



Sabvest Limited

Incorporated in the Republic of South Africa

Registration number 1987/003753/06

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

ISIN: ZAE000006417 – ordinary shares

ISIN: ZAE 000012043 – “N” ordinary shares

Share code: SBV – ordinary shares

Share code: SVN – “N” ordinary shares

UNAUDITED INTERIM RESULTS for the six months ended 30 June 2016 and cash dividend declaration

Consolidated Summarised Statement of Financial Position

as at 30 June 2016

	Unaudited 30 June 2016 R'000	Unaudited 30 June 2015 R'000	Audited 31 Dec 2015 R'000
Non-current assets	1 836 058	1 490 146	1 896 073
Property, plant and equipment	1 549	1 516	1 369
Investment holdings	1 834 509	1 488 630	1 894 704
Unlisted investments	1 332 786	946 509	1 297 894
Listed investments	501 723	542 121	596 810
Current assets	173 245	191 843	202 427
Finance advances and receivables	9 317	10 316	7 319
Offshore investment holdings	163 779	140 476	140 077
Share portfolio	–	92 641	–
Bond portfolio	117 492	26 390	26 452
Equity investment	46 287	21 445	46 671
Offshore cash investment portfolio	–	–	66 954
Cash balances	149	41 051	55 031
Total assets	2 009 303	1 681 989	2 098 500
Ordinary shareholders' equity	1 546 725	1 371 543	1 701 382
Non-current liability	386 033	258 770	356 556
Interest-bearing debt	100 000	60 000	100 000
Deferred tax liability	286 033	198 770	256 556
Current liabilities	76 545	51 676	40 562
Interest-bearing debt	59 417	36 279	9 240
Offshore portfolio finance	21 670	29 248	–
Local interest-bearing debt	37 747	7 031	9 240
Accounts payable and provisions	17 128	15 397	31 322
Total equity and liabilities	2 009 303	1 681 989	2 098 500
Net asset value per share – cents	3 395	2 997	3 719
Number of shares in issue less held in share trust/ treasury – 000's	45 554	45 769	45 748

Consolidated Summarised Statement of Cash Flows

for the six months ended 30 June 2016

	Unaudited 6 months ended 30 June 2016 R'000	Unaudited 6 months ended 30 June 2015 R'000	Audited 12 months ended 31 Dec 2015 R'000
Cash generated by operating activities	4 488	13 643	62 099
Cash (utilised in)/generated by investing activities	(90 697)	76 438	39 267
Cash effects of financing activities *	44 578	(39 739)	(20 402)
Cash utilised for the payment of dividends	(13 251)	(11 482)	(21 093)
Change in cash and cash equivalents	(54 882)	38 860	59 871
Cash balances, less current interest-bearing debt, excluding portfolio finance, at beginning of period	55 031	(4 840)	(4 840)
Cash balances, less RSA short-term interest-bearing debt at end of period	149	34 020	55 031

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

Consolidated Summarised Statement of Comprehensive Income

for the six months ended 30 June 2016

	Unaudited 6 months ended 30 June 2016 R'000	Unaudited 6 months ended 30 June 2015 R'000	Audited 12 months ended 31 Dec 2015 R'000
Gross income from operations and investments	(78 652)	188 239	590 256
Dividends received	32 866	26 311	91 585
Interest received	4 628	2 318	5 062
Income on financial instruments and shares	2 961	43 253	57 312
Fees and sundry income	426	2 566	2 920
Fair value adjustment to investments	(119 533)	113 791	433 377
Direct transactional costs	(328)	(405)	(525)
Impairments	5	12	17
Interest paid	(6 631)	(3 326)	(7 445)
Net (loss)/income before expenses and exceptional items	(85 606)	184 520	582 303
Less: Expenditure	(12 139)	(13 570)	(43 689)
Operating costs	(11 962)	(13 433)	(43 392)
Depreciation	(177)	(137)	(297)
Net (loss)/income before taxation	(97 745)	170 950	538 614
Taxation – deferred	(29 477)	(20 911)	(78 697)
– Current year	26 234	(20 911)	(78 697)
– CGT arising from change in inclusion rate	(55 711)	–	–
Net (loss)/income for the period attributable to equity shareholders	(127 222)	150 039	459 917
Translation of foreign subsidiary *1	(8 585)	4 850	35 079
Total comprehensive (loss)/income attributable to equity shareholders	(135 807)	154 889	494 996
(Loss)/earnings per share – cents	(279,0)	327,5	1 003,9
Interim dividend per share (proposed after reporting date) – cents	23,0	21,0	50,0
Weighted average number of shares in issue – 000's	45 603	45 820	45 815
Headline (loss)/earnings per share – cents *2	(279,0)	327,5	1 003,9
Reconciliation of headline earnings			
Net (loss)/income for the period	(127 222)	150 039	459 917
(Profit)/loss on sale of property, plant and equipment	–	–	–
Headline earnings for the period	(127 222)	150 039	459 917

