

AUDITED ANNUAL FINANCIAL STATEMENTS

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DECLARATION BY THE GROUP CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The directors, whose names are stated below, hereby confirm that –

- (a) the annual financial statements set out on pages 47 to 93, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- (b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Signed by the CEO and the CFO



CS Seabrooke
Chief Executive Officer

Sandton
16 March 2022



R Pleaner
Chief Financial Officer

Audited annual financial statements

continued

**DIRECTORS' APPROVAL OF THE
ANNUAL FINANCIAL STATEMENTS****To the shareholders of Sabvest Capital 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 pages 49 to 52 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
16 March 2022



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
16 March 2022

Audited annual financial statements

continued

**SOCIAL, ETHICS AND
TRANSFORMATION COMMITTEE REPORT**

for the year ended 31 December 2021

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 Capital Limited (“Sabcap”) 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 Group supports various initiatives and promotes responsible management in its investees to take account of their stakeholders’ interests and social, environmental and corporate governance (“ESG”) initiatives. Sabcap’s own social responsibility initiatives were funded in an amount of R2,7 million in 2021 (2020: R3,3 million) and were primarily education related.

The Committee has established terms of reference and meets annually to review progress of any ESG initiatives across the Group and where relevant, to agree activities to support relevant programmes undertaken by portfolio companies.

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.

**L Mthimunye***Social, Ethics and Transformation Committee Chairman*

Sandton

16 March 2022

Audited annual financial statements

continued

INDEPENDENT AUDITOR'S REPORT**To the Shareholders of Sabvest Capital Limited****Report on the Audit of the Consolidated and Separate Financial Statements****Opinion**

We have audited the consolidated and separate financial statements of Sabvest Capital Limited (the Group and Company) set out on pages 60 to 92, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of 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 Sabvest Capital Limited and its subsidiaries as at 31 December 2021, 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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). 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. The key audit matters apply to the consolidated financial statements and there were no key audit matters identified for the separate financial statements.

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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 reduced by rental expenses to derive at a pre-IFRS 16 EBITDA. This EBITDA is then multiplied by the determined earnings multiple which is also a pre-IFRS 16 earnings multiple. These valuations incorporated a number of assumptions, the primary assumptions in notes 2, 4 and 22 to the consolidated financial statements being:</p> <ol style="list-style-type: none"> 1. Determination of maintainable earnings; and 2. Earnings multiple. <p>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>	<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 specialists and with their assistance 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 and/or latest budgets 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 to previous years and whether the effects of COVID-19 was appropriately taken into account. <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 resulting in a reasonable fair value.</p> <p>Historically, actual earnings was used as a basis for determining maintainable earnings unless where budgeted earnings was projected to be less than actual. In 2020 the earnings used varied per investee as COVID-19 impacts varied and a combination of 2019, 2020 and budgeted 2021 earnings was used depending on the entity and what was considered to be maintainable earnings. This approach has remained consistent in the current year, however, a combination of 2021 and budgeted 2022 earnings was used depending on the entity and what is considered to be maintainable earnings.</p> <p>In notes 2, 4 and 22 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>

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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 Capital Limited Audited Annual Financial Statements for the year ended 31 December 2021", which includes the Directors' Report, the Audit and Risk Committee Report, the Company Secretary's Certificate and the Social, Ethics and Transformation Committee Report as required by the Companies Act of South Africa and the Declaration by the Group Chief Executive Officer and Chief Financial Officer, 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 the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with 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

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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, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Sabvest Capital Limited for 2 years since inception and the auditor of the subsidiaries within the Group for 21 years.

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

16 March 2022

Deloitte, 5 Magwa Crescent, Waterfall City, Waterfall

DIRECTORS' REPORT

at 31 December 2021

Nature of business

Sabcap Group's main activities are set out in the corporate profile on page 4.

Results of operations

The results of operations for the year ended 31 December 2021 are reflected in the attached audited annual financial statements.

Subsidiaries

Details of the Company's interest in its consolidated subsidiaries appear in Annexure A, which forms part of the annual financial statements.

Going concern

Based upon solvency, cash resources and forecasts, and taking into consideration the impact of COVID-19 on the Group's investee companies, the Board has concluded that the Group and Company will be a going concern in the year ahead. Refer to Going Concern note 29.

Investments

Details of the Group's investments are set out in notes 2 and 4 to the annual financial statements.

Directors' interests

The directors' beneficial and non-beneficial direct and indirect holdings in the ordinary shares of the Company at 31 December 2021 were as follows:

	2021 '000's	2020 000's
Executive		
L Rood	300	171,6
CS Seabrooke	16 000	16 000
R Pleaner	1 055,2	1 055,2
Non-executive		
K Pillay	72,4	67,8
L Mthimunye	30	30
BJT Shongwe	30	30
DNM Mokhobo * ¹	–	30
O Ighodaro	–	–
	17 487,6	17 384,6

*¹ Retired effective 31 December 2020.

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 20 cents per share (2020: 10 cents) was declared and paid during the year and a final dividend of 55 cents per share (2020: 15 cents) has been declared subsequent to the year-end, making a total of 75 cents for the year (2020: 25 cents). There were no changes to the dividend policy during the current year.

DIRECTORS' REPORT

at 31 December 2021

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Share capital

At 31 December 2020, Sabcap held 40 500 ordinary shares as treasury shares. During 2021, Sabcap repurchased 1 429 500 ordinary shares and cancelled 1 450 000 of these ordinary shares. Accordingly, the number of shares in issue at year end, net of treasury shares, was 39 530 000 ordinary shares. The maximum number of Sabvest shares in issue in prior years was 52 327 962, which has been reduced to the current level through buy backs (net of the issue of additional shares when Sabcap listed).

Changes in investment holdings

During the reporting period Sabcap:

- ◆ disposed of its Brait bonds for GBP2,308m (R48,2m);
- ◆ received R36,0m for 10,9m Rolfes shares which were under option to Phatisa;
- ◆ increased its look through interest in the two Mandarin structures owning the ITL Group from 30% to 34% for \$ 4,8m (R70,2m) and R0,8m respectively;
- ◆ received early repayment of its redeemable preference shares in Mandarin Holdings of R112,4m and received a net amount of R63,2m after re-investing R48,8m of the proceeds on loan account as part of the funding for the redemption;
- ◆ invested a further R8,7m in Masimong *pro-rata* in a rights issue;
- ◆ increased its interest in Metrofile to 55m shares for R15,0m;
- ◆ increased its shareholding in Corero Network Security Plc (Corero) from 36,3m shares to 47m shares for GBP1,3m (R27,4m);
- ◆ restructured its interests in SA Bias Industries from 59,9% to 85,1% but SA Bias reduced its interests in Flowmax and Narrowtex Group from 100% to 73,9% and 75,0% respectively, with the result that Sabcap's look through interest in SA Bias' two operating divisions increasing marginally from 59,9% in each to 62,9% in Flowmax and 63,9% in Narrowtex Group;
- ◆ sold 4m Transaction Capital (TC) shares for R142,1m;
- ◆ settled the section 164 appraisal claims in respect of the 251 880 Sabvest shares for an amount of R11,9m; and
- ◆ acquired 1 429 500 Sabcap shares through a shareholder approved buyback program for R66,0m.

