



Sabvest Limited

Annual Report

2019

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Chairman's letter to shareholders

Overview

Sabvest had a good year strategically and financially. At the year-end it had interests in nine unlisted groups, holdings in six listed investments and an offshore bond portfolio. Details of the portfolio are set out on page 6.

2019 performance

2019 was a satisfactory year for the Group with an increase of 14,3% in NAV per share to 6 689 cents and in shareholders' funds to R2,759bn. Dividends increased by 10% to 75 cents per share.

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 5.

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.

I am pleased to welcome Mr Kuben Pillay *BA LLB (Wits), MCJ (Howard School of Law), USA*, as an independent non-executive director.

Mr Nigel Hughes has retired from the Board effective 31 December 2019. Nigel was a director of Sabvest since its listing in 1988, was a member of all four Board committees and chaired two of them, as well as being Lead Independent Director.

Nigel has been an excellent and very valuable non-executive director and retained strong independent views notwithstanding his length of tenure. The Board thanks him very sincerely for his service to and support of Sabvest over this lengthy period.

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

Shareholders and capital structure

I am pleased to welcome all new shareholders who have invested in the Group during the year. At the year-end there were 1 065 shareholders holding ordinary and 'N' ordinary shares in the company.

Sabvest believes it is in the interest of shareholders for it to simplify the group's dual share structure to facilitate liquidity and marketability, a reduction in the discount of the share price to NAV and the use of shares for potential capital raising and/or new investments. Shareholders are referred to the SENS announcements released on 28 October 2019 and 28 February 2020 and the scheme circular and prospectus dispatched to shareholders.

Ethics and social responsibility initiatives

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

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

Sabvest's own corporate social responsibility initiatives continue to be noteworthy. Since the commencement of its bursary programme, Sabvest has funded 192 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 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

20 March 2020

Integrated Report to stakeholders

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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 those entities. However, the socio-economic, ethical and environmental policies and practices of investees are considered when reviewing existing investments and making new investments. It is through this process and representation on investee boards that the company exercises influence on their policies and practices.

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

In addition to relying on the representations and information provided by management, the Board has drawn assurance from the external auditors, Messrs Deloitte & Touche, in the course of their annual audit of the Group's financial statements and their unqualified audit report. It has also relied on KPMG Services (Pty) Ltd who have provided positive assurance to the Audit Committee and the Board on internal financial controls, human resource and payroll controls and information technology general controls, including disaster recovery and business continuity plans.

2. Corporate profile, structure and investment proposition

2.1 Corporate profile

Sabvest is an investment group which has been listed on the JSE since 1988. Its 17m ordinary shares and 24,3m 'N' ordinary shares are quoted in the Equities Investment sector of the JSE. The ordinary shares carry 500 votes each and the 'N' ordinary shares carry one vote each. The Seabrooke Family Trust (SFT) is the controlling shareholder of Sabvest.

Sabvest has interests in nine unlisted investments, direct and indirect interests in six listed investments and an offshore bond portfolio, all accounted for on a fair value basis. Two of the listed investments are classified as current assets held for sale.

Sabvest also makes finance advances, holds general debt, share and cash portfolios and undertakes other fee, finance and profit earning activities from time to time.

2.2 Structure

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

The Group's corporate structure and ownership of investments is set out in Annexure 1 on page 33.

2.3 Investment proposition

Sabvest offers investors:

- Investment access to nine unlisted groups – Apex Partners, Classic Food Brands, DNI, Flexo Line Products, ITL Group, Masimong, Revix, SA Bias Industries and Sunspray Food Ingredients.
- Investment access to three tightly held core listed holdings – Metrofile, Rolfes and Transaction Capital;
- A sound growth orientated investment portfolio;

Integrated Report to stakeholders

continued

- A Rand hedge – a substantial portion of the Group’s underlying assets is overseas through Brait, Corero, ITL, SA Bias and the Sabvest foreign cash and bond portfolio;
- No cash drag – Sabvest is currently fully invested;
- The benefit of gearing to enhance returns and facilitate transactions;
- Stable and growing dividends;
- Good long-term growth in net asset value per share;
- A conservative balance sheet; and
- Strong operational, family and/or financial co-investors in the Group’s investments.

3. Operational environment

The Group’s investment activities are primarily in the Republic of South Africa. However, 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, Mandarin/ITL Group in the United States, Canada, China, India, Sri Lanka, Turkey, Bangladesh, Vietnam, Hong Kong, Mexico, Ethiopia, Mauritius, Madagascar, Germany, UK and South Africa, Net1 in Europe and Africa, and Metrofile in Africa and the Middle East.

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 approved Investment Policy remained unchanged during the year and is attached marked Annexure 2 on pages 34 to 37.

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

Integrated Report to stakeholders

continued

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

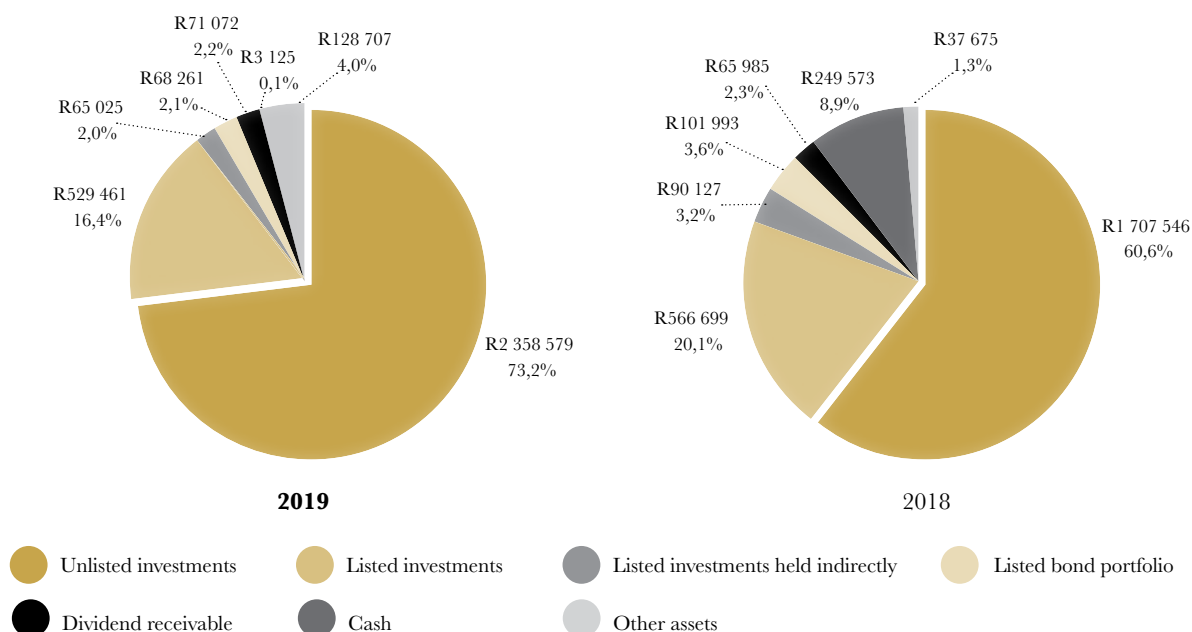
- Adhere to its code of ethics;
- Comply with all applicable laws and regulations;
- Be a good corporate citizen on all levels and with particular sensitivity to the maturing but volatile socio-economic environment in South Africa; and
- Maintain the highest levels of corporate governance.

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 Graphic presentation of assets

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



Integrated Report to stakeholders

continued

5.2 Investment portfolio

at 31 December 2019

	Number of Ordinary shares/units	Economic interest %	Fair value R'000
Unlisted investments			
Apex Partners (Pty) Ltd		49,9	93 842
Classic Food Brands (Pty) Ltd		25,0	23 926
DNI-4PL Contracts (Pty) Ltd * ¹		20,0	470 200
Flexo Line Products (Pty) Ltd		47,5	65 206
ITL Holdings Group * ²		30,0	760 015
Masimong Group Holdings (Pty) Ltd		10,0	147 100
Revix Group * ⁶		25,0	–
SA Bias Industries (Pty) Ltd * ³		59,9	735 600
Sunspray Food Ingredients (Pty) Ltd * ⁴		27,6	62 690
			2 358 579
Listed investments			
Brait S.E. Convertible Bond	30 000	–	55 452
Corero Network Security Plc	36 250 000	7,3	39 228
Metrofile Holdings Limited	50 147 862	11,1	141 416
Rolfes Holdings Limited	28 500 000	17,6	82 365
Transaction Capital Limited	10 000 000	1,6	211 000
			529 461
Listed investments held indirectly			
Rolfes Holdings Limited * ⁵	22 500 000	13,9	65 025
			65 025
Non-current investment holdings			
			2 953 066
Current investments			
Listed investments			71 072
– Brait S.E.	4 000 000		55 600
– Net1 UEPS Technologies Inc	300 000		15 472
Bond portfolio			68 261
Total current investments			139 333
TOTAL HOLDINGS			3 092 399

*¹ Effective interest of 16,0% in DNI through 34,78% of JAAH Investments which indirectly owns 46,0% of DNI and a 4% interest in DN Invest (Pty) Ltd which owns 100% of DNI.

*² ITL Holdings Limited Jersey held through Mandarin Industries Limited BVI and ITL Holdings SA (Pty) Ltd held through Mandarin Holdings (Pty) Ltd and includes preferred shares of R99m in Mandarin Holdings redeemable in March 2023.

*³ Voting interest 49%.

*⁴ Held indirectly through ordinary shares in Famdeen Investments (Pty) Ltd.

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

*⁶ Revix UK Limited and Revix SA Holdco (Pty) Ltd.

Integrated Report to stakeholders

continued

5.3 Nature of investments

Company	Nature of business	
Unlisted associates		
Apex Partners Holdings (Pty) Ltd	Apex Partners is a specialist investment house which provides advisory, investing and lending solutions to investors, and lends and invests on a proprietary basis, particularly in restructuring and realisation opportunities. Its services support the investment activities of Sabvest and its special situation investing and lending augment Sabvest's existing investment universe.	
Classic Food Brands (Pty) Ltd	Classic Food Brands is a start-up food manufacturer specialising in chicken based products distributed through retail outlets in KwaZulu-Natal and Gauteng.	
DNI/4-PL Contracts (Pty) Ltd	DNI provides technology, logistics and distribution services to the telecommunications industries and all network operators in RSA.	
Flexo Line Products (Pty) Ltd	Flexo Line Products is a manufacturer of high quality injection moulded plastic products primarily for the spice and food industries locally and internationally.	
ITL Group	ITL Group (Intelligent Labelling Solutions) is a market leading international designer, manufacturer and distributor of apparel labelling and identification products and supply chain management solutions including RFID from its factories and marketing offices in the United States, Canada, China, India, Sri Lanka, Turkey, Bangladesh, Vietnam, Hong Kong, Mexico, Ethiopia, Mauritius, Madagascar, Germany, UK and South Africa for supply to the clothing industry worldwide through multiple international retail group accreditations.	
Masimong Group Holdings (Pty) Ltd	Masimong is an investment group which has a portfolio of high performing growth assets and in particular its mining interests in Seriti Coal and Lephalale Coal & Power, and its agricultural interests in Mouton Citrus, Carmien Tea, Southern Cross Investment Holdings (which owns grape and date farms) and Intelichem, (which is a dominant supplier of crop solutions, nutrition, chemicals and seeds for sustainable farming in Africa).	
Revix Group	Revix is a start-up which has developed a new generation digital asset management portal through which it provides digital asset technology services focused primarily on bundled cryptocurrency and security token investment solutions.	
SA Bias Industries (Pty) Ltd	<p>SA Bias Industries is an industrial group operating through:</p> <ul style="list-style-type: none"> - Narrowtex which is a South African manufacturer and exporter of a range of narrow fabric products including webbings, strapping, tapes and braids. - Apparel Components (ACM) which is a manufacturer of lingerie components, elastics and accessories in South Africa. - The Flowmax Group which comprises a number of businesses engaged in the distribution of fluid handling equipment and systems in the United Kingdom and Europe through a decentralized network of subsidiaries and associates. These include Action Sealtite, Alpeco, Center Tank Services, Hytek, Mechtronic, Biopharma Dynamics, Castle Pumps, Industrial Flow Control, Anglo Nordic Burner Products, Pumpronic, Whisper Pumps and Petroy B.V. - 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. 	
Sunspray Food Ingredients (Pty) Ltd	Sunspray Food Ingredients is 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.	
Listed investments held directly	Stock exchange	
Brait S.E.	LUX/ JSE	Investment group whose major assets are large proprietary investments in 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 and Kenya but also in a number of African countries and the Middle East.
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		Manufacturer and distributor of a diverse range of market leading, high quality chemical products through its agriculture, food, industrial and water divisions.

Integrated Report to stakeholders

continued

5.4 Investment and operational partners

	Operational	Family/Financial
Unlisted		
Apex Partners Holdings	Charles Pettit	Charles Pettit
Classic Foods	Jason Caradas Pano Economou	Peter Gain
DNI-4PL	Andrew Dunn	Andrew Dunn Peter Gain Mineworkers Investment Company (MIC) RMB
Flexo Line Products	Graeme Horsfield	Peter Gain
ITL	Team	Peter Gain Carl Coutts-Trotter Neil Henderson RMB
Masimong	Mike Teke Doug Gain	Mike Teke Doug Gain RMB
Revix	Sean Sanders Louis Buys	Sean Sanders Net1
SA Bias	Carl Coutts-Trotter	Coutts-Trotter Family
Sunspray	Team	RMB Corvest
Listed		
Brait	Team	–
Corero	Team	Jens Montanana Richard Koch Peter Gain
Metrofile	Team	MIC
Net1	Team	–
Rolfes	Richard Buttle	Mike Teke (Masimong) Phatisa
Transaction Capital	Team	Jonathan Jawno Michael Mendelowitz Rob Rossi

Integrated Report to stakeholders

continued

5.5 Portfolio changes during the year

During the year, Sabvest:

- Purchased a 49% interest in Apex Partners Holdings (Pty) Limited, as advised on SENS;
- Purchased an additional 3 647 662 shares in Metrofile for R6,3m, thereby increasing its interest in Metrofile to 50,1m shares representing an 11,7% interest in Metrofile;
- Purchased an additional 1m shares in Rolfes for R2,4m, thereby increasing its direct and indirect economic interest in Rolfes to 51m shares representing a 31% economic interest in Rolfes;
- Purchased a 30% interest in Revix Group in the UK and RSA, as advised on SENS (subsequently diluted to 25%);
- Purchased a 10% interest in Masimong Group Holdings (Pty) Limited, as advised on SENS;
- Increased its direct and indirect interests in DNI-4PL Contracts (Pty) Limited to 20% through its 34,78% interest in JAAH Investments (RF) (Pty) Limited, which indirectly owns 46% of DNI, and 4% of DN Invest (Pty) Limited which owns 100% of DNI as advised on SENS;
- Purchased an additional 8 250 000 shares in Corero Network Security Plc for GBP278 262 (R5,1m) thereby increasing its interest in Corero to 36 250 000 shares representing a 7,21% interest in Corero;
- Purchased GBP3m (R56,8m) of five year 6,5% bonds in Brait SE;
- Disposed of its 200 000 units in Value Capital Partners Fund for R26,9m; and
- Had its interest in Sunspray Food Ingredients reduced slightly to 27,67% pursuant to an issue of shares to Sunspray management.

