Sabvest Limited

Annual Report
2017

Contents

Chairman's letter to shareholders

Overview

Sabvest had an excellent year strategically and financially. At the year-end it had interests in four unlisted industrial groups, long-term holdings in seven listed investments and equity funds, and offshore share portfolios. Subsequent to the year-end additional material investments were made. Details of the portfolios are set out on page 6.

2017 performance

2017 was a record year for the Group with substantial increases in PAT and HEPS. The results were primarily due to the increase in valuation of SA Bias Industries and the subsequent credit received for its special dividend arising from the disposals of its interests in the ITL Group. NAV per share increased by 39,5% to 5 085 cents per share and shareholders' funds to R2,3bn.

Medium-term performance

Management remains focused on achieving sustainable long-term investment returns comprising growth in net asset value per share and cash returns to shareholders by way of dividends. These metrics are set out on page 11.

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.

During the year, Philip Coutts-Trotter retired from the Board. Philip has been a director of Sabvest since listing and was previously Chairman of the Company. His input over the years has been immensely valuable and we wish him well in his retirement.

Carl Coutts-Trotter also resigned during the year in order to focus his efforts solely on the ITL transactions and, subsequently, on the growth and development of SA Bias Industries of which he is CEO. Carl's participation has been valuable and considerable and, although he is no longer on the Board, our partnership in SA Bias continues as will our interaction to the mutual benefit of both groups.

Shareholders

I am pleased to welcome all new shareholders who have invested in the Group during the year. At the year-end, there were 483 shareholders holding ordinary and "N" ordinary shares in the Company.

Ethics and social responsibility initiatives

The Group maintains the highest ethical behavior 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 158 years of schooling for primary and high school pupils at urban and rural schools. Sabvest allocates between 0,5% and 1% of its sustainable PAT annually for these programmes.

Appreciation

I was appointed Chairman in May 2017 and wish to record my appreciation to my colleagues on the Board and the executive directors for their support during the year.

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

Dawn Mokhobo
Chairman

Sandton
23 March 2018

Integrated Report to stakeholders

CONTENTS

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 also includes the Group's King IV report, which it has adopted and with which it complies. The report has been approved and recommended to the Board by the Audit and Risk Committee.

1. Report profile

The report covers the activities of 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, as it does not manage or control these entities. However, the socio-economic, ethical and environmental policies and practices of investees are considered when reviewing existing investments and making new investments. It is through this process and representation on investee boards that the Company exercises influence on their policies and practices.

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

In addition to relying on the representations and information provided by management, 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 and Risk 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 Corporate 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 four unlisted industrial groups, long-term holdings in seven JSE-listed investments and equity funds, and offshore share 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 are set out in Annexure 1 on page 30.

2.3 Investment proposition

Sabvest offers investors:

- investment access to four unlisted industrial groups – SA Bias Industries, Flexo Line Products, Classic Food Brands and Sunspray Food Ingredients, and Mandarin Industries/ITL Group subsequent to the year-end;
- a sound growth orientated investment portfolio;
- investment access to three tightly held listed investments – Metrofile, Torre and Rolfes;
- a Rand hedge – a substantial portion of the group's underlying assets is overseas through SA Bias Industries, Brait, Mandarin/ITL Group and the Sabvest foreign portfolios;

Integrated Report to stakeholders

continued

- no cash drag – Sabvest is usually fully invested and the current expected liquidity surplus will be re-invested during 2018;
- the benefit of gearing to enhance returns and facilitative transactions;
- 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 and Brait have international operations in the UK and Mandarin/ITL Group in China, Hong Kong, India, Sri Lanka, Turkey, Bangladesh, Vietnam, the United Kingdom, North America and Mexico; Net1 in Europe and Korea; and Metrofile in Africa.

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 cognisant of empowerment requirements, environmental issues and socio-economic factors in the territories in which they operate.

4. Strategies, business model and performance indicators

4.1 Investment strategy

The Group's stated Investment Policy remained unchanged during the year and is attached marked Annexure 2 on pages 31 to 35.

4.2 Business model and performance indicators

The following is an amplification of the group's formal investment policy:

4.2.1 Strategy

- Our aim is to maintain and grow a portfolio of equity interests in a spread of industrial, service technology 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 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.
- 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.

Integrated Report to stakeholders

continued

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

4.2.2 Performance metrics

Sabvest aims over three to five-year periods 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.

In addition to these financial metrics, Sabvest aims to:

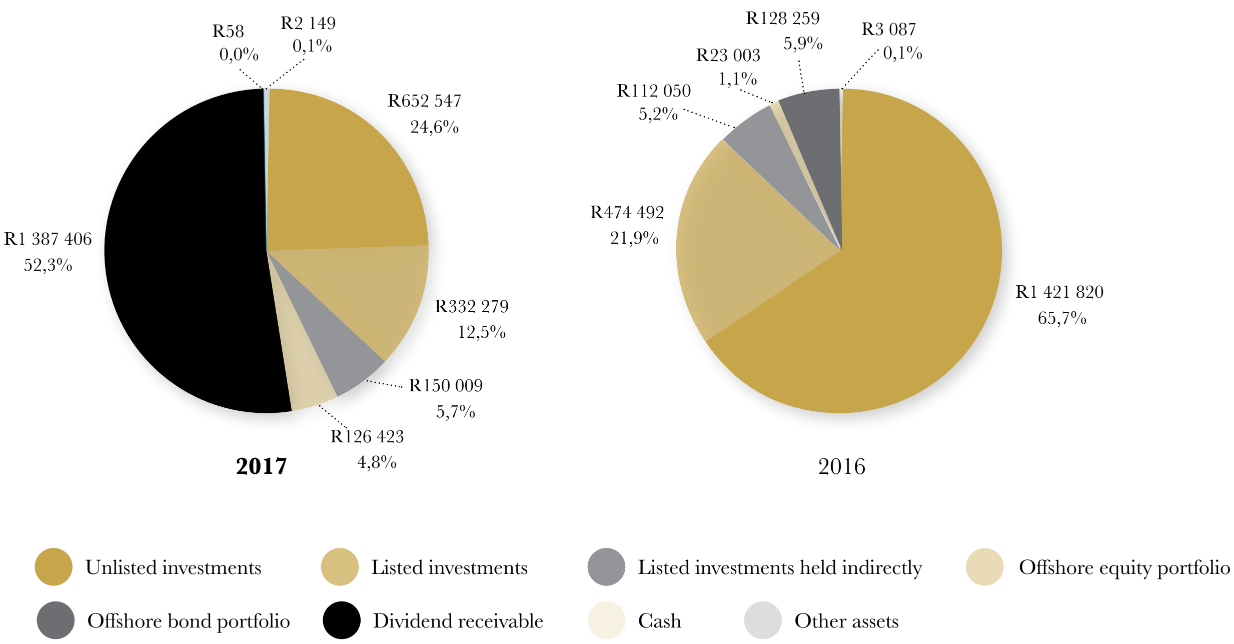
- adhere to its code of ethics;
- comply with all applicable laws and regulations;
- be a good corporate citizen on all levels and with particular sensitivity to the maturing but volatile socio-economic environment in South Africa; and
- maintain the highest levels of corporate governance.

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

5. Asset profile

5.1 Graphical presentation of assets

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



Integrated Report to stakeholders

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5.2 Investment portfolio

at 31 December 2017

	Number of Ordinary shares/units	Economic interest %	Fair value R'000
Unlisted industrial investments			
Classic Food Brands (Pty) Ltd		30,0	
Flexo Line Products (Pty) Ltd		25,0	
SA Bias Industries (Pty) Ltd *1		59,9	
Sunspray Food Ingredients (Pty) Ltd *2		22,0	
			652 547
Listed investments			
Brait S.E.	800 000		33 328
Metrofile Holdings Limited	25 000 000		95 250
Net1 UEPS Technologies Inc	50 000		7 406
Rolfes Holdings Limited	10 500 000		29 295
Transaction Capital Limited	10 000 000		167 000
			332 279
Listed investments held indirectly			
Rolfes Holdings Limited *3	22 500 000		62 775
Torre Industries Limited *4	62 842 500		62 842
Value Capital Partners Fund *5	200 000		24 392
			150 009
Long-term investment holdings			1 134 835
Offshore investment holdings			126 423
Share portfolio			101 556
Bond portfolio			–
Corero Network Security Plc	22 000 000		24 867
TOTAL HOLDINGS			**1 261 258**

**1 Voting interest 49%.*

**2 Held indirectly through ordinary shares in Famdeen Investments (Pty) Ltd.*

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

**4 Held indirectly through ordinary shares in Newshelf 1400 (Pty) Ltd.*

**5 Value Active PFP H4 Fund invested in listed equities presently primarily in Allied Electronics Corporation Limited and Adcorp Holdings Limited.*

Integrated Report to stakeholders

continued

5.3 Nature of investments

Company		Nature of business
Unlisted industrial associates		
Flexo Line Products (Pty) Ltd		Manufacturers of high quality injection moulded plastic products primarily for the spice and food industries locally and internationally.
SA Bias Industries (Pty) Ltd		Industrial and investment group operating through four business units as follows: – 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. – The Apparel Components Group is a manufacturer and distributor of lingerie components, elastics and accessories to the clothing sector in South Africa. – The Flowmax Group comprises businesses engaged primarily in the distribution of fluid handling equipment and systems in the United Kingdom through its subsidiaries and associates – Action Sealtite, Alpeco, Cortex Displays, Center Tank Services, Hytek, Mechtronic, Lantech, Biopharma Dynamics, Castle Pumps, Industrial Flow Control and Anglo Nordic Burner Products. – Sabias Investments is a BVI registered and Monaco domiciled and managed investment company which invests in cash, bonds and equity fund portfolios pending new overseas acquisition opportunities within the group's competencies. It also owns the Flowmax Group.
Classic Food Brands (Pty) Ltd		Classic Food Brands is a start-up food manufacturer specialising in chicken based products for low LSM consumers distributed through retail outlets in KwaZulu-Natal.
Sunspray Food Ingredients (Pty) Ltd		Producers of spray-dried and blended powdered food and drink products and is the largest independent contract supplier of these products and services in South Africa.
Listed investments held directly		
Brait S.E.	LUX/ JSE	Investment group whose major assets are large proprietary investments in New Look, Virgin Active, Premier Foods and Iceland Foods.
Corero Network Security Plc	LSE – AIM	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.
Metrofile Holdings Limited	JSE	Market leader in on-site and off-site document management and information storage, primarily in South Africa but also in a number of African countries and the Middle East.
Net1 UEPS Technologies Inc.	NASDAQ/ JSE	Net1 is a leading provider of alternative payment systems that leverage its Universal Electronic Payment System (UEPS) or utilise its proprietary mobile technologies. It operates market leading payment processors in South Africa and the Republic of Korea. It offers debit, credit and prepaid processing and issuing services for Visa, MasterCard and China Unionpay in Asia Pacific, Europe, Africa and the United States. UEPS enables biometrically secure real-time electronic transaction processing in an online or offline environment and is interoperable with global EMV standards.
Rolfes Holdings Limited	JSE	Manufacturer and distributor of a diverse range of market-leading, high-quality chemical products through its agriculture, food, industrial and water divisions.
Transaction Capital Limited	JSE	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 and TC Risk Services.
Listed investments held indirectly		
Rolfes Holdings Limited		See above.
Torre Industries Limited		A JSE-listed industrial group whose activities include: – value added sale and rental of branded capital equipment; – the supply of top quality parts and components to the equipment and automotive after markets; and – the provision of critical analytical and testing services to the mining and industrial markets.
Value Capital Partners		Value Capital Partners is a recently formed RSA-based fund focused on activist minority interests in previously under-performing listed equities and whose primary holdings currently are in Altron, Adcorp and PPC.

Integrated Report to stakeholders

continued

5.4 Portfolio changes during the year

During the year, Sabvest:

- purchased 30% of Classic Food Brands (Pty) Ltd and provided loan seed capital;
- purchased 41 523 shares in Brait for R3,1m, thereby increasing its holding to 800 000 shares;
- purchased 4,5m shares in Rolfes for R12,3m, thereby increasing its direct and indirect holding to 33m shares, representing a 20,5% economic interest in Rolfes;
- purchased 50 000 shares in Net1 for R7,4m;
- purchased 200 000 units in Value Capital Partners Fund for R20m;
- purchased and sold 2m shares in Long4Life;
- repurchased 82 372 Sabvest ordinary shares for R2,1m;
- repurchased 125 056 Sabvest "N" ordinary shares for R3,0m;
- restructured the form of its investment in Torre Industries Limited by disposing of its Torre shareholding to Newshelf 1400 (Pty) Ltd in exchange for ordinary shares in Newshelf with the result that it holds 48,67% of Newshelf, representing a look-through holding in Torre of 62 842 500 shares;
- increased its offshore listed share portfolio to R101,5m from RNil and reduced its offshore bond portfolio from R128,3m to RNil;
- purchased 6,5m shares in Corero Network Securities for R6,7m (GBP385,000), thereby increasing its interest in Corero to 22,0m shares representing 6,5% of Corero; and
- was credited with a special dividend of R1,387bn by SA Bias Industries pursuant to the sale by SA Bias of its International Trimmings and Labels (ITL) divisions for approximately US$186,9m (R2,3bn at the exchange rates at the time) on 31 December 2017.

Subsequent to the reporting date and up to 28 February 2018, Sabvest:

- purchased 200 000 shares in Brait for R7,6m, thereby increasing its holding to 1m shares;
- purchased 200 000 shares in Net1 for R24,6m, thereby increasing its holding to 250 000 shares;
- purchased 4 000 000 shares in Rolfes Holdings for R12,8m, increasing its direct holdings to 14 500 000 shares;
- purchased 30% of Mandarin Industries Limited (BVI), the holding company of the ITL Group internationally, for $33,6m (R411,4m at the exchange rates at the time);
- received the payment of a special dividend declared at the year-end by SA Bias in the amount of R1,387bn;
- purchased 30% of ITL Holdings South Africa (Pty) Ltd through Mandarin Holdings (Pty) Ltd (RSA) for R33m and made a preference share investment of R60m in Mandarin Holdings;
- concluded an asset swap of R300m into US dollars;
- invested the dollar equivalent of R208m ($17,4m) from the asset swap in a bespoke offshore technology portfolio comprising 15 large cap technology companies and one technology fund, the details of which were advised to shareholders on 14 February 2018;
- retained the balance of $7,3m (R92m) in cash and liquid interest-bearing instruments abroad; and
- refocused its general offshore portfolio to an overweight position in biotech and pharmaceutical stocks.