Sabcap's unlisted investees have concluded various transactions as follows:

- ◆ Apex acquired Clyde Bergemann Africa and provided convertible loan funding to Turnmill Proquip Engineering;
- ◆ SA Bias acquired Buckley International through Flowmax and Specialised Ropes through Narrowtex; and
- ◆ Masimong increased its interests in Mouton Citrus, Southern Farms and Anchor Group (which was delisted), and varied its interests in Intelichem through a merger of Intelichem with Villa Crop Protection to form Winfield United RSA (majority owned by Land Ó Lakes USA).

COVID-19

Sabcap and its investee companies have adhered to all health protocols and lockdown regulations worldwide. The infection rates in the operations of investees have fortunately been low relative to national averages but regrettably there have been a few deaths. The Board extends its sincerest condolences to the families.

At the date of this report, all of the Group's investee companies are now trading close to or better than pre-COVID levels.

DIRECTORS' REPORT

at 31 December 2021

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Directorate and governance

Details of the present Board of Directors and the Secretary appear on pages 19 and 96.

Messrs B Shongwe and L Rood will retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

Mr K De Matteis will be appointed an executive director of the Company and Group CFO with effect from 30 April 2022, with Mr R Pleaner, an executive director of the company and Group CFO, retiring from the Board and as Group CFO with effect from the same date. Mr K De Matteis will retire at the forthcoming annual general meeting but, being eligible, offer himself for re-election.

Auditors

Deloitte & Touche were reappointed as external auditors at the General Meeting held on 24 May 2021.

Corporate governance

Full details regarding the Company's commitment to, and its compliance with, appropriate international corporate governance practices are set out in the Integrated Annual Report.

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 94.

Subsequent events

Disposed of a further 1m TC shares for R48,7m, retaining 5m shares and subscribed for a 49,9% equity interest in a subsidiary of Masimong Group Holdings Proprietary Limited, Masimong Electrical Holdings Proprietary Limited (MEH), committing to make shareholder loan funding of R199m and financial guarantees R24,5m available to MEH on demand to facilitate the acquisition of 37,07% of ARB Holdings Limited (ARB) by way of a scheme of arrangement and a subsequent delisting of ARB from the JSE. Sabcap also increased its holding in Corero Network Security Plc (Corero) by 3m shares to 50m shares, representing 10,1% of Corero, for GBP0,4m (R7,4m) and issued a deal related guarantee on behalf of an investee. Refer to Subsequent Events note 27.

Special resolutions

The following is a summary of the special resolutions that were passed at the general meeting held on 24 May 2021:

Special resolution number 1

Approval of proposed non-executive directors' remuneration for the year ending 31 December 2021

"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 2021 be authorised and determined on the basis and the amounts set out below.

Fees are:

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

DIRECTORS' REPORT

at 31 December 2021

continued

	Year ending 2021 R	Year ended 2020 (annualised) R
Chairman	370 000	360 000
Deputy Chairman	278 000	270 000
Non-executive directors	257 500	250 000
Chairman of the Audit and Risk Committee	175 000	170 000
Chairman of the Remuneration Committee	103 000	100 000
Chairman of the Nominations Committee	87 500	85 000
Chairman of the Social, Ethics and Transformation Committee	87 500	85 000
Committee members/invitees	62 000	60 000
Directorships of investees by non-executive directors for Sabcap	n/a	145 000
Lead Independent Director – additional amount	41 200	40 000

The resolution was passed on 24 May 2021.

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 R5bn (five billion rand) on a cumulative and additive basis . This authority shall not extend beyond 2 (two) years from the date of this annual general meeting.”

The resolution was passed on 24 May 2021.

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 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

DIRECTORS' REPORT

at 31 December 2021

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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) on a cumulative and additive basis. This authority shall not extend beyond 2 (two) years from the date of this annual general meeting.”

The resolution was passed on 24 May 2021.

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 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 last day of the month prior to 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 (fifteen) months from the date of passing this special resolution number four;
- ◆ an announcement will be published as soon as the Company or any of its subsidiaries have together acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue and for each 3% (three percent) 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% (twenty percent) 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% (ten percent) in the aggregate of the number of issued shares in the Company at any time;
- ◆ 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(8)(b) is applicable in relation to that particular repurchase;
- ◆ shares of the Company may not be acquired at a price greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of acquisition of such shares;
- ◆ has been given authority to repurchase shares by its MOI;
- ◆ the Board of directors authorise the repurchase, the group and the Company passes the solvency and liquidity test and that from the time that the test is done, there will be no material changes to the financial position of the Company;
- ◆ at any point in time, the Company and/or its subsidiaries may only appoint one agent to effect any such repurchase;
- ◆ the Company and/or its subsidiaries will not repurchase any shares during a prohibited period, as defined in the JSE Listings Requirements unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed (not subject to any variation) and have been submitted to the JSE in writing. The Company and/or its subsidiaries will entrust an independent third party prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- ◆ 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);

DIRECTORS' REPORT

at 31 December 2021

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- ◆ that this general authority be valid only until the last day of the month prior to the next annual general meeting or 15 (fifteen) months from the date of the passing of this resolution, whichever is the earlier date;
- ◆ the Board must pass a resolution authorising 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;
- ◆ any general repurchase is subject to exchange control regulations and approvals in place at that point in time; and
- ◆ the approval for the purchase of shares by a subsidiary authorises the Company to approve, to the extent necessary, a resolution to acquire shares in the Company by the board of a subsidiary company”.

The resolution was passed on 24 May 2021.

Preparation and approval of financial statements

The preparation of these Consolidated and Company financial statements was supervised by the Chief Financial Officer, R Pleaner CA(SA) and approved by the Board on 16 March 2022.

AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 December 2021

The Audit and Risk Committee met three times 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 rotation; 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 21 years (Deloitte & Touche has been the auditor of Sabcap for 2 years since inception and the auditor of the subsidiaries within the Group for 21 years) and partner rotation, in line with the requirements of the Companies Act and the International Federation of Accountants. 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 2022 financial year. It is the intention to rotate auditors for the 2023 financial year.
- ◆ The Committee noted the key audit matter set out in the independent auditor's report, which is the valuation model and inputs applied to unlisted investments carried at fair value.
- ◆ The expertise and experience of the Finance Function and the CFO were assessed and approved.
- ◆ The Committee noted and considered the JSE's report on proactive monitoring of financial statements.
- ◆ 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 10 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 management and the auditors concerning the Internal Control Environment Systems and Processes, in particular the report from the internal auditors on the internal financial controls informing the declaration by the CEO and CFO.
 - The CEO and CFO and the internal auditors have reviewed the controls over financial reporting, the process of which was concluded post year-end, and have presented their findings to the Audit Committee. A number of internal control deficiencies were identified within certain functions, primarily deriving from the small size of the finance and accounting department not facilitating the division of responsibilities, and not having all the necessary policies and procedures formally documented. These have been reported to the Audit Committee and are being dealt with by management in the ordinary course of business. The Audit Committee is, however, satisfied that none of these deficiencies had a material effect for the purposes of the preparation and presentation of the financial statements for the year under review and the risk is accepted as reasonable given the size of the team.
- ◆ The Committee reviewed and recommended the adoption by the Board of such financial information which is publically disclosed and included in the annual financial statements, including accounting policies.



