidiary or the Sabvest Limited Share Trust, 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 the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of 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 2015

continued

### **Impairment provisions**

Associate companies and investments are considered annually for impairments in value. If, in the opinion of the directors there is an impairment, an impairment provision is deducted from the carrying value of the associate company or investment. Impairment provisions created or reversed during the year are written off/written back through the statement of comprehensive income. Where there is a reversal of an impairment loss the asset is increased to the estimated recoverable value which will not be greater than the carrying value had no impairment loss been recognised in the prior years.

At the end of 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 (cash-generating unit) 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 (cash-generating unit) 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.

# Audited annual financial statements

continued

## ACCOUNTING POLICIES

for the year ended 31 December 2015

continued

### **Revenue recognition**

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the group and the amount of revenue can be reliably estimated.

Dividends from investments are recognised when the right to receive payment is established.

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.

### **Lease agreements**

Rentals payable under lease agreements entered into for premises occupied by the group are expensed on a straight-line basis over the term of the relevant lease.

### **Related party transactions**

All related party transactions are, unless otherwise disclosed, at arm's length and are in the normal course of business. Refer to note 20.

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

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

There are no defined benefit plans or post-retirement medical benefit obligations.

### **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.

## Audited annual financial statements

continued

### ACCOUNTING POLICIES

for the year ended 31 December 2015

continued

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 local cash at bank.

#### **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 19.

# Audited annual financial statements

continued

## ACCOUNTING POLICIES

for the year ended 31 December 2015

continued

### New/Revised International Financial Reporting Standards Issued

		<b>Effective date</b>
IFRS 7	Financial Instruments: Disclosures <i>Amendments resulting from September 2014 Annual Improvements to IFRSs</i>	1 January 2016
IFRS 10	Consolidated Financial Statements <i>Amendments on Sale or Contribution of Assets between an investor and its associate or joint venture</i>	1 January 2016
IFRS 10	Consolidated Financial Statements <i>Amendments related to the application of the investment entities exceptions</i>	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities <i>Amendments related to the application of the investment entities exceptions</i>	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers <i>Original issue</i>	1 January 2018
IFRS 16	Leases <i>Original issue</i>	1 January 2019
IAS 1	Presentation of Financial Statements <i>Amendments arising under the Disclosure Initiative</i>	1 January 2016
IAS 19	Employee Benefits <i>Amendments resulting from 2012 to 2014 Annual Improvements Cycle</i>	1 January 2016
IAS 27	Separate Financial Statements <i>Amendments relating to equity method in separate financial statements</i>	1 January 2016
IAS 28	Investments in Associates and Joint Ventures <i>Amendments on Sale or Contribution of Assets between an investor and its associate or joint venture</i>	1 January 2016
IAS 28	Investments in Associates and Joint Ventures <i>Amendments related to the application of the investment entities exceptions</i>	1 January 2016
IAS 34	Interim Financial Reporting <i>Amendments resulting from 2012 to 2014 Annual Improvements Cycle</i>	1 January 2016
IAS 38	Intangible Assets <i>Amendments resulting from clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)</i>	1 July 2016

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

## Audited annual financial statements

continued

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

	<b>Motor vehicles R'000</b>	<b>Office furniture, equipment, computers and leasehold improvements R'000</b>	<b>Total R'000</b>
<b>1. Property, plant and equipment</b>			
<b>2015 GROUP</b>			
Beginning of year			
Cost	<b>1 015</b>	<b>3 279</b>	<b>4 294</b>
Accumulated depreciation	<b>(248)</b>	<b>(2 517)</b>	<b>(2 765)</b>
Net book value	<b>767</b>	<b>762</b>	<b>1 529</b>
Current year movements			
Additions	–	<b>137</b>	<b>137</b>
Disposals – cost	–	<b>(105)</b>	<b>(105)</b>
– accumulated depreciation	–	<b>105</b>	<b>105</b>
Depreciation	<b>(203)</b>	<b>(94)</b>	<b>(297)</b>
Total movement	<b>(203)</b>	<b>43</b>	<b>(160)</b>
End of year:			
Cost	<b>1 015</b>	<b>3 311</b>	<b>4 326</b>
Accumulated depreciation	<b>(451)</b>	<b>(2 506)</b>	<b>(2 957)</b>
Net book value	<b>564</b>	<b>805</b>	<b>1 369</b>
<b>2014 GROUP</b>			
Beginning of year			
Cost	931	3 222	4 153
Accumulated depreciation	(777)	(2 414)	(3 191)
Net book value	154	808	962
Current year movements			
Additions	789	57	846
Depreciation	(176)	(103)	(279)
Total movement	613	(46)	567
End of year:			
Cost	1 015	3 279	4 294
Accumulated depreciation	(248)	(2 517)	(2 765)
Net book value	767	762	1 529

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

continued

NOTES TO THE  
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>2. Investment holdings</b>				
<b>2.1 Investment in subsidiaries</b>				
Shares at cost less impairments (refer Annexure A)	–	–	5 015	5 015
<b>2.2 Investment holdings</b>				
<b>Long-term</b>				
<i>Listed</i>				
At cost	327 506	93 204	–	–
Fair value adjustments	269 304	214 326	–	–
Opening balance	214 326	172 324	–	–
Movement for the year	54 978	42 002	–	–
<b>Market value</b>	<b>596 810</b>	307 530	–	–
<i>Unlisted</i>				
At cost	81 067	76 637	–	–
Fair value adjustment	1 216 827	994 336	–	–
Opening balance	994 336	901 363	–	–
Movement for the year	222 491	92 973	–	–
<b>Directors' value</b>	<b>1 297 894</b>	1 070 973	–	–
<b>Balance sheet value</b>	<b>1 894 704</b>	1 378 503	–	–
<b>2.3 Impairment of investments</b>				
The group tests investments annually for impairment, or more frequently if there are indications that they might be impaired.				
<b>2.4 Investments that are fully impaired at reporting date</b>				
At cost	15 098	15 094	–	–
Impairment provision at end of year	(15 098)	(15 094)	–	–
This comprises an investment in Primedia Holdings (Pty) Ltd.				