Integrated Report to stakeholders

continued

6. Financial overview

6.1 Changes in accounting policy

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

6.2 Salient financial features of the year

2017 US cents	2016 US cents		**2017 RSA cents**	2016 RSA cents
		RETURNS TO SHAREHOLDERS		
114,2	0,6	Headline earnings per share	**1 517,3**	9,2
114,2	0,6	Earnings per share	**1 517,3**	9,2
4,6	4,0	Normal dividend proposed/paid	**61,0**	55,0
8,1	–	Special dividend paid	**100,0**	–
410,8	266,2	Net asset value per share	**5 085**	3 646
US$'000	US$'000		**R'000**	R'000
		STATEMENT OF COMPREHENSIVE INCOME		
51 811	287	Headline attributable income	**688 364**	4 179
51 811	287	Income attributable to equity shareholders	**688 364**	4 174
		STATEMENT OF FINANCIAL POSITION		
186 125	121 139	Ordinary shareholders' equity	**2 303 945**	1 659 255
101 891	157 670	Investment holdings at fair value	**1 261 258**	2 159 624

Rand/Dollar exchange rate

Statement of comprehensive income: US$1 = 13,2860 (2016: US$1 = 14,5563)

Statement of financial position: US$1 = 12,3785 (2016: US$1 = 13,6970)

6.3 Ten-year financial review

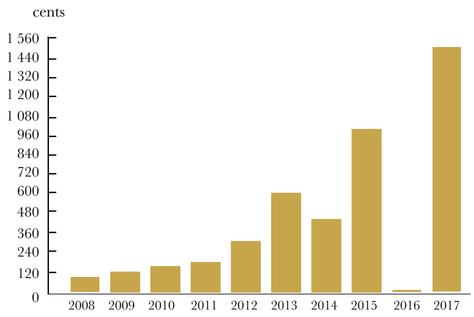
A ten-year financial review is set out in Annexure 3 on pages 36 and 37.

Integrated Report to stakeholders

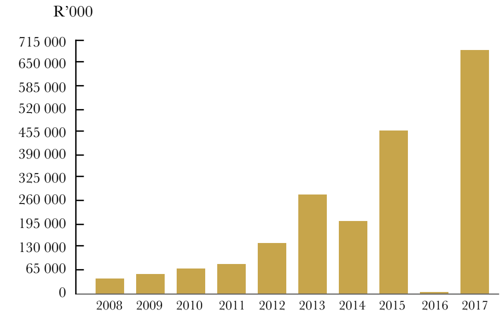
continued

6.4 Ten-year graphical review

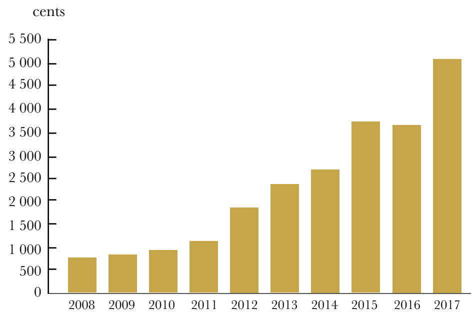
Headline earnings per share



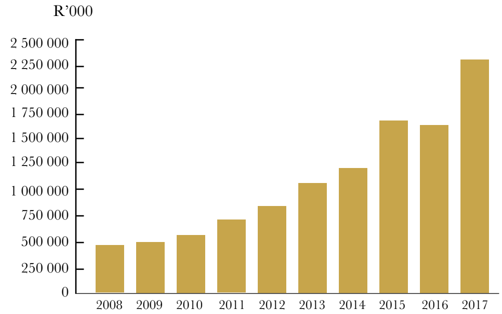
Headline attributable income



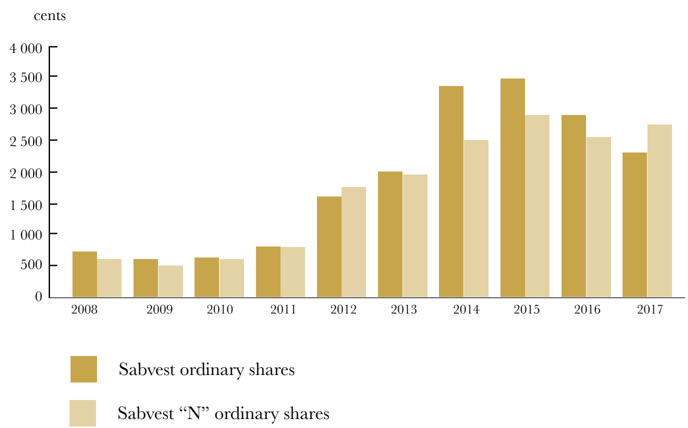
Net asset value per share
with investment accounted for at fair value/directors' valuation



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



Closing price of ordinary and "N" ordinary shares



Integrated Report to stakeholders

continued

6.5 Commentary on the 2017 financial results

PAT increased materially to R688,3m primarily due to the increase in valuation of SA Bias Industries and the subsequent credit received for its special dividend. PAT was further enhanced by the reversal of a portion of the deferred tax provisions.

PAT was negatively affected by reductions in the share prices of the group's RSA-listed holdings, other than Transaction Capital and the Value Capital Partners Fund, which performed strongly.

Operating costs increased materially due to performance-linked incentives in the current year and virtually none in the prior year.

HEPS increased to a record 1 517,3 cents and NAV per share increased by 39,5% to a new high of 5 085 cents per share. Shareholders' funds increased by 38,8% to R2,3bn.

Normal DPS for the year increased by 10,9% to 61 cents per share and a special dividend of 100 cents per share was declared in January 2018.

With regard to the accounting for the SA Bias transactions, the increase in the value of SA Bias arising from the sale of ITL and the subsequent decrease arising from the special dividend have both been accounted for in fair value adjustments to unlisted investments.

6.6 Fifteen-year financial growth

	Cents	Growth 1 year %	Compound Growth 3 years %	Compound Growth 5 years %	Compound Growth 10 years %	Compound Growth 15 years %
Net asset value per share	5 085,0	39,5	23,8	22,4	21,9	19,4
Headline earnings per share	1 517,3	>100	50,6	37,5	30,2	26,9
Earnings per share	1 517,3	>100	50,2	37,5	31,2	28,7
Dividends per share*	61,0	10,9	12,4	13,8	15,9	53,6

** Calculation excludes special dividends of 100 cents per share paid in 2013, 2014 and 2018.*

6.7 Financial resources

Shareholders' funds amounted to R2,3bn at the year-end. A special dividend of R1,3876bn was received from SA Bias Industries in cash in January 2018. Subsequent to the year-end, R509m has been utilised to invest in Mandarin/ITL Group, R300m for an asset swap into US dollars of which R208m has been invested in a bespoke offshore technology portfolio, and existing portfolio holdings have been increased by R44m to 28 February 2018.

In South Africa, the Group has R140m in term loans falling due in 2018 to 2021. It has short-term bank facilities of R70m, which were utilised to the extent of R21,7m at the year-end, but subsequently reduced to nil from the SA Bias dividend receipt. The Group also utilises loans from entities associated with the directors. Utilisation at year-end was R11,5m.

A GBP8m facility is available offshore to enable the Group to gear its foreign portfolios in its wholly-owned foreign subsidiary, managed in Monaco, and was utilised to the extent of GBP0,48m at year-end. This facility is secured by the underlying assets of that subsidiary only.

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 11% to 61 cents per share (2016: 55 cents per share) and a special dividend of 100 cents per share was declared and paid after the year-end.

Integrated Report to stakeholders

continued

6.9 Performance of unlisted investments

With regard to the performance of our unlisted investments:

- SA Bias Industries' results for the year were satisfactory. Pursuant to the sale of its ITL divisions, its business units comprise:
  - Narrowtex Group;
  - Apparel Component Manufacturers;
  - Flowmax Group (UK); and
  - Sabias Investments (BVI).
- Sunspray traded well with profitability ahead of budget.
- Flexo Line traded below expectations due primarily to labour issues.
- Classic Food Brands has established its start-up manufacturing facilities and its projections for 2018 are satisfactory.
- ITL performed well during 2017 and this performance is expected to continue in 2018 under its new ownership by the Mandarin Group.

6.10 Performance of listed investments

- Brait's share price reduced materially pursuant to concerns relating to its investment in the United Kingdom after the Brexit vote and, in particular, the weakness in the retail sector and the effects on its investment in New Look.
- Metrofile produced stable earnings and concluded acquisitions of Tidy Files and G4S Kenya. Its share price has been weak most of the year.
- Net1 traded satisfactorily, but its share price has been weak due to the uncertainty surrounding its SASSA contract.
- Rolfes experienced share price weakness after restating its published results and effecting changes in management. Its interim results were satisfactory and its operating prospects are good.
- Torre Industries' share price fell materially due to poor operating performances, particularly in the divisions affected by weakness in the mining and industrial sectors. Its interim results indicate that its prospects have stabilised.
- Transaction Capital continues to trade very well. It produced good growth for the year and its share price strengthened in response.
- The Value Capital Partners Fund experienced a satisfactory increase in value, driven in particular by its holdings in Altron and Adcorp.
- The Group's offshore share portfolio performed satisfactorily with an increase in value on average holdings for the year of 16,0% in US dollars.
- The Corero share price continues to be volatile on small volumes.

7. Future strategic and financial outlook

The Group's major unlisted investee companies are budgeting improved profitability in 2018. Its small investee companies are not expected to contribute significantly to Sabvest's results at this stage, but their prospects remain promising.

The Group's listed investee companies are performing to expectations, but it is obviously not possible to project likely listed share prices.

We anticipate a satisfactory year in 2018, but not with performance at the record level of 2017.

8. Governance and sustainability

8.1 Human resources

RSA executive directors	Overseas executive management	Staff	Sub-total	Non-executive directors	**Total 2017**	Total 2016
2	1	6	9	3	**12**	13

Integrated Report to stakeholders

continued

8.2 Directorate

Executive directors

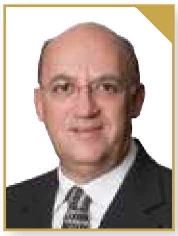
Christopher Stefan Seabrooke (64)
BCom, BAcc, MBA, FCMA

Chief Executive
Joined the group in 1980.

Appointed Chief Executive in 1987.

Non-Executive Chairman of Metrofile Holdings Limited, Net1 UEPS Technologies Inc., Transaction Capital Limited and Torre Industries Limited, Deputy Chairman of Massmart Holdings Limited and a Non-Executive Director of Brait S.E., Datatec Limited and Rolfes Holdings Limited. Also a director of numerous unlisted companies including Cell C, SA Bias, Flexo Line Products and Sunspray. Former Chairman of the State Theatre of South Africa and Deputy Chairman of the inaugural National Arts Council of South Africa.

Raymond Pleaner (63)
BCompt(Hons), CA(SA)



Financial Director

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

Non-executive directors

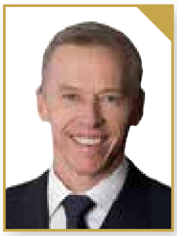
Dawn Nonceba Merle Mokhobo (69)
BA (Social Science)

Independent Non-Executive Chairman
Chairman of the Nominations Committee
Member of the Audit and Risk Committee, Remuneration Committee, Social, Ethics and Transformation Committee and Investment Committee

Appointed to the Board in 2005.

Non-Executive Director of Engen (Pty) Ltd, Ford Motor Company South Africa, Cricket South Africa and Altron. Chairperson of Wesizwe Platinum. Former winner South African Businesswoman of the Year Award.

Nigel Stuart Hamilton Hughes (63)
BCom, CA(SA), FCMA

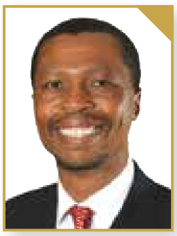


Lead Independent Non-Executive Director
Chairman of the Audit and Risk Committee and the Social, Ethics and Transformation Committee,
Member of the Remuneration, Nominations and Investment Committees

Appointed to the Board in 1987.

Executive Chairman, Mertrade (Pty) Ltd.

Bheki James Themba Shongwe (62)
BA (Econ), MBA, ACIS, FCIBM



Independent Non-Executive Deputy Chairman
Chairman of the Remuneration Committee
Member of the Audit and Risk, Nominations, Remuneration and Investment Committees

Appointed to the Board in 2005.

Chairman of Flow Communications (Pty) Ltd, Executive Chairman of Matsamo Group Limited, Chairman of Company Management Consultants (Pty) Ltd, Non-Executive Director of Matsamo Capital (Pty) Ltd, Director of Marking Engineering (Pty) Ltd.

Ages at 31 December 2017.

Integrated Report to stakeholders

continued

9. Corporate governance

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

King IV

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

- Ethical culture
- Good performance
- Effective control
- Legitimacy

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

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

Principle 1:

The governing body should lead ethically and effectively

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

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

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

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

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

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

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

Principle 2:

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

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

Integrated Report to stakeholders

continued

The CEO is the custodian of the charter and is assisted by the group's CFO in his function as Ethics Officer. The Board reviews the charter annually.

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

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

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

Principle 3:

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

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

Sabvest invests between 0,25% and 1% of its own expected sustainable profit after tax directly (and indirectly through SA Bias Industries) in specific programmes encompassing bursaries for education, the funding of educational infrastructure and specific related projects. During 2017, 13 bursaries were funded at three schools and general and specific grants were made for education-related initiatives.

Since the commencement of the Sabvest programme, 158 years of schooling have been funded.

Sabvest also encourages its investee companies to maintain and adhere to comprehensive sustainability policies.

Principle 4:

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

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

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

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

Principle 5:

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

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

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

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

Integrated Report to stakeholders

continued

Principle 6:

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

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

This is achieved through the direction provided by the application of the Board Charter, Memorandum of Incorporation (MOI), its application of the King Code of Corporate Governance and relevant legislation. The Board's committees play an integral role in ensuring corporate governance is achieved through the terms and mandates in their respective charters.

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

Principle 7:

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

The Board and its Committees

Sabvest employs nine people of whom two are executive directors of the holding company. It also has the benefit of the experience and advice of three independent non-executive directors on the holding company board. The continued independence of directors is assessed annually, with particular attention to those who have served on the Board for longer than nine years. The Board is satisfied that the 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 the Audit and Risk Committee, but is a member of both. The Chairman's non-executive role encompasses being the mentor and counsel to the CEO, the co-ordinator of governance activities, the overseer of Board and Committee performance and the guide to the Board in its principal functions of the keepers of strategy, the monitors of risk, the custodians of management excellence and the overseers of Company performance. A separate lead director has been appointed who is non-executive and independent.