During the period 550 000 Sabvest 'N' ordinary shares were purchased for R18,2m at an average price of 3 309 cents per share and cancelled.

At the reporting date Sabvest has classified its share investments in Brait and Net1 as current assets held for sale.

Subsequent to the reporting date, Sabvest has:

- Disposed of 4m shares in Brait SE for R49,1m;
- Agreed to the delisting of Rolfes Holdings Limited on the basis that Sabvest will remain invested after the delisting but has granted a twelve month option to the new shareholder, Phatisa, to acquire 10,9m shares in Rolfes from Sabvest at 300 cents per share plus an interest related adjustment.
- Committed to take up additional shares in Masimong to maintain its 10% interest in an amount of R29m pursuant to a rights offer being implemented by Masimong;
- Participated in a capital raising at DNI in an amount of R28m after which its direct and indirect interests in DNI reduced to 19,1%.

During the reporting period Sabvest's major unlisted investees have concluded various transactions as follows:

- ITL Group has increased its interests in ITL Bangladesh from 50% to 100%, established new manufacturing facilities in Ethiopia, Madagascar and Mauritius, approved a new business unit in North Vietnam and commenced its first roll out of RFID contracts;
- The Flowmax UK division of SA Bias Industries has acquired 76% of Whisper Pumps Limited in the UK and 60% of Petroy B.V. in the Netherlands;
- DNI has concluded agreements to acquire controlling interests in Blue Label Mobile Group (Pty) Limited (including its interests in Hyve Mobile (Pty) Limited and Mobile Content Africa Limited) and 3G Mobile (Pty) Limited as advised by Blue Label Telecoms on SENS;

Integrated Report to stakeholders

continued

- Masimong has acquired a 47,5% interest in Intelichem (Pty) Limited and increased its interest to 25,5% in Mouton Holdings (which owns 100% of Mouton Citrus and 65% of Carmien Tea), and Seriti Resources Holdings (in which Masimong has a 23% interest) has bid for control of South32 SA Coal Holdings (Pty) Limited, as advised by South32 Limited on SENS;
- Apex continues to realise the portion of the assets of Torre Industries acquired by it and has now purchased a 19% interest in ELB Group Limited ("ELB") which has appointed Apex to manage its disposal, restructuring and recapitalization programme, as advised by ELB on SE NS.

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

2019 US cents	2018 US cents		2019 RSA cents	2018 RSA cents
RETURNS TO SHAREHOLDERS				
63,5	40,0	Headline earnings per share	916,8	530,9
63,5	40,0	Earnings per share	916,8	531,3
5,2	5,1	Normal dividend proposed/paid	75,0	68,0
–	7,5	Special dividend paid	–	100,0
478	407	Net asset value per share	6 689	5 852
US\$'000	US\$'000		R'000	R'000
STATEMENT OF COMPREHENSIVE INCOME				
26 466	17 918	Headline attributable income	381 878	237 928
26 466	17 930	Income attributable to equity shareholders	381 886	238 083
STATEMENT OF FINANCIAL POSITION				
197 031	170 012	Ordinary shareholders' equity	2 759 456	2 446 148
220 804	190 695	Investment holdings at fair value	3 092 398	2 532 341

Rand/Dollar exchange rate

Statement of comprehensive income: US\$1 = 14,4291 (2018: US\$1 = 13,2785)

Statement of financial position: US\$1 = 14,0052 (2018: US\$1 = 14,3830)

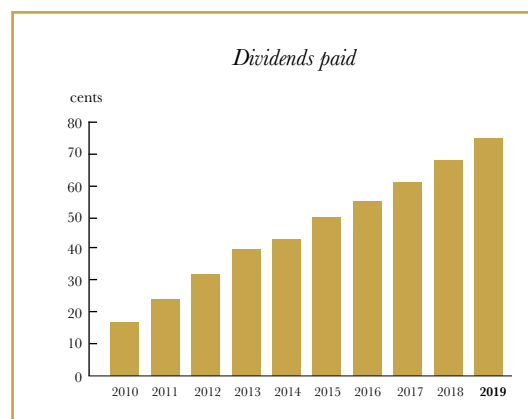
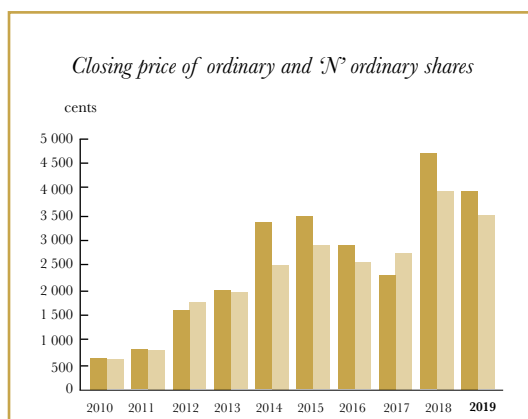
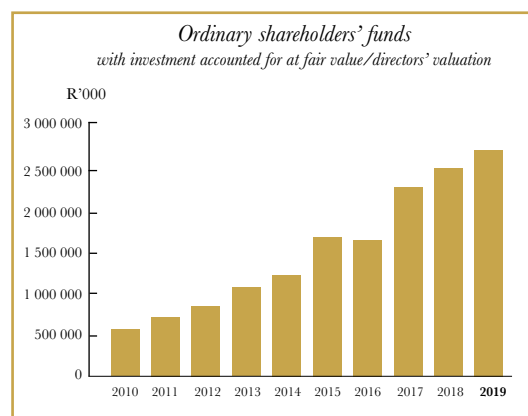
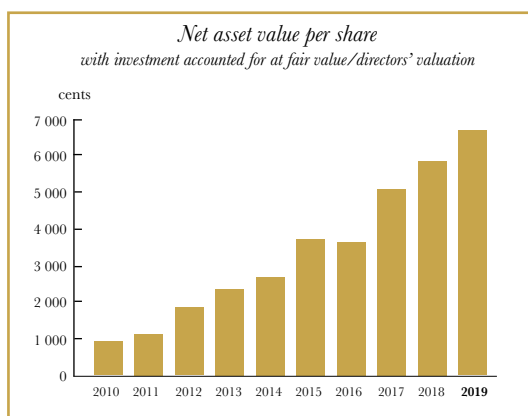
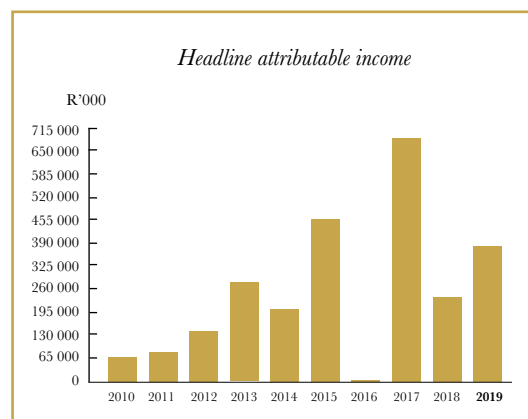
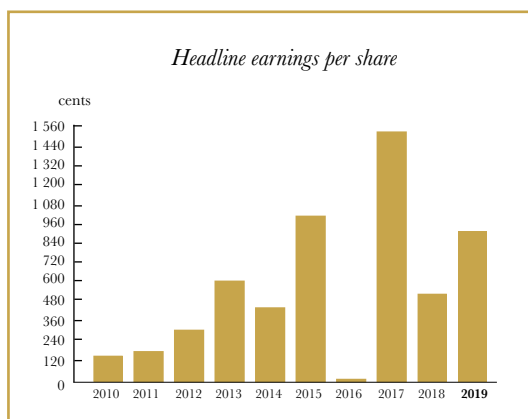
6.3 Ten-year financial review

A ten-year financial review is set out in Annexure 3 on pages 38 and 39.

Integrated Report to stakeholders

continued

6.4 Ten-year graphical review



■ Sabvest ordinary shares ■ Sabvest 'N' ordinary shares

Integrated Report to stakeholders

continued

6.5 Commentary on the 2019 financial results

NAV per share increased by 14,30% to a new high of 6 689 cents per share and shareholders' funds increased to R2,759bn.

PAT increased to R382m notwithstanding fair value losses arising from reductions in share prices of Brait, Corero and Net1. The Group's other listed investments, and Transaction Capital in particular, performed satisfactorily, as did its unlisted holdings.

Operating costs increased mainly due to the expansion of Sabvest's executive team and return linked incentives.

The balance sheet remains strong and liquid with shareholders' funds of R2,759bn. Interest-bearing debt net of cash and general bond portfolio was R24,5m, which together with the indebtedness of investees under Sabvest Finance guarantees, remains comfortably within Sabvest's internal limit of 20% of gross assets.

The deferred tax provision is stated after the release of R85,6m in prior year provisions arising from CGT exemptions expected now on disposals, as explained in the valuation section of this report.

Dividends for the year have been increased by 10% to 75 cents per share. No special dividends were declared in 2019.

6.6 Fifteen-year financial growth

	Cents	PERCENTAGE COMPOUND GROWTH				
		1 year %	3 years %	5 years %	10 years %	15 years %
Net asset value per share *1	6 689,0	14,3	22,4	20,0	19,8	19,8
Headline earnings per share	916,8	72,7	363,6	15,6	22,7	20,6
Earnings per share	916,8	72,6	363,6	15,5	20,8	20,6
Dividends per share *2	75,0	10,3	10,9	11,8	18,3	23,9

*1 Excludes re-investment of dividends.

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

6.7 Financial resources

Shareholders' funds amounted to R2,8bn at the year-end.

In South Africa the Group has R300m in term loans falling due 2021 to 2024. It has short-term bank facilities of R100m which were utilised to the extent of R6,6m at the year-end. It also utilises loans from entities associated with the directors. Utilisation at year-end was R16,7m.

The Group had cash and a short-term bond portfolio of R71m at the year end, locally and internationally.

The Group has an offshore facility of GBP8m available to gear foreign portfolios and which was utilised R32,5m at the year-end. This facility is secured by the underlying assets of Sabvest's foreign 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 10% to 75 cents per share (2018: 68 cents per share).

6.9 Performance of unlisted investments

With regard to the performance of our unlisted investments:

- Apex had a satisfactory year having taken proprietary positions in the industrial businesses of Torre Industries and in ELB with a restructuring mandate from the ELB board. It has also fulfilled numerous other corporate finance mandates. Its NAV increased ahead of expectations.

Integrated Report to stakeholders

continued

- Despite some teething problems in its production facilities, Classic is projecting a satisfactory year ahead.
- DNI is growing strongly, is highly cash generative, is acquisitive (as evidenced by its agreements to acquire Blue Label Mobile and 3G Mobile), and has good prospects.
- Pursuant to a change in management and renegotiated contracts with its major customers, Flexo is trading profitably and to expectations.
- ITL once again traded well during the year. Growth prospects continue to be strong as its market penetration, production capabilities geographically, and technical and customer reach globally are at the forefront of the industry.
- Masimong had a very satisfactory year with a material increase in NAV. It has numerous growth and investment opportunities and is one of the preferred bidders/owners in its sectors in RSA. Sabvest will increase its investment in Masimong if the opportunity arises.
- Revix has struggled with regulatory hurdles in some of its target markets and is reviewing its business model together with new industry partners who have acquired 25% of Revix. The investment is currently fully impaired.
- SA Bias had a fair overall performance in the period with Flowmax trading well but weakness in the South African Narrowtex and ACM divisions. Flowmax's prospects are good. Demand in South African industrial markets remains weak but focus on export opportunities is expected to enhance growth prospects. SA Bias remains liquid with material foreign cash holdings. A special dividend of R74m was paid to Sabvest during 2019.
- Sunspray continues to trade satisfactorily, and continued growth is anticipated.

6.10 Basis of valuation

Unlisted investments, except Apex and Masimong, are valued using the maintainable earnings model based on historic normalised EBITDA adjusted for future prospects if appropriate. EBITDA multiples are based on transaction multiples usual for small/medium cap private companies, except for ITL which is at a higher international level but below recent ITL share transaction multiples. Each resulting calculation is then adjusted for cash/debt/equivalents to determine net EV. The multiples are:

••	Classic	–	5
••	DNI	–	6,5
••	Flexo	–	4,5
••	ITL	–	9,25
••	SA Bias		
	– Flowmax	–	6
	– Narrowtex	–	5
	– ACM	–	4
••	Sunspray	–	5

Revix as a start-up is fully impaired.

Apex and Masimong are carried at attributable NAV after their own fair value calculations of their holdings net of minority and liquidity discounts and deferred CGT where appropriate.

Deferred CGT is raised on all fair value gains on investments unless there are offsetting tax losses or CGT exemptions (for example on the sale of non-RSA investments to foreign buyers). CGT is accordingly not raised on gains relating to ITL (excluding ITL RSA) and Flowmax as it has now been determined and agreed that any future disposals will not be to RSA buyers. Deferred CGT raised directly in Apex and Masimong is not raised a second time in Sabvest.

Integrated Report to stakeholders

continued

6.11 Performance of listed investments

- Brait's share price reduced materially due to the substantial write off of its investment in New Look, and uncertainties concerning the refinancing of the debt. Brait has implemented a financial restructuring programme including a substantial rights issue, intends to dispose of its portfolio over a period and has appointed Ethos as its new investment advisor/administrator. Sabvest has selected Brait convertible bonds as its preferred investment in Brait rather than to continue holding ordinary shares. It accordingly acquired GBP3m of convertible bonds before year-end, and disposed of its 4m shares subsequent to the year-end;
- The Corero share price continues to be volatile on small volumes and reduced materially after an interim earnings miss and the need for a final rights issue before it is expected to become cash flow positive. However, Corero's relationship with Juniper Networks continues to gain traction which should bolster its volumes and revenues and therefore its intrinsic value in due course. Juniper also participated in the rights issue and is now a material shareholder in Corero;
- Metrofile had a number of one-off negatives in its 2019 financial year and which have been corrected and it is now trading satisfactorily;
- Net1 has recorded poor trading results in its post-SASSA contact period and experienced uncertainties relating to the value of its investment in Cell C, and its holdings in KSNet in Korea. Its share price has been weak as a result. It has, however, eliminated its net balance sheet debt and it has now advised shareholders that it has received a \$237m offer for its holding in KSNet. Sabvest's investment will be sold in 2020;
- Rolfes is trading satisfactorily despite a weak performance in its agricultural division. Rolfes shareholders have approved a delisting with control passing to Phatisa. Sabvest will remain invested in the unlisted entity alongside Phatisa. Masimong and Rolfes management. In the event that Phatisa exercises its option to acquire 10,9m Rolfes shares from Sabvest in the next twelve months, Sabvest's direct and indirect shareholding in Rolfes will reduce to 28%;
- Transaction Capital continues to trade very well with strong growth in both of its operating divisions. Its share price has strengthened as a result;
- The investment in Value Capital Partners was realised during the year, achieving a satisfactory return over the investment period.

7. Future strategic and financial outlook

The Group's unlisted investee companies are all budgeting improved trading in 2020.

While it is not possible to predict share prices of the Group's listed investments, their improving fundamentals and performance are likely to enhance value and thereby share prices in due course.

