



Sabvest Limited

Incorporated in the Republic of South Africa

Registration number 1987/003753/06

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

ISIN: ZAE000006417 – ordinary shares

ISIN: ZAE 000012043 – “N” ordinary shares

Share code: SBV – ordinary shares

Share code: SVN – “N” ordinary shares

AUDITED PRELIMINARY CONSOLIDATED SUMMARISED RESULTS

for the year ended 31 December 2018

and cash dividend declaration

Consolidated Summarised Statement of Financial Position

as at 31 December 2018

	Audited 31 Dec 2018 R'000	Audited 31 Dec 2017 R'000
Non-current assets	2 367 060	1 135 885
Property, plant and equipment	2 688	1 050
Investment holdings	2 364 372	1 134 835
Unlisted investments	1 707 546	652 547
Listed investments	566 699	332 279
Listed investments held indirectly	90 127	150 009
Current assets	452 538	1 514 928
Finance advances and receivables	34 987	1 388 447
Listed investments held indirectly (held-for-sale)	65 985	–
Listed share portfolio	–	101 556
Equity investment	–	24 867
Bond portfolio	101 993	–
Cash balances	249 573	58
Total assets	2 819 598	2 650 813
Ordinary shareholders' equity	2 446 148	2 303 945
Non-current liabilities	277 109	235 807
Interest-bearing debt	100 000	110 000
Deferred tax liabilities	177 109	125 807
Current liabilities	96 341	111 061
Interest-bearing debt	66 176	70 897
Equity/bond portfolio finance	–	7 685
Current portion of non-current interest-bearing debt	40 000	30 000
Interest-bearing debt	26 176	33 212
Accounts payable and provisions	30 165	40 164
Total equity and liabilities	2 819 598	2 650 813

Consolidated Summarised Statement of Cash Flows

for the year ended 31 December 2018

	Audited 31 Dec 2018 R'000	Audited 31 Dec 2017 R'000
Cash (utilised in)/generated by operating activities	(52 477)	20 766
Net income for the year	238 083	688 364
Adjusted for non-cash items	(214 909)	(641 254)
Cash flows from operations	23 174	47 110
Dividends paid – ordinary	(30 345)	(26 344)
– special	(45 306)	–
Cash flows from investing activities	438 465	(31 848)
<i>These include:</i>		
Purchase of investment holdings and offshore portfolio	(1 557 661)	(240 877)
Proceeds from sale of investment holdings and offshore portfolio	643 431	207 675
Proceeds from sale of fixed assets	300	–
Proceeds of special dividend	1 387 500	–
Other	(35 105)	1 354
Cash effects of financing activities	(136 473)	8 053
<i>These include:</i>		
Increase in long-term loans	–	20 000
Interest-bearing debt	(7 036)	22 057
Decrease in offshore portfolio finance	(7 685)	(28 892)
Purchase of company shares	(120 609)	–
Other	(1 143)	(5 112)
Change in cash and cash equivalents	249 515	(3 029)
Cash and cash equivalents at beginning of year	58	3 087
Cash and cash equivalents at end of year	249 573	58

Consolidated Summarised Statement of Comprehensive Income

for the year ended 31 December 2018

	Audited 31 Dec 2018 R'000	Restated *2 Audited 31 Dec 2017 R'000
Gross income from operations and investments	364 351	570 934
Dividends received	53 557	94 273
Interest received	27 758	7 117
Foreign exchange gain	21 681	–
Income/(loss) on financial investments and shares	68 405	(22 558)
Fees and sundry income	2 047	1 362
Fair value adjustment to investments	190 903	490 740
– Listed	(89 653)	(44 022)
– Listed investments held indirectly	6 103	(67 091)
– Unlisted	274 453	601 853
Transactional costs	(11 877)	(633)
Impairments written back/(impairments)	851	(1 506)
Fair value loss on initial recognition of interest-free loans	(3 907)	–
Interest paid	(16 752)	(15 839)
Net income before expenses and exceptional items	332 666	552 956
Less: Expenditure	(43 281)	(62 474)
Operating costs – fixed *2	(27 222)	(26 323)
Operating costs – variable *2	(15 487)	(35 785)
Depreciation	(572)	(366)
Net income before taxation	289 385	490 482
Taxation – deferred	(51 302)	197 882
Net income for the year attributable to equity shareholders	238 083	688 364
Translation of foreign subsidiary *1	101 523	(12 217)
Total comprehensive income attributable to equity shareholders	339 606	676 147

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

*2 Refer to restatement of comparative information.

