



# Sabvest Limited

Incorporated in the Republic of South Africa

Registration number 1987/003753/06

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

**ISIN:** ZAE000006417 – ordinary shares

**ISIN:** ZAE 000012043 – “N” ordinary shares

**Share code:** SBV – ordinary shares

**Share code:** SVN – “N” ordinary shares

## UNAUDITED INTERIM RESULTS for the six months ended 30 June 2017 and cash dividend declaration

## Consolidated Summarised Statement of Financial Position

as at 30 June 2017

	Unaudited 30 June 2017 R'000	Unaudited 30 June 2016 R'000	Audited 31 Dec 2016 R'000
<b>Non-current assets</b>	<b>2 056 266</b>	1 836 058	2 009 727
Property, plant and equipment	1 216	1 549	1 365
Investment holdings	2 055 050	1 834 509	2 008 362
Unlisted investments	1 480 258	1 332 786	1 421 820
Listed investments	574 792	501 723	586 542
<b>Current assets</b>	<b>198 115</b>	173 245	158 207
Finance advances and receivables	5 320	9 317	3 858
Offshore investment holdings	192 507	163 779	151 262
Share portfolio	81 774	–	–
Bond portfolio	79 746	117 492	128 259
Equity portfolio	30 987	46 287	23 003
Cash balances	288	149	3 087
Total assets	<b>2 254 381</b>	2 009 303	2 167 934
<b>Ordinary shareholders' equity</b>	<b>1 688 906</b>	1 546 725	1 659 255
<b>Non-current liability</b>	<b>401 411</b>	386 033	413 689
Interest-bearing debt	70 000	100 000	90 000
Deferred tax liability	331 411	286 033	323 689
<b>Current liabilities</b>	<b>164 064</b>	76 545	94 990
Interest-bearing debt	150 656	59 417	77 732
Offshore portfolio finance	70 600	21 670	36 577
Current portion of non-current debt	50 000	–	30 000
Interest-bearing debt	30 056	37 747	11 155
Accounts payable and provisions	13 408	17 128	17 258
Total equity and liabilities	<b>2 254 381</b>	2 009 303	2 167 934
Net asset value per share – cents	<b>3 728</b>	3 395	3 646
Number of shares in issue less held in treasury – 000's	<b>45 306</b>	45 554	45 513

## Consolidated Summarised Statement of Cash Flows

for the six months ended 30 June 2017

	Unaudited 6 months ended 30 June 2017 R'000	Unaudited 6 months ended 30 June 2016 R'000	Audited 12 months ended 31 Dec 2016 R'000
<b>Cash flow from operating activities</b>	<b>28 762</b>	(8 763)	(2 077)
Net income for the period	54 315	(127 222)	4 174
Adjusted for non-cash items	(10 989)	131 710	17 477
<b>Cash flow from operations</b>	<b>43 326</b>	4 488	21 651
Dividends paid	(14 564)	(13 251)	(23 728)
<b>Cash flows from investing activities</b>	<b>(79 373)</b>	(90 697)	(101 748)
<i>These include:</i>			
Purchase of investment holdings and offshore portfolios	(165 218)	(226 794)	(328 014)
Proceeds from sale of investment holdings and offshore portfolios	87 331	71 492	156 450
Decrease/(increase) in offshore cash investment portfolio	–	66 954	66 954
Other	(1 486)	(2 349)	2 862
<b>Cash effects of financing activities</b>	<b>47 812</b>	44 578	51 881
<i>These include:</i>			
Increase in long-term loans	–	–	20 000
Increase/(decrease) in offshore portfolio finance	34 023	28 507	36 577
Other	13 789	16 071	(4 696)
<b>Change in cash and cash equivalents</b>	<b>(2 799)</b>	(54 882)	(51 944)
Cash balances, less current interest-bearing debt, excluding portfolio finance, at beginning of period	3 087	55 031	55 031
<b>Cash balances, less RSA interest-bearing debt at end of period</b>	<b>288</b>	149	3 087