Overall Sabvest anticipates a satisfactory year in 2020.

References to future financial information in this announcement have not been reviewed or reported on by the group's auditors.

8. Governance and sustainability

8.1 Human resources

RSA executive directors	Overseas executive management	Staff	Sub-total	Non-executive directors	Total 2019	Total 2018
3	1	4	8	4	12	12

Integrated Report to stakeholders

continued

8.2 Directorate

Executive directors



Christopher Stefan Seabrooke (66)

BCom, BAcc, MBA, FCMA

Chief Executive Officer

Joined the Group in 1980.

Appointed Chief Executive in 1987.

Non-Executive Chairman of Metrofile Holdings Limited, Net1 UEPS Technologies Inc. and Transaction Capital Limited and a Non-Executive Director of Brait S.E. and Rolles Holdings Limited. Also a director of numerous unlisted companies. Former Chairman of the State Theatre of South Africa and Deputy Chairman of the inaugural National Arts Council of South Africa.



Raymond Pleaner (65)

BCompt(Hons), CA(SA)

Chief Financial Officer

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



Leon Rood (43)

BCom, LLB

Executive Director

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

Non-executive directors



Dawn Nonceba Merle Mokhobo (71)

BA (Social Science)

Independent Non-Executive Chairman

Chairman of the Nominations Committee

Member of the Audit and Risk, Social and Ethics and Remuneration Committees

Appointed to the Board in 2005.

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



Kuben Pillay (59)

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

Independent Non-executive Director

Member of the Remuneration, Nominations and Social and Ethics committees.

Appointed to the board in 2020.

Non-Executive Director of Transaction Capital Limited and OUSurance Group. Former Chairman of Cell C, Mineworkers Investment Company and Primedia.



Lindiwe Mthimunye (48)

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

Independent Non-Executive Director

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

Appointed to the Board in 2018.

Managing Director of Petroleum Investment Partners (Pty) Ltd and a Non-Executive Director of Pioneer Food Group Ltd, Metrofile Holdings Ltd, Cell C Ltd and Open Society Foundation SA.



Bheki James Themba Shongwe (63)

BA (Econ), MBA, ACIS, FCIBM

Independent Non-Executive Deputy Chairman

Chairman of the Remuneration Committee, Member of the Audit and Risk, Nominations and Remuneration Committees

Appointed to the Board in 2005.

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

Integrated Report to stakeholders

continued

9. Corporate governance

The Board of Directors of Sabvest Limited is responsible for the corporate governance framework and 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 and Ethics 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 organization 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 and Ethics Committee, has approved a code of ethical conduct which is published on its website and communicated to its employees. It maintains a high awareness of the South African Constitution and Bill of Rights. It also endeavours to ensure that the highest ethical 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 Committee Chairman for anonymous or identified calls or contacts. Any reports are investigated by the Audit 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 and Ethics 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 its role as a responsible corporate citizen.

Sabvest invests between 0,5% 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 2019 nineteen school bursaries were funded and general and specific grants were made for education related initiatives.

Since the commencement of the Sabvest programme, 192 years of schooling have been funded.

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

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 being considered and approved by the Board, the Board monitors the company's three year rolling financial plan and execution of its strategy.

Principle 5

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

Based on the recommendations of the Audit and Risk Committee, the Board approves the Integrated Report, the annual financial statements, the King IV™ compliance report and all other reports published by the company in its integrated 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, the board members' letters of appointment, its application of the King Code of Corporate Governance and relevant legislation. The Board's sub-committees play an integral role in ensuring corporate governance is achieved through the terms and mandates in their respective charters.

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

Principle 7

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

The Board and its Committees

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

The roles of Chairman and CEO are separate. The Chairman is 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-ordination of governance activities, the overseer of Board and committee performance and the guide to the Board in its principal functions of the keepers of strategy, the monitors of risk, the custodians of management excellence and the overseers of company performance. A separate lead director has been appointed who is non-executive and independent.

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

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

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

1. **Gender**

A minimum of two female directors.

2. **Race**

A minimum of two black directors.

3. **Culture**

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

Integrated Report to stakeholders

continued

4. *Age*

A spread of ages in the 35 – 70 range.

5. *Field of knowledge*

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

The Board wishes to achieve its diversity target during the 2020 financial year.

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

No external advisors are regular attendees at Board meetings.

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

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

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

The full responsibilities of the Board and of each committee are set out in 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
NSH Hughes	2/2
R Pleaner	2/2
DNM Mokhobo	2/2
L Mthimunye	2/2
L Rood	2/2
CS Seabrooke	2/2
BJT Shongwe	2/2

The profiles of directors are set out on page 15, shareholders on page 87 and remuneration details in note 14 on page 74.

Company Secretary

The role of the Company Secretary is outsourced to Levitt Kirson Business Services (Pty) Limited, 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;

Integrated Report to stakeholders

continued

- Reporting to the Board any non-compliance with the MOI or Companies Act;
- Maintaining proper minutes of shareholder, director and committee meetings;
- Certifying in the annual financial statements that the company has filed the required notice and returns timeously in accordance with the Companies Act;
- Ensuring that the company's annual financial statements are properly distributed;
- Carrying out the other functions required of a company secretary by the Companies Act.

The Board has considered and satisfied itself of the competence, qualifications and experience of the Company Secretary. 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.

Audit, Governance and Risk Committee

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

Selected scope internal audit services are performed for the Group by KPMG 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 Committee and Board.

There are no other regular invitees to Committee meetings.

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

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

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

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

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

Integrated Report to stakeholders

continued

The Committee comprises the following members:

	Attendance
L Mthimunye (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.

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
DNM Mokhobo (Independent Non-Executive)	1/1
L Mthimunye (Independent Non-Executive)	1/1

The Nominations Committee comprises the following members:

	Attendance
DNM Mokhobo (Independent Non-executive Chairman)	1/1
L Mthimunye (Independent Non-Executive)	1/1
BJT Shongwe (Independent Non-Executive)	1/1

Social, Ethics and Transformation Committee

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

Integrated Report to stakeholders

continued

The Committee comprises the following members:

	Attendance
DNM Mokhobo (Independent Non-Executive Chairman)	1/1
CS Seabrooke (CEO)	1/1
L Mthimunye (Independent Non-Executive)	1/1
BJT Shongwe (Independent Non-Executive)	1/1

The report of the Committee to shareholders as required by the Companies Act is set out on page 42.

While Mr NSH Hughes was a director he attended all the meetings of all the Committees.

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 2019.

Investment Committee

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

Subsequent to the Mandarin/ITL transaction, the investment function is again undertaken by the full Board and a separate Investment Committee has not been activated.

Principle 8

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

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

The governance functions of the Board Committees are outlined in their respective approved committee terms of reference. The charters are reviewed and approved annually by the Board and the composition of the committees is also assessed annually. Three independent non-executive directors are members of the Audit and Risk, Nominations and Remuneration Committees and two are members of the Social and Ethics Committee. 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 Committee chairman also chairs the Social and Ethics Committee to facilitate the monitoring of ethics and risks.

Integrated Report to stakeholders

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

	Nominations	Remuneration	Audit, Risk and Compliance	Social and Ethics
Chairperson	DNM Mokhobo	BJT Shongwe	L Mthimunye	DNM Mokhobo
Members	BJT Shongwe L Mthimunye K Pillay	DNM Mokhobo L Mthimunye K Pillay	DNM Mokhobo BJT Shongwe	L Mthimunye K Pillay BJT Shongwe CS Seabrooke
Functions managed	<ul style="list-style-type: none"> • Directors • People • Succession 	<ul style="list-style-type: none"> • People • Remuneration • Retention 	<ul style="list-style-type: none"> • Accounting, tax and compliance • Information and technology • Internal audit • Risk • Credit 	<ul style="list-style-type: none"> • Transformation • Sustainability • Ethics
Number of meetings per year	At least one	At least one	At least two	At least one
Composition	Independent non-executive directors	Independent non-executive directors	Independent non-executive directors	A majority of independent non-executive directors

Principle 9

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

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

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

Based on the annual evaluations undertaken during November 2019, the Board is satisfied that:

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

Integrated Report to stakeholders

continued

Principle 10

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

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

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

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

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

Principle 11

The governing body should govern risk in a way that supports the organisation in setting and achieving its executive objectives. 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 pages 27 and 28.

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 is currently adequate for the company's strategic plans and business model.

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

The effectiveness of the Group's IT systems was favourably assessed by KPMG in the course of the internal audit services provided to the Group 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 Compliance Officer did not note any breaches in regulatory compliance.

Integrated Report to stakeholders

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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.
- 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 are tabled at annual general meetings 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.

Integrated Report to stakeholders

continued

Principle 15

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

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

The Committee considers the financial reporting procedures that are in place and whether these procedures are operating effectively. 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 Memorandum of Incorporation, 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 should be attended by at least two company representatives and notes be made of the meetings.

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

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

Integrated Report to stakeholders

continued

10. Risk report

10.1 Approach to risk management

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 minimize 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	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
• 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 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 and 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 although this may be considered on a case by case basis. Subject to the Remuneration Committee's approval, good leavers may receive a *pro rata* benefit of long-term incentives subject to each tranche's performance requirements having been met.
- Non-executive directors receive fees based on Board and Committee responsibilities and with no additional amounts for attendances. The fees are benchmarked from time to time against organisations in similar industries and of similar sizes.

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 and executive director may earn 25% of package based on pre-set qualitative KPI's and the balance of their incentives are calculated as 1% of PAT. The awards based on PAT are not capped.

Notwithstanding the calculation basis of the CEO's incentive based on PAT, 20% is conditional on progress being achieved in reducing the discount on Sabvest's share prices to NAV relative to those of other JSE-listed investment companies. This was a new metric introduced in 2019 and its manner of award is still subject to the discretion of the Remuneration Committee. Half was awarded in 2019 to recognise the progress made in eliminating the dual share structure.

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.

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.

All the executive directors are shareholders in the company and the CEO and CFO 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.

Integrated Report to stakeholders

continued

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 enhances the Group's influence materially, has improved the Group's access to attractive new investments over the years and resulted in income and gains to the Group. The CEO retains the fees from those appointments.

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

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

11.3 Implementation report

The following table shows a breakdown of the annual remuneration of executive directors, including STIP and LTIP awards, for the 2019 financial year and the comparatives for 2018.

	CS Seabrooke		R Pleaner		L Rood		Total	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Executive directors								
Salaries	2 551	2 407	2 154	2 032	3 032	–	7 737	4 439
Retirement and medical	372	346	334	311	288	–	994	657
Other benefits	1 481	1 437	560	538	480	–	2 521	1 975
Basic remuneration	4 404	4 190	3 048	2 881	3 800	–	11 252	7 071
Incentive bonuses								
– Short-term	5 601	6 047	2 962	2 720	2 950	–	11 513	8 767
– Provision * ¹	3 373	1 057	1 686	529	1 686	–	6 745	1 586
– LTIP * ²	4 107	3 598	1 757	1 487	–	–	5 864	5 085
– Take on bonus	–	–	–	–	2 000	–	2 000	–
Total remuneration	17 485	14 892	9 453	7 617	10 436	–	37 374	22 509
Non-executive directors								
Fees as directors							2 255	3 462
L Mthimunye							435	310
NSH Hughes							610	1 067
DNM Mokhobo							575	990
BJT Shongwe							635	1 095
							39 629	25 971

Incentives were calculated on the predetermined formulas as set out in the policy.

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 47.

*¹ As per the remuneration policy set out on pages 29 and 30, 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 an 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 2020 relative to 2019 financial year.

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.

Staff members other than executive directors receive annual bonuses of one to three 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 2020 are 6% for executives, staff and non-executive directors.

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 2018.

13. Shares and shareholders and new capital structure

Pursuant to the repurchase of 550 000 shares during the year Sabvest had 17m ordinary shares and 24,3m 'N' ordinary shares in issue at the year-end. The ordinary shares carry 500 votes per share and the 'N' ordinary shares carry one vote per share.

Sabvest believes it is in the interest of shareholders for it to simplify the Group's dual share structure to facilitate liquidity and marketability, a reduction in the discount of the share price to NAV and the use of shares for potential capital raising and/or new investments. Shareholders are referred to the SENS announcements released on 28 October 2019 and 28 February 2020 and the scheme circular and prospectus dispatched to shareholders.

It is proposed to list a new entity, Sabvest Capital Limited ("Sabcap") with one class of ordinary share carrying one vote each which will be exchanged for ordinary and "N" ordinary shares in Sabvest on the basis set out in the announcement and circular. Sabvest will then become a wholly owned subsidiary of Sabcap. Sabcap will be listed and Sabvest will be delisted simultaneously. Voting control will remain with The Seabrooke Family Trust (SFT) through majority voting rights held through an unlisted 'Z' share in Sabcap, subject to SFT maintaining a minimum 10% economic holding in Sabcap. The 'Z' share is not transferable.

The group had 1 065 shareholders at the year-end as profiled in Annexure B. The shareholdings of directors are recorded in the directors' report on page 47.

Integrated Report to stakeholders

continued

14. Transitional governance

Sabvest will hold its AGM with all the usual agenda items before its delisting.

Sabcap will call a general meeting as soon as it is listed to consider and approve relevant governance requirements and authorities for the coming year.

The new Sabcap Board will be identical to the existing Sabvest Board.

Sabvest will not buy back or issue any shares before delisting. It is anticipated that the Sabcap Board will consider both once Sabcap has been listed and the general meeting has been held.

15. Directors' share encumbrances

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

16. Commentary and conclusion

Performance will be improved through encouraging and facilitating the growth of the Group's investee companies in partnership with like-minded investors. The Group expects to focus on its core holdings, increasing the number of partners with whom it invests and reducing its special situation holdings.