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

The Board has established gender and race diversity policies relating to its composition. It targets a minimum of two female directors and aims to achieve this on the next occasion a vacancy arises. It targets at least 40% of its non-executive directors to be black South Africans and currently meets that target.

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

No external advisors are regular attendees at Board meetings.

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

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

Integrated Report to stakeholders

continued

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

The full responsibilities of the Board and of each Committee are set out in written charters adopted by the Board and published on the Company's website.

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

	Attendance
CP Coutts-Trotter *	1/1
P Coutts-Trotter *	1/1
NSH Hughes	2/2
R Pleaner	2/2
DNM Mokhobo	2/2
CS Seabrooke	2/2
BJT Shongwe	2/2

** Resigned with effect from 31 October 2017.*

The profiles of directors are set out on page 13, shareholders on page 84 and remuneration details in note 14 on page 72.

Company Secretary

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

The duties of the Company Secretary include:

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

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

The Board confirms that the Company Secretary has maintained an 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.

Integrated Report to stakeholders

continued

Audit and Risk Committee

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

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

The internal auditors attend when presenting their reports and opinions on internal financial and IT controls and other reviews which are done over a three-year cycle. Their reports provided unqualified assurances to the Audit and Risk 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 and Risk Committee also has the responsibility for recommending the appointment of the external auditors and for ensuring that there is appropriate independence relating to non-audit services provided by the auditors. These non-audit services are presently taxation, corporate finance, technical accounting, risk and human resources.

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

Due to the size of the Group, a separate risk committee is not regarded as necessary. The Audit and Risk 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:

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

Remuneration and Nominations Committees

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

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

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

Integrated Report to stakeholders

continued

Succession planning

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

The Remuneration Committee comprises the following members:

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

The Nominations Committee comprises the following members:

	Attendance
DNM Mokhobo (Independent Non-executive Chairman)	1/1
BJT Shongwe (Independent Non-Executive)	1/1
NSH Hughes (Independent Non-Executive)	1/1

Social, Ethics and Transformation Committee

The Committee has a written charter which meets all the requirements of the Companies Act in the scope of its functions. These include 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 Sabvest 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:

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

Subsequent to the year-end, the Committee has been reconstituted to comprise a majority of independent directors and now comprises NSH Hughes (Chairman), DNM Mokhobo (independent non-executive), and CS Seabrooke (executive).

The report of the Committee to shareholders, as required by the Companies Act, is set out on page 40.

Performance assessments

The performances of the Board, the Committees, directors, Chairman, CEO, CFO and Company Secretary are subject to a 360° review annually. Appropriate feedback is given and discussions held by the Chairman, Committee Chairpersons or CEO, as appropriate. No material issues arose from this process in 2017.

Integrated Report to stakeholders

continued

Investment Committee

The Investment Committee is an ad hoc committee activated as needed from time to time by the Board. The Committee has a written charter. The Committee comprises at least two non-executive directors, one executive director and an external expert by invitation, if deemed necessary.

The Committee's responsibilities relate to investment policy and parameters, potential new investments or investment disposals, financial facilities and financing structures, relevant risks and corporate actions relating to Sabvest's shareholders.

The Committee currently comprises the following members:

CS Seabrooke – CEO (Executive)
NSH Hughes (Independent Non-Executive)
DNM Mokhobo (Independent Non-Executive)
BJT Shongwe (Independent Non-Executive)

Communications and decisions are via Board memoranda, telecons and informal meetings of which formal attendance is not an appropriate measure.

Principle 8

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

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

The governance functions of the Board Committees are outlined in their respective approved committee terms of reference. The charters are reviewed and approved annually by the Board and the composition of the Committees is also assessed annually. Due to the small size of the Board, which is appropriate for the size of Sabvest and the scope of its investment activities, all three independent non-executive directors are members of the Audit and Risk, Nominations, Remuneration and Investment Committees and two of the three are members of the Social, Ethics and Transformation Committee. However, there is a balanced distribution of power between the independent non-executive directors as each of the Audit and Risk, Nominations and Remuneration Committees are chaired by a different director. The Audit and Risk Committee chairman also chairs the Social, Ethics and Transformation Committee to facilitate the monitoring of ethics and risks and the CEO chairs the Investment Committee.

Integrated Report to stakeholders

continued

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

	Nominations	Remuneration	Audit and Risk	Social, Ethics and Transformation	Ad hoc Investment Committee
Chairperson	DNM Mokhobo	BJT Shongwe	NSH Hughes	CS Seabrooke	CS Seabrooke
Members	NSH Hughes BJT Shongwe	NSH Hughes DNM Mokhobo	DNM Mokhobo BJT Shongwe	NSH Hughes DNM Mokhobo	NSH Hughes DNM Mokhobo BJT Shongwe
Functions managed	• Directors • People • Succession	• People • Remuneration • Retention	• Accounting, tax and compliance • Information and technology • Internal audit • Risk • Credit	• Transformation • Sustainability • Ethics	• Investment opportunities and disposals • Capital • Funding • Liquidity
Number of meetings per year	At least one	At least one	At least two	At least one	Ad hoc as required
Composition	Independent non-executive directors	Independent non-executive directors	Independent non-executive directors	A majority of independent non-executive directors	The CEO and all independent directors

Principle 9

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

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

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

Based on the annual evaluations undertaken during November 2017, the board is satisfied that:

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

Integrated Report to stakeholders

continued

Principle 10

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

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

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

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

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

Principle 11

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

Full details are contained in the risk report on page 25.

Principle 12

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

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

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

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

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

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

Principle 13

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

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

Integrated Report to stakeholders

continued

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

The primary regulatory universe applicable to Sabvest comprises:

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

Principle 14

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

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

Sabvest's remuneration report is presented in three sections:

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

The remuneration policy and the implementation report will be tabled at annual general meetings in the future for two separate non-binding advisory votes. If 25% or more of the shareholders vote against either resolution, the Board will invite dissenting shareholders to engage with the Remuneration Committee on their concerns.

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

Principle 15

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

The Audit and Risk Committee is responsible for monitoring the appropriateness of the combined assurance model to monitor and mitigate the risks in the Group and ensuring its effectiveness in order to place continued

Integrated Report to stakeholders

continued

reliance thereon. The Committee oversees the internal audit services provided to the group by KPMG and the external audit function undertaken by Deloitte & Touche. The Committee is satisfied that the external auditor remains independent and that the policy in place to address the provision of non-audit services by the external auditor is appropriate.

The Committee considers the financial reporting procedures that are in place and whether these procedures are operating effectively. It also monitors and ensures the integrity of information and external reports. These are also reviewed by Sabvest's external auditors, attorneys, JSE Sponsor and bank advisors, as appropriate or needed.

Principle 16

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

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

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

- Shareholders

  Through the website, SENS and press announcements, annual reports and general meetings.

- Financiers

  Through regular meetings and submissions.

- Unlisted investees

  Through shareholder agreements, board and committee representation and on site visits.

- Major listed investees

  Through Board and Committee representation, on-site visits and liaison with other material shareholders.

- Community

  Through the Group's code of ethics and SRI programme.

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

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

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

Integrated Report to stakeholders

continued

10. Risk report

10.1 Approach to risk management

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

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

Risk tolerances are approved by the Board.

10.2 Risk framework and the governance of risk

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

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

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

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

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

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

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

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

Integrated Report to stakeholders

continued

The current risk watch list is as follows:

Risk	Residual risk level after mitigation
•• Inability to meet strategic and financial objectives	Low
•• Reduced cash flow from investees	Low/medium
•• Weak financial controls in investees	Low
•• Breach of legal and regulatory compliance	Low
•• Prevention of fraud and corruption	Low
•• Loss of any key executive in an investee	Medium
•• Effects of lack of security and of crime	Low
•• CEO incapacitated or not available	Low
•• Lack of liquidity.	Low
•• Not meeting BBBEE requirements	Medium
•• Loss due to exchange rate fluctuations	Medium
•• Breaching of shareholder agreements	Low
•• Change in strategies of investees	Low
•• Lack of liquidity in Sabvest shares on the JSE	High
•• Weakness in Sabvest internal controls and procedures	Low
•• Weakness in IT systems	Low
•• Effects of stock market fluctuations	Medium

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

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

11. Remuneration report

11.1 Background

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

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

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

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

Integrated Report to stakeholders

continued

11.2 Remuneration philosophy and policy

The following principles are applied to remuneration:

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

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

Short-term incentives for executives are targeted at between 50% and 150% of cost-to-company packages with no floor or cap. 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 2,5% of PAT. The CFO may earn 25% of package based on pre-set qualitative KPIs and the balance of his incentive is calculated as 1% of PAT.

Sabvest has a long-term incentive plan (LTIP) for executives and staff. Participants receive a notional award of between 15% 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 not capped.

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

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 unlisted investees pay consulting fees directly to Sabvest.

Since the formation of Sabvest, it was agreed that the CEO may hold non-executive directorships (and investments) independently and not as a representative of the Group. However, this has enhanced the Group's influence materially, has improved the Group's access to attractive new investments over the years and resulted in material income and gains to the Group. The CEO retains the fees from those appointments.

Integrated Report to stakeholders

continued

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

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

11.3 Implementation report

The following table shows a breakdown of the annual remuneration of executive directors, including STIP and LTIP awards, for the 2017 financial year and the comparatives for 2016.

	CS Seabrooke		**R Pleaner**		**Total**	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000	**2017 R'000**	2016 R'000
Executive directors						
Salaries	**2 249**	2 083	**1 899**	1 758	**4 148**	3 841
Retirement and medical	**322**	295	**289**	264	**611**	559
Other benefits	**1 388**	1 337	**515**	490	**1 903**	1 827
Basic remuneration	**3 959**	3 715	**2 703**	2 512	**6 662**	6 227
Incentive bonuses						
– Short-term	**9 900**	929	**4 100**	628	**14 000**	1 557
– Provision *[1]	**8 923**	1 235	**3 709**	617	**12 632**	1 852
– LTIP *[2]	**2 533**	3 235	**1 290**	1 735	**3 823**	4 970
Total remuneration	**25 315**	9 114	**11 802**	5 492	**37 117**	14 606

Incentives were calculated on the predetermined formulas as set out in the policy and were higher in the current year compared with prior periods due to the record level of profits achieved.

The fees of non-executive directors are set out in the table below.

	Total	
	2017*[3] R'000	2016 R'000
Non-executive directors		
Fees as directors	**1 870**	1 735
C Coutts-Trotter	**200**	190
P Coutts-Trotter	**200**	355
NSH Hughes	**520**	480
DNM Mokhobo	**450**	350
BJT Shongwe	**500**	360
Total directors remuneration and fees	**38 987**	16 341

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 45.

*[1] *As per the remuneration policy set out on page 26, 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.*

*[2] *Paid in 2018 relative to 2017 financial year.*

*[3] *Excludes investment committee fees of R250 000 per member still to be approved at the 2018 annual general meeting.*

Integrated Report to stakeholders

continued

These fees are as approved by shareholders at the annual general meeting relative to Board and Committee membership as set out in Principle 7 of the King IV report. The fees exclude fees for membership of the ad hoc Investment Committee and services performed in 2017, which will be placed before the annual general meeting in 2018 for approval.

Staff members other than executive directors, receive annual bonuses of one to two months' cost-to-company packages, qualitative performance bonuses as determined by the CEO and participate in the LTIP.

Increases in cost-to-company packages for 2018 are between 5,8% and 6,5% for the executive directors and 7% to 11% for staff.

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

12. Code of share dealing

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

No director, executive or employee may deal directly or indirectly in 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 2017.

13. Shares and shareholders

At the year-end, Sabvest had 17,0m ordinary shares and 28,3m "N" ordinary shares in issue net of treasury shares. The ordinary shares carry 500 votes per share and the "N" ordinary shares carry one vote per share.

Sabvest had 483 shareholders at the year-end as profiled in Annexure B. The shareholdings of directors are recorded in the Directors' Report on page 45.

14. SA Bias sale of ITL – Appreciation

I would like to express my appreciation personally to various of the persons who made the sale of the ITL Group for \$191m possible and the way in which co-operation and respect overcame all hurdles – the purchaser Peter Gain, Philip and Carl Coutts-Trotter at SA Bias, the RMB team and Chris Welthagen in particular, the Slaughter and May team and Murray Cox in particular.

15. Commentary and conclusion

Performance will be improved through encouraging and facilitating the growth of the Group's unlisted investee companies and partnerships with like-minded investors. The investment portfolio was materially realigned during 2017 pursuant to the sale of ITL by SA Bias Industries and those funds will be reallocated within the portfolio and to the new investments in Mandarin/ITL in 2018. Sabvest targets to be fully invested to optimise returns and to enhance returns of 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.

Christopher Seabrooke
Chief Executive Officer

Sandhurst
23 March 2018

Integrated Report to stakeholders

continued

ANNEXURE 1

CORPORATE STRUCTURE

Sabvest Limited

- Sabvest Finance and Guarantee Corporation (Pty) Ltd
  - *Brait S.E. (800 000 shares)*
  - *Classic Food Brands (Pty) Ltd (30%)*
  - *Famdeen Investments (Pty) Ltd – Sunspray Food Ingredients (Pty) Ltd (22,0%)*
  - *Flexo Line Products (Pty) Ltd (25,0%)*
  - *Metrofile Holdings Limited (5 000 000 shares)*
  - *Net1 UEPS Technologies Inc (50 000 shares)*
  - *Rolfes Holdings Limited (10 500 000 shares)*
  - *Rolfes Holdings Limited (22 500 000 shares) ***
  - *Torre Industries Limited (62 842 500 shares) ****
  - *Transaction Capital Limited (10 000 000 shares)*
  - *Value Capital Partners Fund (200 000 shares)*
  - Sabvest Capital Holdings Limited (BVI)
    - *Corero Network Security Plc (22 000 000 shares)*
    - *Offshore Portfolios*
- Sabvest Financial Services (Pty) Ltd
- Sabvest Investments (Pty) Ltd
  - *Metrofile Holdings Limited (20m shares)*
  - *SA Bias Industries (Pty) Ltd (59,8%) **
- Sabvest Securities (Pty) Ltd (Dormant)
- SD Nominees (Pty) Ltd (Dormant)

* *49% Voting*

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

*** *Held indirectly through Masimong Chemicals (Pty) Ltd*

Integrated Report to stakeholders

continued

ANNEXURE 2

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).