## Audited annual financial statements

continued

NOTES TO THE  
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>3. Finance advances and receivables</b>				
Advances to investee	1 254	10 113	–	–
Other advances	4 865	186	–	–
Sundry receivables	1 200	1 246	–	–
	<b>7 319</b>	11 545	–	–
<i>No finance advances and receivables are past due.</i>				
<i>The finance advances and receivables are stated at fair value.</i>				
<i>Certain receivables were impaired a number of years previously.</i>				
<i>As recoveries are made, these are taken to profit and loss.</i>				
<i>For 2015, R17 000 was recovered (2014: R35 000).</i>				
<i>Both amounts are shown as reversal of impairments in the Statement of Comprehensive Income.</i>				
<b>4. Offshore investment holdings</b>				
<b>4.1 Share portfolio</b>				
At cost	–	93 024	–	–
Fair value adjustments	–	6 789	–	–
Opening balance	6 789	7 791	–	–
Movement for the year	(6 789)	(1 515)	–	–
Currency fluctuations/vari-ations	–	513	–	–
Market value	–	99 813	–	–
<b>4.2 Equity investment</b>				
At cost	40 882	23 459	–	–
Fair value adjustments	5 789	(212)	–	–
Opening balance	(212)	2 292	–	–
Movement for the year	5 064	(2 574)	–	–
Currency fluctuations/vari-ations	937	70	–	–
Market value	46 671	23 247	–	–
<b>4.3 Bond portfolio</b>				
At cost	25 833	41 530	–	–
Amortisation of net premium	–	–	–	–
Opening balance	–	(494)	–	–
Movement for the year	–	459	–	–
Currency fluctuations/vari-ations	–	35	–	–
<b>Carrying value</b>	<b>25 833</b>	41 530	–	–
Fair value adjustments	619	(572)	–	–
Opening balance	(572)	–	–	–
Movement for the year	1 043	(537)	–	–
Currency fluctuations/vari-ations	148	(35)	–	–
Market value	26 452	40 958	–	–
<b>4.4 Cash portfolio</b>				
At cost	66 954	–	–	–



## Audited annual financial statements

continued

NOTES TO THE  
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

	Number of shares	Market value ZAR		
<b>4. Offshore investment holdings</b>				
(continued)				
<b>4.5 Equities</b>				
Corero Network Security Plc	13 120 000	46 670 516		
<b>4.6 Bonds</b>				
	Units	Nominal value USD	Nominal value ZAR	Market value ZAR
Turkiye Vakiflar Bankasi Tao		400 000	6 203 880	6 282 979
Yapi Ve Kredi Bankasi As		400 000	6 203 880	6 313 378
		800 000	12 407 760	12 596 357
UBS EM High Yield Redeemable Closed Fund	9 000			13 855 435
				26 451 792

*The offshore bond, share and cash portfolios are encumbered as security for the offshore portfolio finance (refer note 7.2).*

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>5. Share capital and premium</b>				
<b>5.1 Share capital</b>				
<i>Authorised</i>				
24 000 000 ordinary shares of 5 cents each	1 200	1 200	1 200	1 200
80 000 000 'N' ordinary shares of 0,01 cent each	8	8	8	8
<i>Issued</i>				
17 076 804 (2014: 17 076 804) ordinary shares of 5 cents each	853	853	853	853
28 883 000 (2014: 28 883 000) 'N' ordinary shares of 0,01 cent each	3	3	3	3
	<b>856</b>	856	<b>856</b>	856

**Issued, net of shares held in share trust and treasury**

17 068 391 (2014: 17 076 804) ordinary shares 28 680 103 (2014: 28 883 000) 'N' ordinary shares.

The unissued 'N' ordinary shares are under the control of the directors until the forthcoming annual general meeting.

## Audited annual financial statements

continued

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>5.2 Reconciliation of number of shares in issue</b>				
<i>Ordinary shares</i>				
At beginning of year	<b>17 076 804</b>	17 295 984	<b>17 076 804</b>	17 295 984
Cancelled during year	–	(219 180)	–	(219 180)
	<b>17 076 804</b>	17 076 804	<b>17 076 804</b>	17 076 804
<i>N<sup>o</sup> ordinary shares</i>				
At beginning of year	<b>28 883 000</b>	29 479 854	<b>28 883 000</b>	29 479 854
Cancelled during year	–	(596 854)	–	(596 854)
	<b>28 883 000</b>	28 883 000	<b>28 883 000</b>	28 883 000
<b>5.3 Share premium</b>				
Share premium at beginning of year	<b>45 748</b>	53 329	<b>30 691</b>	53 329
Nil ordinary shares cancelled (2014: 219 180)	–	(2 133)	–	(7 680)
Nil 'N' ordinary shares cancelled (2014: 596 854)	–	(5 448)	–	(14 958)
Share premium at end of year	<b>45 748</b>	45 748	<b>30 691</b>	30 691
<b>Share capital and premium before shares held in treasury</b>	<b>46 604</b>	46 604	<b>31 547</b>	31 547
<i>Less: 8 413 ordinary shares (2014: Nil) and 202 897 'N' ordinary shares (2014: Nil)</i>	<b>(5 593)</b>	–	–	–
Share capital and premium	<b>41 011</b>	46 604	<b>31 547</b>	31 547

## Audited annual financial statements

continued

NOTES TO THE  
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>6. Reserves</b>				
<b>6.1 Non-distributable reserves</b>				
On translation of foreign subsidiary				
– prior years	30 328	21 117	–	–
– current year	35 079	9 211	–	–
Accumulated loss in share trust				
– prior years	(637)	(636)	–	–
– current year	(1)	(1)	–	–
Variation of interest in subsidiary				
– prior years	5 144	5 144	–	–
Capital redemption reserve fund	562	562	–	–
	<b>70 475</b>	<b>35 397</b>	<b>–</b>	<b>–</b>
<b>6.2 Accumulated profit</b>				
Accumulated profit at beginning of year	1 151 072	1 010 828	164 018	155 323
Accumulated profit less dividend paid for the year	438 824	140 244	126 592	8 695
Accumulated profit at end of year	<b>1 589 896</b>	<b>1 151 072</b>	<b>290 610</b>	<b>164 018</b>
Total reserves	<b>1 660 371</b>	<b>1 186 469</b>	<b>290 616</b>	<b>164 018</b>

**7. Interest-bearing debt**

<b>7.1 Long-term</b>				
RSA borrowings	100 000	60 000	–	–
Less: Payable within one year	–	–	–	–
	<b>100 000</b>	<b>60 000</b>	<b>–</b>	<b>–</b>

The loans bear interest at between JIBAR plus 2,95% and JIBAR plus 3,20% payable quarterly on 31 March, 30 June, 30 September and 31 December of each financial year.

The loans are repayable as to R10 million on 30 June 2017, R20 million on 31 August 2017, R30 million on 30 June 2018 and R40 million on 30 October 2019.

<b>7.2 Short-term</b>				
South African Rand borrowings				
Other interest-bearing debt including related parties (refer note 20)	9 240	4 991	–	–
Offshore portfolio finance	–	64 049	–	–
	<b>9 240</b>	<b>69 040</b>	<b>–</b>	<b>–</b>

## Audited annual financial statements

continued

NOTES TO THE  
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

## 7. Interest-bearing debt (continued)

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.