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Audit and Risk Committee Chairman

Sandton

16 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Notes	2021 R'000	2020 R'000
Non-current assets		4 022 008	3 364 619
Property, plant and equipment	1	2 515	2 990
Right of use of asset	1	3 304	4 210
Investment holdings	2	4 016 189	3 357 419
Unlisted investments		3 430 078	2 895 853
Listed investments		586 111	461 566
Current assets		243 161	281 136
Finance advances and receivables	3	21 663	134 649
Investment funds offshore	4	75 138	56 295
Investments held-for-sale	4	–	86 341
Cash balances	5	146 360	3 851
Total assets		4 265 169	3 645 755
Ordinary shareholders' equity		3 704 327	3 048 991
Share capital	6	1 360 907	1 426 865
Non-distributable reserves	7	(1 218 340)	(1 274 373)
Accumulated profit	7	3 561 760	2 896 499
Non-current liabilities		499 302	509 306
Interest-bearing debt	8	240 000	330 000
Provisions	9	17 255	4 983
Lease liability	12	2 758	–
Deferred tax liabilities	11	239 289	174 323
Current liabilities		61 540	87 458
Interest-bearing debt		20 390	39 610
Current portion of interest-bearing debt	8	–	10 000
Portfolio finance offshore	8	12 944	–
Interest-bearing debt	8	7 446	29 610
Accounts payable and provisions	9	40 260	47 848
Lease liability	12	890	–
Total equity and liabilities		4 265 169	3 645 755

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
Gross income from operations and investments		864 134	492 075
Dividends received	17	253 036	107 226
Interest received	17	18 355	18 834
Forex (loss)/gain		(2 584)	6 525
Loss on sale of financial instruments and shares	17	–	(7 118)
Fees	17	1 756	1 771
Fair value adjustments to investments		593 571	364 837
– Listed		227 173	63 727
– Unlisted		366 398	301 110
Transactional costs		(1 117)	(12 785)
Fair value loss on initial recognition and modification of interest-free loans		(3 612)	(688)
Interest paid		(19 922)	(27 667)
Net income before operating expenses		839 483	450 935
<i>Less:</i> Expenditure		(95 316)	(56 404)
Net income before taxation	10	744 167	394 531
Taxation	11	(64 966)	(101 347)
Net income for the year attributable to equity shareholders		679 201	293 184
Translation of foreign subsidiary * ¹	18	56 033	44 840
Total comprehensive income for the year attributable to equity shareholders		735 234	338 024
Earnings per share – cents * ²	13	1 689,6	708,4

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

*² There are no diluting instruments.

COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Notes	2021 R'000	2020 R'000
Non-current assets		1 443 375	1 443 375
Investment in subsidiaries	2	1 443 375	1 443 375
Current assets		26 730	26 322
Loans to subsidiaries (Annexure A)		26 686	26 281
Cash balances		44	41
Total assets		1 470 105	1 469 697
Share capital	6	1 349 264	1 429 014
Accumulated profit	7	118 582	38 853
Ordinary shareholders' equity		1 467 846	1 467 867
Current liabilities		2 259	1 830
Accounts payable	9	2 259	1 830
Total equity and liabilities		1 470 105	1 469 697

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
Dividends received	17	100 000	48 000
Interest received	17	1	1
Gross income		100 001	48 001
Transactional costs		-	(10)
Expenditure		(6 264)	(5 038)
Total comprehensive income for the year attributable to equity shareholders		93 737	42 953

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

for the year ended 31 December 2021

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash flows from operating activities	149 816	12 932	80 158	40 683
Net income for the year	679 201	293 184	93 737	42 953
Adjustments for:			–	
Depreciation	1 778	1 915	–	–
Fair value adjustments to investments	(593 571)	(364 837)	–	–
Fair value loss on initial recognition of interest-free loans	3 612	688	–	–
Interest received	(1 163)	(1 162)	–	–
Interest paid	19 922	27 667	–	–
Deferred taxation	64 966	101 347	–	–
Loss on financial instruments and shares	–	7 118	–	–
Loss on disposal of property, plant and equipment	51	48	–	–
Provisions	12 450	4 033	–	–
(Decrease)/increase in accounts payable	(3 500)	(9 214)	429	1 830
Cash flows from operations	183 746	60 787	94 166	44 783
Cash interest paid	(19 922)	(27 667)	–	–
Dividends paid – ordinary	(14 008)	(20 188)	(14 008)	(4 100)
Cash flows from/(utilised in) investing activities	168 490	(14 963)	(405)	(26 281)
Purchase of property, plant and equipment	(379)	(303)	–	–
Purchase of investment holdings and offshore portfolios	(440 414)	(188 952)	–	–
Proceeds from sale of investment holdings and offshore portfolios	498 746	183 852	–	–
Increase in loans to subsidiaries	–	–	(405)	(26 281)
Decrease/(increase) in finance advances and receivables	110 537	(9 560)	–	–
Cash flows (utilised in)/from financing activities	(175 797)	2 757	(79 750)	(14 361)
(Decrease)/increase in long-term loan	(100 000)	40 000	–	–
(Decrease)/increase in other interest-bearing debt	(22 164)	12 888	–	–
Repayment of principal portion of lease liability	(618)	(1 065)	–	–
Repurchase of company shares	(65 959)	(16 510)	(79 750)	(14 361)
Increase/(decrease) in offshore portfolio finance	12 944	(35 476)	–	–
Increase in cash offshore	–	2 920	–	–
Change in cash and cash equivalents	142 509	726	3	41
Cash and cash equivalents at beginning of year	3 851	3 125	41	–
Cash and cash equivalents at end of year	146 360	3 851	44	41

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2021

GROUP	Share capital R'000	Non-distributable reserves R'000	Accumulated profit R'000	Total R'000
Balance as at 1 January 2020	1 443 375	(1 319 213)	2 635 294	2 759 456
Total comprehensive income for the year	–	44 840	293 184	338 024
Sabvest shares repurchased and cancelled	–	–	(11 791)	(11 791)
Shares repurchased and cancelled	(15 306)	–	–	(15 306)
Shares held in treasury	(1 204)	–	–	(1 204)
Dividends paid	–	–	(20 188)	(20 188)
Balance as at 1 January 2021	1 426 865	(1 274 373)	2 896 499	3 048 991
Total comprehensive income for the year	–	56 033	679 201	735 234
Shares held in treasury – written back	1 204	–	–	1 204
Shares repurchased and cancelled	(66 014)	–	–	(66 014)
Shares held in treasury	(1 148)	–	–	(1 148)
Unclaimed dividends – written back	–	–	68	68
Dividends paid	–	–	(14 008)	(14 008)
Balance as at 31 December 2021	1 360 907	(1 218 340)	3 561 760	3 704 327
COMPANY				
Balance as at 1 January 2020	–	–	–	–
Issue of share capital on reverse acquisition	1 443 375	–	–	1 443 375
Total comprehensive income for the year	–	–	42 953	42 953
Shares cancelled	(14 361)	–	–	(14 361)
Dividends paid	–	–	(4 100)	(4 100)
Balance as at 1 January 2021	1 429 014	–	38 853	1 467 867
Total comprehensive income for the year	–	–	93 737	93 737
Shares cancelled	(79 750)	–	–	(79 750)
Dividends paid	–	–	(14 008)	(14 008)
Balance as at 31 December 2021	1 349 264	–	118 582	1 467 846

ACCOUNTING POLICIES

for the year ended 31 December 2021

Accounting policies

The Consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), the requirements of the Companies Act, No. 71 of 2008, the JSE Listings Requirements, 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.