Other Information

	Audited 31 Dec 2018	Audited 31 Dec 2017
Net asset value per share with investments at fair value – cents	5 852	5 085
Number of shares in issue less held in treasury – 000's	41 802	45 306
Earnings per share – cents	531,3	1 517,3
Weighted average number of shares in issue – 000's	44 813	45 368
Reconciliation of headline earnings (R'000)		
Net income for the year	238 083	668 364
Profit on sale of property, plant and equipment	(155)	–
Headline earnings for the year	237 928	668 364
Headline earnings per share – cents *3	530,9	1 517,3

*3 There are no diluting instruments.

Salient Features

Extracted from the Audited Financial Statements*

	%	Audited 2018 Cents	Audited 2017 Cents	Audited 2016 Cents	Audited 2015 Cents	Audited 2014 Cents
Net asset value per share	15,1	5 852	5 085	3 646	3 719	2 683
Dividends per share	11,5	68	61	55	50	43
Special dividends per share	–	100	–	–	–	100
Headline earnings per share	(65,0)	530,9	1 517,3	9,2	1 003,9	444,7
Earnings per share	(65,0)	531,3	1 517,3	9,2	1 003,9	445,0
	%	2018 Rm	2017 Rm	2016 Rm	2015 Rm	2014 Rm
Profit after taxation	(65,4)	238,1	688,3	4,2	459,9	204,6
Total comprehensive income	(49,8)	339,6	676,1	(11,8)	495,0	213,8
Shareholders' funds	6,2	2 446,1	2 303,9	1 659,2	1 701,3	1 233,1

*The directors take responsibility for the correct extraction of the information from the audited financial statements.

Consolidated Summarised Statement of Changes in Equity

for the year ended 31 December 2018

	Share capital R'000	Share premium R'000	Non-distributable reserve R'000	Distri- butable reserve R'000	Total R'000
Balance as at 31 December 2016	855	33 545	54 513	1 570 342	1 659 255
Total comprehensive profit for the year	–	–	(12 217)	688 364	676 147
Loss in share trust	–	–	(1)	–	(1)
Shares held in treasury – written back	1	12 203	–	–	12 204
Shares held in treasury	(5)	(17 311)	–	–	(17 316)
Dividends paid	–	–	–	(26 344)	(26 344)
Balance as at 31 December 2017	851	28 437	42 295	2 232 362	2 303 945
Total comprehensive profit for the year	–	–	101 523	238 083	339 606
Shares held in treasury – written back	5	17 311	–	–	17 316
Shares cancelled	(5)	(45 748)	–	(93 315)	(139 068)
Dividends paid	–	–	–	(75 651)	(75 651)
Balance as at 31 December 2018	851	–	143 818	2 301 479	2 446 148

	31 Dec 2018 R'000	31 Dec 2017 R'000
Dividends per share (proposed after interim/year-end) – cents	68,0	61,0
Special dividends per share (proposed after year-end) – cents	–	100,0

Contingent Liabilities

at 31 December 2018

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

Year 1	R1 101 565
Year 2	R474 750
- Guarantees for the bank borrowings of two investees utilised at the year-end in amounts totalling R165,8m (utilisation by investees at 31 December 2018, R139m).

Investment Holdings

as at 31 December 2018

	Number of Ordinary shares/units	Economic interest %	Fair value R'000
Unlisted Investments			
Classic Food Brands (Pty) Ltd		25,0	25 762
DNI-4PL Contracts (Pty) Ltd * ¹		7,6	159 714
Flexo Line Products (Pty) Ltd		47,5	24 572
ITL Holdings Group * ²		30,0	704 968
SA Bias Industries (Pty) Ltd * ³		59,9	738 700
Sunspray Food Ingredients (Pty) Ltd * ⁴		28,2	53 831
			1 707 547