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 offshore portfolio loan is secured by the offshore bond, cash and share portfolios. The loan bears interest at labor plus 0,9% and has no fixed terms of repayment.

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

## 8. Accounts payable and provisions

Provision for long-term incentive plan *	14 490	5 053	–	–
Accounts payable and other	16 832	10 721	1 690	1 216
	<b>31 322</b>	15 774	<b>1 690</b>	1 216

\* No payments were made against the provision during the year. Refer to remuneration policy on page 20 and note 13.

## 9. Net income before taxation

This is stated after taking into account:

Income from subsidiaries – dividends	–	–	152 000	40 000
Profit on sale of property, plant and equipment	–	170	–	–
Consulting fees	470	194	–	–
Depreciation (refer to note 1)	297	279	–	–
Operating lease – offices	1 650	1 623	–	–
Payroll costs	23 982	17 660	–	–

## Audited annual financial statements

continued

NOTES TO THE  
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>10. Taxation</b>				
<b>10.1 Charged for the year</b>				
South African normal taxation – current year	–	–	–	–
Deferred taxation – current year	<b>78 697</b>	2 160	–	–
	<b>78 697</b>	2 160	–	–
<b>10.2 Movement in deferred tax</b>				
Provision for capital gains tax on fair value adjustments current and non-current investment holdings	<b>78 697</b>	2 160	–	–
	<b>78 697</b>	2 160	–	–
<p>Two of the group's subsidiaries have assessed losses for taxation purposes. The unutilised estimated losses of the subsidiaries amount to R94 million (2014: R102 million). No deferred tax asset has been raised on this amount as this tax loss has been taken into account in assessing the exposure for taxation on fair value measurements recorded.</p>				
<b>10.3 Deferred tax liabilities</b>				
Leases	<b>(46)</b>	(46)	–	–
Provision for capital gains tax on fair value adjustments to investments after use of assessed losses	<b>(256 510)</b>	(177 813)	–	–
	<b>(256 556)</b>	(177 859)	–	–

## Audited annual financial statements

continued

NOTES TO THE  
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

	GROUP		COMPANY	
	2015	2014	2015	2014
	%	%	%	%

**10. Taxation** (continued)**10.4 Taxation rate reconciliation**

Standard rate of taxation	<b>28</b>	28	<b>28</b>	28
Rate of taxation for the year affected by non-taxable income	<b>(13)</b>	(27)	<b>(28)</b>	(28)
Effective rate of taxation	<b>15</b>	1	–	–

**10.5 Capital gains tax on investments**

Cumulative deferred tax of R254 million (2014: R178 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 and where assessed losses are not available for use.

	GROUP	
	2015	2014
	R'000	R'000

**11. Earnings per share**

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>1 003,9</b>	445,0
The weighted average number of shares used in the calculation for the current year is 45 815 494 (2014: 45 975 156). There are no potentially dilutive shares or options.		

**12. Headline earnings per share**

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>459 917</b>	204 606
Profit on sale of property, plant and equipment	–	(170)
<b>Headline earnings for the year</b>	<b>459 917</b>	204 436
Headline earnings per share (cents)	<b>1 003,9</b>	444,7

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 45 815 494 (2014: 45 975 156).

## Audited annual financial statements

continued

NOTES TO THE  
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

	2015 R'000	2014 R'000	2015 R'000	2014 R'000	2015 R'000	2014 R'000
<b>13. Directors' emoluments</b>						
<i>Executive directors</i>						
Salaries	<b>1 946</b>	1 836	<b>1 604</b>	1 513	<b>3 550</b>	3 349
Retirement and medical	<b>274</b>	255	<b>284</b>	263	<b>558</b>	518
Other benefits	<b>1 296</b>	1 296	<b>439</b>	273	<b>1 735</b>	1 569
Basic remuneration	<b>3 516</b>	3 387	<b>2 327</b>	2 049	<b>5 843</b>	5 436
Incentive bonuses						
– Short-term	<b>4 879</b>	2 938	<b>2 574</b>	1 458	<b>7 453</b>	4 396
– Provision *1	<b>5 198</b>	2 054	<b>2 599</b>	924	<b>7 797</b>	2 978
– LTIP	–	1 788	–	953	–	2 741
Total remuneration	<b>13 593</b>	10 167	<b>7 500</b>	5 384	<b>21 093</b>	15 551
<i>Non-executive directors</i>						
Fees as directors					<b>1 268</b>	1 458
C Coutts-Trotter					<b>175</b>	351
P Coutts-Trotter					<b>246</b>	230
H Habib					–	98
NSH Hughes					<b>347</b>	305
DNM Mokhobo					<b>289</b>	274
BJT Shongwe					<b>211</b>	200
					<b>22 361</b>	17 009

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 Sabvest for services provided to them by executive directors and staff of Sabvest.

Directors' interest in the equities of the group are set out on page 33.

\*1 As per the remuneration policy set out on page 20, part of the executive bonuses are calculated on profit after tax. As this figure is only finalised once the financial statements have been audited, an interim bonus is paid before the year-end based on a conservatively estimated PAT and a accrual is created for the estimated balance and this is paid in the following year once the final PAT figure is calculated.

## Audited annual financial statements

continued

NOTES TO THE  
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000

**14. Revenue**

Revenue, which is in terms of IAS 18, comprises dividends, interest, fees, sundry income and other income on financial services and shares

	<b>156 878</b>	72 972	<b>152 000</b>	40 000
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	GROUP	
	2015 R'000	2014 R'000

**15. Comprehensive income**

Items that may subsequently be classified in profit and loss

Translation of foreign subsidiary

	<b>35 079</b>	9 211
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**16. Net asset value per share**

Net asset value per share – cents

Number of shares in issue (less held in treasury) – 000's

	<b>3 719</b>	2 683
	<b>45 753</b>	45 960

Net asset value per share is calculated at fair value and a provision for capital gains tax raised in the statement of comprehensive income for gains on the fair value of investments.

**17. Contingent liabilities and commitments**

**17.1** The group has rights and obligations in terms of shareholder or purchase and sale agreements relating to its present or former investments.