Basis of consolidation

The Consolidated financial statements incorporate the financial statements of the company and entities controlled by the Company (its subsidiaries) as at 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 affect its returns.

Sabcap 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 (which include investment loans) are accounted for at Fair Value Through Profit and Loss (“FVTPL”) in terms of IFRS 9: *Financial Instruments*.

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.

Where investments are unlisted equities, fair value is mostly calculated using the maintainable earnings model but also net asset value (“NAV”), discounted cash flow (“DCF”) valuations or recent transaction pricing as appropriate. Maintainable earnings are based on historic and projected Earnings Before Interest, Taxation, Depreciation and Amortisation (“EBITDA”) as appropriate. Earnings have been normalised for one off items, IFRS 16 and the effects of COVID-19 as long as there has been no permanent damage to the business models and relative to the periods by which pre-COVID-19 volumes and earnings are expected to be achieved. 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. Funding requirements to restore the business models to pre-COVID-19 levels (being the funding of losses, safety and employee costs and working capital normalisation) have been added to debt as appropriate. They may be measured for reasonableness against NAV (if this is a relevant metric), recent transaction prices and/or DCF valuations.

For other unlisted investments fair value is determined using an appropriate valuation model.

ACCOUNTING POLICIES

for the year ended 31 December 2021

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, finance advances and receivables are measured initially at cost. The loans, finance advances and receivables are measured subsequently at amortised cost using the effective interest rate method. If the terms of a loan, finance advance 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 difference between the consideration received and the fair value of the investment at the commencement of the financial year is accounted for in the statement of comprehensive income as a gain or loss in fair value.

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, an 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.

ACCOUNTING POLICIES

for the year ended 31 December 2021

continued

Treasury shares

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

Property, plant and equipment

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

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

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

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

Foreign currencies

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Rands using exchange rates prevailing at the end of each reporting date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

ACCOUNTING POLICIES

for the year ended 31 December 2021

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 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 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 as they are rendered, recorded in accordance with IFRS 15.

ACCOUNTING POLICIES

for the year ended 31 December 2021

continued

Lease agreements

Future lease payments discounted at market-related rates are recognised as a right of use asset (ignoring variable 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 market-related rates 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 23.

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.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank.

ACCOUNTING POLICIES

for the year ended 31 December 2021

continued

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, including those made in relation to COVID-19, 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 22.

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

All new and revised standards and interpretations issued by IASB and the IFRS Interpretations Committee (“IFRIC”) of the IASB that are relevant to the Group’s operations and effective for annual reporting periods commencing on 1 January 2021 have been adopted and retrospectively applied. These standards include:

- ◆ IFRS 16 – *Leases* (amendments effective for annual periods beginning on or after 1 June 2020).

Their adoption has not had a significant impact on the presentation of the financial statements.

At the date of authorisation of these financial statements, the following standards and amendments were in issue but not yet effective for the annual periods commencing on or after the specified dates:

		Effective date
IFRS 3	Business Combinations	1 January 2022
IAS 16	Property, Plant and Equipment	1 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
IAS 1	Presentation of Financial Statements	1 January 2023
IAS 8	Accounting policies, changes in accounting estimates and errors	1 January 2023
IAS 12	Income Taxes	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023

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

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

	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			
2021 GROUP			
Beginning of year			
Cost	1 330	6 087	7 417
Accumulated depreciation	(833)	(3 594)	(4 427)
Net book value	497	2 493	2 990
Current year movements			
Additions	–	379	379
Disposals cost	–	(134)	(134)
Disposal – accumulated depreciation	–	83	83
Depreciation	(221)	(582)	(803)
Total movement	(221)	(254)	(475)
End of year			
Cost	1 330	6 332	7 662
Accumulated depreciation	(1 054)	(4 093)	(5 147)
Net book value	276	2 239	2 515
2020 GROUP			
Beginning of year			
Cost	1 330	6 688	8 018
Accumulated depreciation	(612)	(3 796)	(4 408)
Net book value	718	2 892	3 610
Current year movements			
Additions	–	303	303
Disposals cost	–	(904)	(904)
Disposal – accumulated depreciation	–	856	856
Depreciation	(221)	(654)	(875)
Total movement	(221)	(399)	(620)
End of year			
Cost	1 330	6 087	7 417
Accumulated depreciation	(833)	(3 594)	(4 427)
Net book value	497	2 493	2 990

As required by IAS 16 – *Property, Plant and Equipment*, the Group has reviewed the residual values and remaining useful lives used for the purposes of depreciation calculations in the light of the definition of residual value in the standard. The review did not highlight any requirement for an adjustment to the residual values or useful lives used in the current period. In line with the standard's requirements, these residual values and useful lives will be reviewed and updated annually in the future.

Audited annual financial statements

continued

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

continued

	GROUP	
	2021 R'000	2020 R'000
1. Property, plant and equipment and right of use asset <i>continued</i>		
1.2 Right of use asset		
Beginning of year		
Cost	4 767	1 611
Accumulated depreciation	(557)	(1 128)
Net book value	4 210	483
Current year movements		
Recognition of right of use asset	69	4 767
De-recognition on expiry of lease – cost	–	(1 611)
De-recognition on expiry of lease – accumulated depreciation	–	1 611
Depreciation	(975)	(1 040)
Total movement	(906)	3 727
End of year		
Cost	4 836	4 767
Accumulated depreciation	(1 532)	(557)
Net book value	3 304	4 210

The nature of the leases are all leases for premises. The prior lease expired on 31 May 2020 and was renewed at that date.

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	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
2. Investment holdings				
2.1 Investment in subsidiaries				
Shares at cost less impairments (refer Annexure A)	–	–	1 443 375	1 443 375
2.2 Investment holdings				
<i>Unlisted</i>				
At cost	1 598 630	1 420 847	–	–
Fair value adjustment	1 831 448	1 475 006	–	–
Opening balance	1 475 006	1 151 380	–	–
Transfer from listed investments	–	(5 512)	–	–
Transfer from listed investments held indirectly	–	(3 494)	–	–
Realisations	6 450	–	–	–
Transfer to held for sale	–	15 773	–	–
Transfer from held for sale	(14 720)	–	–	–
Currency fluctuations	(1 071)	19 588	–	–
Movement for the year	365 783	297 271	–	–
Directors' value	3 430 078	2 895 853	–	–
<i>Listed</i>				
At cost	259 989	248 033	–	–
Fair value adjustments	326 122	213 533	–	–
Opening balance	213 533	143 355	–	–
Transfer to unlisted	–	5 512	–	–
Transfer to held-for-sale	–	(138)	–	–
Realisations	(106 215)	–	–	–
Currency fluctuations	2 145	(4 604)	–	–
Movement for the year	216 659	69 408	–	–
Market value	586 111	461 566	–	–
<i>Listed held indirectly</i>				
At cost	–	–	–	–
Fair value adjustments	–	–	–	–
Opening balance	–	(3 494)	–	–
Transfer to held-for-sale	–	3 494	–	–
Movement for the year	–	–	–	–
Market value	–	–	–	–
Balance sheet value	4 016 189	3 357 419	–	–

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
3. Finance advances and receivables				
Finance advances	21 388	118 220	–	–
Sundry receivables	275	16 429	–	–
	21 663	134 649	–	–
Interest-free loans				
Gross advances	19 461	18 389	–	–
Fair value loss on initial recognition	(6 172)	(4 827)	–	–
Fair value loss on modification	(2 267)	–	–	–
Interest earned	3 684	2 521	–	–
Currency fluctuations	(56)	(54)	–	–
	14 650	16 029	–	–

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.