Listed Investments

Brait S.E.	4 000 000	120 000
Corero Network Security Plc (UK)	28 000 000	64 129
Metrofile Holdings Limited	46 500 000	117 645
Net1 UEPS Technologies Inc	300 000	15 075
Rolfes Holdings Limited	27 500 000	79 750
Transaction Capital Limited	10 000 000	170 100
		566 699

Listed Investments Held Indirectly

Rolfes Holdings Limited * ⁵	22 500 000	65 250
Value Capital Partners Fund * ⁶	200 000	24 877
		90 127

Non-current investment holdings

Current investments	2 364 373
– Listed bond portfolio	167 968
– Listed investments held-for-sale	101 983
	65 985

TOTAL HOLDINGS

2 532 341

*¹ Effective interest of 7,59% in DNI through 35,72% of JAA Holdings which owns 21,24% of DNI.

*² ITL Holdings Limited Jersey held through Mandarin Industries Limited BVI and ITL Holdings SA (Pty) Ltd held through Mandarin Holdings (Pty) Ltd.

*³ Voting interest 49%.

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

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

*⁶ Value Active PFP H4 Fund invested in listed equities presently primarily in Altron, Sun International and PPC.

Commentary

Profile

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

Sabvest has significant interests in six unlisted groups, long-term direct and indirect holdings in seven listed investments and equity funds, and an offshore bond portfolio, all accounted for on a fair value basis. In addition, Sabvest invests in debt instruments and portfolios and undertakes other fee, finance and profit-earning activities from time to time.

Changes in investment holdings

During the period Sabvest:

- increased its interest to 47,5% and provided loan funding to Flexo Line Products (Pty) Ltd;
- purchased 30% of Mandarin Industries Limited (BVI) which owns 100% of the ITL Group (International Trimmings & Labels) internationally for \$33,6m (R398,5m);
- purchased effective 30% and provided funding to ITL Holdings RSA indirectly through Mandarin Holdings (Pty) Ltd (RSA) for R93m, of which R90m is a preference share in Mandarin with a coupon of 11% redeemable 39 months from issue;
- increased its interest in Sunspray Food Ingredients (Pty) Ltd from 22% to 28% as a result of a share buy-back from a retiring shareholder for R9,2m;
- purchased 35,72% of JAA Holdings (Pty) Ltd (JAA) which owns 21,24% of DNI 4PL Contracts (Pty) Ltd (DNI) resulting in Sabvest having a look-through interest of 7,59% in DNI for R159,7m;
- purchased 3,2m shares in Brait for R128,5m thereby increasing its holding to 4m shares;
- purchased 21,5m shares in Metrofile Holdings for R69,6m thereby increasing its holding to 46,5m shares, representing 11,3% of Metrofile;
- purchased 250 000 shares in Net1 UEPS Technologies Inc for R30m thereby increasing its holding to 300 000 shares;
- purchased 17m Rolfes shares for R53,5m thereby increasing its direct and indirect holdings in Rolfes to 50m shares, representing a 31% economic interest in Rolfes;
- purchased 6m shares in Corero Network Security Plc for GBP443 000 (R7,9m) thereby increasing its holding to 28m shares, representing a 6,6% interest in Corero;
- invested \$17,5m in a bespoke offshore technology portfolio in February which was realised in full in August;
- invested \$7m in an offshore bond ETF;
- disposed of its offshore general equity portfolio in September for \$7,9m (R116,9m) which is currently held in cash in US dollars;
- repurchased 1 271 Sabvest ordinary shares and 3 502 602 Sabvest 'N' shares for R121,7m and cancelled all the treasury shares held, with the result that at the year end 16 975 293 ordinary shares and 24 826 919 'N' ordinary shares remained in issue;

Subsequent to the reporting date:

- on 30 January 2019 JAA increased its interest in DNI to 34,92%, partially funded by the issue of new JAA shares, which diluted Sabvest's interest in JAA to 28,4% but increased its look-through interest in DNI to 9,92%;
- effective on 1 March 2019 Sabvest purchased a 10% interest in Masimong Group Holdings (Pty) Ltd, the major investments of which are 25% of Seriti Resources (Pty) Ltd (which owns 90% of Seriti Coal), 49% of Lephalale Coal Mines (Pty) Ltd and 18,1% of Mouton Holdings (Pty) Ltd (which owns 100% of Mouton Citrus and 65% of Carmien Tea);
- disposed of its offshore bond portfolio of \$7,3m, the proceeds of which are currently held in cash.