## Consolidated Summarised Statement of Comprehensive Income

for the six months ended 30 June 2017

	Unaudited 6 months ended 30 June 2017 R'000	Unaudited 6 months ended 30 June 2016 R'000	Audited 12 months ended 31 Dec 2016 R'000
<b>Gross income from operations and investments</b>	<b>83 508</b>	(78 652)	111 329
Dividends received	64 329	32 866	63 340
Interest received	3 708	4 628	10 980
(Loss)/income on financial instruments and shares	(24 632)	2 961	5 313
Fees and sundry income	722	426	1 147
Fair value adjustment to investments	39 381	(119 533)	30 549
– Listed	(13 306)	(131 962)	(127 425)
– Unlisted	52 687	12 429	157 974
Direct transactional costs	(259)	(323)	(518)
Interest paid	(7 535)	(6 631)	(15 175)
<b>Net income/(loss) before expenses and exceptional items</b>	<b>75 714</b>	(85 606)	95 636
<i>Less: Expenditure</i>	<b>(13 677)</b>	(12 139)	(24 329)
Operating costs	(13 497)	(11 962)	(23 943)
Depreciation	(180)	(177)	(386)
<b>Net income/(loss) before taxation</b>	<b>62 037</b>	(97 745)	71 307
Taxation – deferred	(7 722)	(29 477)	(67 133)
– Current year	(7 722)	26 234	(11 422)
– CGT arising from change in inclusion rate	–	(55 711)	(55 711)
<b>Net income/(loss) for the period attributable to equity shareholders</b>	<b>54 315</b>	(127 222)	4 174
Translation of foreign subsidiary *1	(4 989)	(8 585)	(15 961)
<b>Total comprehensive income/(loss) attributable to equity shareholders</b>	<b>49 326</b>	(135 807)	(11 787)
Earnings/(loss) per share – cents *2	<b>119,7</b>	(279,0)	9,2
Dividend per share (proposed after interim/year-end) – cents	<b>26,0</b>	23,0	55,0
Weighted average number of shares in issue – 000's	<b>45 368</b>	45 605	45 600
Headline earnings/(loss) per share – cents *2	<b>119,7</b>	(279,0)	9,2
<b>Reconciliation of headline earnings</b>			
Net income for the period	54 315	(127 222)	4 174
Loss on sale of property, plant and equipment	–	–	5
Headline earnings for the period	<b>54 315</b>	(127 222)	4 179

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

\*2 There are no diluting instruments.

# Consolidated Summarised Statement of Changes in Equity

for the six months ended 30 June 2017

	Share capital R'000	Share premium R'000	Non-distributable reserve R'000	Distributable reserve R'000	Total R'000
<b>Balance as at 1 January 2016</b>	856	40 155	70 475	1 589 896	1 701 382
Total comprehensive loss for the period	–	–	(15 961)	4 174	(11 787)
Loss in share trust	–	–	(1)	–	(1)
Shares held in treasury – written back	–	5 593	–	–	5 593
Shares held in treasury	(1)	(12 203)	–	–	(12 204)
Dividends paid	–	–	–	(23 728)	(23 728)
<b>Balance as at 31 December 2016</b>	<b>855</b>	<b>33 545</b>	<b>54 513</b>	<b>1 570 342</b>	<b>1 659 255</b>
Total comprehensive income for the period	–	–	(4 989)	54 315	49 326
Loss in share trust – written back	–	–	1	–	1
Shares held in treasury – written back	1	12 203	–	–	12 204
Shares held in treasury	(5)	(17 311)	–	–	(17 316)
Dividends paid	–	–	–	(14 564)	(14 564)
<b>Balance as at 30 June 2017</b>	<b>851</b>	<b>28 437</b>	<b>49 525</b>	<b>1 610 093</b>	<b>1 688 906</b>