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

*2 There are no diluting instruments.

Consolidated Summarised Statement of Changes in Equity

for the six months ended 30 June 2016

	Share capital R'000	Share premium R'000	Non-distributable reserve R'000	Distributable reserve R'000	Total R'000
Balance as at 1 January 2015	856	45 748	35 397	1 151 072	1 233 073
Total comprehensive income for the period	–	–	35 079	459 917	494 996
Loss in share trust	–	–	(1)	–	(1)
Shares held in treasury	–	(5 593)	–	–	(5 593)
Dividends paid	–	–	–	(21 093)	(21 093)
Balance as at 31 December 2015	856	40 155	70 475	1 589 896	1 701 382
Total comprehensive income for the period	–	–	(8 585)	(127 222)	(135 807)
Loss in share trust – written back	–	–	1	–	1
Loss in share trust	–	–	(1)	–	(1)
Shares held in treasury – written back	–	5 593	–	–	5 593
Shares held in treasury	–	(11 192)	–	–	(11 192)
Dividends paid	–	–	–	(13 251)	(13 251)
Balance as at 30 June 2016	856	34 556	61 890	1 449 423	1 546 725

Contingent liabilities

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

Year 1	R1 057 000.
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Investment holdings

as at 30 June 2016

	Economic interest %	Fair value R'000
Unlisted investments		
Masimong Chemicals (Pty) Ltd * ¹		
SA Bias Industries (Pty) Ltd * ²	58,2	
Sunspray Food Ingredients (Pty) Ltd * ³	22,0	
		1 332 786
* ¹ Participating preference shares linked to the performance of 22,5m shares in Rolfes Holdings Limited		
* ² Voting interest 49%		
* ³ Held through Famdeen Investments (Pty) Ltd		
Listed investments		
	Ordinary shares	
Brait S.E.	758 477	106 149
Datatec Limited	500 000	21 925
Metrofile Holdings Limited	25 000 000	120 000
Rolfes Holdings Limited	3 575 000	10 689
Torre Industries Limited	61 816 355	127 960
Transaction Capital Limited	10 000 000	115 000
		501 723
Long-term investment holdings		1 834 509
Offshore investment holdings		163 779
Share portfolio		–
Bond portfolio		117 492
Corero Network Security Plc	13 120 000	46 287
TOTAL HOLDINGS		1 998 288

Commentary

Profile

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

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

Changes in investment holdings

During the period Sabvest:

- purchased 500 000 shares in Datatec Limited for R21,8m;
- purchased 5 000 000 shares in Metrofile Holdings Limited for R20,4m;
- received a further 796 360 Torre shares valued at R2,1m as a dividend in specie thereby increasing its holding to 61 816 355 shares which represents a 12% interest in Torre;
- purchased 6 285 Sabvest ordinary shares and 188 299 Sabvest “N” ordinary shares for R5,6m and which are presently held as treasury shares in a subsidiary;
- purchased 575 000 shares in Rolfes Holdings Limited for R1,7m thereby increasing its holding to 3 575 000 shares;
- purchased additional participating preference shares of R23,5m in Masimong Chemicals (Pty) Limited, the value of which is directly linked to the performance of 7,5m ordinary shares in Rolfes Holdings Limited thereby increasing its holding in preference shares in an amount linked to the performance of 22,5m Rolfes shares; and
- increased its offshore bond portfolio by R91m to R117,5m.

Financial results

In 2015 Sabvest achieved record results of R459m PAT and 1 003 cents HEPS, driven by high listed share prices and the conversion of unlisted investment valuations at the weak Rand exchange rate.

At the interim reporting date the share prices of a number of the group's listed investments had reduced materially, Torre and Brait in particular, and the Rand was stronger than at the year-end.