**17.2** A group company has entered into lease agreements for the premises that it occupies. Amounts due are as follows:

	R'000	R'000
Year 1	<b>1 112</b>	1 021
Year 2	<b>481</b>	1 112
Year 3 to 4	–	481

**17.3** The company has issued suretyships to all bankers to its RSA subsidiaries.

**18. Hypothecations**

**18.1** The offshore share, bond and cash portfolios 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.

**18.2** 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

continued

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

### 19. Financial instruments

#### 19.1 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 is set out in note 19.6.

	GROUP	
	2015 R'000	2014 R'000
<b>19.2 Categories of financial instruments</b>		
<b>Financial assets</b>		
Fair value through profit or loss		
Held for trading – long-term investments	1 894 704	1 378 503
– offshore share portfolio	–	99 813
– offshore equity investment	46 671	23 247
Finance advances and receivables	7 319	11 545
Offshore bond portfolio	26 452	40 958
Offshore cash holding for investment	66 954	–
Cash at bank	55 031	151
<b>Financial liabilities</b>		
Interest-bearing debt – medium-term	100 000	60 000
– short-term portfolio	–	64 049
– short-term local	9 240	4 991
Accounts payable	11 137	6 320

#### 19.3 Foreign currency risk

It is the policy of the group to enter into forward exchange contracts to cover 100% of the foreign currency repayments. Forward exchange contracts are taken as and when it receives the foreign exchange. As at 31 December 2015 and 31 December 2014 the group's South African operations had no foreign exchange exposure.

#### 19.4 Interest rate risk

The group has long-term borrowings from third parties in the amount of R100 million (2014: R60 million). The short-term interest-bearing borrowings are mainly those from related parties (refer note 20) in the amount of R9,2 million (2014: R5,0 million) and from third parties in the amount of Rnil million (2014: R64,0 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 R1,1 million (2014: R1,2 million).

#### 19.5 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 carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk.

## Audited annual financial statements

continued

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

### 19. Financial instruments (continued)

#### 19.6 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 2015 the group had R60 million of undrawn facilities (2014: R60 million) and R55 million cash at bank (2014: R0,2 million) at its disposal to further reduce liquidity risk.

The liabilities are payable within the next year.

#### 19.7 Fair value investments

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

Financial asset	Fair value as at		Valuation technique Fair value hierarchy	Significant and key inputs	Relationship of unobservable inputs	vailable inputs to fair value
	31 Dec 2015	31 Dec 2014				
Listed investments	Listed equity shares R596,8 million	Listed equity shares R307,5 million	Level 1	Quoted share prices on JSE	N/A	N/A
Unlisted Investments	22% of Sunspray, a producer of spray dried and blended powdered food and drink products and the largest independent contract supplier of these products and services in South Africa. 58,7% of SA Bias, an international industrial and investment group. R1 298 million	48% of Sunspray, a producer of spray dried and blended powdered food and drink products and the largest independent contract supplier of these products and services in South Africa. 49,99% of Set Point which provides products and services to the mining and manufacturing industries in South Africa and internationally. 57,30% of SA Bias, an international industrial and investment group. R1 071 million	Level 3	Maintainable earnings model.	NOPAT multiplies of 7,0 – 7,5. Level of maintainable earnings based on historic and future protections and normalisation of earnings where appropriate.	The higher the multiples the higher the value.
	15 million preference shares held in Masimong whose fair value is determined by 15 million shares that is held in Rolles Holings Limited which are listed on the JSE.		Level 2	Market to market value of underlying listed equities	N/A	N/A
Offshore listed shares	R46,7 million	R123,0 million	Level 1	Quoted prices on various stock exchanges.	N/A	N/A

## Audited annual financial statements

continued

NOTES TO THE  
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

## 19. Financial instruments (continued)

## 19.7 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
Increase/(decrease) in fair value 31 December 2015	<b>88,2</b>	<b>(88,2)</b>	<b>88,2</b>	<b>(88,2)</b>
Increase/(decrease) in fair value 31 December 2014	78,1	(78,1)	78,1	(78,1)

**19.7.2 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 approximate their fair values.

	31 December 2015		31 December 2014	
	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
<b>Financial assets</b>				
<i>Loans and receivables</i>	<b>7 319</b>	<b>7 319</b>	11 545	11 545
Finance advances and receivables	<b>7 319</b>	<b>7 319</b>	11 545	11 545
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost</i>	<b>120 377</b>	<b>120 377</b>	135 360	135 360
Interest-bearing debt – long-term	<b>100 000</b>	<b>100 000</b>	60 000	60 000
Offshore portfolio finance	–	–	64 049	64 049
Other interest-bearing debt	<b>9 240</b>	<b>9 240</b>	4 991	4 991
Accounts payable	<b>11 137</b>	<b>11 137</b>	6 320	6 320

## Audited annual financial statements

continued

NOTES TO THE  
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

## 19. Financial instruments (continued)

## 19.7 Fair value investments (continued)

	Financial fair value hierarchy as at 31 December 2015			
	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	596 810	–	–	596 810
Unlisted investments	–	45 854	1 252 040	1 297 894
Offshore equity investment	46 671	–	–	46 671
Offshore bond portfolio	26 452	–	–	26 452
<i>Loans and receivables</i>				
Finance advances and receivables	–	–	7 319	7 319
<b>Total</b>	<b>669 933</b>	<b>45 854</b>	<b>1 259 359</b>	<b>1 975 146</b>
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost</i>				
Interest-bearing debt – long-term	–	–	100 000	100 000
Other interest-bearing debt	–	–	9 240	9 240
Accounts payable	–	–	11 137	11 137
<b>Total</b>	<b>–</b>	<b>–</b>	<b>120 377</b>	<b>120 377</b>
	Financial fair value hierarchy as at 31 December 2014			
	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	307 530	–	–	307 530
Unlisted investments	–	–	1 070 973	1 070 973
Offshore share portfolio	99 813	–	–	99 813
Offshore equity investment	23 247	–	–	23 247
Offshore bond portfolio	40 958	–	–	40 958
<i>Loans and receivables</i>				
Finance advances and receivables	–	–	11 545	11 545
<b>Total</b>	<b>471 548</b>	<b>–</b>	<b>1 082 518</b>	<b>1 554 066</b>
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost</i>				
Interest-bearing debt – long-term	–	–	60 000	60 000
Offshore portfolio finance	–	–	64 049	64 049
Other interest-bearing debt	–	–	4 991	4 991
Accounts payable	–	–	6 320	6 320
<b>Total</b>	<b>–</b>	<b>–</b>	<b>135 360</b>	<b>135 360</b>

# Audited annual financial statements

continued

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

### 20. 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 70.

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.

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 13 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 liabilities in the statement of financial position.

All the above transactions are concluded under terms and conditions that are no less favourable than those available from third parties.