## Contingent liabilities

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

Year 1	R972 338
Year 2	R1 056 163
Year 3	R1 044 450

## Investment holdings

as at 30 June 2017

	Number of Ordinary shares/units	Economic interest %	Fair value R'000
<b>Unlisted Industrial Investments</b>			
Classic Food Products (Pty) Ltd		25,0	
Flexo Line Products (Pty) Ltd		25,0	
SA Bias Industries (Pty) Ltd *1		59,9	
Sunspray Food Ingredients (Pty) Ltd *2		22,0	
			1 480 258
<b>Listed long-term Investments</b>			
Brait S.E.	800 000		48 416
Long4Life Limited	2 000 000		12 200
Metrofile Holdings Limited	25 000 000		117 500
Rolfes Holdings Limited	6 000 000		28 140
Rolfes Holdings Limited *3	22 500 000		105 525
Torre Industries Limited *4	62 842 500		93 635
Transaction Capital Limited	10 000 000		147 500
Value Capital Partners Fund *5	200 000		21 876
			574 792
Long-term investment holdings			2 055 050
Offshore investment holdings			192 507
Share portfolio			81 774
Bond portfolio			79 746
Corero Network Security Plc	20 500 000		30 987
<b>TOTAL HOLDINGS</b>			<b>2 247 557</b>

\*1 Voting interest 49%.

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

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

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

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

## Commentary

### Profile

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

Sabvest has significant interests in four unlisted industrial groups, long-term holdings in eight listed investments and equity funds, and offshore share and bond portfolios, all accounted for on a fair value basis. In addition, Sabvest invests in debt instruments and portfolios and undertakes other fee and profit earning activities from time to time.

### Changes in investment holdings

During the period Sabvest:

- purchased 25% of Classic Food Products (Pty) Limited;
- purchased 41 523 shares in Brait for R3,1m, thereby increasing its holding to 800 000 shares;
- purchased 2m shares in Long4Life Limited for R13m;
- purchased 200 000 units in Value Capital Partners Fund for R20m;
- restructured the form of its investment in Torre Industries Limited by disposing of its Torre shareholding to Newshelf 1400 (Pty) Limited in exchange for ordinary shares in Newshelf with the result that it holds 48,67% of Newshelf, representing a look-through holding in Torre of 62 842 500 shares;
- purchased 82 372 Sabvest ordinary shares and 125 056 Sabvest “N” shares for R5,1m and which are presently held as treasury shares in a subsidiary;
- increased its offshore share portfolio to R81,7m from RNil and reduced its offshore bond portfolio from R128,3m at the year-end reporting date to R79,7m;
- purchased 5m shares in Corero Network Securities for R4,5m (GBP264,190), thereby increasing its interest in Corero to 20,5m shares representing 6,5% of Corero.

### Financial results

PAT increased to R49,3m from a loss of R135,8m in the comparable six-month period. This is stated after accounting for a loss of R24,9m arising from the restructuring of the shareholding in Torre. HEPS for the period increased to 119,7 cents from a loss of 279 cents in the prior period.

NAV per share increased to 3 728 cents per share, being a 2% increase over NAV at the financial year-end and a 9,8% increase over the NAV at the previous interim reporting date.

Shareholders' funds increased to R1,688bn.

The deferred tax liability has been calculated on the basis that gains on the sale of all investments will be subject to CGT in RSA, after the utilisation of any remaining assessed losses.

The group's balance sheet is well structured with interest-bearing debt at conservative levels.

The group's cash flows remain strong and the interim dividend has accordingly been increased by 13% to 26 cents per share.