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

For and on behalf of the Board

Christopher Seabrooke

Chief Executive

Sandhurst

20 March 2020

Integrated Report to stakeholders

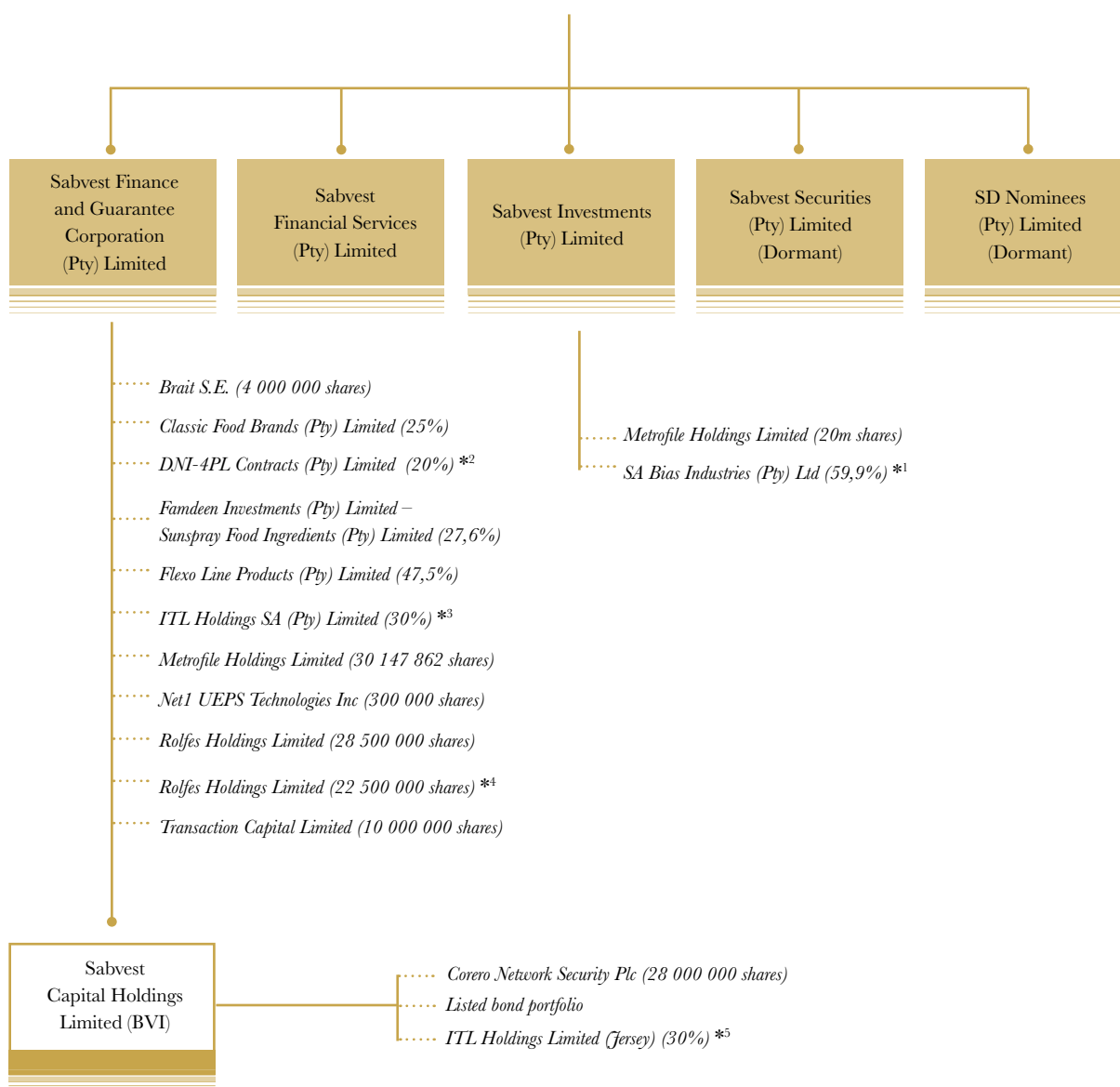
continued

ANNEXURE 1

CORPORATE STRUCTURE



Sabvest Limited



*¹ 49% Voting.

*² Effective interest of 16,0% in DNI through 34,78% of JAAH Investments which indirectly owns 46,0% of DNI through DN Invest (Pty) Ltd and a 4% interest in DN Invest (Pty) Ltd which owns 100% of DNI.

*³ Effective interest of 30% in ITL Holdings SA (Pty) Ltd through Mandaring Holdings (Pty) Limited.

*⁴ Held indirectly through participating preference shares in Masimong Chemicals (Pty) Limited linked to the performance of 22,5m shares in Rolfes Holdings Limited.

*⁵ Held through Mandarin Industries Limited BVI.

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. Investment parameters and scope

2.1 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, as well as growth, early-maturity stage, greenfield and special situation investments, depending on market conditions, availability of suitable opportunities, the investment maturity cycles of its portfolio, excess liquidity not invested in its primary portfolio and relevant macro-economic cycles.
- c) will also engage in corporate finance and acquisition and disposal activities with investees which may include making finance advances to previous, current and potential investee companies and their affiliates.

2.2 Sectors

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

2.3 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 will usually be 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).

2.4 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.

Integrated Report to stakeholders

continued

ANNEXURE 2

(continued)

2.5 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 or together with chosen financial investors.
- c) favours large or influential minority stakes in unlisted companies or small listed companies (with market capitalisation of below R1 billion).
- d) usually procures that its CEO, other Sabvest directors or chosen financial investors 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) may 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;
 - the number of core investments exceeding its target portfolio spread (currently targeted as 10 (ten) in number);
 - receipt of unsolicited offers at materially higher values than attributed by Sabvest;
 - availability of alternative investments with substantially superior returns.

3. Growth targets

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

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.

4. Categorisation of transactions

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

5. Shareholder approvals

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

Integrated Report to stakeholders

continued

ANNEXURE 2

(continued)

- 5.4** Shareholder approval will not be required for 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).
- 5.5** 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.
- 5.6** The approvals may be obtained at the time of the original transaction or subsequently.

6. Communication of investment transactions

- 6.1** Communications with shareholders will be in accordance with JSE regulations for category 1 and category 2 transactions (bearing the same meanings as defined in the JSE Listings Requirements), except that:
- a) subject to paragraphs 2 and 5, no circulars will be required for any size transaction as long as the requirements of 6.2 or 6.3 are met, unless the transaction is categorised as a reverse take-over in terms of Section 9.5(c) of the JSE Listings Requirements.
 - b) a Stock Exchange News Service announcement will be required for non-related party transactions less than 10% of market capitalisation provided that:
 - they are regarded by the Board of Sabvest as price sensitive; and
 for the avoidance of doubt, to the extent a transaction with a non-related party is concluded in the ordinary course of business and constitutes less than 10% of the market capitalisation of the Company, such transaction will not be categorised in accordance with the JSE Listings Requirements, but will be subject to the general obligation of disclosure provisions of the JSE Listings Requirements.
- 6.2** Notwithstanding the provisions of 6.1, the information required to be disclosed for a prelisting statement must be provided to shareholders if a transaction is a Category 1 transaction which results in an issue of securities that, together with any other securities of the same class issued during the previous three months, would increase the securities issued by more than the maximum threshold contained in accordance with Section 9.22 of the JSE Listings Requirements.
- 6.3** All transactions will be summarised for shareholders in the interim and final results announcements and in the annual report.

7. Communication of Investment Policy

The initial Investment Policy and subsequent changes will be published on SENS, contained in the circular to shareholders for approval, published on Sabvest's website and included in the annual report.

8. Approval of investment policy

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

Approved by shareholders
29 October 2018

Integrated Report to stakeholders

continued

APPENDIX A

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

TEN-YEAR FINANCIAL REVIEW

at 31 December 2019

2018 US\$'000	2019 US\$'000	
		Consolidated statement of financial position
164 574	211 147	Non-current assets
187	258	Property, plant and equipment
–	34	Right-of-use asset
–	–	Deferred tax asset
–	–	Share trust receivables
–	–	Medium-term receivables
164 387	210 855	Investment holdings
118 720	168 407	Unlisted investments
39 401	37 805	Listed investments
6 266	4 643	Listed investments held indirectly
–	–	Associates
–	–	Long-term
31 464	19 070	Current assets
2 433	8 898	Finance advances and receivables
–	–	Offshore investment holding
4 588	5 075	Short-term investments/investments held for sale
–	–	Other financial instruments
7 091	4 874	Bond portfolio
17 352	223	Cash at bank
196 038	230 217	Total assets
170 073	197 031	Ordinary shareholders' equity
19 267	26 631	Non-current liabilities
6 953	21 421	Interest-bearing debt
12 314	5 210	Deferred tax liability
6 698	6 555	Current liabilities
4 601	3 519	Interest-bearing debt
2 097	3 036	Accounts payable
196 038	230 217	Total equity and liabilities
		Consolidated statement of comprehensive income
27 439	25 906	Gross income from operations and investments
4 033	7 999	Dividends received
2 090	1 636	Interest received
5 152	348	Income on financial instruments and shares
154	150	Fees and sundry income
1 633	(320)	Foreign exchange gain
14 377	16 093	Fair value adjustment to investments
–	–	Equity accounted retained income of associates
–	–	Share of net income of associates
–	–	Less: Dividends received
894	452	Transactional costs
294	16	IFRS adjustments
(64)	(47)	Impairments
1 262	1 846	Interest paid
25 053	23 639	Net income before expenses and exceptional items
3 259	4 389	Less: Expenditure
3 216	4 253	Operating costs
43	136	Depreciation
–	–	Exceptional items – (gains)/loss
21 794	19 250	Net income before taxation
3 864	(7 216)	Taxation
17 930	26 466	Net income attributable to equity shareholders
17 918	26 466	Headline attributable income
		Returns to shareholders
40.0	63.5	Headline earnings per share – cents
40.0	63.5	Earnings per share – cents
7.5	–	Special dividend per share – cents
5.1	5.2	Dividends per share – paid or proposed – cents
407	478	Net asset value per share – cents
–	–	Net asset value per share at directors' valuation (intrinsic value) – cents
41 802	41 252	Number of shares in issue – 000's
44 813	41 634	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

	2010 R'000	2011 R'000	2012 R'000	2013 R'000	2014 R'000	2015 R'000	2016 R'000	2017 R'000	2018 R'000	2019 R'000
	453 800	563 755	975 780	1 289 083	1 380 032	1 896 073	2 009 727	1 135 885	2 367 060	2 957 198
	745	616	971	962	1 529	1 369	1 365	1 050	2 688	3 610
	555	–	–	–	–	–	–	–	–	483
	3 761	4 131	2 759	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	448 739	559 008	972 050	1 225 441	1 378 503	1 894 704	2 008 362	1 134 835	2 364 372	2 953 065
	–	–	741 600	978 000	1 070 973	1 252 040	1 421 820	652 547	1 707 546	2 358 579
	–	–	230 450	247 441	307 530	642 664	474 492	332 279	566 699	529 461
	–	–	–	–	–	–	112 050	150 009	90 127	65 025
	329 373	403 072	–	–	–	–	–	–	–	–
	119 366	155 936	–	–	–	–	–	–	–	–
	41 686	18 385	64 304	173 669	175 714	202 427	158 207	1 514 928	452 538	267 072
	16 532	5 943	22 061	14 959	11 545	7 319	3 858	1 388 447	34 987	124 614
	–	–	38 489	151 107	164 018	140 077	151 262	126 423	–	–
	16 021	2 363	–	–	–	–	–	–	65 985	71 072
	5 899	7 727	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	101 993	68 261
	3 234	2 352	3 754	7 603	151	55 031	3 087	58	249 573	3 125
	495 486	582 140	1 040 084	1 400 072	1 555 746	2 098 500	2 167 934	2 650 813	2 819 598	3 224 230
	427 098	517 323	854 652	1 085 011	1 233 073	1 701 382	1 659 255	2 303 945	2 446 148	2 759 456
	55 491	49 417	168 776	175 699	237 859	356 556	413 689	235 807	277 109	372 976
	48 124	40 000	40 000	–	60 000	100 000	90 000	110 000	100 000	300 000
	7 367	9 417	128 776	175 699	177 859	256 556	323 689	125 807	177 109	72 976
	12 897	15 400	16 656	139 362	84 814	40 562	94 990	111 061	96 341	91 798
	5 133	7 915	8 697	127 555	69 040	9 240	77 732	70 897	66 176	49 278
	7 764	7 485	7 959	11 807	15 774	31 322	17 258	40 164	30 165	42 520
	495 486	582 140	1 040 084	1 400 072	1 555 746	2 098 500	2 167 934	2 650 813	2 819 598	3 224 230
	100 031	115 522	220 180	360 562	246 857	590 256	111 329	570 934	364 351	373 794
	17 208	29 302	37 788	46 617	47 114	91 585	63 340	94 273	53 557	115 422
	2 884	881	739	3 473	5 425	5 062	10 980	7 117	27 758	23 609
	(1 166)	6 223	26 335	9 518	17 972	57 312	5 313	(22 558)	68 405	5 028
	5 125	2 407	2 730	2 067	2 461	2 920	1 147	1 362	2 047	2 157
	–	–	–	–	–	–	–	–	21 681	(4 622)
	21 585	21 027	152 588	298 887	173 885	433 377	30 549	490 740	190 903	232 200
	54 395	55 682	–	–	–	–	–	–	–	–
	68 752	81 631	–	–	–	–	–	–	–	–
	(14 357)	(25 949)	–	–	–	–	–	–	–	–
	–	209	1 284	1 939	1 066	525	518	633	11 877	6 525
	–	–	–	–	–	–	–	–	3 907	231
	(144)	1 013	(1 279)	(57)	(35)	(17)	–	1 506	(851)	(686)
	3 892	4 741	5 275	5 101	7 328	7 445	15 175	15 839	16 752	26 634
	96 283	109 559	214 900	353 579	238 498	582 303	95 636	552 956	332 666	341 090
	23 103	24 610	22 385	26 831	31 732	43 689	24 329	62 474	43 281	63 337
	22 783	24 460	22 263	26 683	31 453	43 392	23 943	62 108	42 709	61 368
	320	150	122	148	279	297	386	366	572	1 969
	(325)	692	–	–	–	–	–	–	–	–
	73 505	84 257	192 515	326 748	206 766	538 614	71 307	490 482	289 385	277 753
	2 849	2 606	50 164	46 922	2 160	78 697	67 133	(197 882)	51 302	(104 133)
	70 656	81 651	142 351	279 826	204 606	459 917	4 174	688 364	238 083	381 886
	70 164	82 343	142 233	279 825	204 436	459 917	4 179	688 364	237 928	381 878
	153,0	178,1	308,4	607,9	444,7	1 003,9	9,2	1 517,3	530,9	916,8
	154,0	176,6	308,6	607,9	445,0	1 003,9	9,2	1 517,3	531,3	916,8
	–	–	–	100,0	100,0	–	–	–	100,0	–
	17,0	24,0	32,0	40,0	43,0	50,0	55,0	61,0	68,0	75
	922	1 120	1 855	2 358	2 683	3 719	3 646	5 085	5 852	6 689
	1 230	1 563	–	–	–	–	–	–	–	–
	46 320	46 172	46 061	46 015	45 960	45 748	45 513	45 306	41 802	41 252
	45 869	46 236	46 126	46 031	45 975	45 815	45 600	45 368	44 813	41 634

Audited annual financial statements

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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 Officer*

Sandton

12 March 2020

R Pleaner*Chief Financial Officer***DECLARATION BY COMPANY SECRETARY**

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

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

Sandton

12 March 2020

Audited annual financial statements

continued

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

for the year ended 31 December 2019

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 2019 Integrated Report dealing with ethics and social initiatives.