Financial advances and receivables are carried at amortised cost which approximates the fair value.

4. Listed/unlisted investments held directly**4.1 Listed investments (held-for-sale)**

At cost	–	60 269	–	–
Fair value adjustments	–	(9 363)	–	–
Opening balance	(9 363)	(112 910)	–	–
Transfer from unlisted investments	–	138	–	–
Realisations	13 089	112 910	–	–
Currency fluctuations	(237)	1 218	–	–
Movement for the year	(3 489)	(10 719)	–	–
Market value	–	50 906	–	–

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	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
4. Listed/unlisted investments held directly <i>continued</i>				
4.2 Unlisted investments (held-for-sale)				
At cost	–	48 428	–	–
Fair value adjustments	–	(12 993)	–	–
Opening balance	(12 993)	–	–	–
Transfer from unlisted investments	–	(15 773)	–	–
Transfer to unlisted investments	14 720	–	–	–
Realisations	(2 339)	–	–	–
Movement for the year	615	3 839	–	–
Currency fluctuations/variations	(3)	(1 059)	–	–
Market value	–	35 435	–	–
4.3 Bond portfolio offshore				
At cost	–	–	–	–
Fair value adjustments	–	–	–	–
Opening balance	–	(1 765)	–	–
Realisation	–	1 970	–	–
Movement for the year	–	–	–	–
Currency fluctuations/variations	–	(205)	–	–
Market value	–	–	–	–
4.4 Investment funds offshore				
At cost	63 620	51 826	–	–
Fair value adjustments	11 518	4 469	–	–
Opening balance	4 469	–	–	–
Realisations	(7 536)	–	–	–
Movement for the year	14 003	5 038	–	–
Currency fluctuations/variations	582	(569)	–	–
Market value	75 138	56 295	–	–

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	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
5. Cash balances				
Balances with banks *				
– local	146 344	241	44	41
– offshore	16	3 610	–	–
	146 360	3 851	44	41

* Cash is predominantly held by Sabcap's wholly owned subsidiary, Sabvest Finance and Guarantee Corporation (Pty) Limited. Cash is placed with banks having a credit rating of at least Baa3.

6. Share capital**6.1 Share capital**

The Company has authorised ordinary share capital of 500 000 000 no par shares and 1 Z share.

At year-end, there were 39 550 000 (2020: 41 000 000) Sabcap ordinary shares in issue and 1 (2020: 1) Z share. Issued, net of shares held in treasury, was 39 530 000 (2020: 40 959 500) ordinary shares and 1 (2020: 1) Z share.

5% of the ordinary shares are under the control of the directors until the forthcoming annual general meeting.

	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
6.2 Reconciliation of number of shares in issue				
<i>Ordinary shares</i>				
At beginning of year	41 000 000	41 508 352	41 000 000	–
Issue of share capital on reverse acquisition	–	–	–	41 508 352
Repurchased and cancelled *	(1 450 000)	(508 352)	(1 450 000)	(508 352)
	39 550 000	41 000 000	39 550 000	41 000 000
Treasury shares held	(20 000)	(40 500)	–	–
	39 530 000	40 959 500	39 550 000	41 000 000
6.3 Reconciliation of issued share capital				
At beginning of year	1 426 865	1 443 375	1 429 014	–
Issue of share capital on reverse acquisition	–	–	–	1 443 375
Shares held in treasury – written back	1 204	–	–	–
Shares repurchased and cancelled *	(66 014)	(15 306)	(79 750)	(14 361)
Shares held in treasury *	(1 148)	(1 204)	–	–
Share capital	1 360 907	1 426 865	1 349 264	1 429 014

* The Group repurchased 1 429 500 shares (at an average price per share of R46,14) of which 1 409 500 were cancelled (together with the 40 500 shares held as treasury at the beginning of the year), with the remaining 20 000 held as treasury shares as the year-end.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
7. Reserves				
7.1 Non-distributable reserves				
On translation of foreign subsidiary				
– prior years	163 085	118 245	–	–
– current year	56 033	44 840	–	–
Accumulated loss in share trust				
– prior years	(640)	(640)	–	–
Variation of interest in subsidiary				
– prior years	5 144	5 144	–	–
Reverse acquisition reserve	(1 442 524)	(1 442 524)	–	–
Capital redemption reserve fund	562	562	–	–
	(1 218 340)	(1 274 373)	–	–
7.2 Accumulated profit				
Accumulated profit at beginning of year	2 896 499	2 635 294	38 853	–
Sabvest shares repurchased and cancelled	–	(11 791)	–	–
Unclaimed dividends written back	68	–	–	–
Accumulated profit less dividend paid for the year	665 193	272 996	79 729	38 853
Accumulated profit at end of year	3 561 760	2 896 499	118 582	38 853
Total reserves	2 343 420	1 622 126	118 582	38 853

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

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	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
8. Interest-bearing debt				
8.1 Long-term				
RSA borrowings	240 000	340 000	–	–
<i>Less:</i> Payable within one year	–	(10 000)	–	–
	240 000	330 000	–	–

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 Group prepaid the loans of R60m due on 30 April 2022 and R30m due on 30 June 2022 during the year. The remaining loans are repayable as to R30 million on 30 April 2023, R30 million on 30 June 2023, R40 million on 31 July 2023, R70 million on 30 April 2024, R30 million on 31 July 2024 and R40 million on 30 June 2025.

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

8.2 Short-term

RSA borrowings				
Bank borrowings current portion of interest-bearing debt	–	10 000	–	–
Other interest-bearing debt including related parties (refer note 23)	7 446	29 610	–	–
Equity portfolio finance offshore	12 944	–	–	–
	20 390	39 610	–	–

The South African bank loans are secured by inter-company guarantees between the company and all the South African subsidiaries, have no fixed terms of repayment and bear interest at rates varying between prime rate and prime minus 1% payable monthly in arrears. None of the South African assets are encumbered.

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 equity portfolio finance offshore is secured by the listed investments in Sabvest Capital Holdings Limited (BVI) (refer to note 21.1).

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	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
9. Accounts payable and provisions				
Provision for long-term incentive plan * ¹	6 548	6 007	–	–
Other provisions * ²	15 546	15 909	–	–
Accounts payable * ³	18 166	25 932	2 259	1 830
	40 260	47 848	2 259	1 830
Provision for long-term incentive plan				
Opening balance	6 007	13 404	–	–
Plus: prior year long-term portion	4 983	–	–	–
Utilised during the year	(6 007)	(4 790)	–	–
Increase in provision for the year	18 820	2 376	–	–
Less: long-term portion	(17 255)	(4 983)	–	–
Closing balance	6 548	6 007	–	–
Other provisions				
Opening balance	15 909	9 462	–	–
Utilised during the year	(15 863)	(9 139)	–	–
Increase in provision for the year	15 500	15 586	–	–
Closing balance	15 546	15 909	–	–

*¹ Refer to remuneration policy and note 16. The current portion is expected to be settled within the next six months, with no material change expected to the balance. The long-term portion will be settled in line with the remuneration policy, with the balance to be determined based on the Company's net asset value in line with this policy.

*² Other provisions comprise mainly of provisions for audit fees and incentive bonuses to executives which are expected to be settled within the next six months. No material changes are expected to these balances.