Integrated Report to stakeholders

continued

ANNEXURE 2

(continued)

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.

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.

Integrated Report to stakeholders

continued

ANNEXURE 2

(continued)

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).

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.

Integrated Report to stakeholders

continued

ANNEXURE 2

(continued)

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

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 2017

2016 US$'000	**2017 US$'000**	
		Consolidated Statement of Financial Position
146 727	**91 763**	Non-current assets
100	**85**	Property, plant and equipment
–	**–**	Deferred tax asset
–	**–**	Share trust receivables
–	**–**	Medium-term receivables
146 627	**91 678**	Investment holdings
103 804	**52 716**	Unlisted investments
42 823	**26 843**	Listed investments
8 179	**12 119**	Listed investments held indirectly
–	**–**	Associates
–	**–**	Long-term
11 550	**122 384**	Current assets
282	**122 166**	Finance advances and receivables
11 043	**10 213**	Offshore investment holding
–	**–**	Short-term investments
–	**–**	Other financial instruments
225	**5**	Cash at bank – local
–	**–**	Cash portfolio
158 277	**214 147**	Total assets
121 139	**186 125**	Ordinary shareholders' equity
30 203	**19 050**	Non-current liabilities
6 571	**8 886**	Interest-bearing debt
23 632	**10 164**	Deferred tax liability
6 935	**8 972**	Current liabilities
5 675	**5 727**	Interest-bearing debt
1 260	**3 245**	Accounts payable
158 277	**214 147**	Total equity and liabilities
		Consolidated Statement of Comprehensive Income
7 648	**42 974**	Gross income from operations and investments
4 351	**7 096**	Dividends received
754	**536**	Interest received
365	**(1 698)**	Income on financial instruments and shares
79	**103**	Fees and sundry income
2 099	**36 937**	Fair value adjustment to investments
–	**–**	Equity accounted retained income of associates
–	**–**	Share of net income of associates
–	**–**	*Less:* Dividends received
36	**48**	Direct transactional costs
–	**113**	Impairments
1 042	**1 192**	Interest paid
6 570	**41 621**	Net income before expenses and exceptional items
1 671	**4 702**	*Less:* Expenditure
1 645	**4 674**	Operating costs
26	**28**	Depreciation
–	**–**	Exceptional items – (gains)/loss
4 899	**36 919**	Net income before taxation
4 612	**(14 894)**	Taxation
287	**51 813**	Net income attributable to equity shareholders
287	**51 813**	Headline attributable income
		Returns to shareholders
0,6	**114,2**	Headline earnings per share – cents
0,6	**114,2**	Earnings per share – cents
–	**–**	Special dividend per share – cents
4,0	**4,6**	Dividends per share – paid or proposed – cents
266,2	**410,8**	Net asset value per share – cents
–	**–**	Net asset value per share at directors' valuation (intrinsic value) – cents
45 513	**45 306**	Number of shares in issue – 000's
45 600	**45 368**	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 3

2008 R'000	2009 R'000	2010 R'000	2011 R'000	2012 R'000	2013 R'000	2014 R'000	2015 R'000	2016 R'000	**2017 R'000**
365 160	365 442	453 800	563 755	975 780	1 289 083	1 380 032	1 896 073	2 009 727	**1 135 885**
1 380	1 070	745	616	971	962	1 529	1 369	1 365	**1 050**
1 897	1 249	555	–	–	–	–	–	–	**–**
4 134	6 126	3 761	4 131	2 759	–	–	–	–	**–**
–	–	–	–	–	–	–	–	–	**–**
357 749	356 997	448 739	559 008	972 050	1 225 441	1 378 503	1 894 704	2 008 362	**1 134 835**
–	–	–	–	741 600	978 000	1 070 973	1 252 040	1 421 820	**652 547**
–	–	–	–	230 450	247 441	307 530	642 664	474 492	**352 279**
–	–	–	–	–	–	–	–	112 050	**150 009**
279 139	292 994	329 373	403 072	–	–	–	–	–	**–**
78 610	64 003	119 366	155 936	–	–	–	–	–	**–**
18 614	31 205	41 686	18 385	64 304	173 669	175 714	202 427	158 207	**1 514 928**
18 518	24 672	16 532	5 943	22 061	14 959	11 545	7 319	3 858	**1 388 447**
–	–	–	–	38 489	151 107	164 018	140 077	151 262	**126 423**
–	–	16 021	2 363	–	–	–	–	–	**–**
–	–	5 899	7 727	–	–	–	–	–	**–**
96	6 533	3 234	2 352	3 754	7 603	151	55 031	3 087	**58**
–	–	–	–	–	–	–	–	–	**–**
383 774	396 647	495 486	582 140	1 040 084	1 400 072	1 555 746	2 098 500	2 167 934	**2 650 813**
350 636	379 071	427 098	517 323	854 652	1 085 011	1 233 073	1 701 382	1 659 255	**2 303 945**
3 486	5 212	55 491	49 417	168 776	175 699	237 859	356 556	413 689	**235 807**
–	–	48 124	40 000	40 000	–	60 000	100 000	90 000	**110 000**
3 486	5 212	7 367	9 417	128 776	175 699	177 859	256 556	323 689	**125 807**
29 652	12 364	12 897	15 400	16 656	139 362	84 814	40 562	94 990	**111 061**
24 100	7 350	5 133	7 915	8 697	127 555	69 040	9 240	77 732	**70 897**
5 552	5 014	7 764	7 485	7 959	11 807	15 774	31 322	17 258	**40 164**
383 774	396 647	495 486	582 140	1 040 084	1 400 072	1 555 746	2 098 500	2 167 934	**2 650 813**
59 216	78 938	100 031	115 522	220 180	360 562	246 857	590 256	111 329	**570 934**
38 149	34 939	17 208	29 302	37 788	46 617	47 114	91 585	63 340	**94 273**
3 938	1 567	2 884	881	739	3 473	5 425	5 062	10 980	**7 117**
–	9 976	(1 166)	6 223	26 335	9 518	17 972	57 312	5 313	**(22 558)**
2 781	2 809	5 125	2 407	2 730	2 067	2 461	2 920	1 147	**1 362**
(16 939)	8 274	21 585	21 027	152 588	298 887	173 885	433 377	30 549	**490 740**
31 287	21 373	54 395	55 682	–	–	–	–	–	**–**
67 056	53 936	68 752	81 631	–	–	–	–	–	**–**
(35 769)	(32 563)	(14 357)	(25 949)	–	–	–	–	–	**–**
–	–	–	209	1 284	1 939	1 066	525	518	**633**
(45)	(181)	(144)	1 013	(1 279)	(57)	(35)	(17)	–	**1 506**
2 335	3 467	3 892	4 741	5 275	5 101	7 328	7 445	15 175	**15 839**
56 926	75 652	96 283	109 559	214 900	353 579	238 498	582 303	95 636	**552 956**
15 869	18 538	23 103	24 610	22 385	26 831	31 732	43 689	24 329	**62 474**
15 473	18 208	22 783	24 460	22 263	26 683	31 453	43 392	23 943	**62 108**
396	330	320	150	122	148	279	297	386	**366**
33 509	(9 344)	(325)	692	–	–	–	–	–	**–**
7 548	66 458	73 505	84 257	192 515	326 748	206 766	538 614	71 307	**490 482**
(512)	2 374	2 849	2 606	50 164	46 922	2 160	78 697	67 133	**(197 882)**
8 060	64 084	70 656	81 651	142 351	279 826	204 606	459 917	4 174	**688 364**
41 570	54 740	70 164	82 343	142 233	279 825	204 436	459 917	4 179	**688 364**
89,9	118,8	153,0	178,1	308,4	607,9	444,7	1 003,9	9,2	**1 517,3**
17,4	139,1	154,0	176,6	308,6	607,9	445,0	1 003,9	9,2	**1 517,3**
–	–	–	–	–	100,0	100,0	–	–	**–**
14,0	14,0	17,0	24,0	32,0	40,0	43,0	50,0	55,0	**61,0**
759	825	922	1 120	1 855	2 358	2 683	3 719	3 646	**5 085**
1 016	1 094	1 230	1 563	–	–	–	–	–	**–**
46 180	45 968	46 320	46 172	46 061	46 015	45 960	45 748	45 513	**45 306**
46 260	46 078	45 869	46 236	46 126	46 031	45 975	45 815	45 600	**45 368**

Audited annual financial statements

CONTENTS

Audited annual financial statements

continued

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

To the shareholders of Sabvest Limited

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

The directors of the company are responsible for the preparation and integrity of the annual financial statements and related financial information included in this report. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the JSE Limited's Listings Requirements and the requirements of the Companies Act No. 71 of 2008. 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 41 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

R Pleaner
Chief Financial Officer

Sandton
2 March 2018

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.

Levitt Kirson Business Services (Pty) Ltd
Company Secretary

Sandton
2 March 2018

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

for the year ended 31 December 2017

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, Ethics and Transformation 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
2 March 2018

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sabvest Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Sabvest Limited (the Group), set out on pages 51 to 84 which comprise the statements of financial position as at 31 December 2017, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 December 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

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

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of investments	
The Group adopts IFRS 10: Consolidated Financial Statements for Investment Entities and as such reports on the fair values of its investments	A detailed review of the assumptions and valuation was performed for each of these investments. The variables used to value investments were agreed to readily available market information and/or Brokers' notes. The financial statements provide details of the valuation method. The requirements of IFRS 13: *Fair value measurements* has been considered.

INDEPENDENT AUDITOR'S REPORT

continued

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW THE MATTER WAS ADDRESSED IN THE AUDIT</th></tr>
<tr><td>In respect of the unlisted investments, the executive directors prepare valuation workings based on their selected valuation model of Earnings before interest, tax, depreciation and amortisation (EBITDA) multiplied by the determined earnings multiple. These valuations incorporated a number of assumptions, the primary assumptions in note 2 and 21 to the consolidated financial statements being:

1. Determination of maintainable earnings; and

2. Earning multiple.

Maintainable earnings are derived from the financial statements and budgets of the underlying investments and earnings multiples are derived from market data and analysis of comparable companies. By nature, these assumptions applied to value the investments require significant judgement and therefore considered this to be a key audit matter.</td><td>We assessed the appropriateness of the EBITDA valuation methodology applied in the current year and that the valuations prepared by management are within acceptable valuation ranges using the assumptions provided.

We involved our valuation experts, as appropriate, in completing our procedures below:

1. assessed the application of the fair value principles of the valuation method;

2. assessed the reasonability of the maintainable earnings and earnings multiple;

3. tied in the valuations to the latest management accounts available for investment companies; and

4. assessed whether adjustments processed by management to the maintainable earnings calculation are appropriate.

We concluded that the valuation method is widely applied and appropriate for valuing unlisted investments. We assessed the earnings and earnings multiples used and found the basis of determination appropriate resulting in a conservative fair value.

In note 2 and 21 to the consolidated financial statements details are provided of the valuation method and key assumptions for the level 3 fair value measurements. We assessed the adequacy of the Group's disclosures in relation to the judgement and estimation applied to investments.

We found the overall valuation and disclosure of investments to be appropriate.</td></tr>
<tr><td colspan="2">SA Bias Industries (Pty) Limited's disposal of its International Trimmings and Labels (ITL) divisions</td></tr>
<tr><td>Effective on 31 December 2017 the Group's largest investee company, SA Bias Industries (Pty) Limited (SA Bias), disposed of its International Trimmings and Labels divisions to a consortium of investors for consideration of R165 million for ITL South Africa (Pty) Ltd and $173,5 million for ITL International division.

In addition, on 31 December 2017, SA Bias declared a special dividend of R37 per share to all existing shareholders; which was subsequently received by the Group in January 2018.

Due to the significant nature of the transaction, the accounting for the investment and resultant special dividend we considered this to be a key audit matter, refer notes 2.2 and 3.</td><td>Our assessment included a detailed review of the transaction concluded on 31 December 2017, including consideration of the terms of the sales agreements.

The requirements of IAS 39: Financial Instruments: Recognition and Measurement (IAS 39) have been evaluated to assess the appropriate presentation and disclosure of both the disposal and subsequent special dividend declaration in the consolidated financial statements. This evaluation included assessing whether the disposal, as well as the special dividend declared by SA Bias, have been appropriately disclosed.

In consideration of IAS 39 and the evaluation above, we consulted with our internal accounting experts to consider the appropriateness of the disclosure of the special dividend as a realisation in part of the investment in SA Bias.

We found the overall presentation and disclosure of the transaction to be appropriate.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

continued

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee's Report, Social, Ethics and Transformation Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

continued

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Sabvest Limited for 17 years.

Deloitte & Touche
Registered Auditor
per André Dennis
Partner

2 March 2018

Buildings 1 and 2, Deloitte Place, The Woodlands, Woodlands Drive, Woodmead, Sandton
Riverwalk Office Park, Block B, 41 Matroosberg Road, Ashlea Gardens X6, Pretoria

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory *NB Kader Africa Tax & Legal TP Pillay Consulting S Gwala BPS *JK Mazzocco Talent & Transformation *MG Dicks Risk Independence & Legal *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 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Audited annual financial statements

continued

DIRECTORS' REPORT

at 31 December 2017

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 2017 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 group and company 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 2017 were as follows:

	2017			
	Ordinary shares 000's	**'N' ordinary shares 000's**	**Total 000's**	2016 Total 000's
Executive				
CS Seabrooke	**11 895**	**3 105**	**15 000**	15 000
R Pleaner	**21**	**1 032**	**1 053**	1 053
Non-executive	–	–	–	
NSH Hughes	–	–	–	–
DNM Mokhobo	–	–	–	–
BJT Shongwe	–	–	–	–
	11 916	**4 137**	**16 053**	16 053

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

DIRECTORS' REPORT

at 31 December 2017

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 26 cents per share (2016: 23 cents) was declared during the year and a final dividend of 35 cents per share (2016: 32 cents) has been declared subsequent to the year-end.

Changes in investment holdings

During the year the company acquired 41 523 shares in Brait S.E., 6 000 000 shares in Corero Network Security Plc, and sold 2 000 000 shares in Long4Life Limited, 50 000 shares in Net1 U.E.P.S. Technologies Inc, 4 500 000 shares in Rolfes Holdings Limited, 200 000 units in Value Capital Partners Fund, restructured the form of its investment in Torre Holdings Limited by disposing of its Torre shareholding to Newshelf 1499 (Pty) Ltd in exchange for ordinary shares in Newshelf, resulting in a holding of 48,6% of Newshelf, purchased 30% of Classic Food Products (Pty) Ltd.