Financial results

PAT reduced to R238,1m which Sabvest regards as a more normalised level relative to the exceptional and record results in 2017.

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

Operating costs reduced due mainly to performance linked incentives in the current year based on a lower level of PAT. Pursuant to the reduction in PAT, HEPS reduced to 530,9 cents.

NAV per share increased by 15,1% to a new high of 5 852 cents per share and shareholders' funds increased to R2 446,1m, notwithstanding the payment of a special dividend of 100 cents per share. The increase in NAV per share was aided by the material share buyback during the year and the resulting 41,8m shares in issue at the reporting date (2017: 45,4m).

Listed investments

- Brait's share price reduced materially pursuant to concerns relating to its interests in the UK with the Brexit uncertainty, the weakness in the retail sector and the effects of the recapitalisation initiatives in New Look.
- The Corero share price continues to be volatile on small volumes but strategically its new relationship with Juniper Networks holds considerable promise.
- Metrofile's earnings have been below expectations and its share price has been weak most of the year.
- Net1 has suffered difficult trading conditions in its post SASSA contract period and its share price has been weak accordingly.
- Rolfes is trading well and has good prospects but has experienced a sideways share price performance.
- Torre Industries has paid a special dividend and its shareholders, including Sabvest, have accepted an offer for the company. The investment is accordingly held for sale.

- Transaction Capital continues to trade very satisfactorily. It produced good growth for the year and its share price continues to strengthen.
- The Value Capital Partners Fund experienced a satisfactory increase in value driven in particular by its holding in Altron.
- The group's offshore, technology and general portfolios were sold in Q3 with a satisfactory gain on sale, both in terms of performance and currency.

Unlisted industrial investments

- Classic Food Brands has established its start-up manufacturing facilities, has reached profitability and has material growth prospects.
- DNI is growing strongly with profitability ahead of projections.
- Flexo Line Products traded below expectations due primarily to labour and management issues. Both have been resolved and the company is now trading at improved levels of profitability;
- ITL traded well notwithstanding a competitive market place. Its customer base continues to grow in line with expectations, its comprehensive RFID solution is gaining traction both in South Africa and internationally, it has concluded agreements to increase its interest from 50% to 100% in ITL Bangladesh and its new ITL Ethiopian operation will come on line shortly to service certain new US retail accreditations.
- SA Bias Industries' results were mixed. Flowmax in the UK traded satisfactorily despite disruptions caused by Brexit, Narrowtex and Apparel Components in South Africa experienced challenging local market conditions.
- Sunspray is trading well with profitability ahead of budget.

Unlisted investments are valued using the maintainable earnings model. Current earnings are calculated on an EBITDA basis and also referenced to NOPAT and are moderated if appropriate relative to forward earnings projections.

EBITDA multiples are based on transaction multiples usual for small/medium cap private companies and are in the range of 4 to 6 times. The ITL Group multiple is at a higher level of 9,25 times but which is below the 2018 acquisition multiple. Each resulting calculation is then adjusted for net cash/debt/equivalents to determine net EV.

Future investments

Sabvest remains focused on unlisted investments but will also hold some listed investments where it is represented on the board and has influence to execute particular strategies. It will use its surplus cash and debt capacity if appropriate. It may also issue new shares but only if the value exchange in the capital allocation decision is compelling.

Partnership principle

Sabvest has currently and will in the future usually only invest alongside a family, operating or financial partner. This is presently the case in all of its unlisted investments and most of its listed investments.

Capital restructure

The group is in discussions which may lead to proposals to shareholders to simplify the group's dual share structure. Shareholders will be advised as these progress.

Dividends

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

Dividends are considered twice annually. The normal dividends for the twelve months have been increased by 11% to 68 cents per share.

A special dividend of 100 cents per share was paid in February 2018.

Related parties

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

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

Accounting policies

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

They have been prepared on a historical cost basis except for financial instruments and investments which are measured at fair value. The significant accounting policies and methods of computation are consistent in all material aspects to those applied in the previous financial year other than the adoption of IFRS 9 and IFRS 15 during the current year.