*³ Group accounts payable includes settlement of Section 164 appraisal claims in the amount of Rnil (2020: R11 344 375). The prior year amount includes the current and non-current portions of the lease liability to the value of R617 500 and R3 592 000 respectively. These are disclosed in the current year, and will be going forward, separately in the statement of financial position.

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	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
10. Net income before taxation				
This is stated after taking into account:				
Loss on disposal of property, plant and equipment	(51)	(48)	–	–
Auditors' remuneration – audit fees – current year	2 410	2 728	–	–
– previous year	–	1 176	–	–
Consulting fees	289	918	–	–
Depreciation (refer to note 1)	1 778	1 915	–	–
Payroll costs	76 892	34 512	–	–
Expenses disclosed are classified as follows:				
Operating costs – fixed	35 412	36 055	–	–
Operating costs – variable	58 126	18 434	–	–
Depreciation	1 778	1 915	–	–
11. Taxation				
11.1 Charged for the year				
South African normal taxation				
Deferred taxation – current year	64 966	101 347	–	–
	64 966	101 347	–	–
11.2 Movement in deferred tax				
Provision for capital gains tax on fair value adjustments to current and non-current investment holdings	64 966	101 347	–	–
	64 966	101 347	–	–
Two of the Group's subsidiaries have assessed losses and CGT losses for taxation purposes. The unutilised estimated losses and CGT losses of the subsidiaries amount to R60 million (2020: R77 million) and R42 million (2020: R154 million) respectively. 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.				
11.3 Deferred tax liabilities				
Provision for capital gains tax on fair value adjustments to investments after use of assessed losses	(239 289)	(174 323)	–	–
	(239 289)	(174 323)	–	–

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	GROUP		COMPANY	
	2021 %	2020 %	2021 %	2020 %
11. Taxation <i>continued</i>				
11.4 Taxation rate reconciliation				
Standard rate of taxation	28,0	28,0	28,0	28,0
Rate of taxation for the year affected by non-taxable income	(28,0)	(28,0)	(28,0)	(28,0)
Deferred tax on investments	8,7	25,7	–	–
Effective rate of taxation	8,7	25,7	–	–

The charge for current tax is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the financial year-end. Non-taxable income relates primarily to dividend income and unrealised fair value gains.

11.5 Capital gains tax on investments

Cumulative deferred tax of R239 million (2020: R174 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 corporate tax rate change to 27% will have an effect on the deferred tax liability at the capital gains tax rate for the year ended 31 December 2023.

	GROUP	
	2021 R'000	2020 R'000
12. Lease liability		
Maturity analysis (undiscounted cash flows):		
Not later than one year	1 118	–
Later than one year and not later than five years	3 012	–
	4 130	–
<i>Less: interest</i>	(482)	–
<i>Less: current portion *</i>	(890)	–
Long-term lease liability *	2 758	–

* In the prior year, the current and non-current portions of the lease liability were disclosed as part of Accounts Payable and Provisions (refer to note 9). In the current year, and going forward, these are now disclosed separately in the statement of financial position.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

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	GROUP	
	2021 cents	2020 cents
13. Earnings per share		
Earnings per share represents the profits in cents attributable to each share and comprises net income for the year attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.		
Earnings per share	1 689,6	708,4
The weighted average number of shares used in the calculation for the current year is 40 199 669 (2020: 41 387 331). There are no potentially dilutive shares or options.	40 200	41 387
14. Dividends per share		
Dividends per share (final of 55 cents proposed after year-end) (cents) *	75	25
<i>* Withholding tax on dividends at a rate of 20% will be deducted for all shareholders who are not exempt in terms of the applicable legislation. This will result in a final net cash dividend of 44 cents per ordinary share to non-exempt shareholders.</i>		
	2021 R'000	2020 R'000
15. Headline earnings per share		
Headline earnings per share comprise attributable income adjusted by certain exceptional losses attributable to ordinary shareholders divided by the weighted average number of shares in issue as follows:		
Net income for the year attributable to equity shareholders	679 201	293 184
Loss on disposal of property, plant and equipment	51	48
Headline earnings for the year	679 252	293 232
Headline earnings per share (cents)	1 689,7	708,5
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 40 166 669 (2020: 41 387 331).		

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	CS Seabrooke		R Pleaner		L Rood		Total	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
16. Directors' emoluments								
<i>Executive directors</i>								
Salaries	2 785	2 704	2 352	2 284	3 310	3 214	8 447	8 202
Retirement and medical	449	435	408	395	314	305	1 171	1 135
Other benefits	1 573	1 527	600	582	524	509	2 697	2 618
Basic remuneration	4 807	4 666	3 360	3 261	4 148	4 028	12 315	11 955
Incentive bonuses								
– Short-term	12 452	–	5 340	815	5 537	1 507	23 329	2 322
– Provision * ¹	6 150	7 300	2 630	3 074	2 630	2 574	11 410	12 948
– LTIP * ²	3 884	3 071	2 137	1 443	–	–	6 021	4 514
Total remuneration	27 293	15 037	13 467	8 593	12 315	8 109	53 075	31 739
<i>Non-executive directors</i>								
Fees as directors							2 341	2 693
L Mthimunye							619	750
K Pillay							582	489
O Ighodaro * ³							506	–
DNM Mokhobo * ³							–	755
BJT Shongwe							634	699
							55 416	34 432

Executive directors earn remuneration for services to all companies within the Group and therefore represents the total remuneration in relation to these services.

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 Sabcap for services provided to them by executive directors and staff of Sabcap. Directors' interest in the equities of the Group are set out on page 53.

Refer to note 23 for loan amounts owing to the Group by respective directors.

*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 2022 relative to 2021 financial year.

*³ Mrs Dawn Mokhobo retired as Chairman of Sabcap, as a director and as a member of the Board committees on 31 December 2020 and Mrs Olufunke (Funke) Ighodaro was appointed as an independent non-executive director with effect from the same date.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

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	GROUP		COMPANY	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
17. Revenue				
Revenue comprises of dividends, fees, interest and (loss)/gain on sale of investments and shares	273 147	120 713	100 001	48 001

	GROUP	
	2021 R'000	2020 R'000
18. Comprehensive income		
Items that may subsequently be classified in profit and loss		
Translation of foreign subsidiary	56 033	44 840

	GROUP	
	2021 R'000	2020 R'000
19. Net asset value per share		
Net asset value per share – cents *	9 371	7 444
Number of shares in issue (less held in treasury) – 000's	39 530	40 960

* Represents the net asset value of the Group per issued ordinary share (excluding treasury shares). This is a non-IFRS measure.

20. Contingent liabilities and commitments

- 20.1** The Group has rights and obligations in terms of shareholder or purchase and sale agreements relating to its present or former investments.
- 20.2** A subsidiary has given guarantees on behalf of certain investees in the ordinary course of business for deal and operational credit in amounts totalling R150m (31 Dec 2020: R75m) and which were utilised at reporting date in the amount of Rnil (31 Dec 2020: R50m).
- 20.3** A subsidiary has given an undertaking to follow a rights issue in an investee of up to \$ 3 million if so required by its bankers before 31 December 2022. This was released subsequent to year-end.

21. Hypothecations

- 21.1** The investment funds and listed equities offshore 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.
- 21.2** 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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*continued***22. Financial instruments****22.1 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 6 and 7 and interest-bearing borrowings as disclosed in note 8. The undrawn short-term facilities available to the Group is set out in note 22.6.