## Listed investments

- Brait's share price reduced due to concerns arising from the Brexit vote, the weakness of sterling and poor trading conditions in the retail sector in the UK which has affected its investment in New Look.
- Sabvest has made an initial investment in Long4Life, the new lifestyle orientated investment group headed by Brian Joffe and Kevin Hedderwick.
- Metrofile produced slightly lower growth in earnings than in prior years but continues to be cash generative and acquisitive.
- Rolles produced good results in a difficult market.
- Torre's share price weakened materially due to the under-performance of most of the divisions in the sectors it services. We remain confident of Torre's medium-term performance.
- Transaction Capital continues to trade well and ahead of projections.
- Sabvest has made an initial investment of R20m in the Value Capital Partners Fund formed by Antony Ball and Sam Sithole and which will be primarily focused on listed equities, currently mostly Altron and Adcorp.
- The Corero share price continues to be volatile on small volumes. Corero continues to expand its customer base and prospects remain satisfactory.
- The group's offshore share portfolio comprises 22 large cap international shares with a primary focus on the IT and biotech sectors, and performed satisfactorily in the six-month period. The group's offshore bond portfolio comprised 16 fixed date redeemable bonds 2018 – 2022 with a target average rating of BB, and three bond/loan funds, which performed satisfactorily for the six-month period. The bond and share portfolios are listed on Sabvest's website. Both portfolios are geared.

## Unlisted industrial investments

- SA Bias Industries comprises the following business units – International Trimmings and Labels Group ("ITL"), Narrowtex Group, Apparel Components, Flowmax Group and Sabias Investments.

The results for the period have been satisfactory notwithstanding the effects of the stronger rand on rand-translated foreign earnings. Trading in South Africa is challenging while offshore it remains satisfactory.

- Sunspray continues to trade satisfactorily.
- Flexo Line is trading to expectations although slightly below acquisition forecasts.
- Classic Food Products has completed the installation of its production facilities which will come on line before the end of Q3.

Unlisted investments continue to be valued using the maintainable earnings model (NOPAT) adjusted for net cash/debt. The earnings multiples utilised for existing investments were unchanged from prior periods. The investment in Classic Food Products is carried at cost pending commencement of operations.

## Subsequent events

There were no subsequent events.

## Dividends

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

Dividends are considered twice annually. The interim dividend has been increased by 13% to 26 cents per share (2016: 23 cents per share).

Shareholders are referred to the final cash dividend declaration included in this report.

## Related parties

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

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

## Accounting policies

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

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

## Changes to Board positions

As advised on SENS on 19 January 2017, Mr Philip Coutts-Trotter retired as Non-Executive Chairman and a member of Board committees on 15 May 2017 but continues as a Non-Executive Director. Mrs Dawn Mokhobo has been appointed as independent Non-Executive Chairman and Mr Bheki Shongwe as independent Non-Executive Deputy Chairman.

## Prospects

The group's unlisted investee companies are trading satisfactorily which should continue to reflect in improved valuations.

The group's listed investee companies are trading to expectations. However, future movements in share prices are obviously uncertain as are the resultant valuations.

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

For and on behalf of the Board

<b>Dawn Mokhobo</b> <i>Chairman</i>	<b>Christopher Seabrooke</b> <i>CEO</i>	<b>Raymond Pleaner</b> <i>CFO</i>
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Sandton  
31 July 2017

## Cash dividend declaration

Notice is hereby given that an interim gross dividend of 26 cents (2016: 23 cents) per ordinary and "N" ordinary share for the six months ended 30 June 2017 has been declared out of income reserves.

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

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

Last date to trade "CUM" dividend	Tuesday, 22 August 2017
Trading "EX" dividend commences	Wednesday, 23 August 2017
Record date	Friday, 25 August 2017
Dividend payment date	Monday, 28 August 2017

No dematerialisation or rematerialisation of share certificates will be allowed during the period Wednesday, 23 August 2017 to Friday, 25 August 2017, both days inclusive.

**Registered address:** 4 Commerce Square, 39 Rivonia Road, Sandhurst, Sandton 2196 • **Communications:** Postal address: PO Box 78677, Sandton 2146, Republic of South Africa  
Telephone: (011) 268 2400 • Fax: (011) 268 2422 • e-mail: ho@sabvest.com

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

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

\*Executive #Independent

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