BJT Shongwe

Social, Ethics and Transformation Committee Chairman

Sandton

12 March 2020

Audited annual financial statements

continued

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 and Company) set out on pages 53 to 86, which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Sabvest Limited as at 31 December 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Audited annual financial statements

continued

INDEPENDENT AUDITOR’S REPORT

continued

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of unlisted investments	
<p>By nature the assumptions used in the valuation of unlisted investments requires significant judgement and therefore the valuation of unlisted investments is considered a key audit matter.</p> <p>In respect of the unlisted investments, the executive directors prepare valuation workings based on their selected valuation models. The valuations models are either a maintainable earnings model or attributable net asset value.</p> <p>For the maintainable earnings model, earnings before interest, tax, depreciation and amortisation (EBITDA) is multiplied by the determined earnings multiple. These valuations incorporated a number of assumptions, the primary assumptions in notes 2 and 21 to the consolidated financial statements being:</p> <ol style="list-style-type: none"> 1. Determination of maintainable earnings; and 2. Earnings multiple. <ul style="list-style-type: none"> • Maintainable earnings are derived from the management account information and budgets of the underlying investments and earnings multiples are derived from market data and analysis of comparable companies 	<p>The consolidated financial statements provide details of the valuation method. The requirements of IFRS 13: <i>Fair value measurements</i> has been considered.</p> <p>We assessed the appropriateness of the valuation methodology applied and the valuations prepared by the executive directors.</p> <p>Where appropriate, we involved our valuation experts and we completed the procedures below:</p> <ol style="list-style-type: none"> 1. assessed the application of the fair value principles of the valuation method; 2. assessed the reasonability of the earnings multiple; 3. assessed the reasonability of the maintainable earnings with reference to the latest management accounts available for investee companies; 4. performed procedures to ensure that the management information used in the prior period, agreed materially to the audited financial statements for the investee companies; and 5. assessed whether adjustments processed by management to the maintainable earnings calculation are appropriate and consistent. <p>We concluded that the valuation method is widely applied and appropriate for valuing unlisted investments. We assessed the earnings and earnings multiples used and found the basis of determination appropriate and consistent resulting in a conservative fair value.</p> <p>In notes 2 and 20 to the consolidated financial statements details are provided of the valuation method and key assumptions for the level 3 fair value measurements. We assessed the adequacy of the Group’s disclosures in relation to the judgement and estimation applied to investments.</p> <p>Based on the audit we performed, we found the overall valuation by the executive directors and disclosure of investments to be appropriate.</p>

Audited annual financial statements

continued

INDEPENDENT AUDITOR'S REPORT

continued

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sabvest-AFS-Dec2019.pdf" which includes the Directors' Report, the Audit Committee's Report, Social and 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 and will not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

Audited annual financial statements

continued

INDEPENDENT AUDITOR'S REPORT*continued*

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

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

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

From the matters communicated with the directors, 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 19 years.

Deloitte & Touche*Registered Auditor**per André Dennis**Partner*

12 March 2020

Deloitte Place, Building 1, The Woodlands, Woodlands Drive, Woodmead, Sandton

Audited annual financial statements

continued

DIRECTORS' REPORT

at 31 December 2019

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 2019 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 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 2019 were as follows:

	2019			2018 Total 000's
	Ordinary shares '000's	"N" ordinary shares '000's	Total '000's	
Executive				
L Rood	0,5	160,9	161,4	114,1
CS Seabrooke	11 895	4 105	16 000	16 000
R Pleaner	21	1 032	1 053	1 053
Non-executive				
NSH Hughes	–	–	–	–
DNM Mokhobo	–	30	30	30
L Mthimunye	–	30	30	–
BJT Shongwe	–	30	30	30
	11 916,5	5 387,9	17 304,4	17 227,1

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

Insurance and directors' indemnity

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

Dividends

An interim dividend of 36 cents per share (2018: 32 cents) was declared during the year and a final dividend of 39 cents per share (2018: 36 cents) has been declared subsequent to the year-end.

Share capital

The Company repurchased 550 000 'N' ordinary shares reducing the number of shares in issue to 16 975 293 ordinary shares and 24 276 919 'N' ordinary shares.

Audited annual financial statements

continued

DIRECTORS' REPORT

at 31 December 2019

continued

Changes in investment holdings

During the year the Group acquired a 49,9% interest in Apex Partners Holdings (Pty) Ltd; a 10% interest in Masimong Group Holdings (Pty) Ltd; a 25% interest in Revix Group; a 4% interest in DN Invest (Pty) Ltd and purchased 30 000 five year 6,5% convertible bonds in Brait S.E.; 8 250 000 shares in Corero Network Security Plc; 3 647 662 shares in Metrofile Holdings Limited and 1 000 000 shares in Rolfes Holdings Limited.

The Group decreased its holding in Sunspray Food Ingredients (Pty) Ltd to 27,6%.

The Group disposed of its 200 000 units in Value Capital Partners Fund.

Directors and secretary

Details of the present Board of Directors and the Secretary appear on pages 15 and on the inside back cover.

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

On 1 January 2019, Mr L Rood was appointed as an executive director of the Company and on 1 January 2020, Mr K Pillay was appointed as an independent non-executive director of the Company.

On 31 December 2019, Mr NSH Hughes retired as a director 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 87.

Subsequent events

The Group disposed of its 4 000 000 shares in Brait S.E., decreased its direct and indirect holding in DNI-4PL Contracts (Pty) Ltd to 19,1%, agreed to the delisting of Rolfes Holdings Limited and granted to the new shareholder a twelve month option to purchase 10,9 million shares in Rolfes at 300 cents per share plus an interest related adjustment. Committed to take up additional shares in Masimong Group Holdings (Pty) Ltd and dispatched a circular and prospectus to shareholders in respect to the proposed new capital structure.

New capital structure

It is proposed to list a new entity, Sabvest Capital Limited ("Sabcap") with one class of ordinary share carrying one vote each which will be exchanged for ordinary and 'N' ordinary shares in Sabvest on the basis set out in the SENS announcements and Scheme circular and prospectus sent to shareholders. Sabvest will then become a wholly owned subsidiary of Sabcap. Sabcap will be listed and Sabvest will be delisted simultaneously. Voting control will remain with The Seabrooke Family Trust (SFT) through majority voting rights held through an unlisted 'Z' share in Sabcap subject to SFT maintaining a minimum 10% economic holding in Sabcap. The 'Z' share is only transferable to Sabvest.

Special resolutions

The following is a summary of the special resolutions that were passed at the annual general meeting held on 14 May 2019:

Special resolution number 1

Approval of proposed non-executive directors' remuneration for the year ending 31 December 2019

"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 2019 be authorised and determined on the basis and the amounts set out below.

Audited annual financial statements

continued

DIRECTORS' REPORT

at 31 December 2019

continued

Fees are:

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

	Year ending 2019 R
Chairman	340 000
Deputy Chairman	255 000
Non-executive directors	235 000
Chairman of the Audit and Risk Committee	160 000
Chairman of the Remuneration Committee	85 000
Chairman of the Nominations Committee	85 000
Chairman of the Social, Ethics and Transformation Committee	80 000
Committee members/invitees	50 000
Directorships of investees by non-executive directors for Sabvest	145 000
Lead Independent Director	Additional 35 000"

The resolution was passed on 14 May 2019.

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

“RESOLVED that the Board may, subject to compliance with the Company’s MOI and the requirements of the Companies Act (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.”

The resolution was passed on 14 May 2019.

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

“RESOLVED that the Board may, subject to compliance with the Company’s MOI and the requirements of the Companies Act (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

Audited annual financial statements

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DIRECTORS' REPORT

at 31 December 2019

continued

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.”

The resolution was passed on 14 May 2019.

Special resolution number 4

General authority to repurchase shares

“RESOLVED that the Company and/or any subsidiary of the Company is hereby authorised, by way of a 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;
- such general repurchase will be subject to the applicable provisions of the Companies Act (including Sections 114 and 115) to the extent that Section 48(b) is applicable in relation to that particular repurchase;
- 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 Group and 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).”
- that this general authority be valid only until the next annual general meeting or for fifteen months from the date of the passing of this resolution, whichever is the earlier date;

Audited annual financial statements

continued

DIRECTORS' REPORT

at 31 December 2019

continued

- the board must pass a resolution that they authorised the repurchase and that the Company and the Group have passed the solvency and liquidity test as set out in section 4 of the Companies Act, and that since the test was done there have been no material changes to the financial position of the Group; and
- any general repurchase is subject to exchange control regulations and approvals in place at that point in time.

The resolution was passed on 14 May 2019.

Special resolution number 5

General authority to allot and issue authorised but unissued securities for cash

“RESOLVED that subject to the passing of ordinary resolution number 12, the directors are hereby authorised as a general authority, to allot and issue the authorised but unissued securities 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 MOI of the Company and the JSE Listings Requirements, provided that:

- the securities of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- securities 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 securities which are the subject of general issues for cash:
 - in the aggregate may not exceed 1 million ordinary shares and 7 448 075 ‘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 securities during the period contemplated in the first bullet above, the existing authority must be adjusted accordingly to represent the same allocation ratio.
- any equity securities issued under this authority during the period must be deducted from the number above;
- the calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the annual general meeting, and excludes treasury shares;
- the maximum discount at which such securities may be issued is 10% of the weighted average traded price of such securities on the JSE over the 30 business days preceding the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE will be consulted for a ruling if the Company’s securities 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 security (and if applicable, diluted earnings and diluted headline earnings per security) will be published at the time of any issue representing, on a cumulative basis within a financial year, 5% of the number of securities 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 securities.

The resolution was passed on 14 May 2019.

Preparation of financial statements

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

Audited annual financial statements

continued

AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 December 2019

The Audit and Risk Committee met twice during the year and the external auditors and internal auditors presented formal reports to the Committee and attended meetings by invitation in accordance with section 94(7)(f) of the Companies Act, 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 mandatory audit firm rotation, auditor independence and tenure.
- The Committee has continued with performing their own rigorous assessment of the independence of the auditor, as required by the current governance requirements covered by the Companies Act. This assessment included consideration of the tenure of the audit engagement and the regularity of audit partner 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 18 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 2019 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 publicly disclosed and included in the annual financial statements, including accounting policies.

L Mthimunye

Audit and Risk Committee Chairman

Sandton

12 March 2020

Audited annual financial statements

continued

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

at 31 December 2019

	Notes	2019 R'000	2018 R'000
Non-current assets		2 957 158	2 367 060
Property, plant and equipment	1	3 610	2 688
Right of use of asset	1	483	–
Investment holdings	2	2 953 065	2 364 372
Unlisted investments		2 358 579	1 707 546
Listed investments		529 461	566 699
Listed investments held indirectly		65 025	90 127
Current assets		267 072	452 538
Finance advances and receivables	3	124 614	34 987
Listed investments held indirectly	4	–	65 985
Listed investments	4	71 072	–
Bond portfolio offshore	4	68 261	101 993
Cash balances		3 125	249 573
Total assets		3 224 230	2 819 598
Ordinary shareholders' equity		2 759 456	2 446 148
Share capital and premium	5	851	851
Non-distributable reserves	6	123 311	143 818
Accumulated profit	6	2 635 294	2 301 479
Non-current liabilities		372 976	277 109
Interest-bearing debt	7	300 000	100 000
Deferred tax liabilities	10	72 976	177 109
Current liabilities		91 798	96 341
Interest-bearing debt		49 278	66 176
Current portion of interest-bearing debt	7	–	40 000
Portfolio finance offshore	7	32 556	–
Interest-bearing debt	7	16 722	26 176
Accounts payable	8	19 654	12 654
Provisions	8	22 866	17 511
Total equity and liabilities		3 224 230	2 819 598

Audited annual financial statements

continued

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

for the year ended 31 December 2019

	Notes	2019 R'000	2018 R'000
Gross income from operations and investments		373 794	364 351
Dividends received	15	115 422	53 557
Interest received	15	23 609	27 758
Forex (loss)/gain		(4 622)	21 681
Gain on sale of financial instruments and shares	15	5 028	68 405
Fees	15	2 157	2 047
Fair value adjustments to investments		232 200	190 903
– Listed		(37 971)	(89 653)
– Listed held indirectly		(225)	6 103
– Unlisted		270 396	274 453
Transactional costs		(6 525)	(11 877)
Impairment reversed		686	851
Fair value loss on initial recognition of interest-free loans		(231)	(3 907)
Interest paid		(26 634)	(16 752)
Net income before operating expenses		341 090	332 666
<i>Less:</i> Expenditure		(63 337)	(43 281)
Operating costs – fixed		(34 388)	(27 222)
Operating costs – variable		(26 980)	(15 487)
Depreciation		(1 969)	(572)
Net income before taxation	9	277 753	289 385
Taxation	10	104 133	(51 302)
Net income for the year attributable to equity shareholders		381 886	238 083
Translation of foreign subsidiary *	16	(20 507)	101 523
Total comprehensive income for the year attributable to equity shareholders		361 379	339 606
Earnings per share – cents **	11	916,8	531,3

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

** There are no diluting instruments.

Audited annual financial statements

continued

**COMPANY STATEMENT OF
FINANCIAL POSITION**

at 31 December 2019

	Notes	2019 R'000	2018 R'000
Non-current assets		5 015	5 015
Investment in subsidiaries	2	5 015	5 015
Current assets		1 568 819	1 586 332
Loans to subsidiaries (Annexure A)		1 568 792	1 586 266
Cash balances		27	66
Total assets		1 573 834	1 591 347
Ordinary share capital and premium	5	851	851
Accumulated profit	6	1 568 790	1 587 260
Ordinary shareholders' equity		1 569 641	1 588 111
Current liabilities		4 193	3 236
Accounts payable	8	4 193	3 236
Total equity and liabilities		1 573 834	1 591 347

**COMPANY STATEMENT OF
COMPREHENSIVE INCOME**

for the year ended 31 December 2019

	Notes	2019 R'000	2018 R'000
Dividends received	15	42 400	1 411 100
Gross income		42 400	1 411 100
Transactional costs		(1 872)	(1 710)
Reversal of impairment/(impairment)		(5 779)	52 941
Expenditure		(5 490)	(4 682)
Total comprehensive income for the year attributable to equity shareholders		29 259	1 457 649

Audited annual financial statements

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CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

for the year ended 31 December 2019

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Cash flows from/(utilised in) operating activities	17 170	(52 477)	6 126	1 329 704
Net income for the year	381 886	238 083	29 259	1 457 649
Adjustments for:				
Depreciation	1 969	572	–	–
Fair value adjustments to investments	(232 200)	(190 903)	–	–
Share capitalisation issue	(4 775)	–	–	–
Fair value loss on initial recognition of interest-free loans	231	3 907	–	–
Interest received	(815)	(377)	–	–
Rent paid	(1 282)	–	–	–
Deferred taxation	(104 133)	51 302	–	–
(Net reversal of impairments)/impairment	(686)	(851)	5 779	(52 941)
Gain on financial instruments and shares	(5 028)	(68 405)	–	–
Profit on sale of property, plant and equipment	(8)	(155)	–	–
Provisions	5 355	(13 253)	–	–
Increase in accounts payable	6 628	3 254	1 060	647
Cash flows from operations	47 142	23 174	36 098	1 405 355
Dividends paid – ordinary	(29 972)	(30 345)	(29 972)	(30 345)
Dividends paid – special	–	(45 306)	–	(45 306)
Cash flows from investing activities	(428 519)	438 465	11 695	(1 181 944)
Purchase of property, plant and equipment	(1 863)	(2 355)	–	–
Purchase of investment holdings and offshore portfolios	(514 237)	(1 557 661)	–	–
Proceeds from sale of investment holdings and offshore portfolios	195 664	643 431	–	–
Proceeds from sale of fixed assets	108	300	–	–
Decrease/(increase) in loans to subsidiaries	–	–	11 695	(1 181 944)
Proceeds of special dividend	–	1 387 500	–	–
Increase in finance advances and receivables	(108 191)	(32 750)	–	–
Cash effects of financing activities	164 901	(136 473)	(17 860)	(147 713)
Increase in long-term loan	160 000	–	–	–
Decrease in other interest-bearing debt	(9 454)	(7 036)	–	–
Purchase of company shares held in treasury	–	(1 143)	–	–
Repurchase of company shares	(18 201)	(120 609)	(17 860)	(147 713)
Increase/(decrease) in equity portfolio finance	32 556	(7 685)	–	–
Change in cash and cash equivalents	(246 448)	249 515	(39)	47
Cash and cash equivalents at beginning of year	249 573	58	66	19
Cash and cash equivalents at end of year	3 125	249 573	27	66

Audited annual financial statements

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CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2019

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 2018	851	28 437	42 295	2 232 362	2 303 945
Total comprehensive income for the year	–	–	101 523	238 083	339 606
Shares held in treasury – written back	5	17 311	–	–	17 316
Shares cancelled	(5)	(45 748)	–	(93 315)	(139 068)
Dividends paid	–	–	–	(75 651)	(75 651)
Balance as at 1 January 2019	851	–	143 818	2 301 479	2 446 148
Total comprehensive income for the year	–	–	(20 507)	381 886	361 379
Unclaimed dividends – written back	–	–	–	103	103
Shares cancelled	–	–	–	(18 202)	(18 202)
Dividends paid	–	–	–	(29 972)	(29 972)
Balance as at 31 December 2019	851	–	123 311	2 635 294	2 759 456
COMPANY					
Balance as at 1 January 2018	856	30 691	–	322 279	353 826
Total comprehensive income for the year	–	–	–	1 457 649	1 457 649
Shares cancelled	(5)	(30 691)	–	(117 017)	(147 713)
Dividends paid	–	–	–	(75 651)	(75 651)
Balance as at 1 January 2019	851	–	–	1 587 260	1 588 111
Total comprehensive income for the year	–	–	–	29 259	29 259
Shares cancelled	–	–	–	(17 860)	(17 860)
Unclaimed dividends written back	–	–	–	103	103
Dividends paid	–	–	–	(29 972)	(29 972)
Balance as at 31 December 2019	851	–	–	1 568 790	1 569 641

Audited annual financial statements

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ACCOUNTING POLICIES

for the year ended 31 December 2019

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, other than the standards which were adopted in the current year.