The group increased its offshore share portfolio to R101,6m and sold its foreign bond portfolio.

Directors and secretary

Details of the present board of directors and the secretary appear on pages 13 and 17.

Messrs NSH Hughes, DNM Mokhobo and R Pleaner retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

On 31 October 2017, Messrs CP Coutts-Trotter and P Coutts-Trotter resigned and directors of the company.

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 84.

Subsequent events

The group purchased a 30% interest in Mandarin Industries Limited BVI, purchased a 30% interest in ITL SA Holdings (Pty) Limited through Mandarin Holdings (Pty) Limited, made a preference share investment in Mandarin Holdings (Pty) Limited, concluded an asset swap of R300 million in US dollars, received payment of the special dividends due from SA Bias Industries (Pty) Limited and paid a special dividend.

DIRECTORS' REPORT

at 31 December 2017

continued

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 ending 31 December 2017

"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 2017 be authorised and determined on the basis and the amounts set out below.

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) stated excluding VAT and before PAYE:

		Year ended 2017 R
Chairman		300 000
Deputy Chairman		220 000
Non-executive directors		200 000
Chairman of the Audit and Risk Committee		140 000
Chairman of the other Committees		70 000
Committee members/invitees		40 000
Directorships of investees by non-executive directors for Sabvest		130 000
Lead Independent Director	additional	30 000"

The resolution was passed on 16 May 2017.

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 the date of this annual general meeting."

The resolution was passed on 16 May 2017.

DIRECTORS' REPORT

at 31 December 2017

continued

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 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)."

The resolution was passed on 16 May 2017.

DIRECTORS' REPORT

at 31 December 2017

continued

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 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 16 May 2017.

Preparation of financial statements

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

AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 December 2017

The Audit and Risk 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, having consideration of the current debate around manditory audit firm rotation, auditor independance and tenure.
- The Committee has continued with performing their own rigorous assessment of the independence of the auditor, as required by the current governance requirements covered by the Companies Act. This assessment included consideration of the tenure of the audit engagement and the regularity of audit partner notation; the extent and nature of non-audit services provided and the competence and expertise of the partner and the team.
- We have reviewed the policies and processes in place between the company and Deloitte to ensure that independence is maintained. These include *inter alia*, the assessment and pre-approval processes for engaging on non-audit services, audit firm tenure of 17 years and partner rotation after a 5-year period, in line with the requirements of the Companies Act. Our conclusion following the above assessment is that the policies and processes are in place to ensure independence and that Deloitte is independent of the company. We therefore propose the audit firm Deloitte & Touche, and the audit partner, André Dennis, to be the group's auditor and audit partner for the 2018 financial year.
- The expertise and experience of the Finance Function and the Financial Director were assessed and approved.
- The Group's Corporate Governance procedures were reviewed and approved.
- On an ongoing basis, the Committee reviews and approves the fees payable to the external auditors, such fees are disclosed in note 9 to the annual financial statements.
- The appointment of the external auditor complies with the Companies Act, Section 3.84 and 22.15(h) of the JSE Listings Requirements and with all other legislation relating to the appointment of external auditors.
- The nature and extent of non-audit services provided by the external auditors have been reviewed to ensure that the fees for such services do not become so significant as to call into question independence.
- The nature and extent of future non-audit services have been defined and pre-approved.
- The 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 and Risk Committee Chairman

Sandton
2 March 2018

Audited annual financial statements

continued

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Notes	2017 R'000	Restated* 2016 R'000
Non-current assets		**1 135 885**	2 009 727
Property, plant and equipment	1	**1 050**	1 365
Investment holdings	2	**1 134 835**	2 008 362
Unlisted investments		**652 547**	1 421 820
Listed investments		**332 279**	474 492
Listed investments held indirectly		**150 009**	112 050
Current assets		**1 514 928**	158 207
Finance advances and receivables	3	**1 388 447**	3 858
Offshore investment holdings		**126 423**	151 262
Share portfolio	4.1	**101 556**	–
Equity investment	4.2	**24 867**	23 003
Bond portfolio	4.3	**–**	128 259
Cash balances – local		**58**	3 087
Total assets		**2 650 813**	2 167 934
Ordinary shareholders' equity		**2 303 945**	1 659 255
Share capital and premium	5	**29 288**	34 400
Non-distributable reserves	6.1	**42 295**	54 513
Accumulated profit	6.2	**2 232 362**	1 570 342
Non-current liabilities		**235 807**	413 689
Interest-bearing debt	7.1	**110 000**	90 000
Deferred tax liabilities	10.3	**125 807**	323 689
Current liabilities		**111 061**	94 990
Interest-bearing debt		**70 897**	77 732
Current portion of interest-bearing debt	7.2	**30 000**	30 000
Offshore portfolio finance	7.2	**7 685**	36 577
Other interest-bearing debt	7.2	**33 212**	11 155
Accounts payable	8	**10 728**	5 343
Provisions	8	**29 436**	11 915
Total equity and liabilities		**2 650 813**	2 167 934

** Refer to note 17.*

Audited annual financial statements

continued

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	2017 R'000	Restated*** 2016 R'000
Gross income from operations and investments		**570 934**	111 329
Dividends received	15	**94 273**	63 340
Interest received	15	**7 117**	10 980
(Loss)/income on financial instruments and shares	15	**(22 558)**	5 313
Fees and sundry income	15	**1 362**	1 147
Fair value adjustments to investments		**490 740**	30 549
– Listed		**(44 022)**	(170 103)
– Listed held indirectly		**(67 091)**	42 678
– Unlisted		**601 853**	157 974
Direct transactional costs		**(633)**	(518)
Impairments		**(1 506)**	–
Interest paid		**(15 839)**	(15 175)
Net income before operating expenses		**552 956**	95 636
Less: Expenditure		**(62 474)**	(24 329)
Operating costs		**(62 108)**	(23 943)
Depreciation		**(366)**	(386)
Net income before taxation	9	**490 482**	71 307
Taxation	10	**197 882**	(67 133)
– current year		**197 882**	(11 422)
– CGT arising from change in inclusion rate		**–**	(55 711)
Net income for the year attributable to equity shareholders		**688 364**	4 174
Translation of foreign subsidiary *	16	**(12 217)**	(15 961)
Total comprehensive income/(loss) for the year attributable to equity shareholders		**676 147**	(11 787)
Earnings per share – cents **		**1 517,3**	9,2

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

*** There are no diluting instruments.*

**** Refer to note 17.*

Audited annual financial statements

continued

COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Notes	**2017 R'000**	2016 R'000
Non-current assets		**5 015**	5 015
Investment in subsidiaries	2	**5 015**	5 015
Current assets		**351 401**	351 742
Loans to subsidiaries (Annexure A)		**351 382**	351 711
Cash balances		**19**	31
Total assets		**356 416**	356 757
Ordinary share capital and premium	5	**31 547**	31 547
Accumulated profit	6	**322 279**	313 671
Ordinary shareholders' equity		**353 826**	345 218
Current liabilities		**2 590**	11 539
Amount due to share trust		**–**	9 564
Accounts payable	8	**2 590**	1 975
Total equity and liabilities		**356 416**	356 757

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	**2017 R'000**	2016 R'000
Dividends received	15	**83 250**	53 000
Gross income		**83 250**	53 000
Impairment		**(53 644)**	(2 519)
Expenditure		**(4 220)**	(3 692)
Total comprehensive income for the year attributable to equity shareholders		**25 386**	46 789

Audited annual financial statements

continued

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

	GROUP		COMPANY	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Cash flows from operating activities	**20 766**	(2 077)	**53 300**	25 386
Net income for the year	**688 364**	4 174	**25 386**	46 789
Adjustments for:				
Depreciation	**366**	386	**–**	–
Fair value adjustments to investments	**(490 740)**	(30 549)	**–**	–
Deferred taxation	**(197 882)**	67 133	**–**	–
Impairment/(reversals)	**1 506**	(15)	**53 644**	2 519
Other income/(loss) on financial instruments and shares	**22 591**	(5 419)	**–**	–
Loss on sale of property, plant and equipment	**–**	5	**–**	–
Provisions	**17 199**	(11 854)	**–**	–
Increase/(decrease) in accounts payable	**5 706**	(2 210)	**614**	285
Cash flows from operations	**47 110**	21 651	**79 644**	49 593
Dividends paid	**(26 344)**	(23 728)	**(26 344)**	(23 728)
Cash flows from investing activities	**(31 848)**	(101 748)	**(53 314)**	(23 878)
Purchase of property, plant and equipment	**(51)**	(387)	**–**	–
Purchase of investment holdings and offshore portfolios	**(240 877)**	(328 014)	**–**	–
Proceeds from sale of investment holdings and offshore portfolios	**207 675**	156 450	**–**	–
Decrease in offshore cash investment portfolio	**–**	66 954	**–**	–
Increase in loans to subsidiaries	**–**	–	**(53 314)**	(23 878)
Decrease in finance advances and receivables and share trust receivable	**1 405**	3 249	**–**	–
Cash effects of financing activities	**8 053**	51 881	**2**	(1 984)
Increase in long-term loan	**20 000**	20 000	**–**	–
Increase in other interest-bearing debt	**22 057**	1 915	**–**	–
Purchase of company shares held in treasury	**(5 112)**	(6 611)	**–**	–
Distribution received from share trust	**–**	–	**9 566**	–
Decrease in loan from share trust	**–**	–	**(9 564)**	(1 984)
(Decrease)/increase in offshore portfolio finance	**(28 892)**	36 577	**–**	–
Change in cash and cash equivalents	**(3 029)**	(51 944)	**(12)**	3
Cash and cash equivalents at beginning of year	**3 087**	55 031	**31**	28
Cash and cash equivalents at end of year	**58**	3 087	**19**	31

Audited annual financial statements

continued

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2017

GROUP	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Accumulated profit R'000	Total R'000
Balance as at 1 January 2016	856	40 155	70 475	1 589 896	1 701 382
Total comprehensive (loss)/income for the year	–	–	(15 961)	4 174	(11 787)
Accumulated loss in share trust	–	–	(1)	–	(1)
Shares held in treasury – written back	–	5 593	–	–	5 593
Shares held in treasury	(1)	(12 203)	–	–	(12 204)
Dividends paid	–	–	–	(23 728)	(23 728)
Balance as at 1 January 2017	**855**	**33 545**	**54 513**	**1 570 342**	**1 659 255**
Total comprehensive (loss)/income for the year	**–**	**–**	**(12 217)**	**688 364**	**676 147**
Accumulated loss in share trust	**–**	**–**	**(1)**	**–**	**(1)**
Shares held in treasury – written back	**1**	**12 203**	**–**	**–**	**12 204**
Shares held in treasury	**(5)**	**(17 311)**	**–**	**–**	**(17 316)**
Dividends paid	**–**	**–**	**–**	**(26 344)**	**(26 344)**
Balance as at 31 December 2017	**851**	**28 437**	**42 295**	**2 232 362**	**2 303 945**

COMPANY	Share capital R'000	Share premium R'000	Non-distributable reserves R'000	Accumulated profit R'000	Total R'000
Balance as at 1 January 2016	856	30 691	–	290 610	322 157
Total comprehensive income for the year	–	–	–	46 789	46 789
Dividends paid	–	–	–	(23 728)	(23 728)
Balance as at 1 January 2017	**856**	**30 691**	**–**	**313 671**	**345 218**
Total comprehensive income for the year	**–**	**–**	**–**	**25 386**	**25 386**
Distribution received from share trust	**–**	**–**	**–**	**9 566**	**9 566**
Dividends paid	**–**	**–**	**–**	**(26 344)**	**(26 344)**
Balance as at 31 December 2017	**856**	**30 691**	**–**	**322 279**	**353 826**

Audited annual financial statements

continued

ACCOUNTING POLICIES

for the year ended 31 December 2017

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 2017. 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 Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) 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 2017

continued

Financial instruments

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

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

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

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

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.

ACCOUNTING POLICIES

for the year ended 31 December 2017

continued

Treasury shares

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

Property, plant and equipment

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

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

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

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

Foreign currencies

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At 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.

ACCOUNTING POLICIES

for the year ended 31 December 2017

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.

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.

ACCOUNTING POLICIES

for the year ended 31 December 2017

continued

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.

Taxation

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

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

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

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

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

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

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

ACCOUNTING POLICIES

for the year ended 31 December 2017

continued

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.