	GROUP	
	2021 R'000	2020 R'000
22.2 Categories of financial instruments		
<i>Financial assets</i>		
Fair value through profit or loss		
Held for trading – investment holdings	4 016 189	3 357 419
– investment held-for-sale	–	86 341
– investment funds offshore	75 138	56 295
Amortised cost		
Finance advances and receivables	21 663	134 649
Cash at bank	146 360	3 851
<i>Financial liabilities</i>		
Amortised cost		
Interest-bearing debt – medium-term	240 000	330 000
– current portion of interest-bearing debt	–	10 000
– portfolio finance offshore	12 944	–
– interest-bearing debt	7 446	29 610
Accounts payable and lease liability	21 814	25 932

22.3 Foreign currency risk

The Group's financial statements are prepared using Rand as its presentation currency. The Group's foreign subsidiary has USD (US\$) as its functional currency. Therefore the Group's predominant exposure to foreign exchange fluctuations is related to the sensitivities of movements in the presentation value as a result of using Rand as its presentation currency.

The Group's foreign subsidiary may also hold assets and liabilities in currencies other than its functional currency, resulting in exposure to foreign exchange rate fluctuations. The Group does not seek to hedge the carrying value of these assets or liabilities but will consider hedging strategies for cash flows denominated in foreign currencies which are deemed significant for the Group.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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*continued***22. Financial instruments** *continued***22.3 Foreign currency risk** *continued*

It is the policy of the Group to enter into forward exchange contracts to cover 100% of foreign currency repayments. Forward exchange contracts are taken as and when it receives the foreign exchange. As at 31 December 2021 and 31 December 2020 the Group's South African and foreign operations had no material foreign exchange exposure.

22.4 Interest rate risk

The Group has long-term borrowings from third parties in the amount of R240 million (2020: R340 million). The current portion of the long-term borrowings is Rnil (2020: R10 million). The short-term interest-bearing borrowings are mainly those from related parties (refer note 23) in the amount of R2,8 million (2020: R3,6 million) and from third parties in the amount of R17,6 million (2020: R26,0 million). The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The Group manages the interest rate cost by monitoring cash flows on a daily basis and by borrowing on overnight call and term loans to match the cash flows. If interest rates during the year had been 1% higher or lower and other variables were held constant then the profit for the year would decrease/increase by R2,6 million (2020: R3,7 million). Interest rate risk in relation to financial assets, which is predominantly due to the loans to investees that are linked to prime, is not considered material to the Group.

22.5 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 expected credit losses associated with its debt instruments carried at amortised cost are assessed on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The carrying amount of the financial asset is reduced by the expected credit loss directly only when all legal avenues have been exhausted and there is no possibility of an additional recovery. Changes in the carrying amount and subsequent recoveries of amounts previously written off are recognised in profit or loss.

For financial assets carried at amortised cost, the expected credit loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of financial assets recorded in the financial statements, which is net of expected credit losses, represents the Group's maximum exposure to credit risk.

22.6 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 2021 the Group had R150 million of undrawn facilities (2020: R74,7 million) and R146,4 million cash at bank (2020: R3,9 million) 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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22. Financial instruments *continued*

22.7 Fair value investments

22.7.1 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 2021	31 December 2020				
Listed investments	Listed equity shares R586,1 million	Listed equity shares R461,7 million Held-for-sale R50,9 million	Level 1	Quoted share prices on the Johannesburg Stock Exchange.	N/A	N/A
Unlisted Investments	<p>44,8% of Apex Partners, a specialist holding company with a portfolio of controlling interests in distribution, manufacturing and infrastructure businesses in South Africa and also provides advisory, investing and lending solutions which may include taking proprietary positions in distressed entities or in group restructures.</p> <p>25% of Classic Food Brands, a manufacturer of meat products.</p> <p>19,1% of DNI-4PL Contracts, a company providing technology, logistics and distribution services to the telecommunications and financial industries.</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>34% of ITL Holdings Group, a market leading international designer, manufacturer and distributor of apparel labelling and identification products and supply chain management solutions including RFID.</p> <p>25,1% of Rolfes, a specialist provider of agricultural, food, industrial and water chemical solutions and services.</p> <p>85,2% of SA Bias, an international industrial and investment group.</p> <p>26,7% 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>10% in Masimong, an investment group with assets in mining and agriculture.</p> <p>R3 430,1 million</p>	<p>44,8% of Apex Partners</p> <p>25% of Classic Food Brands</p> <p>19,4% of DNI-4PL Contracts</p> <p>47,5% of Flexo Line Products</p> <p>30% of ITL Holdings Group</p> <p>25,1% of Rolfes</p> <p>59,9% of SA Bias</p> <p>27,7% of Sunspray</p> <p>10% in Masimong</p> <p>R2 895,9 million</p> <p>Held-for-sale R35,4 million</p>	Level 3	<p>Maintainable earnings model.</p> <p>Attributable NAV</p>	<p>EBITDA multiples (unchanged from prior year unless otherwise stated):</p> <p>Sunspray – 5,0</p> <p>SA Bias – Flowmax 6,0 and Narrowtex 4,5</p> <p>Flexo – 4,5</p> <p>Classic – 5,0</p> <p>DNI – 6,5</p> <p>ITL – 9,0</p> <p>Rolfes – 6,0</p> <p>Apex – 4,5</p> <p>Level of maintainable earnings based on historic and future projections and normalisation of earnings where appropriate.</p>	The higher the multiples the higher the value.
Investment funds offshore	R75,1 million	R56,3 million	Level 1	Quoted prices on various stock exchanges.	N/A	N/A

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22. Financial instruments *continued***22.7 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 2021	338,7	(338,7)	338,7	(338,7)
Increase/(decrease) in fair value 31 December 2020	289,6	(289,6)	289,6	(289,6)

Should the market price of both the listed investments held directly and the offshore listed shares have been 10% higher or lower at 31 December 2021, the value of shares would have increased or decreased by R66,1 million (2020: R51,2 million).

Should the market price of offshore investments have been 10% higher or lower at 31 December 2021, the value of offshore investments would have increased or decreased by R7,5 million (2020: R5,6 million).

22.7.2 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.

	GROUP			
	31 December 2021		31 December 2020	
	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
Financial assets				
<i>Financial assets held at amortised cost</i>	168 023	168 023	138 500	138 500
Finance advances and receivables	21 663	21 663	134 649	134 649
Cash balances	146 360	146 360	3 851	3 851
Financial liabilities				
<i>Financial liabilities held at amortised cost</i>	285 949	285 949	395 542	395 542
Interest-bearing debt – long-term	240 000	240 000	330 000	330 000
Current portion – interest-bearing debt	–	–	10 000	10 000
Portfolio finance offshore	12 944	12 944	–	–
Interest-bearing debt	7 446	7 446	29 610	29 610
Accounts payable and lease liability	21 814	21 814	25 932	25 932

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

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22. Financial instruments *continued*22.7 Fair value investments *continued*

	COMPANY			
	31 December 2021		31 December 2020	
	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
Financial assets				
<i>Financial assets held at amortised cost</i>	26 730	26 730	26 322	26 322
Loans and receivables	26 686	26 686	26 281	26 281
Cash balances	44	44	41	41
Financial liabilities				
<i>Financial liabilities held at amortised cost</i>	2 259	2 259	1 830	1 830
Accounts payable	2 259	2 259	1 830	1 830

IFRS 13 provides a hierarchy that classifies inputs employed to determine fair value. Financial assets and financial liabilities are classified and disclosed as follows:

	Financial fair value hierarchy as at 31 December 2021			
	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	586 111	–	–	586 111
Unlisted investments	–	–	3 430 078	3 430 078
Investment funds offshore	75 138	–	–	75 138
Total	661 249	–	3 430 078	4 091 327

	Financial fair value hierarchy as at 31 December 2020			
	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	461 566	–	–	461 566
Listed investments (held-for-sale)	50 906	–	–	50 906
Unlisted investments	–	–	2 895 853	2 895 853
Unlisted investments (held-for-sale)	–	–	35 435	35 435
Investment funds offshore	56 295	–	–	56 295
Total	568 767	–	2 931 288	3 500 055

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*continued***23. 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 92.