The group has adopted IFRS 16 *Leases* with effect from January 2019. IFRS 16 *Leases* sets out the principals of leases for both parties in a contract, i.e., the customer (Lessee) and the supplier (Lessor). IFRS 16 replaces the previous standard, IAS 17 *Leases and related interpretations*. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associate non-lease components as a single arrangement. The group has used this practical expedient. The impact on the group's Consolidated Statement of Financial Position is the asset (the right of use for the leased premises) and the financial liability to pay rentals are capitalised and recognised. The impact on the group's Consolidated Statement of Comprehensive Income, is the depreciation and financial cost that replaces the rent charges under IAS 17.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December each year. Control is achieved when the company has the power over the investee, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affects its returns.

Sabvest is an investment company as defined by IFRS 10. Where an entity does not meet the requirements as set out in IFRS 10, the entity is consolidated.

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

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

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

Investments

All investments 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 or attributable net asset value. 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

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ACCOUNTING POLICIES

for the year ended 31 December 2019

*continued***Financial instruments**

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

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

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

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

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

Originated loans 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 and the amount of the discount is included in the statement of comprehensive income.

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

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

On disposal of investments the profit or loss is accounted for as the difference between the consideration received and the fair 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 fair value calculated on this basis are regarded as appropriate estimates of fair value at the reporting date.

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

Audited annual financial statements

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ACCOUNTING POLICIES

for the year ended 31 December 2019

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.

Audited annual financial statements

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ACCOUNTING POLICIES

for the year ended 31 December 2019

continued

Impairment provisions

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

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

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

Interest is recognised on a time proportion basis.

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

Fees relate to fees received from investees and other entities for services rendered.

Audited annual financial statements

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ACCOUNTING POLICIES

for the year ended 31 December 2019

*continued***Lease agreements**

Future lease payments discounted at 10 percent per annum are recognised as a right of use asset (ignoring related costs), with a matching financial liability.

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

Interest at 10 percent per annum calculated on the value of the financial liability is debited to the Consolidated Statement of Comprehensive Income and credited to the financial liability.

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

Related party transactions

All related party transactions are, unless otherwise disclosed, in the normal course of business. Refer to note 21.

Retirement benefits and medical aid schemes

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

Taxation

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

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

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

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

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

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

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

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

Audited annual financial statements

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ACCOUNTING POLICIES

for the year ended 31 December 2019

*continued***Cash and cash equivalents**

Cash and cash equivalents represent cash at bank.

Borrowing costs

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

Critical judgements and key estimates

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

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

In respect of the unlisted investments which are carried at fair value, significant judgement and estimate is used to select the appropriate valuation model, determine maintainable earnings and estimate the earnings multiple. Details of the judgements are set out in note 20.

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

New/Revised International Financial Reporting Standards Issued

		Effective date
IFRS 17	Insurance Contracts	1 January 2021

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

Audited annual financial statements

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

	Motor vehicles R'000	Office furniture, equipment, computers and leasehold improvements R'000	Total R'000
1. Property, plant and equipment and right of use asset			
1.1 Property, plant and equipment			
2019 GROUP			
Beginning of year			
Cost	1 330	4 940	6 270
Accumulated depreciation	(391)	(3 191)	(3 582)
Net book value	939	1 749	2 688
Current year movements			
Additions	–	1 863	1 863
Disposals cost	–	(115)	(115)
Disposal – accumulated depreciation	–	15	15
Depreciation	(221)	(620)	(841)
Total movement	(221)	1 143	922
End of year			
Cost	1 330	6 688	8 018
Accumulated depreciation	(612)	(3 796)	(4 408)
Net book value	718	2 892	3 610
2018 GROUP			
Beginning of year			
Cost	1 015	3 690	4 705
Accumulated depreciation	(831)	(2 824)	(3 655)
Net book value	184	866	1 050
Current year movements			
Additions	1 105	1 250	2 355
Disposals cost	(790)	–	(790)
Disposal – accumulated depreciation	645	–	645
Depreciation	(205)	(367)	(572)
Total movement	755	883	1 638
End of year			
Cost	1 330	4 940	6 270
Accumulated depreciation	(391)	(3 191)	(3 582)
Net book value	939	1 749	2 688

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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

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	GROUP	
	2019 R'000	2018 R'000
1. Property, plant and equipment and right of use asset <i>continued</i>		
1.2 Right of use asset		
Opening balance	–	–
Current year movements		
Recognition of right of use asset on adoption of IFRS 16	1 611	–
Depreciation	(1 128)	–
Total movement	483	–
End of year		
Cost	1 611	–
Accumulated depreciation	(1 128)	–
Net book value	483	–

IFRS 16 – *Leases* was adopted in the current year. The nature of the leases are all leases for premises.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 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				
<i>Unlisted</i>				
At cost	1 207 199	822 514	–	–
Fair value adjustment	1 151 380	885 032	–	–
Opening balance	885 032	603 393	–	–
Currency fluctuations	(4 048)	7 186	–	–
Movement for the year	270 396	274 453	–	–
Directors' value	2 358 579	1 707 546	–	–
<i>Listed</i>				
At cost	386 106	500 678	–	–
Fair value adjustments	143 355	66 021	–	–
Opening balance	66 021	165 005	–	–
Transfer from equity investment	112 910	12 414	–	–
Movement for the year	(36 153)	(111 398)	–	–
Currency fluctuations	577	–	–	–
Market value	529 461	566 699	–	–
<i>Listed held indirectly</i>				
At cost	68 519	88 518	–	–
Fair value adjustments	(3 494)	1 609	–	–
Opening balance	1 609	(23 559)	–	–
Transfer to held-for-sale	–	22 207	–	–
Realisation	(4 878)	–	–	–
Movement for the year	(225)	2 961	–	–
Market value	65 025	90 127	–	–
Balance sheet value	2 953 065	2 364 372	–	–

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
3. Finance advances and receivables				
Finance advances	124 454	34 865	–	–
Sundry receivables	160	122	–	–
	124 614	34 987	–	–
Interest-free loans				
Gross advances	15 933	15 166	–	–
Fair value loss on initial recognition	(4 138)	(3 907)	–	–
Interest earned	1 359	377	–	–
Currency fluctuations	(24)	(31)	–	–
	13 130	11 605	–	–
The interest-free loans are included in finance advances.				
No finance advances and receivables are past due. The estimated credit losses were assessed and found not to be material.				
The finance advances and receivables which approximate fair value are measured at amortised cost.				
4. Listed investments held directly/indirectly				
4.1 Listed investments held indirectly (held-for-sale) *				
At cost	–	85 050	–	–
Fair value adjustments	–	(19 065)	–	–
Opening balance	(19 065)	(22 207)	–	–
Realisation	19 065	–	–	–
Movement for the year	–	3 142	–	–
Market value	–	65 985	–	–
4.2 Listed investments (held-for-sale)				
At cost	183 982	–	–	–
Fair value adjustments	(112 910)	–	–	–
Market value	71 072	–	–	–

* Torre shares held indirectly in ordinary shares in Newshelf 1400 (Pty) Ltd were sold in 2019.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

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	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
4. Listed investments held directly/indirectly <i>continued</i>				
4.3 Bond portfolio				
At cost	70 026	107 770	–	–
Fair value adjustments	(1 765)	(5 777)	–	–
Opening balance	(5 777)	–	–	–
Realisation	5 650	–	–	–
Movement for the year	(1 818)	(5 777)	–	–
Currency fluctuations/variations	180	–	–	–
Market value	68 261	101 993	–	–
4.4 Listed equity portfolio				
At cost	–	–	–	–
Fair value adjustments	–	–	–	–
Opening balance	–	16 553	–	–
Realisation	–	(18 207)	–	–
Currency fluctuations/variations	–	1 654	–	–
Market value	–	–	–	–
4.5 Equity investment				
At cost	–	–	–	–
Fair value adjustments	–	–	–	–
Opening balance	–	(14 973)	–	–
Transfer to non-current listed investments	–	(12 414)	–	–
Movement for the year	–	27 522	–	–
Currency fluctuations/variations	–	(135)	–	–
Market value	–	–	–	–

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

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	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
5. Share capital and premium				
5.1 Share capital				
<i>Authorised</i>				
24 000 000 ordinary shares of 5 cents each	1 200	1 200	1 200	1 200
80 000 000 'N' ordinary shares of 0,01 cents each	8	8	8	8
<i>Issued</i>				
16 975 293 (2018: 16 975 293) ordinary shares of 5 cents each	848	848	848	848
24 276 919 (2018: 24 826 919) 'N' ordinary shares of 0,01 cent each	3	3	3	3
	851	851	851	851
Issued, net of shares held in share trust and treasury				
16 975 293 (2018: 16 975 293) ordinary shares 24 276 919 (2018: 24 826 919) 'N' ordinary shares.				
One million of the unissued ordinary shares and all the '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				
<i>Ordinary shares</i>				
At beginning of year	16 975 293	17 076 804	16 975 293	17 076 804
Repurchased and cancelled	–	(101 511)	–	(101 511)
	16 975 293	16 975 293	16 975 293	16 975 293
<i>'N' ordinary shares</i>				
At beginning of year	24 826 919	28 883 000	24 826 919	28 883 000
Repurchased and cancelled	(550 000)	(4 056 081)	(550 000)	(4 056 081)
	24 276 919	24 826 919	24 276 919	24 826 919
5.3 Share premium				
Share premium at beginning of year	–	45 748	–	30 691
Repurchased and cancelled	–	(45 748)	–	(30 691)
Share premium at end of year	–	–	–	–
Share capital and premium before shares held in treasury	851	29 288	851	31 547
Nil ordinary shares (2018: Nil) and Nil 'N' ordinary shares (2018: Nil)	–	17 316	–	–
Repurchased and cancelled	–	(45 753)	–	(30 696)
Share capital and premium	851	851	851	851

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

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	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
6. Reserves				
6.1 Non-distributable reserves				
On translation of foreign subsidiary				
– prior years	138 752	37 229	–	–
– current year	(20 507)	101 523	–	–
Accumulated loss in share trust				
– prior years	(640)	(640)	–	–
Variation of interest in subsidiary				
– prior years	5 144	5 144	–	–
Capital redemption reserve fund	562	562	–	–
	123 311	143 818	–	–
6.2 Accumulated profit				
Accumulated profit at beginning of year	2 301 479	2 232 362	1 587 260	322 279
Shares repurchased and cancelled	(18 202)	(93 315)	(17 860)	(117 017)
Unclaimed dividends written back	103	–	103	–
Accumulated profit less dividend paid for the year	351 914	162 432	(14)	1 381 998
Accumulated profit at end of year	2 635 294	2 301 479	1 568 790	1 587 260
Total reserves	2 758 605	2 445 927	1 568 790	1 587 260
7. Interest-bearing debt				
7.1 Long-term				
RSA borrowings	300 000	140 000	–	–
Less: Payable within one year	–	(40 000)	–	–
	300 000	100 000	–	–

The loans bear interest at between JIBAR plus 3,25% 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 R10 million on 30 June 2021, R60 million on 30 April 2022, R30 million on 30 June 2022, R30 million on 30 April 2023, R30 million on 30 June 2023, R40 million on 31 July 2023, R70 million on 30 April 2024 and R30 million on 31 July 2024.

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
7. Interest-bearing debt <i>continued</i>				
7.2 Short-term				
RSA borrowings				
Bank borrowings current portion of interest-bearing debt	–	40 000	–	–
Other interest-bearing debt including related parties (refer note 21)	16 722	26 176	–	–
Equity portfolio finance offshore	32 556	–	–	–
	49 278	66 176	–	–

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 other than the current portion of interest-bearing debt, and bear interest at rates varying between prime rate and prime minus 1% payable monthly in arrears. None of the South African assets are encumbered.

Estimated losses on guarantees were assessed and considered immaterial.

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

The offshore portfolio loan is secured by the offshore bond, cash and listed 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	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
8. Accounts payable and provisions				
Provision for long-term incentive plan * ¹	13 404	14 288	–	–
Other provisions * ²	9 462	3 223	–	–
Accounts payable * ³	19 654	12 654	4 193	3 236
	42 520	30 165	4 193	3 236
Provision for long-term incentive plan				
Opening balance	14 288	14 490	–	–
Utilised during the year	(6 185)	(5 464)	–	–
Increase in provision for the year	5 301	5 262	–	–
Closing balance	13 404	14 288	–	–
Other provisions				
Opening balance	3 223	14 946	–	–
Utilised during the year	(2 833)	(14 338)	–	–
Increase in provision for the year	9 072	2 615	–	–
Closing balance	9 462	3 223	–	–

*¹ Refer to remuneration policy and note 14.

*² Other provisions comprise mainly of provisions for audit fees and incentive bonuses to executives.