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

ACCOUNTING POLICIES

for the year ended 31 December 2017

continued

New/Revised International Financial Reporting Standards Issued

		Effective date
IFRS 1	First-time Adoption of International Financial Reporting Standards *Amendments resulting from 2014 – 2016 Annual Improvements Cycle*	1 January 2018
IFRS 2	Share-based Payment *Amendment classification and Measurement of Share-based Payment Transaction*	1 January 2018
IFRS 9	Financial Instruments *Reissue of a complete standard with all the chapters incorporated*	1 January 2018
IFRS 15	Revenue from Contracts with Customers *Original issue*	1 January 2018
IFRS 15	Revenue from Contracts with Customers *Certifications to IFRS 15*	1 January 2018
IFRS 16	Leases *Original issue*	1 January 2019
IAS 28	Investments in Associates and Joint Ventures *Amendments resulting from 2014 – 2016 Annual Improvements Cycle*	1 January 2018
IAS 28	Investments in Associates and Joint Ventures *Amendments regarding long-term interests in Associates and Joint Ventures*	1 January 2019
IAS 40	Investment Property *Amendments clarify the requirements on transfers to, or from, investment property*	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration *Original issue*	1 January 2018
IFRIC 23	Uncertainty of Income Tax Treatment *Original issue*	1 January 2019

The group does not expect that these new or revised accounting standards to have a material impact on the results or financial position. However, our investee companies results may be impaired in the future.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

1. Property, plant and equipment

	Motor vehicles R'000	Office furniture, equipment, computers and leasehold improvements R'000	Total R'000
2017 GROUP			
Beginning of year			
Cost	**1 015**	**3 639**	**4 654**
Accumulated depreciation	**(654)**	**(2 635)**	**(3 289)**
Net book value	**361**	**1 004**	**1 365**
Current year movements			
Additions	**–**	**51**	**51**
Depreciation	**(177)**	**(189)**	**(366)**
Total movement	**(177)**	**(138)**	**(315)**
End of year			
Cost	**1 015**	**3 690**	**4 705**
Accumulated depreciation	**(831)**	**(2 824)**	**(3 655)**
Net book value	**184**	**866**	**1 050**
2016 GROUP			
Beginning of year			
Cost	1 015	3 311	4 326
Accumulated depreciation	(451)	(2 506)	(2 957)
Net book value	564	805	1 369
Current year movements			
Additions	–	387	387
Disposals – cost	–	(59)	(59)
– accumulated depreciation	–	54	54
Depreciation	(203)	(183)	(386)
Total movement	(203)	199	(4)
End of year			
Cost	1 015	3 639	4 654
Accumulated depreciation	(654)	(2 635)	(3 289)
Net book value	361	1 004	1 365

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 2017

continued

	GROUP		COMPANY	
	2017 R'000	Restated* 2016 R'000	**2017 R'000**	2016 R'000
2. Investment holdings				
2.1 Investment in subsidiaries				
Shares at cost less impairments (refer Annexure A)	**–**	–	**5 015**	5 015
2.2 Investment holdings				
Long-term				
Listed				
At cost	**167 274**	359 387	**–**	–
Fair value adjustments	**165 005**	115 105	**–**	–
Opening balance	**115 105**	269 307	**–**	–
Realisation	**106 112**	–	**–**	–
Movement for the year	**(56 212)**	(154 199)	**–**	–
Market value	**332 279**	474 492	**–**	–
Listed held indirectly				
At cost	**173 568**	68 518	**–**	–
Fair value adjustments	**(23 559)**	43 532	**–**	–
Opening balance	**43 532**	854	**–**	–
Movement for the year	**(67 091)**	42 678	**–**	–
Market value	**150 009**	112 050	**–**	–
Unlisted				
At cost	**49 154**	47 874	**–**	–
Fair value adjustment	**603 393**	1 373 946	**–**	–
Opening balance	**1 373 946**	1 215 973	**–**	–
Realisation	**(1 372 406)**	–	**–**	–
Movement for the year	**601 853**	157 973	**–**	–
Directors' value	**652 547**	1 421 820	**–**	–
Balance sheet value	**1 134 835**	2 008 362	**–**	–
2.3 Impairment of investments				
The group tests investments annually for impairment, or more frequently if there are indications that they might be impaired.				
2.4 Investments that are fully impaired at reporting date	**–**	–	**–**	–
At cost	**–**	15 098	**–**	–
Impairment provision at end of year	**–**	(15 098)	**–**	–

* *Refer note 17.*

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

	GROUP		COMPANY	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
3. Finance advances and receivables				
Dividends receivable	**1 387 406**	–	**–**	–
Other advances	**1 041**	1 562	**–**	–
Sundry receivables	**–**	2 296	**–**	–
	1 388 447	3 858	**–**	–
No finance advances and receivables are past due. Therefore no provisions have been raised.				
The finance advances and receivables approximates fair value are measured at amortised cost.				

	GROUP		COMPANY	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
4. Offshore investment holdings				
4.1 Share portfolio				
At cost	**85 003**	–	**–**	–
Fair value adjustments	**16 553**	–	**–**	–
Opening balance	**–**	–	**–**	–
Movement for the year	**17 767**	2 556	**–**	–
Currency fluctuations/variations	**(1 214)**	(2 556)	**–**	–
Market value	**101 556**	–	**–**	–
4.2 Equity investment				
At cost	**39 840**	33 821	**–**	–
Fair value adjustments	**(14 973)**	(10 818)	**–**	–
Opening balance	**(10 818)**	5 789	**–**	–
Movement for the year	**(5 577)**	(16 929)	**–**	–
Currency fluctuations/variations	**1 422**	322	**–**	–
Market value	**24 867**	23 003	**–**	
4.3 Bond portfolio				
At cost	**–**	126 656	**–**	–
Fair value adjustments	**–**	1 603	**–**	–
Opening balance	**1 603**	619	**–**	–
Realisation	**(1 603)**	97	**–**	–
Movement for the year	**–**	1 025	**–**	–
Currency fluctuations/variations	**–**	(138)	**–**	–
Market value	**–**	128 259	**–**	–
4.4 Bond				
At cost	**–**	128 259	**–**	–

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

	GROUP	
	2017 R'000	2016 R'000

4. Offshore investment holdings

continued

4.5 Equity investment

	2017 R'000	2016 R'000
Corero Network Security Plc	24 867	23 003

4.6 Share Portfolio

	Number of shares	**Market value ZAR**
Activision Blizzard	3 500	2 743 323
Alibaba	3 000	6 403 274
Allergan	1 000	2 024 875
Alphabet	500	6 476 431
Amazon	400	5 790 514
Anheuser-Busch	2 000	2 771 816
Anthem	1 200	3 342 344
Apple	2 000	4 189 627
Baidu	700	2 029 418
Celgene	4 000	5 167 281
Comcast Inc	5 600	2 776 250
Facebook	2 500	5 460 775
Fedex Corp	1 000	3 088 931
Illumina	1 500	4 056 868
JP Morgan	2 000	2 647 514
L Brands	5 000	3 727 166
Medtronic	2 500	2 498 910
Microsoft	2 500	2 647 142
Netease	1 000	4 271 449
Netflix	1 200	2 851 412
Palo Alto	1 500	2 691 210
Regeneron Pharmaceuticals	700	3 257 675
Restaurant Brands	5 000	3 805 151
Splunk	3 500	3 589 022
Tencent	10 000	6 428 827
Thermo Fisher	1 400	3 290 601
Visa	2 500	3 528 491
		101 556 297

The offshore bond, share and finance portfolios are encumbered as security for the offshore portfolio finance (refer note 9.2).

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

	GROUP		COMPANY	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
5. Share capital and premium				
5.1 Share capital				
Authorised				
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
Issued				
17 076 804 (2016: 17 076 804) ordinary shares of 5 cents each	**853**	853	**853**	853
28 883 000 (2016: 28 883 000) 'N' ordinary shares of 0,01cent each	**3**	3	**3**	3
	856	856	**856**	856
Issued, net of shares held in share trust and treasury				
16 976 564 (2016: 17 058 936) ordinary shares 28 329 521 (2016: 28 454 307) 'N' ordinary shares.				
The unissued 'N' ordinary shares are under the control of the directors until the forthcoming annual general meeting.				
5.2 Reconciliation of number of shares in issue				
Ordinary shares				
At beginning of year	**17 076 804**	17 076 804	**17 076 804**	17 076 804
	17 076 804	17 076 804	**17 076 804**	17 076 804
'N' ordinary shares				
At beginning of year	**28 883 000**	28 883 000	**28 883 000**	28 883 000
	28 883 000	28 883 000	**28 883 000**	28 883 000
5.3 Share premium				
Share premium at beginning of year	**45 748**	45 748	**30 691**	30 691
Share premium at end of year	**45 748**	45 748	**30 691**	30 691
Share capital and premium before shares held in treasury	**46 604**	46 604	**31 547**	31 547
Less: 100 240 ordinary shares (2016: 17 868) and 553 479 'N' ordinary shares (2016: 428 423)	**(17 316)**	(12 204)	**–**	–
Share capital and premium	**29 288**	34 400	**31 547**	31 547

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

	GROUP		COMPANY	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
6. Reserves				
6.1 Non-distributable reserves				
On translation of foreign subsidiary				
– prior years	**49 446**	65 407	**–**	–
– current year	**(12 217)**	(15 961)	**–**	–
Accumulated loss in share trust				
– prior years	**(639)**	(638)	**–**	–
– current year	**(1)**	(1)	**–**	–
Variation of interest in subsidiary				
– prior years	**5 144**	5 144	**–**	–
Capital redemption reserve fund	**562**	562	**–**	–
	42 295	54 513	**–**	–
6.2 Accumulated profit				
Accumulated profit at beginning of year	**1 570 342**	1 589 896	**313 671**	290 610
Accumulated profit less dividend paid for the year	**662 020**	(19 554)	**8 608**	23 061
Accumulated profit at end of year	**2 232 362**	1 570 342	**322 279**	313 671
Total reserves	**2 274 657**	1 624 855	**322 279**	313 671
7. Interest-bearing debt				
7.1 Long-term				
RSA borrowings	**140 000**	120 000	**–**	–
Less: Payable within one year	**(30 000)**	(30 000)	**–**	–
	110 000	90 000	**–**	–

The loans bear interest at between JIBAR plus 3,20% and JIBAR plus 3,50% payable quarterly on 31 March, 30 June, 30 September and 31 December of each financial year.

The loans are repayable as to R30 million on 30 June 2018, R40 million on 30 October 2019, R20 million on 1 August 2020, R10 million on 30 June 2021 and R40 million on 29 September 2021.

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

	GROUP		COMPANY	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
7. Interest-bearing debt *continued*				
7.2 Short-term				
RSA borrowings				
Bank borrowings current portion of interest-bearing debt	**30 000**	30 000	**–**	–
Other interest-bearing debt including related parties (refer note 22)	**33 212**	11 155	**–**	–
Offshore portfolio finance	**7 685**	36 577	**–**	–
	70 897	77 732	**–**	–

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 between libor plus 0,9% and 1,59% per annum and has no fixed terms of repayment.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
8. Accounts payable and provisions				
Provision for long-term incentive plan *	**14 490**	8 700	**–**	–
Other provisions	**14 946**	3 215	**–**	–
Accounts payable and other	**10 728**	5 343	**2 590**	1 975
	40 164	17 258	**2 590**	1 975
Provision for long-term incentive plan				
Opening balance	**8 700**	14 490	**–**	–
Utilised during the year	**(4 146)**	(5 334)	**–**	–
Increase/(decrease) in provision for the year	**9 936**	(456)	**–**	–
Closing balance	**14 490**	8 700	**–**	–
Other provisions				
Opening balance	**3 215**	9 165	**–**	–
Utilised during the year	**(2 631)**	(8 712)	**–**	–
Increase in provision for the year	**14 362**	2 762	**–**	–
Closing balance	**14 946**	3 215	**–**	–

* *Refer to remuneration policy on page 26 and note 14.*

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

	GROUP		COMPANY	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
9. Net income before taxation				
This is stated after taking into account:				
Income from subsidiaries – dividends	**–**	–	**83 250**	53 000
Loss on sale of property, plant and equipment	**–**	5	**–**	–
Auditors' remuneration – audit fees	**1 124**	895	**–**	–
– other fees	**273**	80	**–**	–
Consulting fees	**179**	55	**–**	–
Depreciation (refer to note 1)	**366**	386	**–**	–
Operating lease – offices	**1 692**	1 718	**–**	–
Payroll costs	**47 933**	12 613	**–**	–
10. Taxation				
10.1 Charged for the year				
South African normal taxation				
– CGT arising from charge inclusion rate	**–**	55 711	**–**	–
Deferred taxation – current year	**(197 882)**	11 422	**–**	–
	(197 882)	67 133	**–**	–
10.2 Movement in deferred tax				
Provision for capital gains tax on fair value adjustments current and non-current investment holdings	**(197 882)**	11 422	**–**	–
	(197 882)	11 422	**–**	–
Two of the group's subsidiaries have assessed losses for taxation purposes. The unutilised estimated losses of the subsidiaries amount to R92,8 million (2016: R81 million). The deferred tax asset has not been accounted for as this tax loss has been taken into account in assessing the exposure for taxation on fair value measurements recorded.				
10.3 Deferred tax liabilities				
Leases	**–**	(46)	**–**	–
Provision for capital gains tax on fair value adjustments to investments after use of assessed losses	**(125 807)**	(323 643)	**–**	–
	(125 807)	(323 689)	**–**	–

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

10. Taxation *continued*

	GROUP		COMPANY	
	2017 %	2016 %	**2017 %**	2016 %
10.4 Taxation rate reconciliation				
Standard rate of taxation	**28**	28	**28**	28
Rate of taxation for the year affected by non-taxable income	**(68)**	(16)	**(28)**	(28)
Effective rate of taxation	**(40)**	12	**–**	–

10.5 Capital gains tax on investments

The CGT rate applicable to companies was increased in the 2016 budget. This required an adjustment to the deferred tax liability for prior years.

Cumulative deferred tax of R126 million (2016: R324 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. No account has been taken of the avoidance or reduction of CGT that would result if foreign subsidiaries of local investees were sold to foreign buyers or if investees sold their business operation directly.

	GROUP	
	2017 R'000	2016 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	**1 517,3**	9,2
The weighted average number of shares used in the calculation for the current year is 45 368 120 (2016: 45 600 167). 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	**688 364**	4 174
Loss on sale of property, plant and equipment	**–**	5
Headline earnings for the year	**688 364**	4 179
Headline earnings per share (cents)	**1 517,3**	9,2
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 45 368 120 (2016: 45 600 167).		
13. Dividends per share		
Dividends per share (final of 35 cents proposed after year-end) (cents)	**61**	55

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

14. Directors' emoluments

	CS Seabrooke		R Pleaner		Total	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000	**2017 R'000**	2016 R'000
Executive directors						
Salaries	**2 249**	2 083	**1 899**	1 758	**4 148**	3 841
Retirement and medical	**322**	295	**289**	264	**611**	559
Other benefits	**1 388**	1 337	**515**	490	**1 903**	1 827
Basic remuneration	**3 959**	3 715	**2 703**	2 512	**6 662**	6 227
Incentive bonuses						
– Short-term	**9 900**	929	**4 100**	628	**14 000**	1 557
– Provision *[1]	**8 923**	1 235	**3 709**	617	**12 632**	1 852
– LTIP *[2]	**2 533**	3 235	**1 290**	1 735	**3 823**	4 970
Total remuneration	**25 315**	9 114	**11 802**	5 492	**37 117**	14 606
Non-executive directors						
Fees as directors					**1 870**	1 735
C Coutts-Trotter					**200**	190
P Coutts-Trotter					**200**	355
NSH Hughes					**520**	480
DNM Mokhobo					**450**	350
BJT Shongwe					**500**	360
					38 987	16 341

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 45.

*[1] *As per the remuneration policy set out on page 26, 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.*

*[2] *Paid in 2018 relative to 2017 financial year.*

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

	GROUP		COMPANY	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
15. Revenue				
Revenue, which is in terms of IAS 18, comprises dividends, interest, fees, sundry income and other income on financial services and shares	**80 194**	80 780	**83 250**	53 000

	GROUP	
	2017 R'000	2016 R'000
16. Comprehensive income		
Items that may subsequently be classified in profit and loss		
Translation of foreign subsidiary	**(12 217)**	(15 961)

17. Restatement of comparative information

In response to a letter from the JSE regarding the Practices Monitoring of Annual Financial Statements dated 24 August 2017, the group has restated its comparative information relating to investments.