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. Refer to Annexure A for indebtedness of subsidiaries.

On 19 November 2021 (2020: 11 December 2020), the Company acquired 1 450 000 (2020: 508 352) Sabcap ordinary shares from its subsidiary, Sabvest Finance and Guarantee Corporation, for a total amount of R79,8 million (2020: R14,4 million) based on the previous day's closing share price of R55,00 (2020: R28,25). 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 16 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 8) in the statement of financial position.

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 2021							
R Pleaner and family							
Individual	–	–	–	–	116	–	1 771
CS Seabrooke and family							
Individual	–	–	–	–	58	–	338
Company	136	369	–	–	13	–	145
L Rood							
Individual	–	–	–	–	39	3 785	529
Investees	1 509	800	253 036	14 206	–	–	–

31 December 2020

R Pleaner and family							
Individual	–	–	–	–	127	–	1 661
CS Seabrooke and family							
Individual	–	–	–	–	306	–	1 080
Company	153	379	–	–	95	–	289
L Rood							
Individual	–	–	–	–	39	3 785	529
Investees	1 415	–	107 198	13 099	–	79 993	–

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*continued***24. Retirement benefit information**

Eight 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 R1 189 065 (2020: R865 818).

The Group has no post-retirement medical aid commitments.

25. Capital commitments

There are no capital commitments.

26. Borrowing powers

The borrowing powers of the Group are not limited.

27. Subsequent events

- 27.1** Disposed of a further 1m TC shares for R48,7m, retaining 5m shares;
- 27.2** Subscribed for a 49,9% equity interest in a subsidiary of Masimong Group Holdings Proprietary Limited, Masimong Electrical Holdings Proprietary Limited (MEH), committing to make shareholder loan funding of R199m and financial guarantees R24,5m available to MEH on demand to facilitate the acquisition of all the shares in ARB Holdings Limited (ARB) not owned by the Alan Burke family for R697m (before transaction costs) through a scheme of arrangement and a delisting and which, if successful, will result in MEH owning 37,07% of ARB;
- 27.3** Increased its holding in Corero Network Security Plc (Corero) by 3m shares to 50m shares, representing 10,1% of Corero, for GBP0,4m (R7,4m);
- 27.4** Supported, through the issuance of a guarantee, the participation of Apex Partners Holdings (Pty) Limited in the provision of funding for the refinance of Ascendis Healthcare Limited and the subsequent offer by Apex to acquire 100% of the entities comprising the Medical Devices division of Ascendis;
- 27.5** Declared a dividend of 55 cents per ordinary share payable to shareholders on 25 April 2022; and
- 27.6** The corporate tax rate changed to 27% which will have an effect on the deferred tax liability at the capital gains tax rate for the year ended 31 December 2023, the impact of which cannot be reliably estimated at this time.

28. Operating segments

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

29. Going concern

Sabcap's investees have returned to 2019 levels of trading or higher as reflected in their results for the 2021 calendar year. Based on current revenues and projected revenues, the continuing build up in forward order books, the assumption of no further lockdowns of businesses and taking into consideration solvency, cash resource, forecasts, and the impact of COVID-19 on the Group's investee companies, the Board has concluded that the Group and Company will be a going concern in the year ahead. Refer to note 8 and note 22.6.

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*ANNEXURE A***SCHEDULE OF CONSOLIDATED SUBSIDIARIES**

Nature of business	Amount of issued capital R	Held directly or indirectly		Book value of interest shares		Indebtedness *		
		2021 %	2020 %	2021 R'000	2020 R'000	2021 R'000	2020 R'000	
Subsidiaries of Sabvest Capital Limited								
Sabvest Limited	Investment holding company	851	100	100	1 443 375	1 443 375	26 686	26 281
Investment in subsidiaries					1 443 375	1 443 375		
Indebtedness included in the company's assets							26 686	26 281
Subsidiaries of Sabvest Limited								
Sabvest Investments (Pty) Limited	Investment holding company	4 000	100	100	4	4	91 225	15 539
Sabvest Financial Services (Pty) Limited	Corporate services	5 000	100	100	1	1	9 586	10 242
	Gross						29 219	29 944
	Impairment						(19 634)	(19 702)
Sabvest Finance and Guarantee Corporation (Pty) Limited	Finance investments and guarantees	6 000	100	100	5 000	5 000	1 435 971	1 522 539
Sabvest Securities (Pty) Limited	Dormant	10 000	100	100	10	10	–	–
SD Nominees (Pty) Limited	Nominee company	100	100	100	–	–	–	–
Investment in subsidiaries					5 015	5 015		
Indebtedness included in the company's assets							1 536 782	1 548 140
Subsidiaries of Sabvest Finance and Guarantee (Pty) Ltd								
Sabvest Capital Holdings Limited (BVI)	Investment holding company and corporate financier	US\$ 3	100	100	–	–	–	–
Aggregate net income after taxation, attributable to Sabvest Capital Limited's interest in its subsidiaries							685 465	298 232

* Refer to note 23 – Related party transactions.

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ANNEXURE B**SHARES AND SHAREHOLDERS****Shareholder analysis at 31 December 2021**

Category	Ordinary shares		
	Number of share-holders	% of total of share-holders	Number of shares held
Banks and nominee companies	28	1,3	3 525 841
Investment and trust companies	114	5,5	25 334 440
Other corporate bodies	112	5,4	5 245 231
Individuals	1 831	87,8	5 444 888
	2 085	100,0	39 550 000

Major shareholders

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

Category	Ordinary shares	
	Number of shares held	% of issued shares
The Seabrooke Family Trust	16 000 000	40,5
Eric Ellerine Trust and Ellerine Group Investments	3 752 541	9,5
InsingerGilissen Bankiers N.V.	2 928 789	7,4
Prudential	2 033 699	5,1
	24 715 029	62,5

Shareholder spread

Category	Ordinary shares		
	Number ordinary share-holders	Number ordinary shares in issue	% ordinary shares in issue
Non-public shareholders			
Directors	6	17 487 635	44,2
Total non-public shareholders	6	17 487 635	44,2
Public shareholders	2 079	22 062 365	55,8
	2 085	39 550 000	100,0

Note: Directors' holdings are set out on page 53.

Stock exchange performance

Category	Subcap ordinary shares	
	2021	2020
Closing price (cents)	6 100	2 975
Highest price (cents)	6 100	3 800
Lowest price (cents)	2 700	2 400
Total number of shares traded ('000)	4 652	3 424
Total value of shares traded (R'000)	208 608	9 930 839
Total number of transactions recorded	3 229	1 291
Total volume of shares traded as a percentage of total issued shares (%)	11,8	8,4