#### Trading transactions

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

2015						Amount	Amount
	Fees received	Fees paid	Divi- dends received	Interest received	Interest paid	owed by related parties 31 Dec 2015	owed to related parties 31 Dec 2015
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
NSH Hughes and family Company	–	–	–	–	153	–	1 923
R Pleaner and family Individual	–	–	–	–	43	–	461
CS Seabrooke and family Individual	–	–	–	–	54	–	740
Company	38	525	–	–	14	–	151
Investees	2 882	–	80 734	2 115	–	1 254	–

## Audited annual financial statements

continued

NOTES TO THE  
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

## 20. Related party transactions (continued)

2014						Amount	Amount
	Fees received R'000	Fees paid R'000	Divi- dends received R'000	Interest received R'000	Interest paid R'000	owed by related parties 31 Dec 2014 R'000	owed to related parties 31 Dec 2014 R'000
H Habib Company/Trust	-	-	-	-	24	-	-
NSH Hughes and family Company	-	-	-	-	74	-	448
R Pleaner and family Individual	-	-	-	-	51	-	409
CS Seabrooke and family Individual	-	-	-	-	170	-	1 587
Company	36	528	-	-	254	-	129
Investees	2 255	-	39 445	1 329	-	10 231	-

Investees are treated as related parties for purposes of these disclosures as Mr CS Seabrooke is also a director of the investee companies.

## 21. Retirement benefit information

Seven 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.

The group has no post-retirement medical aid commitments.

## Audited annual financial statements

continued

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2015

continued

#### 22. Capital commitments

There are no capital commitments.

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#### 23. Borrowing powers

The borrowing powers of the group are not limited.

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#### 24. Subsequent events

There are no subsequent events.

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#### 25. Operating segments

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

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## 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		Indebtedness	
			2015 %	2014 %	Shares 2015 R'000	2014 R'000	2015 R'000	2014 R'000
Sabvest Investments (Pty) Limited	Investment holding company	4 000	100	100	4	4	2 693	1 638
Sabvest Financial Services (Pty) Limited	Corporate services	5 000	100	100	1	1	1 355	650
	Gross Impairment						6 610 (5 255)	4 726 (4 076)
Sabvest Finance and Guarantee Corporation Limited	Finance investments and guarantees	6 000	100	100	5 000	5 000	–	201 006
							326 305	201 006
Sabvest Capital Holdings Limited (BVI)	Investment holding company and corporate financier	US\$2	100	100	–	–	–	–
Sabvest Securities (Pty) Limited	Dormant		100	100	10	10	–	–
SD Nominees (Pty) Limited	Nominee company		100	100	–	–	–	–
Investment in subsidiaries					5 015	5 015		
Indebtedness included in the company's assets							330 353	203 294
Aggregate net income after taxation, attributable to Sabvest Limited's interest in its subsidiaries							463 053	217 012



## Audited annual financial statements

continued

### SHAREHOLDERS' DIARY

Announcement of 2015 results	February 2016
Publication of 2015 annual report	March 2016
Annual general meeting	11 May 2016
Financial year-end	31 December

# Notice of 2016 annual general meeting

## Contents

	Page
<b>1. Ordinary resolution number one</b> Re-election of director	73
<b>2. Ordinary resolution number two</b> Re-election of director	73
<b>3. Ordinary resolution number three</b> Re-election of director	74
<b>4. Ordinary resolution number four</b> Re-appointment of independent external auditors	74
<b>5. Ordinary resolution number five</b> Election of Audit Committee members	74
<b>6. Ordinary resolution number six</b> Non-binding endorsement of Remuneration Policy	74
<b>7. Ordinary resolution number seven</b> Placing 1 million unissued ordinary and all unissued 'N' ordinary shares under the control of the directors and general authority to allot and issue	75
<b>8. Ordinary resolution number eight</b> Authority to sign all documents required	75
<b>9. Special resolution number one</b> Approval of proposed non-executive directors' remuneration for the year ending 31 December 2016	75
<b>10. Special resolution number two</b> Authority to provide financial assistance in terms of section 45 of the Companies Act	76
<b>11. Special resolution number three</b> General authority to repurchase shares	77
<b>12. Special resolution number four</b> Authority to provide financial assistance in terms of section 44 of the Companies Act	78
<b>To transact such other business as may be transacted at an annual general meeting</b>	79
<b>Additional disclosure required in terms of the JSE Listings Requirements relating to special resolution numbers 2 and 3</b>	79
<b>Voting and proxies and record dates</b>	79

# Notice of 2016 annual general meeting

continued

## **Sabvest Limited**

("the company")

Registration number 1987/003753/06

ISIN number: ZAE000006417 – ordinary shares • Share code: SBV – ordinary shares

ISIN number: ZAE000012043 – 'N' ordinary shares • Share code: SVN – 'N' ordinary shares

Notice is hereby given that the annual general meeting of shareholders of Sabvest Limited will be held at Ground floor, Commerce Square, Building 4, 39 Rivonia Road, Sandhurst, Sandton at 10:00 on Wednesday, 11 May 2016 or any other adjourned or postponed time determined in accordance with the provisions of subsections 64(4) or 64(11)(a)(i) of the Companies Act. 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.

a. *Audited financial statements*

To present the audited financial statements of the group and the companies 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 2015.

b. *Report relating to the Social and Ethics Committee to the annual general meeting*

This report is contained on page 39 of the annual financial statements.

c. *Ordinary and special resolutions*

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

### **1. Ordinary resolution number one**

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

"RESOLVED that Mr CP Coutts-Trotter who retires as a non-executive director in terms of the company's Memorandum of Incorporation ("the MOI") and who offers himself for re-election, be and is hereby re-elected as a director of the company."

Please refer to page 13 of this annual report for Mr CP Coutts-Trotter'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 Mr CP Coutts-Trotter for appointment as a director of the company and the effect of the resolution is that Mr CP Coutts-Trotter will be elected as a director of the company.

### **2. Ordinary resolution number two**

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

"RESOLVED that Mrs DNM Mokhobo 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 director of the company."

Please refer to page 13 of this annual report for Mrs DNM Mokhobo'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 DNM Mokhobo for appointment as a director of the company and the effect of the resolution is that Mrs DNM Mokhobo will be elected as a director of the company.

## Notice of 2016 annual general meeting

continued

### 3. Ordinary resolution number three

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

“RESOLVED that Mr R Pleaner who retires as a non-executive 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 13 of this annual report for Mr R Pleaner’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 Mr R Pleaner for appointment as a director of the company and the effect of the resolution is that Mr R Pleaner will be elected as a director of the company.

### 4. Ordinary resolution number four

#### **Re-appointment of independent external auditors**

“RESOLVED that Deloitte & Touche be re-appointed as independent registered auditors of the company, currently with Mr André Dennis as the lead audit partner, upon the recommendation of the Audit Committee.”

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 Deloitte & Touche as the company’s independent registered auditors and Mr A Dennis as the individual registered auditor and the effect of the resolution is that Deloitte & Touche will be appointed as the company’s independent registered auditors and Mr A Dennis as the independent registered auditor.