The group has reported its investment in listed shares in two categories, those directly held and those indirectly held through other entities. This restatement also aligns the disclosure of the fair value hierarchy and had the result of correcting the classification of listed investments held indirectly from a Level 1 to a Level 2. This is still based on observable quoted share prices and has not resulted in any change in value with the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income.

	2016 Restated R'000	2016 Previously presented R'000
Consolidated Statement of Financial Position		
Investment holdings	2 008 362	2 008 362
– Unlisted investments	1 421 820	1 421 820
– Listed investments	474 492	586 542
– Listed investments held indirectly	112 050	–
Consolidated Statement of Comprehensive income		
Fair value adjustments to investments	30 549	30 549
– Listed investments	(170 103)	(127 425)
– Listed investments held indirectly	42 678	–
– Unlisted investments	157 974	157 974

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

	GROUP	
	2017 R'000	2016 R'000
18. Net asset value per share		
Net asset value per share – cents	**5 085**	3 646
Number of shares in issue (less held in treasury) – 000's	**45 306**	45 513

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 if realised.

19. Contingent liabilities and commitments

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

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

	2017 R'000	2016 R'000
Year 1	**1 014**	481
Year 2	**1 102**	–

19.3 An offshore subsidiary has provided a guarantee of $5 000 000 on behalf of an investee which is expected to be released by June 2018.

19.4 An offshore subsidiary has an investment commitment at $33 600 000 which was effected in January 2018.

19.5 A subsidiary has an investment commitment of R93 000 000 which was effected in January 2018.

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

20. Hypothecations

20.1 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.

20.2 The facilities provided in South Africa have been guaranteed by each of the South African companies. None of the assets of the South African companies have been encumbered and non-encumbrance agreements have been given to the group's RSA bankers and lenders.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

21. Financial instruments

21.1 Capital risk management

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

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

	GROUP	
	2017 R'000	2016 R'000
21.2 Categories of financial instruments		
Financial assets		
Fair value through profit or loss		
Held for trading – long-term investments	**1 134 835**	2 008 362
– offshore equity investment	**24 867**	23 003
Finance advances and receivables	**1 388 447**	3 858
Offshore bond portfolio	**–**	128 259
Offshore equity portfolio	**101 556**	–
Cash at bank	**58**	3 087
Financial liabilities		
Interest-bearing debt – medium-term	**110 000**	90 000
– current portion of interest-bearing debt	**30 000**	30 000
– short-term portfolio	**–**	–
– offshore portfolio finance	**7 687**	36 577
– short-term local	**33 212**	11 155
Accounts payable	**29 436**	5 343

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

21. Financial instruments *continued*

21.3 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 2017 and 31 December 2016 the group's South African operations had no foreign exchange exposure.

21.4 Interest rate risk

The group has long-term borrowings from third parties in the amount of R110 million (2016: R90 million). The current portion of the long-term borrowings is R30 million (2016: R30 million). The short-term interest-bearing borrowings are mainly those from related parties (refer note 22) in the amount of R11,5 million (2016: R11,2 million) and from third parties in the amount of R40,9 million (2016: R37 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 loss for the year would increase/decrease by R1,8 million (2016: R1,6 million).

21.5 Credit risk management

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

The 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.

21.6 Liquidity risk management

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

At 31 December 2017 the group had R48,3 million of undrawn facilities (2016: R70 million) and R58 000 cash at bank (2016: R3,1 million) at its disposal to further reduce liquidity risk.

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

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

21. Financial instruments *continued*

21.7 Fair value investments

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

Financial assets	Fair value as at 31 December 2017	Fair value as at 31 December 2016	Valuation technique Fair value hierarchy	Significant and key inputs	Relationship of unobservable inputs	Relationship of unobservable inputs to fair value
Listed investments	Listed equity shares R332,3 million	Listed equity shares R474,5 million	Level 1	Quoted share prices on the Johannesburg Stock Exchange.	N/A	N/A
Listed investments held indirectly	Listed equity shares and mutual fund R150,0 million	Listed equity shares R112,0 million	Level 2	Quoted share prices on the Johannesburg Stock Exchange.	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. 59,99% of SA Bias, an international industrial and investment group. 25% of Flexo Line Products, a manufacturing business specialising in high quality injection moulded plastic products primarily for the spice industry locally and internationally. 30% of Classic Food Brands, a manufacturer of meat products which has a Halaal certification. R652,5 million	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. 25% of Flexo Line Products, a manufacturing business specialising in high quality injection moulded plastic products primarily for the spice industry locally and internationally. R1 422 million	Level 3	Maintainable earnings model.	EBITDA multiples of 4,0 – 6. Level of maintainable earnings based on historic and future protections and normalisation of earnings where appropriate.	The higher the multiples the higher the value.
Offshore listed shares	R126,0 million	R23,0 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 2017

continued

21. Financial instruments *continued*

21.7 Fair value investments *continued*

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

	Change in the maintainable earnings		Change in the price earnings ratio	
	Increase by 10% Rm	Decrease by 10% Rm	Increase by 10% Rm	Decrease by 10% Rm
Increase/(decrease) in fair value 31 December 2017	**94,6**	**(94,6)**	**94,6**	**(94,6)**
Increase/(decrease) in fair value 31 December 2016	115,4	(115,4)	115,4	(115,4)

Should the market price of both the listed investments held directly and indirectly and the offshore listed shares have been 10% higher or lower at 31 December 2017, the value of shares would have increased or decreased by R60,9 million (2016: R61,0 million).

Should the market price of foreign bonds have been higher or lower at 31 December 2017, the value of bonds would have increased or decreased by Rnil (2016: R12,8 million).

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

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

	31 December 2017		31 December 2016	
	Carrying amount R'000	**Fair value R'000**	Carrying amount R'000	Fair value R'000
Financial assets				
Loans and receivables	**1 388 447**	**1 388 447**	3 858	3 858
Finance advances and receivables	**1 388 447**	**1 388 447**	3 858	3 858
Financial liabilities				
Financial liabilities held at amortised cost	**196 625**	**196 625**	173 075	173 075
Interest-bearing debt – long-term	**110 000**	**110 000**	90 000	90 000
Current portion – interest-bearing debt	**30 000**	**30 000**	30 000	30 000
Offshore portfolio finance	**7 685**	**7 685**	36 577	36 577
Other interest-bearing debt	**33 212**	**33 212**	11 155	11 155
Accounts payable	**10 728**	**10 728**	5 343	5 343

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

21. Financial instruments *continued*

21.7 Fair value investments *continued*

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

	Financial fair value hierarchy as at 31 December 2017			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
Fair value through profit and loss				
Listed investments	**332 279**	–	–	**332 279**
Listed investments held indirectly	–	**150 009**	–	**150 009**
Unlisted investments	–	–	**652 547**	**652 547**
Offshore equity investment	**24 867**	–	–	**24 867**
Offshore equity portfolio	**101 556**	–	–	**101 556**
Loans and receivables				
Finance advances and receivables	–	–	**1 388 447**	**1 388 447**
Total	**458 702**	**150 009**	**2 040 994**	**2 649 705**
Financial liabilities				
Financial liabilities held at amortised cost				
Interest-bearing debt – long-term	–	–	**110 000**	**110 000**
Current portion of interest-bearing debt	–	–	**30 000**	**30 000**
Offshore portfolio finance	–	–	**7 685**	**7 685**
Other interest-bearing debt	–	–	**33 212**	**33 212**
Accounts payable	–	–	**10 728**	**10 728**
Total	–	–	**191 625**	**191 625**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

21. Financial instruments *continued*

21.7 Fair value investments *continued*

	Financial fair value hierarchy as at 31 December 2016			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
Fair value through profit and loss				
Listed investments	474 492	–	–	474 492
Listed investments held indirectly	–	112 050	–	112 050
Unlisted investments	–	–	1 421 820	1 421 820
Offshore equity investment	23 003	–	–	23 003
Offshore bond portfolio	128 259	–	–	128 259
Loans and receivables				
Finance advances and receivables	–	–	3 858	3 858
Total	625 754	112 050	1 425 678	2 163 482
Financial liabilities				
Financial liabilities held at amortised cost				
Interest-bearing debt – long-term	–	–	90 000	90 000
Current portion of interest-bearing debt	–	–	30 000	30 000
Offshore portfolio finance	–	–	36 577	36 577
Other interest-bearing debt	–	–	11 155	11 155
Accounts payable	–	–	5 343	5 343
Total	–	–	173 075	173 075

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

22. Related party transactions

Related party transactions can exist between subsidiaries and the holding company, fellow subsidiaries, associated companies and key management personnel. The subsidiaries of the group are identified in Annexure A on page 83.

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 14 and fees and incentives as set out in this note. Monies lent to the group by entities controlled by directors are included in interest-bearing debt (refer note 17) in the statement of financial position.

All the above and below transactions are concluded under terms and conditions that are no less favourable than those available from third parties and are at arm's length.

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

31 December 2017	Fees received R'000	Fees paid R'000	Dividends received R'000	Interest received R'000	Interest paid R'000	Amounts owed by related parties R'000	Amounts owed to related parties R'000
NSH Hughes and family							
Company	–	–	–	–	**143**	–	**1 391**
R Pleaner and family							
Individual	–	–	–	–	**74**	–	**802**
CS Seabrooke and family							
Individual	–	–	–	–	**224**	–	**9 309**
Company	**120**	**258**	–	–	**6**	**199**	**23**
Investees	**1 218**	–	**80 861**	**2 683**	–	–	–
SA Bias special dividend	–	–	**1 387 406**	–	–	–	–

31 December 2016	Fees received R'000	Fees paid R'000	Dividends received R'000	Interest received R'000	Interest paid R'000	Amounts owed by related parties R'000	Amounts owed to related parties R'000
NSH Hughes and family							
Company	–	–	–	–	200	–	2 386
R Pleaner and family							
Individual	–	–	–	–	57	–	543
CS Seabrooke and family							
Individual	–	–	–	–	315	–	5 267
Company	121	533	–	3	9	220	84
Investees	1 007	–	49 326	2 129	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017

continued

23. 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, which amounted to R640 038 (2016: R530 040).

The group has no post-retirement medical aid commitments.

24. Capital commitments

There are no capital commitments other than as recorded for investments in notes 19.4 and 19.5.

25. Borrowing powers

The borrowing powers of the group are not limited.

26. Subsequent events

26.1 An offshore subsidiary purchased a 30% interest in Mandarin Industries Limited BVI for $33,6 million (R416 million).

26.2 A subsidiary purchased a 30% interest in ITL SA Holdings Limited through Mandarin Holdings (Pty) Limited for R93 million.

26.3 A special dividend of R1,387bn from SA Bias Industries was received in January 2018.

26.4 Concluded an asset swap of R300m into US dollars.

26.5 Paid to shareholders a special dividend of 100 cents per ordinary and "N" ordinary share.

The above were all non-adjusting.

27. Operating segments

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

Audited annual financial statements

continued

SCHEDULE OF CONSOLIDATED SUBSIDIARIES

ANNEXURE A

	Nature of business	Amount of issued capital R	Held directly or indirectly 2017 %	2016 %	Book value of interest shares 2017 R'000	2016 R'000	Indebtedness 2017 R'000	2016 R'000
Sabvest Investments (Pty) Limited	Investment holding company	4 000	**100**	100	**4**	4	**3 322**	3 241
Sabvest Financial Services (Pty) Limited	Corporate services	5 000	**100**	100	**1**	1	**6 292**	1 045
	Gross						**18 526**	8 819
	Impairment						**(12 234)**	(7 774)
Sabvest Finance and Guarantee Corporation (Pty) Limited	Finance investments and guarantees	6 000	**100**	100	**5 000**	5 000	**341 768**	347 425
	Gross						**390 953**	347 425
	Impairment						**(49 185)**	–
Sabvest Capital Holdings Limited (BVI)	Investment holding company and corporate financier	US$2	**100**	100	**–**	–	**–**	–
Sabvest Securities (Pty) Limited	Dormant	10 000	**100**	100	**10**	10	**–**	–
SD Nominees (Pty) Limited	Nominee company	100	**100**	100	**–**	–	**–**	–
Investment in subsidiaries					**5 015**	5 015		
Indebtedness included in the company's assets							**351 382**	351 711
Aggregate net (loss)/income after taxation, attributable to Sabvest Limited's interest in its subsidiaries							**692 584**	7 866

Integrated Report to stakeholders

continued

ANNEXURE B

SHARES AND SHAREHOLDERS

Shareholder analysis at 31 December 2017

	Ordinary shares			'N' ordinary shares		
Category	**Number of share-holders**	**% of total of share-holders**	**Number of shares held**	**Number of share-holders**	**% of total of share-holders**	**Number of shares held**
Banks and nominee companies	4	2,2	371 064	8	2,6	5 692 082
Investment and trust companies	19	10,6	12 667 355	19	6,3	6 927 397
Other corporate bodies	16	8,9	3 551 831	24	7,9	13 535 038
Individuals	141	78,3	486 554	252	83,2	2 728 483
	180	**100,0**	**17 076 804**	**303**	**100,0**	**28 883 000**

Major shareholders

Shareholders whose holdings of ordinary and 'N' ordinary shares in the company total more than 2 000 000 shares:

	Ordinary shares		'N' ordinary shares		Overall	
Category	**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 – client accounts*	2 915 498	17,1	11 051 266	38,2	30,4	17,1
Credit Suisse Zurich	370 962	2,2	5 599 010	19,4	13,8	2,2
Ceejay Trust	610 670	3,6	2 151 329	7,4	6,0	3,6
Ellerine Brothers (Pty) Ltd	500 150	2,9	1 581 187	5,5	4,5	2,9
	16 292 280	**95,5**	**28 878 792**	**81,3**	**86,5**	**95,3**
** Held for the following clients:*						
Valderoma Investments SA	2 915 498	17,1	10 551 266	36,5	29,3	17,1
Caraway Group Inc			500 000	1,7	1,1	0,0

Shareholder spread *[1]

	Ordinary shares			'N' ordinary shares			Overall shares	
Category	**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	2	11 916 000	69,8	2	4 137 100	14,3	16 053 100	34,9
Total non-public shareholders	2	11 916 000	69,8	2	4 137 100	14,3	16 053 100	34,9
Public shareholders	178	5 160 804	30,2	301	24 745 900	85,7	29 906 704	65,1
	180	**17 076 804**	**100,0**	**303**	**28 883 000**	**100,0**	**45 959 804**	**100,0**

Note: Directors' holdings are set out on page 45.