*³ Accounts payable includes IFRS 16 Leases liability in the amount of R495 000.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

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	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
9. Net income before taxation				
This is stated after taking into account:				
Profit on sale of property, plant and equipment	8	155	–	–
Auditors' remuneration – audit fees – current year	1 556	1 084	–	–
– previous year	832	–	–	–
– other fees	–	134	–	–
Consulting fees	718	213	–	–
Depreciation (refer to note 1)	1 969	572	–	–
Payroll costs	41 970	27 123	–	–
10. Taxation				
10.1 Charged for the year				
South African normal taxation				
Deferred taxation – current year	(104 133)	51 302	–	–
	(104 133)	51 302	–	–
10.2 Movement in deferred tax				
Provision for capital gains tax on fair value adjustments to current and non-current investment holdings	(104 133)	51 302	–	–
	(104 133)	51 302	–	–
Two of the group's subsidiaries have assessed losses for taxation purposes. The unutilised estimated losses of the subsidiaries amount to R70 million (2018: R11 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				
Provision for capital gains tax on fair value adjustments to investments after use of assessed losses	(72 976)	(177 109)	–	–
	(72 976)	(177 109)	–	–

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

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	GROUP		COMPANY	
	2019 %	2018 %	2019 %	2018 %
10. Taxation <i>continued</i>				
10.4 Taxation rate reconciliation				
Standard rate of taxation	28	28	28	28
Rate of taxation for the year affected by non-taxable income	(8,4)	(10)	(28)	(28)
Rate of tax affected by foreign investments	(57,1)	–	–	–
Effective rate of taxation	(37,5)	18	–	–

10.5 Capital gains tax on investments

Cumulative deferred tax of R73 million (2018: R177 million) has been raised through the statement of comprehensive income for tax on investments that are accounted for on a fair value basis if they were sold at market values except where assessed losses are available for use, or where investees' foreign subsidiaries may be sold to foreign buyers, or where investees are likely to sell their businesses and have raised deferred CGT themselves. The effect on the current year is a write-back of R85,5m due to the change in policy to sell to foreign buyers.

	GROUP	
	2019 cents	2018 cents
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	916,8	531,3
The weighted average number of shares used in the calculation for the current year is 41 654 268 (2018: 44 813 260). There are no potentially dilutive shares or options.	41 654	44 813
12. Headline earnings per share	2019 R'000	2018 R'000
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	381 885	238 083
Profit on sale of property, plant and equipment	8	(155)
Headline earnings for the year	381 877	237 928
Headline earnings per share (cents)	916,8	530,9
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 41 654 268 (2018: 44 813 260).		
13. Dividends per share		
Dividends per share (final of 39 cents proposed after year-end) (cents)	75	68

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	CS Seabrooke		R Pleaner		L Rood		Total	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000
14. Directors' emoluments								
<i>Executive directors</i>								
Salaries	2 551	2 407	2 154	2 032	3 032	–	7 737	4 439
Retirement and medical	372	346	334	311	288	–	994	657
Other benefits	1 481	1 437	560	538	480	–	2 521	1 975
Basic remuneration	4 404	4 190	3 048	2 881	3 800	–	11 252	7 071
Incentive bonuses								
– Short-term	5 601	6 047	2 962	2 720	2 950	–	11 513	8 767
– Provision * ¹	3 373	1 057	1 686	529	1 686	–	6 745	1 586
– LTIP * ²	4 107	3 598	1 757	1 487	–	–	5 864	5 085
– Take on bonus	–	–	–	–	2 000	–	2 000	–
Total remuneration	17 485	14 892	9 453	7 617	10 436	–	37 374	22 509
<i>Non-executive directors</i>								
Fees as directors							2 255	3 462
L Mthimunye							435	310
NSH Hughes							610	1 067
DNM Mokhobo							575	990
BJT Shongwe							635	1 095
							39 629	25 971

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 47.

*¹ As per the remuneration policy, 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 an 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 2020 relative to 2019 financial year.

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	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
15. Revenue				
Revenue comprises of dividends, fees, interest and gain on sale of investments and shares	146 216	151 767	42 400	1 411 100

	GROUP	
	2019 R'000	2018 R'000
16. Comprehensive income		
Items that may subsequently be classified in profit and loss		
Translation of foreign subsidiary	(20 507)	101 523

	GROUP	
	2019 R'000	2018 R'000
17. Net asset value per share		
Net asset value per share – cents	6 689	5 852
Number of shares in issue (less held in treasury) – 000's	41 252	41 802

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

*continued***18. Contingent liabilities and commitments**

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

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

	2019 R'000	2018 R'000
Year 1	–	1 102
Year 2	–	475

As a result of the implementation of IFRS 16 in the current year, there is no contingent liability for lease agreement in the current year.

18.3 A subsidiary has issued guarantees of R165,8m for the bank borrowings of two investees and which were utilised at year-end in the amounts totalling R134,2m.

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

19. Hypothecations

19.1 The offshore listed share and bond 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.

19.2 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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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*continued***20. Financial instruments****20.1 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 20.6.

		GROUP	
		2019	2018
		R'000	R'000
20.2	Categories of financial instruments		
	<i>Financial assets</i>		
	Fair value through profit or loss		
	Held for trading – investment holdings	2 953 065	2 364 372
	– investment held-for-sale	71 072	65 985
	– listed bond portfolio	68 261	101 993
	Finance advances and receivables	124 614	34 987
	Cash at bank	3 125	249 573
	<i>Financial liabilities</i>		
	Interest-bearing debt – medium-term	300 000	100 000
	– current portion of interest-bearing debt	–	40 000
	– portfolio finance offshore	32 556	–
	– interest-bearing debt	16 722	26 176
	Accounts payable	19 654	12 654

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

*continued***20. Financial instruments** *continued*

Original measurement category under IAS 39	New Measurement category under IFRS 9	Original carrying amount under IAS 39 R'000	Additional loss allowance recognised under IFRS 9 R'000	New carrying amount under IFRS 9 R'000
31 December 2019				
Financial assets		Financial assets		
Fair value through profit or loss		Fair value through profit or loss		
Held for trading				
– investment holdings		2 953 065	–	2 953 065
– investment holdings held-for-sale		71 072	–	71 072
– listed bond portfolio		68 261	–	68 261
Loans and receivables		At amortised cost		
Finance advances and receivables		124 614	–	124 614
Cash at bank		3 125	–	3 125
Financial liabilities		Financial liabilities		
At amortised cost		At amortised cost		
Interest-bearing debt				
– medium-term		300 000	–	300 000
– portfolio finance offshore		32 576	–	32 576
– interest-bearing debt		16 722	–	16 722
Accounts payable		19 654	–	19 654
31 December 2018				
Financial assets		Financial assets		
Fair value through profit or loss		Fair value through profit or loss		
Held for trading:				
– investment holdings		2 364 372	–	2 364 372
– investment held-for-sale		65 985	–	65 985
– listed bond portfolio		101 993	–	101 993
Loans and receivables		At amortised cost		
Finance advances and receivables		34 987	–	34 987
Cash at bank		249 573	–	249 573
Financial liabilities		Financial liabilities		
At amortised cost		At amortised cost		
Interest-bearing debt:				
– medium-term		100 000	–	100 000
– current portion of interest-bearing debt		40 000	–	40 000
– interest-bearing debt		26 176	–	26 176
Accounts payable		12 654	–	12 654

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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*continued***20. Financial instruments** *continued***20.3 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 2019 and 31 December 2018 the group's South African operations had no foreign exchange exposure.

20.4 Interest rate risk

The group has long-term borrowings from third parties in the amount of R300 million (2018: R100 million). The current portion of the long-term borrowings is Rnil million (2018: R40 million). The short-term interest-bearing borrowings are mainly those from related parties (refer note 21) in the amount of R8,3 million (2018: R21,1 million) and from third parties in the amount of R8,4 million (2018: R5,1 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 R2,7 million (2018: R1,8 million).

20.5 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.

20.6 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 2019 the group had R93,4 million of undrawn facilities (2018: R90 million) and R3 125 000 cash at bank (2018: R249 423 000) at its disposal to further reduce liquidity risk.

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

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20. Financial instruments *continued*

20.7 Fair value investments

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

Financial assets	Fair value as at		Valuation technique Fair value hierarchy	Significant and key inputs	Relationship of unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2019	31 December 2018				
Listed investments	Listed equity shares R529,5 million Held-for-sale R71,1 million	Listed equity shares R566,7 million	Level 1	Quoted share prices on the Johannesburg Stock Exchange.	N/A	N/A
Listed investments held indirectly	Listed equity shares R65,0 million	Listed equity shares and mutual fund R90,1 million Held-for-sale R65,9 million	Level 2	Quoted share prices on the Johannesburg Stock Exchange.	N/A	N/A
Unlisted Investments	<p>27,6% 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.</p> <p>59,99% of SA Bias, an international industrial and investment group.</p> <p>47,5% of Flexo Line Products, a manufacturing business specialising in high quality injection moulded plastic products primarily for the spice industry locally and internationally.</p> <p>25% of Classic Food Brands, a manufacturer of meat products.</p> <p>20% of DNI-4PL Contracts, a company providing technology, logistics and distribution services to the telecommunications and financial industries.</p> <p>30% of ITL Holdings Group, a designer, manufacturer and distributor of apparel, labelling and identification products and supply chain solutions.</p> <p>49,9% of Apex Partners, a specialist investment house which provides advisory, investment and lending solutions to investors and invests on a proprietary basis in restructure and realisation opportunities.</p> <p>10% in Masimong, an investment group with assets in mining and agriculture.</p> <p>R2 358,6 million</p>	<p>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.</p> <p>59,99% of SA Bias, an international industrial and investment group.</p> <p>47,5% of Flexo Line Products, a manufacturing business specialising in high quality injection moulded plastic products primarily for the spice industry locally and internationally.</p> <p>25% of Classic Food Brands, a manufacturer of meat products.</p> <p>7,6% of DNI-4PL Contracts, a company providing technology, logistics and distribution services to the telecommunications and financial industries.</p> <p>30% of ITL Holdings Group, a designer, manufacturer and distributor of apparel, labelling and identification products and supply chain solutions.</p> <p>R1 707,5 million</p>	Level 3	<p>Maintainable earnings model.</p> <p>Attributable NAV</p> <p>Attributable NAV</p>	<p>EBITDA multiples of 4 – 6,5.</p> <p>The ITL Group is at a higher multiple of 9,25.</p> <p>Level of maintainable earnings based on historic and future protections and normalisation of earnings where appropriate.</p>	The higher the multiples the higher the value.
Listed equity portfolio		–	Level 1	Quoted prices on various stock exchanges.	N/A	N/A
Listed bond portfolio	R68,2 million	R101,9 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 2019

continued

20. Financial instruments *continued***20.7 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 2019	235,8	(235,8)	235,8	(235,8)
Increase/(decrease) in fair value 31 December 2018	170,7	(170,7)	170,7	(170,7)

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 2019, the value of shares would have increased or decreased by R66,6 million (2018: R65,6 million).

Should the market price of foreign bonds have been higher or lower at 31 December 2019, the value of bonds would have increased or decreased by R7,1 million (2018: R9,0 million).

20.7.2 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 2019		31 December 2018	
	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
Financial assets				
<i>Loans and receivables</i>	124 614	124 614	34 987	34 987
Finance advances and receivables	124 614	124 614	34 987	34 987
Financial liabilities				
<i>Financial liabilities held at amortised cost</i>	368 928	368 928	178 830	178 830
Interest-bearing debt – long-term	300 000	300 000	100 000	100 000
Current portion – interest-bearing debt	–	–	40 000	40 000
Portfolio finance offshore	32 556	32 556	–	–
Interest-bearing debt	16 722	16 722	26 176	26 176
Accounts payable	19 654	19 654	12 654	12 654

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

*continued***20. Financial instruments** *continued***20.7 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 2019			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
<i>Fair value through profit and loss</i>				
Listed investments	529 461	–	–	529 461
Listed investments held indirectly	–	65 025	–	65 025
Listed investments held indirectly (held-for-sale)	71 072	–	–	71 072
Unlisted investments	–	–	2 358 579	2 358 579
Listed bond portfolio	68 261	–	–	68 261
Loans and receivables				
Finance advances and receivables	–	–	124 614	124 614
Total	668 794	65 025	2 483 193	3 217 012
Financial liabilities				
<i>Financial liabilities held at amortised cost</i>				
Interest-bearing debt – long-term	–	–	300 000	300 000
Current portion of interest-bearing debt	–	–	–	–
Portfolio finance offshore	–	–	32 556	32 556
Interest-bearing debt	–	–	16 722	16 722
Accounts payable	–	–	19 654	19 654
Total	–	–	368 932	368 932

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

*continued***20. Financial instruments** *continued***20.7 Fair value investments** *continued*

	Financial fair value hierarchy as at 31 December 2018			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
<i>Fair value through profit and loss</i>				
Listed investments	566 699	–	–	566 699
Listed investments held indirectly	–	90 127	–	90 127
Listed investments held indirectly (held-for-sale)	–	65 985	–	65 985
Unlisted investments	–	–	1 707 546	1 707 546
Listed bond portfolio	101 993	–	–	101 993
Loans and receivables				
Finance advances and receivables	–	–	34 987	34 987
Total	668 692	156 112	1 742 533	2 567 337
Financial liabilities				
<i>Financial liabilities held at amortised cost</i>				
Interest-bearing debt – long-term	–	–	100 000	100 000
Current portion of interest-bearing debt	–	–	40 000	40 000
Interest-bearing debt	–	–	26 176	26 176
Accounts payable	–	–	12 654	12 654
	–	–	178 830	178 830

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

*continued***21. 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 86.

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 7) 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.

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

	Fees received R'000	Fees paid R'000	Dividends received R'000	Interest received R'000	Interest paid R'000	Amounts owed by related parties R'000	Amounts owed to related parties R'000
31 December 2019							
NSH Hughes and family Company					64 55		667 681
R Pleaner and family Individual					118		2 200
CS Seabrooke and family Individual					731		4 257
Company	133	326			9	225	59
L Rood Individual					2	3 421	502
Investees	1 619		103 407	12 707		203 772	

31 December 2018

NSH Hughes and family Company					28 83		635 559
R Pleaner and family Individual					83		1 115
CS Seabrooke and family Individual					422		18 679
Company	125	279	–	–	17	232	121
Investees	1 742		36 895	4 650			
Amount owed by related parties						7 547	

Audited annual financial statements

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

*continued***22. 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 R935 806 (2018: R623 298).

The group has no post-retirement medical aid commitments.

23. Capital commitments

There are no capital commitments.

24. Borrowing powers

The borrowing powers of the group are not limited.

25. Subsequent events

- 25.1** Disposed of its investment in ordinary shares of Brait S.E.
- 25.2** Participated in a capital raising at DNI after which its direct and indirect interest in DNI reduced to 19,1%.
- 25.3** Committed to take up additional shares in Masimong Group Holdings (Pty) Ltd.
- 25.4** Agreed to the delisting of Rolfes Holdings Limited and the group will remain invested after delisting. The group has given to the new shareholder a twelve month option to acquire 10,9 million shares in Rolfes from the group at 300 cents per share plus an interest related adjustment.
- 25.5** Dispatched a circular and prospectus to shareholders in regards to the proposed new capital structure.
- 25.6** Declared a dividend of 39 cents per ordinary share and 'N' ordinary share is payable to shareholders on 6 April 2020.

The above were all non-adjusting.