### 5. Ordinary resolution number five

#### **Election of Audit Committee members**

“RESOLVED that, subject to the passing of ordinary resolution number two, that shareholders elect, by way of a separate vote, each of the following independent non-executive directors as members of the company’s Audit Committee:

- 5.1 NSH Hughes (Chairman)
- 5.2 DNM Mokhobo
- 5.3 BJT Shongwe”

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*

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 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.

### 6. Ordinary resolution number six

#### **Non-binding endorsement of Remuneration Policy**

“RESOLVED that the company’s Remuneration Policy (excluding the remuneration of the non-executive directors and the members of Board Committees for their services as directors and members of Committees respectively), is 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.

## Notice of 2016 annual general meeting

continued

The Remuneration Policy appears on page 20 in the annual report.

### *Explanation and effect of the resolution*

The company is required in terms of the King Code of Corporate Governance for South Africa, to put the company's Remuneration Policy to shareholders who can vote thereon in a non-binding advisory capacity. The effect of this resolution is that a new Remuneration Policy will be approved, which shall be applicable to the company for the following financial year.

### 7. Ordinary resolution number seven

#### **Placing 1 million unissued ordinary shares and all unissued 'N' ordinary shares under the control of the directors and general authority to allot and issue**

"RESOLVED that 1 million of the ordinary shares and all the 'N' ordinary shares in the authorised but unissued share capital of the company be and are hereby placed under the control and authority of the directors of the company and that the directors of the company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act, including but without limitation Section 41(1) and Section 41(3) of the Companies Act, the MOI of the company and the JSE Listings Requirements, when applicable, subject to the following:

- ◆ The authority shall be valid until the date of the next annual general meeting of the company provided it shall not extend beyond 15 months from the date of this annual general meeting.
- ◆ Notwithstanding the foregoing, the issue of 'N' ordinary shares authorised under this resolution will be limited to 30% of the 29 million in total issued 'N' ordinary shares as at the date of this notice, i.e. 8,7 million shares."

### *Explanation and effect of the resolution*

For listed entities wishing to issue securities for acquisitions, it is necessary for the board not only to obtain the prior authority of the shareholders as may be required in terms of the memorandum of incorporation of the company, but it is also necessary to obtain the prior authority of shareholders in accordance with the JSE Listings Requirements. This resolution is accordingly to obtain authority from shareholders authorising the directors to issue authorised (but unissued) 1 million ordinary shares and all the 'N' ordinary shares and to authorise and approve the company's allotment and issue of authorised (but unissued) 1 million ordinary shares and all the 'N' ordinary shares by the board upon such terms and conditions and to such persons as they in their discretion may determine subject to limitations and other provisions contained herein, in the Companies Act, the MOI of the company and the JSE Listings Requirements.

### 8. Ordinary resolution number eight

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

"RESOLVED that, subject to the passing of ordinary resolutions 1 to 7 and special resolutions 1 to 4, 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 7 and special resolutions 1 to 4 passed at the annual general meeting; hereby ratifying and confirming all such things already done and documentation already signed."

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 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.

### 9. Special resolution number one

#### **Approval of proposed non-executive directors' remuneration for the year ending 31 December 2016**

"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 2016 be authorised and determined on the basis and the amounts set out below.

## Notice of 2016 annual general meeting

continued

Fees are:

- (i) paid to non-executive directors annually;
- (ii) determined by the Board on a market-related basis as recommended by the Sabvest Remuneration and Nominations Committee; and
- (iii) subject to the following maximum amounts:

	<b>Year ending 2016 R</b>
Chairman	275 000
Deputy Chairman	210 000
Non-executive directors	190 000
Chairman of the Audit Committee	125 000
Chairman of the other Committees	60 000
Committee members/invitees	40 000
Directorships of investees by non-executive directors for Sabvest	120 000
Lead Independent Director	additional 25 000"

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

The Companies Act, No 71 of 2008 as amended ("the Companies Act") requires shareholder approval of directors' fees in advance by way of special resolution.

These fees have been recommended by the Sabvest 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, for Sabvest in associates and generally during the year and relative to the size of the company. Attendance fees are not regarded as necessary or appropriate.

The passing of this special resolution will have the effect of approving the remuneration and the basis therefor, of each of the non-executive directors of the company for the financial year ending 31 December 2016 in accordance with section 66(9) of the Companies Act. For the avoidance of doubt, 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.

## 10. Special resolution number two

### **Authority to provide financial assistance to any group company**

"RESOLVED that in accordance with Section 45 of the Companies Act, the company be and is hereby authorised to provide direct or indirect financial assistance to any related or inter-related company (as defined in the Companies Act) of the company by way of a general authority in favour of that category of recipients as contemplated in Section 45(3)(a)(ii) of the Companies Act, on the terms and conditions and for amounts that the board of the directors may determine from time to time up to a limit of R500 million (five hundred million rand). This authority shall not extend beyond two years from the date of this Annual General Meeting."

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

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 two years and the R500 million cap will apply cumulatively over that period and includes existing loans and guarantees. It is, however, the intention to renew the authority annually at the annual general meeting.

## Notice of 2016 annual general meeting

continued

### *Notifications*

Shareholders are hereby notified in terms of Section 45(5) of the Companies Act that the Board has passed 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 resolution for it to be adopted.

### 11. Special resolution number three

#### **General authority to repurchase shares**

“RESOLVED that the company and/or any subsidiary of the company is hereby authorised, by way of a general authority, from time to time, to acquire ordinary and/or ‘N’ ordinary shares in the share capital of the company from any person 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 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 months from the date of passing this special resolution number 3;
- ◆ an announcement will be published as soon as the company or any of its subsidiaries have acquired ordinary or ‘N’ ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary or ‘N’ ordinary shares in issue and for each 3% 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% 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% in the aggregate of the number of issued shares in the company;
- ◆ shares of the company may not be acquired at a price greater than 10% above the weighted average of the market value at which such shares are traded on the JSE as determined over the 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; and
- ◆ repurchases are to 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).”

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 79 of this notice of annual general meeting for further disclosure pertaining to this special resolution three in accordance with the JSE Listings Requirements.

## Notice of 2016 annual general meeting

continued

### *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 company.

### *Reason for and effect of the special resolution*

The reason for and the effect of the special resolution are to grant to the directors of the company a general authority, up to and including the date of 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 have no specific intention to effect the provisions of special resolution number three but will however, 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 three.