Stock exchange performance

	Ordinary shares		'N' ordinary shares	
Category	**2017**	2016	**2017**	2016
Closing price (cents)	**2 300**	2 900	**2 750**	2 550
Highest price (cents)	**3 000**	3 500	**3 000**	3 100
Lowest price (cents)	**2 300**	2 801	**2 000**	2 300
Total number of shares traded ('000)	**452**	141	**309**	1 175
Total value of shares traded (R'000)	**12 031**	4 588	**7 633**	30 065
Total number of transactions recorded	**200**	210	**124**	191
Total volume of shares traded as a percentage of total issued shares (%)	**2,7**	0,8	**1,1**	4,1

Audited annual financial statements

continued

SHAREHOLDERS' DIARY

Announcement of 2017 results	March 2018
Publication of 2017 annual report	April 2018
Annual general meeting	16 May 2018
Financial year-end	31 December

Notice of 2018 annual general meeting

CONTENTS

Notice of 2018 annual general meeting

continued

Sabvest Limited
("the company") or ("the group")
Registration number 1987/003753/06
ISIN: ZAE000006417 – ordinary shares • Share code: SBV – ordinary shares
ISIN: 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 9:30 on Wednesday, 16 May 2018 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 if deemed it, passing with or without modification) the ordinary and special resolutions contained in the notice in the manner required by the Companies Act, No 71 of 2008 as amended ("Companies Act") and subject to the JSE Limited Listings Requirements ("JSE Listings Requirements") .

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 and Risk Committee report for the year ended 31 December 2017.

b. Integrated report including King IV compliance report

This report is contained on pages 2 to 29 of the annual financial statements.

c. Report relating to the Social, Ethics and Transformation Committee to the annual general meeting

This report is contained on page 40 of the annual financial statements.

d. Shareholders' agreements with unlisted investee companies

In terms of paragraph 6.2 of Sabvest's approved Investment Policy, the shareholders' agreements and addenda relating to the following unlisted investee companies are available for inspection at the registered office of the company until and at the AGM scheduled for Wednesday, 16 May 2018.

- Newshelf 1400 (Pty) Ltd (re Torre Industries Limited)
- Mandarin Industries Limited
- Mandarin Holdings (Pty) Ltd

As all the original transactions giving rise to these investments fall within the approved Investment Policy, this constitutes an advice to shareholders as required by paragraph 6.2 of the Investment Policy.

e. 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 NSH Hughes 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 NSH Hughes'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 NSH Hughes for appointment as a director of the company and the effect of the resolution is that Mr NSH Hughes will be elected as a director of the company.

Notice of 2018 annual general meeting

continued

2. Ordinary resolution number two

Re-election of director

"RESOLVED that Mrs DNM Mokhobo who retires as a 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 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.

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 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 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 on the recommendation of the Audit Committee and as envisaged in Section 94(7)(a) of the Companies Act, Deloitte & Touche be re-appointed as independent registered auditors of the company, currently with Mr André Dennis as the lead audit partner."

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

Explanation and effect of the resolution

The reason for proposing ordinary resolution number five is to appoint Deloitte & Touche as the company's independent registered auditors and Mr A Dennis who is accredited with the JSE, 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

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

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

Notice of 2018 annual general meeting

continued

6. Ordinary resolution number six

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

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

7. Ordinary resolution number seven

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

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

Explanation and effect of resolutions five to seven

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.

8. Ordinary resolution number eight

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.

The remuneration policy appears on page 26 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.

9. Ordinary resolution number nine

Non-binding advisory vote on Remuneration Implementation Report

"RESOLVED that the company's Remuneration Implementation Report be and is hereby endorsed by way of non-binding advisory vote."

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

The Remuneration Implementation Report appears on page 28 in the annual report.

Explanation and effect of the resolution

In accordance with the recommendations of the King Code of Corporate Governance for South Africa as well as the JSE Listings Requirements, it is recommended that the board of the company put the Remuneration Implementation Report to shareholders who can vote thereon in a non-binding advisory capacity.

Notice of 2018 annual general meeting

continued

10. Ordinary resolution number ten

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, 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 aforegoing, 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.

11. Ordinary resolution number eleven

Authority to sign all documents required

"RESOLVED that, subject to the passing of ordinary resolutions 1 to 9 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 9 and special resolutions 1 to 4 passed at the annual general meeting; where ratifying before 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.

Notice of 2018 annual general meeting

continued

12. Ordinary resolution number twelve

General authority to allot and issue 1 000 000 authorised but unissued ordinary shares and authorised but unissued "N" ordinary shares for cash

"RESOLVED that, subject to the passing of ordinary resolution number ten:

The directors are hereby authorised as a general authority, to allot and issue 1 000 000 authorised but unissued ordinary shares and the authorised but unissued "N" ordinary shares for cash, upon such terms and conditions and to such persons as they in their discretion may determine, subject to the provisions of the Companies Act, the memorandum of incorporation of the company and the JSE Listings Requirements provided that:

- the shares be of a class already in issue or, where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
- shares may only be issued to public shareholders as defined in the JSE Listings Requirements, and not to related parties, unless the JSE agrees otherwise;
- the shares which are the subject of general issues for cash:
  - in the aggregate may not exceed 30% of the company's equity shares in issue of that class as at the date of the passing of the notice of the annual general meeting, being 1 000 000 ordinary shares and 8 664 900 "N" ordinary shares, provided that such authorisation be valid only until the next annual general meeting or fifteen months from the date of passing the resolution, whichever is the earlier date; and
  - in the event of a sub-division or consolidation of the issued equity shares during the period contemplated in the first bullet above, the existing authority must be adjusted accordingly to represent the same allocation ratio.
- the maximum discount at which such shares may be issued or sold, as the case may be, is 10% of the weighted average traded price of such shares on the JSE over the 30 business days preceding the date that the price of the issued is agreed between the company and the party subscribing for the shares. The JSE will be consulted for a ruling if the company's shares have not traded in such 30 business day period;
- any such general issues are subject to exchange control regulations and approval at that point in time;
- an announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per share (and if applicable, diluted earnings and diluted headline earnings per share) will be published at the time of any issue representing, on a cumulative basis withing a financial year, 5% of the number of shares in issue prior to the issue, in accordance with section 11.22 of the JSE Listings Requirements; and
- this authority includes any options/convertible securities that are convertible into an existing class of equity shares.

In terms of the JSE Listings Requirements, in order for this 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.

Reason for and effect of the resolution

The reason for and effect of this ordinary resolution is to authorise and approve the company's allotment and issue of 1 000 000 authorised but unissued ordinary shares and the authorised but unissued "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 memorandum of incorporation of the company and the JSE Listings Requirements.

If passed, this authority is valid until the company's next annual general meeting, provided it should not extend beyond 15 (fifteen) months from the date that this authority is given.

Notice of 2018 annual general meeting

continued

13. Special resolution number one

Approval of proposed non-executive directors' remuneration for the year ending 31 December 2018

"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 2018 be authorised and determined on the basis and the amounts set out below.

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 Committees; and

(iii) stated excluding VAT and before PAYE (where applicable):

	Year ending 2018 R
Chairman	320 000
Deputy Chairman	240 000
Non-executive directors	220 000
Chairman of the Audit and Risk Committee	150 000
Chairman of the Remuneration Committee	80 000
Chairman of the Nominations Committee	80 000
Chairman of the Social, Ethics and Transformation Committee	75 000
Committee members/invitees	45 000
Non-executive members of the ad hoc Investment Committee *	250 000
Directorships of investees by non-executive directors for Sabvest	140 000
Lead Independent Director	additional 32 000"

** This Committee is constituted when required by investment activities. It was constituted for calender years 2017 and 2018 and the annual fee to be approved as above is applicable to each of those years.*

Explanation and effect of the special resolution

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 2018 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.

Notice of 2018 annual general meeting

continued

14. Special resolution number two

Authority to provide financial assistance in terms of Section 45 of the Companies Act to any group company

"RESOLVED that the Board may, subject to compliance with the Company's MOI and the requirements of the Companies Act (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 at any time and from time to time during the 2 (two) years commencing on the date of adoption of this special resolution, direct or indirect financial assistance including without limitation by way of lending money, guaranteeing a loan or other obligation, securing any debt obligation or otherwise, as envisaged in Section 45 of the Companies Act, to related or inter-related company (on such terms as defined in Section 2 of the Companies Act) or to a member of the related or inter-related corporation, or to a person related to any such company or corporation (subject to the provisions of Section 45 of the Companies Act) provided that such financial assistance may be granted up to a limit of R2 billion. This authority shall not extend beyond 2 (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 R2bn 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.

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.

15. Special resolution number three

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

"RESOLVED that the Board may, subject to compliance with the Company's MOI and the requirements of the Companies Act (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 at any time and from time to time during the 2 (two) years commencing on the date of adoption of this special resolution, direct or indirect financial assistance including without limitation by way of lending money, guaranteeing a loan or other obligation, securing any debt obligation or otherwise, as envisaged in Section 45 of the Companies Act, to related or inter-related company (on such terms as defined in Section 2 of the Companies Act) or to a member of the related or inter-related corporation, or to a person related to any such company or corporation (subject to the provisions of Section 45 of the Companies Act) provided that such financial assistance may be granted up to a limit of R2 billion. This authority shall not extend beyond 2 (two) years from the date of this annual general meeting."

Notice of 2018 annual general meeting

continued

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).

16. Special resolution number four

General authority to repurchase shares

"RESOLVED that the company and/or any subsidiary of the company is hereby authorised, by way of a 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 4;
- 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;

Notice of 2018 annual general meeting

continued

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

Notification

Shareholders are advised that the board will not authorise any repurchase unless it is satisfied that the company will satisfy the solvency and liquidity test and will ensure that terms under which the shares are repurchased are fair and reasonable to the 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 four 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 four.

f. 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 84; and
- Share capital of the company – page 67.

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.

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.

Notice of 2018 annual general meeting

continued

Additional disclosure required in terms of the Companies Act and the JSE Listings Requirements relating to special resolution numbers 2 and 4

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, 11 May 2018, it being recorded that the last day to trade for that purpose is Tuesday, 8 May 2018, the record date on which shareholders must be recorded to receive the notice of annual general meeting is Thursday, 29 March 2018.

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 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, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107). The form of proxy must be received by the transfer secretaries for administrative purposes by no later than 9:30 on Tuesday, 15 May 2018, or shareholders are entitled to hand their proxy forms to the chairman of the annual general meeting right up to the commencement of the annual general meeting.

Notice of 2018 annual general meeting

continued

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 wendy@lkg.co.za by no later than 9:30 on Tuesday, 15 May 2018, 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

Levitt Kirson Business Services (Pty) Ltd
Company Secretary

29 March 2018
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

DNM Mokhobo (Chairman)
BJT Shongwe (Deputy Chairman)
CS Seabrooke (Chief Executive Officer)
R Pleaner (Chief Financial Officer)
NSH Hughes

Secretary

Levitt Kirson Business Services (Pty) Ltd

Communications

4 Commerce Square
39 Rivonia Road
Sandhurst
2196

PO Box 78677, Sandton 2146
Republic of South Africa

Telephone +27 11 268 2400
Telefax +27 11 268 2422

e-mail: ho@sabvest.com

Web site: www.sabvest.com

Sabvest Capital Holdings Limited BVI

Registration number: 30949
Le Victoria
Block 6, 2nd Floor
13 Boulevard Princesse Charlotte
MC 98000 Monaco

Telephone +3 779 797 4095
Telefax +3 779 797 4097

JSE Sponsor

Rand Merchant Bank
(A division of FirstRand Bank Limited)

Telephone +27 11 282 8000
Telefax +27 11 282 4184

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Telephone +27 11 370 5000
Telefax +27 11 370 5271

Bankers

ABSA Bank
FirstRand Bank
Standard Bank
UBS

Attorneys and legal advisors

Edward Nathan Sonnenbergs Inc, Sandton

Slaughter and May, London

Auditors

Deloitte & Touche, Johannesburg

Form of proxy

Sabvest Limited
(Incorporated in the Republic of South Africa)
Registration number: 1987/003753/06
ISIN: ZAE000006417 – ordinary shares • Share code: SBV – ordinary shares
ISIN: 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 9:30 on Wednesday, 16 May 2018, 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** *Re-election of Mr NSH Hughes*			
2.	**Ordinary resolution number two** *Re-election of Mrs DNM Mokhobo*			
3.	**Ordinary resolution number three** *Re-election of Mr R Pleaner*			
4.	**Ordinary resolution number four** *Re-appointment of independent external auditors*			
5.	**Ordinary resolution number five** *Election of Audit Committee member – Mr NSH Hughes*			
6.	**Ordinary resolution number six** *Election of Audit Committee member – Mrs DNM Mokhobo*			
7.	**Ordinary resolution number seven** *Election of Audit Committee member – Mr BJT Shongwe*			
8.	**Ordinary resolution number eight** *Non-binding endorsement of Remuneration Policy*			
9.	**Ordinary resolution number nine** *Non-binding advisory vote on Remuneration Implementation Report*			
10.	**Ordinary resolution number ten** *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*			
11.	**Ordinary resolution number eleven** *Authority to sign all documents required*			
12.	**Ordinary resolution number twelve** *General authority to allot and issue 1 000 000 authorised but unissued ordinary shares and authorised but unissued "N" ordinary shares for cash*			
13.	**Special resolution number one** *Approval of proposed non-executive directors' remuneration for the year ending 31 December 2018*			
14.	**Special resolution number two** *Authority to provide financial assistance to any group company in terms of section 45 of the Companies Act*			
15.	**Special resolution number three** *Authority to provide financial assistance in terms of section 44 of the Companies Act*			
16.	**Special resolution number four** *General authority to repurchase shares*			

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 2018

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 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) Ltd 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, Wendy Miller, 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, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by no later than 9:30 on Monday, 15 May 2017, (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 wendy@lkg.co.za by no later than 9:30 on Tuesday, 15 May 2018 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

Levitt Kirson Business Services (Pty) Ltd
Company Secretary

Sandhurst

GRAPHICULTURE

www.sabvest.com