26. 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

ANNEXURE A

SCHEDULE OF CONSOLIDATED SUBSIDIARIES

Nature of business	Amount of issued capital R	Held directly or indirectly		Book value of interest shares		Indebtedness *	
		2019 %	2018 %	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Subsidiaries of Sabvest Limited							
Sabvest Investments (Pty) Limited	Investment holding company	4 000	100	4	4	4 513	3 382
Sabvest Financial Services (Pty) Limited	Corporate services	5 000	100	1	1	18 952	204 685
	Gross					33 208	213 162
	Impairment					(14 256)	(8 477)
Sabvest Finance and Guarantee Corporation (Pty) Limited	Finance investments and guarantees	6 000	100	5 000	5 000	1 545 327	1 378 199
Sabvest Securities (Pty) Limited	Dormant	10 000	100	10	10	–	–
SD Nominees (Pty) Limited	Nominee company	100	100	–	–	–	–
Investment in subsidiaries				5 015	5 015		
Indebtedness included in the company's assets						1 568 792	1 586 266
Subsidiaries of Sabvest Finance and Guarantee (Pty) Ltd							
Sabvest Capital Holdings Limited (BVI)	Investment holding company and corporate financier	US\$2	100		424 617	–	–
Aggregate net income after taxation, attributable to Sabvest Limited's interest in its subsidiaries						348 238	236 127

* Refer note 21 – Related party transactions.

Audited annual financial statements

continued

ANNEXURE B

SHARES AND SHAREHOLDERS

Shareholder analysis at 31 December 2019

Category	Ordinary shares			'N' ordinary shares		
	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	8	1,9	2 556 099	9	1,0	1 285 090
Investment and trust companies	20	4,8	12 061 742	105	11,7	11 752 208
Other corporate bodies	18	4,3	1 850 399	91	10,2	6 376 769
Individuals	373	89,0	507 053	689	77,1	4 862 852
	419	100,0	16 975 293	894	100,0	24 276 919

Major shareholders

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

Category	Ordinary shares		'N' ordinary shares		Overall	
	Number of shares held	% of issued shares	Number of shares held	% of issued shares	% of total issued equity shares	% of voting rights
The Seabrooke Family Trust	11 895 000	70,1	4 105 000	16,9	38,8	69,9
Clear Stream Banking SA Luxembourg *	2 552 749	15,0	127 721	0,5	6,5	15,0
Eric Ellerine Trust	–	–	2 900 000	11,9	7,0	–
Gingko Group	598 669	3,5	2 112 271	8,7	6,6	3,5
	15 046 418	88,6	9 244 992	38,0	58,9	88,4
<i>* Held for the following clients:</i>						
Valderoma Investments SA	2 552 749	15,0	127 721	0,5	6,5	15,0

Shareholder spread

Category	Ordinary shares			'N' ordinary shares			Overall shares	
	Number ordinary share-holders	Number ordinary shares in issue	% ordinary shares in issue	Number 'N' ordinary share-holders	Number 'N' ordinary shares in issue	% 'N' ordinary shares in issue	Number overall shares in issue	% overall shares in issue
Non-public shareholders								
Directors	3	11 916 500	70,2	6	5 387 965	22,2	17 304 465	41,9
Total non-public shareholders	3	11 916 500	70,2	6	5 387 965	22,2	17 304 465	41,9
Public shareholders	46	5 058 793	29,8	888	18 888 954	77,8	23 947 747	58,1
	49	16 975 293	100,0	894	24 276 919	100,0	41 252 212	100,0

Note: Directors' holdings are set out on page 47.

Stock exchange performance

Category	Ordinary shares		'N' ordinary shares	
	2019	2018	2019	2018
Closing price (cents)	4 000	4 750	3 499	4 000
Highest price (cents)	6 750	5 250	4 450	4 100
Lowest price (cents)	3 401	2 850	2 800	2 750
Total number of shares traded ('000)	1 055	58	1 879	33 877
Total value of shares traded (R'000)	47 445	2 248	64 240	1 175 361
Total number of transactions recorded	575	118	860	477
Total volume of shares traded as a percentage of total issued shares (%)	6,2	0,3	7,6	117,3

Audited annual financial statements

continued

SHAREHOLDERS' DIARY

Announcement of 2019 results	Thursday, 12 March 2020
Publication of 2019 annual report	Thursday, 26 March 2020
Annual general meeting	Monday, 4 May 2020
Financial year-end	31 December

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 (*Chairperson*)
 BJT Shongwe (*Deputy Chairperson and Lead Independent Director*)
 CS Seabrooke (*Chief Executive*)
 L Mthimunye
 K Pillay (*appointed 1 January 2020*)
 R Pleaner *
 L Rood *

* *Executive*

Secretary

Levitt Kirson Business Services (Pty) Ltd

Communications

4 Commerce Square
 39 Rivonia Road
 Sandhurst
 2196
 PO Box 78677, Sandton 2146
 Republic of South Africa
 Telephone +27 11 268 2400
 Telefax +27 11 268 2422
 e-mail: ho@sabvest.com
 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

Corporate advisors

Apex Partners Holdings (Pty) Ltd

Notice of 2020 annual general meeting

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continued

Sabvest Limited

("the Company" or "Group")

Registration number 1987/003753/06

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

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

Notice is hereby given that the annual general meeting ("AGM") of shareholders of Sabvest Limited will be held at Ground floor, Commerce Square, Building 4, 39 Rivonia Road, Sandhurst, Sandton at 11:00 on Monday, 4 May 2020 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 and subject to the 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, Risk and Compliance Committee report for the year ended 31 December 2019.

b. Integrated Report, including King IV™ compliance report

This report is contained on pages 3 to 32 of the annual financial statements.

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

This report is contained on page 42 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 11:00 on Monday, 4 May 2020.

- (i) Famdeen Investments (Pty) Ltd (re Sunspray Food Ingredients (Pty) Ltd
- (ii) SA Bias Industries (Pty) Ltd
- (iii) DN Invest (Pty) Ltd
- (iv) Revix South Africa Holdco (Pty) Ltd
- (v) Rolfes Holdings (Pty) Ltd
- (vi) Apex Partners 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:

Notice of 2020 annual general meeting

continued

1. Ordinary resolution number one

Re-election of director

“RESOLVED that Mrs DNM Mokhobo who retires as a non-executive director in terms of the Company’s Memorandum of Incorporation (“MOI”) and who offers herself for re-election, be and is hereby re-elected as a director of the Company.”

Please refer to page 15 of this annual report for Mrs DNM Mokhobo’s brief curriculum vitae.

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

Explanation and effect of the resolution

The reason for proposing ordinary resolution number one 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.

2. Ordinary resolution number two

Election of director

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

Please refer to page 15 of this annual report for Mr K Pillay’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 K Pillay for appointment as a director of the Company and the effect of the resolution is that Mr K Pillay 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 an 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 15 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 three 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 four is to appoint Deloitte & Touche as the Company’s independent registered auditors and Mr A Dennis as the individual registered auditor and the effect of the resolution is that Deloitte & Touche will be appointed as the Company’s independent registered auditors and Mr A Dennis as the independent registered auditor.

Notice of 2020 annual general meeting

continued

5. Ordinary resolution number five

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

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

6. Ordinary resolution number six

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

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

Explanation and effect of resolutions 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 pages 29 and 30 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.

Notice of 2020 annual general meeting

continued

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 30 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.

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, including but without limitation Section 41(1) and Section 41(3) of the Companies Act, the MOI of the company and the JSE Listings Requirements, when applicable, subject to the following:

- The authority shall be valid until the date of the next annual general meeting of the company provided it shall not extend beyond 15 months from the date of this annual general meeting.
- Notwithstanding the foregoing, the issue of ‘N’ ordinary shares authorised under this resolution will be limited to 30% of the 24,3 million in total issued ‘N’ ordinary shares as at the date of this notice, i.e. 7,3 million shares.”

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

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 10 and special resolutions 1 to 5, 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 10 and special resolutions 1 to 5 passed at the annual general meeting; hereby ratifying and confirming all such things already done and documentation already signed.”

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

Notice of 2020 annual general meeting

continued

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.

12. Special resolution number one

Approval of proposed non-executive directors' remuneration for the year ending 31 December 2020

“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 2020 be authorised and determined on the basis and the amounts set out below.

Fees are:

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

	Year ending 2020 R
Chairman	360 000
Deputy Chairman	270 000
Non-executive directors	250 000
Chairman of the Audit Committee	170 000
Chairman of the Remuneration Committee	100 000
Chairman of the Nominations Committee	85 000
Chairman of the Social and Ethics Committee	85 000
Committee members/invitees	60 000
Directorships of investees by non-executive directors for Sabvest	145 000
Lead Independent Director	additional 40 000”

Explanation and effect of the special resolution

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

These fees have been recommended by the Sabvest Remuneration Committee and are regarded as fair for the level and quality of services provided by the non-executive directors of the company, in Board and Committee forums, for Sabvest in associates and generally during the year and relative to the size of the Company. Attendance fees are not regarded as necessary or appropriate.

The passing of this special resolution will have the effect of approving the remuneration and the basis therefor, of each of the non-executive directors of the Company for the financial year ending 31 December 2020 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 2020 annual general meeting

continued

13. 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 R5bn (five billion rand). 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 R5bn 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.

14. 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 44 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 44 of the Companies Act) provided that such financial assistance may be granted up to a limit of R5bn (five billion rand). This authority shall not extend beyond 2 (two) years from the date of this annual general meeting.”

Notice of 2020 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 MOI have been satisfied.

The authority from the shareholders in this special resolution number three will allow the Company to give effect to the provision by the Company of any financial assistance (to the extent that such assistance constitutes financial assistance for the purposes of section 44 of the Companies Act).

In terms of the Companies Act, 75% of the votes cast by shareholders present or represented by proxy at the meeting, must be in favour of this resolution for it to be adopted.

15. 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;
- such general repurchase will be subject to the applicable provisions of the Companies Act (including Sections 114 and 115) to the extent that Section 48(b) is applicable in relation to that particular repurchase;
- 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;

Notice of 2020 annual general meeting

continued

- the Company has been given authority to repurchase shares by its MOI;
- the Board of directors authorise the repurchase, the Group and the Company passes the solvency and liquidity test and that from the time that the test is done, there will be no material changes to the financial position of the Company and Group;
- 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).”
- that this general authority be valid only until the next annual general meeting for the fifteen months from the date of the passing of this resolution, whichever is the earlier date;
- the Board must pass a resolution that they authorised the repurchase and that the Company and the Group have passed the solvency and liquidity test as set out in section 4 of the Companies Act, and that since the test was done there have been no material changes to the financial position of the Group; and
- any general repurchase is subject to exchange control regulations and approvals in place at that point in time.

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 100 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 Group and the Company.

Reason for and effect of the special resolution

The reason for and the effect of the special resolution are to grant to the directors of the Company a general authority, up to and including the date of the next annual general meeting of the Company or the expiration date of the period commencing on the date of passing of the special resolution and expiring on the date 15 (fifteen) months thereafter, to approve the Company's repurchase of shares in itself, or to permit a subsidiary of the Company to purchase shares in the Company.

The directors of the Company have no specific intention to effect the provisions of special resolution number three but will however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number four.

In terms of the Companies Act, 75% of the votes cast by shareholders present or represented by proxy at the meeting, must be cast in favour of this resolution for it to be adopted.

Notice of 2020 annual general meeting

continued

16. Special resolution number five

General authority to allot and issue authorised by unissued securities for cash

“RESOLVED that subject to the passing of ordinary resolution number 10, the directors are hereby authorised as a general authority, to allot and issue the authorised but unissued securities 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 MOI of the Company and the JSE Listings Requirements, provided that:

- the securities of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- securities 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 securities which are the subject of general issues for cash;
 - in the aggregate may not exceed 1 million ordinary shares and 7 448 075 ‘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 securities during the period contemplated in the first bullet above, the existing authority must be adjusted accordingly to represent the same allocation ratio.
- any equity securities issued under this authority during the period must be deducted from the number above;
- the calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the annual general meeting, and excludes treasury shares;
- the maximum discount at which such securities may be issued is 10% of the weighted average traded price of such securities on the JSE over the 30 business days preceding the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE will be consulted for a ruling if the Company’s securities 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 security (and if applicable, diluted earnings and diluted headline earnings per security) will be published at the time of any issue representing, on a cumulative basis within a financial year, 5% of the number of securities 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 securities.

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 87; and
- Share capital of the Company – page 69.

Directors’ responsibility statement

The directors, whose names are given on page 15 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.

Notice of 2020 annual general meeting

continued

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

Other than the facts and developments reported on in the annual report, there have been no material changes in the financial position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice.

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

- the Company and the Group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 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 24 April 2020, it being recorded that the last day to trade for that purpose is 21 April 2020, the record date on which shareholders must be recorded to receive the notice of annual general meeting is 20 March 2020.

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.

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) Ltd 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) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107). The form of proxy must be received by the transfer secretaries for administration purposes, by no later than 11:00 on 29 April 2020, or if the annual general meeting is adjourned or postponed, by not later than 24 hours prior to the time of the adjourned or postponed annual general meeting. The Chairman may in his discretion authorise acceptance of late proxies.

Notice of 2020 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 11:00 on Thursday, 30 April 2020, 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

20 March 2020

Sandhurst

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) Ltd (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 11:00 on Monday, 4 May 2020, or at any adjournment or postponement thereof.

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

I/We (BLOCK LETTERS please)

of address

Telephone work:

Telephone home:

being a holder/s or custodians of ordinary shares and/or ‘N’ ordinary

shares in Sabvest Limited, hereby appoint (see note 1 overleaf):

1. _____ or failing him/her,
2. _____ or failing him/her,

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

	In favour of resolution	Against resolution	Abstain from voting
1. Ordinary resolution number one <i>Re-election of Mrs DNM Moktobo as director</i>			
2. Ordinary resolution number two <i>Re-election of Mr K Pillay as director</i>			
3. Ordinary resolution number three <i>Re-election of Mr R Pleaner as director</i>			
4. Ordinary resolution number four <i>Re-appointment of independent external auditors</i>			
5. Ordinary resolution number five <i>Election of Audit Committee member – Ms L Mthimunye</i>			
6. Ordinary resolution number six <i>Re-election of Audit Committee member – Mrs DNM Moktobo</i>			
7. Ordinary resolution number seven <i>Re-election of Audit Committee member – Mr BJT Shongwe</i>			
8. Ordinary resolution number eight <i>Non-binding endorsement of Remuneration Policy</i>			
9. Ordinary resolution number nine <i>Non-binding advisory vote on Remuneration Implementation Report</i>			
10. Ordinary resolution number ten <i>Placement of 1 million ordinary shares and all unissued ‘N’ ordinary shares under the control of the directors and general authority to allot and issue</i>			
11. Ordinary resolution number eleven <i>Authority to sign all documents required</i>			
12. Special resolution number one <i>Approval of proposed non-executive directors’ remuneration for the year ending 31 December 2020</i>			
13. Special resolution number two <i>Authority to provide financial assistance in terms of Section 45 of the Companies Act to any group company</i>			
14. Special resolution number three <i>Authority to provide financial assistance in terms of section 44 of the Companies Act</i>			
15. Special resolution number four <i>General authority to repurchase shares</i>			
16. Special resolution number five <i>General authority to allot and issue authorised but unissued securities for cash</i>			

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

Signed this _____ day of _____ 2020

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 initiated 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 11:00 on 29 April 2020, (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 11:00 on Thursday, 30 April 2020 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



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