## 12. Special resolution number four

### **Authority to provide financial assistance in terms of section 44 of the Companies Act**

“RESOLVED that the board may, subject to compliance with the requirements of the company's MOI and the requirements of the Companies Act (including but not limited to the board being satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 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 any and all direct or indirect financial assistance, as envisaged in section 44 of the Companies Act, by way of the company giving effect to any other act/s or performing any such activity/ies as may be construed to be ‘financial assistance’ as envisaged in section 44 of the Companies Act, subject to the provisions of section 44 of the Companies Act and provided that such financial assistance may be granted up to a limit of R500 million per transaction on the basis that the aggregate net outstanding financial assistance provided by the company in terms of section 44 of the Companies Act will not at any time exceed an aggregate amount of R500 million.

### *Reason for and effect of the special resolution*

The reason for special resolution number four 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 four, 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 memorandum of incorporation have been satisfied.

The authority from the shareholders in this special resolution number four 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).



## Notice of 2016 annual general meeting

continued

### 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 annual report of which this notice forms part as set out below:

- ◆ Major shareholders of the company – page 23; and
- ◆ Share capital of the company – page 55.

#### **Directors' responsibility statement**

The directors, whose names are given on page 13 of the 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.

#### **Material change 11.26 (b) (iii) or no material changes to report**

Other than the facts and developments reported on in the 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 and 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 and 3 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 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 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 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 months after the date of the provision of financial assistance or the repurchase of shares as the case may be.

#### **Voting and proxies and record dates**

##### *Instructions*

The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the company for the purpose of being entitled to participate in and speak and vote at the annual general meeting is Friday, 6 May 2016, it being recorded that the last day to trade for that purpose is Thursday, 28 April 2016, the record date on which shareholders must be recorded to receive the notice of annual general meeting is Friday, 18 March 2016.

The quorum necessary for the commencement of a shareholders' meeting shall be sufficient persons present at the meeting to exercise, in aggregate, at least 30% (thirty per cent) of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the shareholders meeting but the shareholders' meeting may not begin unless in addition at least 3 (three) persons entitled to vote are present at the meeting.

A matter to be decided at the shareholders' meeting may not begin to be considered unless those who fulfilled the quorum requirements of clause 22 of the MOI, continue to be present. If a resolution is proposed to meet the requirements of the JSE, notwithstanding that the holders of securities not listed on

## Notice of 2016 annual general meeting

continued

the JSE shall be entitled to be counted in the quorum as a matter of law, they shall not be taken into account for the purposes of determining whether or not the quorum requirements of the JSE have been attained. Voting shall be on a poll and not by a show of hands. On a poll every shareholder present in person or represented by proxy shall have 500 votes for every ordinary share held by such shareholder and one vote for every 'N' ordinary share held by such shareholder.

Shareholders holding certificated Sabvest ordinary and/or 'N' ordinary shares and shareholders who have already dematerialised their Sabvest shares and who have elected "own-name" registration in a sub-register through a CSDP or broker (only shareholders who have dematerialised their Sabvest shares through Computershare Investor Services (Pty) Limited can qualify as having elected "own-name" registration), who are unable to attend the annual general meeting but wish to be represented thereat may complete and return the attached form of proxy, in accordance with the instructions contained therein, to the office of the transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107). The form of proxy must be received by the transfer secretaries by no later than 10:00 on Tuesday, 10 May 2016, or if the annual general meeting is adjourned or postponed, by not later than 24 hours prior to the time of the adjourned or postponed annual general meeting. The Chairman may in his discretion authorise acceptance of late proxies.

Shareholders who have already dematerialised their Sabvest shares through a CSDP or broker and who have not elected "own-name" registration in the sub-register maintained by a CSDP (i.e. shareholders who have not dematerialised their shareholding through Computershare Investor Services (Pty) Ltd cannot qualify as having elected "own-name" registration), and who wish to attend the annual general meeting and wish to vote by way of proxy, they may provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of Sabvest) to attend, speak and vote in place of that shareholder at the annual general meeting.

Shares held by a share trust or scheme will not have their votes taken into account for any JSE regulated resolutions.

All meeting participants will be required to provide reasonable identification acceptable to the Chairman of the meeting. The company will regard presentation of an original of a meeting participant's valid driver's license, identity document or passport to be acceptable identification.

Shareholders or their proxies may participate in the meeting by way of telephone conference call, provided that if they wish to do so, they:

- ◆ must contact the Company Secretary by e-mail at the address [rsptrading@fusionreactor.co.za](mailto:rsptrading@fusionreactor.co.za) by no later than 10:00 on 10 May 2016, in order to obtain a pin number and dial-in details for the conference call;
- ◆ will be required to provide reasonable acceptable identification; and
- ◆ will be billed separately by their own telephone service provider for the telephone call to participate in the meeting.

By order of the Board

**Sabvest Limited**

**Mrs P Atkins**

*Company Secretary*

7 March 2016

Sandhurst

# Administration

## Sabvest Limited

Registration number: 1987/003753/06

ISIN number: ZAE000006417

– ordinary shares

Share code: SBV – ordinary shares

ISIN number: ZAE000012043

– ‘N’ ordinary shares

Share code: SVN – ‘N’ ordinary shares

## Directorate

P Coutts-Trotter (Chairman)

DNM Mokhobo (Deputy Chairman)

CS Seabrooke (Chief Executive)

R Pleaner (Chief Financial Officer)

CP Coutts-Trotter

NSH Hughes

BJT Shongwe

## Secretary

P Atkins

## 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.sabvest.com](http://www.sabvest.com)

## Sabvest Capital Holdings Limited BVI

Registration number: 30949

Le Victoria

Block 6, 2nd Floor

13 BLD 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

## Commercial bankers

Standard Bank

FirstRand Bank

ABSA Bank

## Merchant bankers

Rand Merchant Bank

Standard Bank

## Attorneys and legal advisors

Edward Nathan Sonnenbergs Inc, Sandton

Penningtons, London

## Auditors

Deloitte & Touche, Johannesburg



## Form of proxy



# Sabvest Limited

(Incorporated in the Republic of South Africa)

Registration number: 1987/003753/06

ISIN number: ZAE000006417 – ordinary shares • Share code: SBV – ordinary shares

ISIN number: ZAE000012043 – ‘N’ ordinary shares • Share code: SVN – ‘N’ ordinary shares

For use only by Sabvest shareholders holding certificated shares, nominee companies of Central Securities Depository Participants (CSDP), brokers' nominee companies and shareholder who have dematerialised their Sabvest shares and who have elected “own-name” registration (only shareholders who have dematerialised their Sabvest shares through Computershare Investor Services (Pty) Limited (previously known as Computershare Limited) can qualify as having elected “own-name” registration) at the annual general meeting of shareholders of Sabvest, to be held at Ground floor, Commerce Square, Building 4, 39 Rivonia Road, Sandhurst, Sandton at 10:00 on Wednesday, 11 May 2016, or at any adjournment or postponement thereof.