The group has adopted the revised or amended accounting standards issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) which were effective and applicable to the group from 1 January 2018. The application of these changes, had no impact on the group's financial results for the year other than IFRS 9. In respect of

IFRS 9, the loans of which the interest were non-market-related, were discounted at a market-related rate to determine a fair value at initial recognition during the current year.

The significant accounting policies are available for inspection at the group's registered office. There has been no material change in judgements or estimates of the amounts reported in prior reporting periods. The preparation of these preliminary consolidated summarised financial statements were supervised by the Chief Financial Officer, R Pleaner CA(SA).

This announcement does not include the information required pursuant to paragraph 16A(j) of IAS 34. The full annual financial statements of the group set out these disclosures and are available on the issuer's website, at the issuer's registered offices and upon request.

Restatement of comparative information

The group has enhanced its disclosure of total operating costs by separating fixed and variable costs to enable shareholders to assess the variability of costs. This has not resulted in any changes to the total amounts reflected in the statements of financial position and comprehensive income.

Audit opinion

The auditors, Deloitte & Touche, have issued an unmodified audit opinion on the consolidated financial statements for the year ended 31 December 2018. Their audit was conducted in accordance with the International Standard of Auditing. The audited preliminary consolidated summarised results presented have been derived from the audited consolidated financial statements for the year ended 31 December 2018. The auditors, Deloitte & Touche, have issued an unmodified opinion of the preliminary consolidated summarised financial information. The auditors' report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain full understanding of the nature of the auditors' work they should obtain a copy of that report with the accompanying financial information from the registered office of the company. A copy of the full consolidated financial statements including the audit report and report on this preliminary consolidated summarised information are available for inspection at the company's registered office.

Directorate

As advised in the interim results, Ms Lindiwe Mthimunye-Bakoro, M.Com, H.Dip Tax Law, CA(SA) joined the board as an independent non-executive director on 5 June 2018 and is a member of all board committees.

Mr BJT Shongwe has joined the social and ethics committee.

On 1 January 2019 Mr Leon Rood, B.Com, LLB joined Sabvest as an executive director.

King IV compliance

Sabvest's King IV compliance report is on the Sabvest website and will be updated in the 2018 integrated annual report.

Prospects

All of the group's unlisted investee companies are budgeting improved profitability in 2019.

In the listed portfolio, Corero, Rolfes, Transaction Capital and Value Capital Partners are performing to expectations but it is obviously not possible to project likely listed share prices. In certain of the investees actions are being taken with the intention of unlocking value appropriately.

We anticipate a satisfactory year in 2019.

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

For and on behalf of the Board

Dawn Mokhobo
Chairman

Christopher Seabrooke
CEO

Raymond Pleaner
CFO

Sandton
13 March 2019

Cash dividend declaration

Notice is hereby given that a final dividend of 36 cents (2017: 35 cents) per ordinary and 'N' ordinary share for the year ended 31 December 2018 has been declared out of income reserves making a total of 68 cents for the year (2017: 61 cents).

The issued share capital of the company at the declaration date is 16 975 293 ordinary and 24 826 919 'N' ordinary shares. The income tax number of the company is 9375/105/716.

Withholding tax on dividends at a rate of 20% will be deducted for all shareholders who are not exempt in terms of the legislation. This will result in a final net cash dividend of 28,8 cents per ordinary and 'N' ordinary share to non-exempt shareholders.

Last date to trade "CUM" dividend	Tuesday, 2 April 2019
Trading "EX" dividend commences	Wednesday, 3 April 2019
Record date	Friday, 5 April 2019
Dividend payment date	Monday, 8 April 2019

No dematerialisation or rematerialisation of share certificates will be allowed during the period Wednesday, 3 April 2019 to Friday, 5 April 2019, both days inclusive.

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Transfer secretaries: Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107)

Directors: DNM Mokhobo* (Chairman), BJT Shongwe* (Deputy Chairman), CS Seabrooke* (Chief Executive), NSH Hughes* (Lead Independent Director), L Mthimunye-Bakoro*, R Pleaner*, L Rood**
*Executive *Independent ^Appointed 1 January 2019

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

Company secretary: Levitt Kirson Business Services (Pty) Ltd