In addition, the CGT rate applicable to companies was increased which required an adjustment to the deferred tax liability for prior years.

As a result Sabvest recorded a loss of R127m and a HEPS loss of 279 cents. This in turn resulted in a reduction in NAV per share to 3 395 cents per share for the six-month period.

However, although NAV per share reduced in the six-month period, it increased by 13% over the twelve months since the previous interim reporting date.

The group's cash flows remain strong and the interim dividend has accordingly been increased by 9,5% to 23 cents per share.

The statement of financial position is conservatively geared. Subsequent to the interim reporting date, medium-term debt has been increased by R20m and short-term debt reduced accordingly.

Listed investments

- Brait's share price reduced pursuant to the Brexit vote in the UK and the resulting weakness of sterling. The underlying investments held by Brait continue to perform satisfactorily.
- Metrofile continues to perform steadily.
- Torre's share price weakened materially due to the poor performance of most of its divisions in the sectors it services in South Africa. We remain confident of Torre's medium-term performance.
- Transaction Capital continues to trade well.
- Datatec had a difficult year in 2015/2016, but we are confident of its performance in the periods ahead.
- Rolfes produced strong interim results and its share price performance has been steady. Sabvest now has direct and indirect interests in 17% of Rolfes shares in issue.
- Corero Network Security continues to win contracts for its new generation SmartWall product in its DDOS focused cyber security segment. It should be noted that although Corero is UK listed, its revenues are dollar based.
- The group's offshore portfolio performed satisfactorily. The holdings at the reporting date comprised 24 bonds as listed on Sabvest's website. The bond portfolio is focused on an average BB rating, mostly emerging market issuers, fixed date redeemables, dollar denominated or dollar hedged and with maturities of up to five years. For the first time in many years the portfolio does not contain any listed equity investments (other than Corero).

Unlisted investments

- SA Bias Industries' results for the period were steady and in line with the prior year. The results were aided by the inclusion of 100% of Flowmax Holdings Limited (prior period 60%).
- Sunspray traded satisfactorily with profitability ahead of the prior year.

Unlisted investments continue to be valued using the maintainable earnings model (NOPAT) adjusted for net cash/debt. The multiples were unchanged from prior periods.

The value of Masimong Chemicals preference shares is based on the Rolfes shares to which they are linked.

Deferred taxation

Due to the change in the CGT rate, the deferred tax liability was increased by R55,7m relative to prior years. The level of unrealised fair value adjustments exceeds the assessed losses in subsidiaries and deferred tax is raised.

Dividends

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

Dividends are considered twice annually. The interim dividend has been increased by 9,5% to 23 cents per share (2015: 21 cents per share).

Related parties

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

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

Accounting policies

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

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

Changes to company secretary

Ms Paige Atkins resigned as company secretary and Levitt Kirson Management Services CC have been appointed as company secretary, both effective 1 June 2016.

Prospects

The group's unlisted investee companies are trading satisfactorily but economic conditions continue to be weak and their earnings are expected to be under pressure in the second half of the year.

The group's listed investee companies are trading to expectations. However, conditions in the industrial and mining sectors in South Africa continue to weaken. Future movements in share prices are obviously uncertain but in our view share prices will weaken further in the second half of the year.

Forecast information contained in this announcement has not been reviewed and reported on by the group's external auditors.

For and on behalf of the Board

Philip Coutts-Trotter
Chairman

Christopher Seabrooke
CEO

Raymond Pleaner
CFO

Sandton
29 July 2016

Cash dividend declaration

Notice is hereby given that an interim gross dividend of 23 cents (2015: 21 cents) per ordinary and "N" ordinary share for the six months ended 30 June 2016 has been declared out of income reserves.

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

Withholding tax on dividends at a rate of 15% will be deducted for all shareholders who are not exempt in terms of the legislation. This will result in an interim net cash dividend of 19,55 cents per ordinary and "N" ordinary share to non-exempt shareholders.

Last date to trade "CUM" dividend	Tuesday, 16 August 2016
Trading "EX" dividend commences	Wednesday, 17 August 2016
Record date	Friday, 19 August 2016
Dividend payment date	Monday, 22 August 2016

No dematerialisation or rematerialisation of share certificates will be allowed during the period Wednesday, 17 August 2016 to Friday, 19 August 2016, both days inclusive.

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

*Executive #Independent

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