Holders of dematerialised shares who have not selected own-name registration may not complete this form of proxy and must inform their CSDP or broker timeously of their intention to attend and vote at the shareholder meeting or be represented by proxy thereat in order for the CSDP or broker to issue them with the necessary letter of representation to do so or provide the CSDP or broker timeously with their voting instruction should they not wish to attend the shareholder meetings in order for the CSDP or broker to vote in accordance with their instructions at the shareholders' meetings.

I/We (BLOCK LETTERS please)

of address

Telephone work:

Telephone home:

being a holder/s or custodians of  ordinary shares and/or  ‘N’ ordinary shares in Sabvest Limited, hereby appoint (see note 1 overleaf):

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

the Chairman of the annual general meeting of shareholders as my/our proxy to act for me/us at the annual general meeting of shareholders of the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for or against such resolutions or abstain from voting in respect of the Sabvest ordinary shares and/or ‘N’ ordinary shares registered in my/our name (see note 2 overleaf) as follows:

	In favour of resolution	Against resolution	Abstain from voting
1. Ordinary resolution number one <i>Re-election of Mr CP Coutts-Trotter</i>			
2. Ordinary resolution number two <i>Re-election of Mrs DNM Mokhobo</i>			
3. Ordinary resolution number three <i>Re-election of Mr R Pleaner</i>			
4. Ordinary resolution number four <i>Re-appointment of independent external auditors</i>			
5. Ordinary resolution number five <i>Election of Audit Committee members</i>			
5.1 NSH Hughes (Chairman)			
5.2 DNM Mokhobo			
5.3 BJT Shongwe			
6. Ordinary resolution number six <i>Non-binding endorsement of Remuneration Policy</i>			
7. Ordinary resolution number seven <i>Placement of 1 million unissued ordinary and all unissued ‘N’ ordinary shares under the control of the directors and general authority to allot and issue</i>			
8. Ordinary resolution number eight <i>Authority to sign all documents required</i>			
9. Special resolution number one <i>Approval of proposed non-executive directors' remuneration</i>			
10. Special resolution number two <i>Authority to provide financial assistance to any group company in terms of section 45 of the Companies Act</i>			
11. Special resolution number three <i>General authority to repurchase shares</i>			
12. Special resolution number four <i>Authority to provide financial assistance in terms of section 44 of the Companies Act</i>			

and generally to act as my/our proxy at the said annual general meeting of shareholders. (Tick whichever is applicable. If no directions are given, the proxy holder will be entitled to vote or to abstain from voting, as that proxy holder deems fit).

Signed this

day of

2016

Signature

Assisted by (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of Sabvest) to attend, speak and vote in place of that shareholder at the annual general meeting of shareholders.

My/our proxy may not delegate his/her authority to act on my/our behalf to another person.

Please read the notes and instructions overleaf.

## Notes and Instructions to the Form of Proxy

(including a summary of rights, stated in bold, in terms of section 58 of the Companies Act)

**Each shareholder may attend the annual general meeting in person. At any time a shareholder entitled to attend, participate in and speak and vote at the meeting is entitled to appoint one or more individuals as proxy/ies to attend, participate in and vote at the annual general meeting on behalf of and in the place of the shareholder.**

**An individual appointed as a proxy need not also be a shareholder of the Company.**

A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the annual general meeting of shareholders", but any such deletion must be initialed by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.

1. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. So as to provide for voting or on a poll, shareholders are requested to complete the form of proxy by stating the number of shares held by them. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting of shareholders as he deems fit in respect of the entire shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes exercisable by the shareholder or by the proxy.
2. The completion and lodging of this form of proxy by shareholders holding certificated shares, nominee companies of CSDPs or brokers and shareholders who have dematerialised their shares or who have elected "own-name" registration (only shareholders who have dematerialised their Sabvest shares through Computershare Investor Services (Pty) Limited can qualify as having elected "own-name" registration) will not preclude the relevant shareholder from attending the annual general meeting of shareholders and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof. Shareholders who have dematerialised their shares through a CSDP or broker and who have not elected "own-name" registration in the sub-register maintained by the CSDP, and who wish to attend the annual general meeting of shareholders, must instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the annual general meeting, must provide their CSDP or broker with their instructions in terms of the custody agreement entered into by them and their CSDP or broker.
3. **A shareholder may revoke the proxy appointment by:**
  - (i) **cancelling it in writing, or making a later inconsistent appointment of a proxy; and**
  - (ii) **delivering a copy of the revocation instrument to the proxy/ies and to the Company at the registered office, for attention of the Company Secretary, Mrs P Atkins, to be received before the replacement proxy exercises any rights of the shareholder at the annual general meeting of the company.**
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as a power of attorney, resolution or extract from the minutes of an authorised meeting or other written authority) must be attached to this form of proxy.
5. Any alteration or correction made to this form of proxy must be initialed by the signatory/signatories.
6. **If the instrument appointing a proxy or proxies has been delivered to the company, until that appointment lapses, any notice that is required by the Companies Act or the company's MOI to be delivered by the company to the shareholder must be delivered by the company to:**
  - (i) **the shareholder; or**
  - (ii) **the proxy or proxies, if the shareholder has:**
    - (i) **directed the Company to do so, in writing; and**
    - (ii) **paid any reasonable fee charged by the company for doing so.**
7. On a poll, every shareholder present in person or represented by proxy shall have five hundred votes for every Sabvest ordinary share held by such shareholder and one vote for every Sabvest 'N' ordinary share held.
8. To be valid, the completed form of proxy must be lodged with the transfer secretaries of the Company, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by no later than 10:00 on Tuesday, 10 May 2016 (or preferably no later than 24 hours before any adjournment of the shareholder meeting, excluding Saturdays, Sundays and official public holidays). Any form of proxy not handed to the transfer secretaries by this time may be handed to the chairman of the shareholder meeting at any time before the proxy exercises any rights of the shareholder at the shareholder meeting.
9. **Electronic participation**  
Shareholders or their proxies may participate in the meeting by way of telephone conference call and if they choose to do so:
  - ◆ must contact the Company Secretary at [rsptrading@fusionreactor.co.za](mailto:rsptrading@fusionreactor.co.za) by no later than 10:00 on Tuesday, 10 May 2016 in order to obtain a pin number and dial in details for the conference call;
  - ◆ will be required to provide acceptable identification (the company will regard presentation of an original of a meeting participant's valid driver's license, identity document or passport to be satisfactory identification); and
  - ◆ will be billed separately by their own service provider.

By order of the Board

Sabvest Limited

Mrs P Atkins  
Company Secretary  
Sandhurst





[www.sabvest.com](http://www.sabvest.com)