

# REMGRO LIMITED

Registration number 1968/006415/06  
ISIN ZAE000026480 Share code REM

## AUDITED SUMMARY CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2017 AND CASH DIVIDEND DECLARATION

### SALIENT FEATURES

• <b>Headline earnings per share</b>	<b>+32.7%</b>
• <b>Headline earnings per share, excluding once-off costs and option remeasurement</b>	<b>-3.4%</b>
• <b>Ordinary dividend per share</b>	<b>+7.6%</b>
• <b>Intrinsic net asset value per share</b>	<b>R251.48</b>

# REMGRO LIMITED

## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R million	2017	30 June 2016 Restated	1 July 2015 Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6 668	6 500	5 985
Investment properties	129	107	51
Intangible assets	4 927	4 993	5 710
Investments - Equity accounted	80 883	78 565	57 831
- Available-for-sale	3 345	3 408	2 493
Retirement benefits	201	163	220
Loans	562	880	977
Deferred taxation	23	42	18
	<b>96 738</b>	94 658	73 285
<b>Current assets</b>			
Inventories	3 055	3 274	3 118
Biological agricultural assets	791	968	830
Debtors and short-term loans	4 885	5 503	3 837
Investment in money market funds	5 888	1 050	986
Cash and cash equivalents	7 524	3 569	4 050
Other current assets	85	49	52
	<b>22 228</b>	14 413	12 873
Assets held for sale	89	29	8 534
	<b>119 055</b>	109 100	94 692
<b>Total assets</b>			
<b>EQUITY AND LIABILITIES</b>			
Stated capital	13 416	3 605	3 605
Reserves	79 235	75 456	69 781
Treasury shares	(219)	(217)	(272)
<b>Shareholders' equity</b>	<b>92 432</b>	78 844	73 114
Non-controlling interest	2 870	2 813	2 803
<b>Total equity</b>	<b>95 302</b>	81 657	75 917
<b>Non-current liabilities</b>			
Retirement benefits	173	202	227
Long-term loans	16 446	17 799	3 547
Deferred taxation	1 511	1 623	1 630
Derivative instruments	363	1 197	-
<b>Current liabilities</b>	<b>5 260</b>	6 622	13 371
Trade and other payables	4 710	4 833	4 469
Short-term loans	480	1 660	366
Other current liabilities	69	129	69
	<b>5 259</b>	6 622	4 904
Liabilities held for sale	1	-	8 467
	<b>119 055</b>	109 100	94 692
<b>Total equity and liabilities</b>			
<b>Net asset value per share (Rand)</b>			
- At book value	R163.13	R153.13	R142.12
- At intrinsic value	R251.48	R306.44	R288.89

*The 30 June 2016 annual results were restated due to a change in accounting policy, as well as the rights issue. Refer to "Restatement of comparative numbers" and notes 1 and 2 under "Comments".*

# REMGRO LIMITED

## SUMMARY CONSOLIDATED INCOME STATEMENT

<b>R million</b>	<b>Year ended 30 June</b>	
	<b>2017</b>	2016 Restated
Sales	27 600	27 697
Inventory expenses	(16 138)	(16 959)
Staff costs	(4 972)	(4 578)
Depreciation	(752)	(727)
Other net operating expenses	(4 978)	(4 921)
Trading profit	760	512
Dividend income	61	77
Interest received	633	287
Fair value adjustment on exchangeable bonds' option	687	(730)
Finance costs	(1 255)	(903)
Net impairment of investments, loans, assets and goodwill	105	(2 556)
Profit on sale and dilution of investments	199	2 451
Consolidated profit/(loss) before tax	1 190	(862)
Taxation	(227)	21
Consolidated profit/(loss) after tax	963	(841)
Share of after-tax profit of equity accounted investments	7 545	6 250
<b>Net profit for the year</b>	<b>8 508</b>	<b>5 409</b>
<b>Attributable to:</b>		
Equity holders	8 431	5 364
Non-controlling interest	77	45
	<b>8 508</b>	<b>5 409</b>

### EQUITY ACCOUNTED INVESTMENTS

#### Share of after-tax profit of equity accounted investments

Profit before taking into account impairments, non-recurring and capital items	10 066	8 875
Net impairment of investments, assets and goodwill	(668)	(809)
Profit on the sale of investments	325	216
Other non-recurring and capital items	101	(67)
Profit before tax and non-controlling interest	9 824	8 215
Taxation	(1 895)	(1 709)
Non-controlling interest	(384)	(256)
	<b>7 545</b>	<b>6 250</b>

## REMGRO LIMITED

### HEADLINE EARNINGS RECONCILIATION

<b>R million</b>	<b>Year ended 30 June</b>	
	<b>2017</b>	2016 Restated
<b>Net profit for the year attributable to equity holders (earnings)</b>	<b>8 431</b>	5 364
Plus/(minus):		
- Net impairment of equity accounted investments*	<b>(302)</b>	1 862
- Impairment of available-for-sale investments	<b>5</b>	-
- Impairment of property, plant and equipment	<b>181</b>	37
- Impairment of intangible assets*	<b>-</b>	644
- Impairment of assets held for sale	<b>-</b>	7
- Profit on sale and dilution of equity accounted investments**	<b>(199)</b>	(2 349)
- Profit on sale of available-for-sale investments	<b>-</b>	(153)
- Recycling of foreign currency translation reserves	<b>-</b>	51
- Net (surplus)/loss on disposal of property, plant and equipment	<b>(110)</b>	10
- Loss on disposal of biological agricultural assets	<b>-</b>	9
- Non-headline earnings items included in equity accounted earnings of equity accounted investments	<b>223</b>	633
- Net surplus on disposal of property, plant and equipment	<b>(19)</b>	(27)
- Profit on the sale of investments	<b>(325)</b>	(216)
- Net impairment of investments, assets and goodwill	<b>668</b>	809
- Other non-recurring and capital items	<b>(101)</b>	67
- Taxation effect of adjustments	<b>5</b>	(92)
- Non-controlling interest	<b>(13)</b>	(149)
<b>Headline earnings</b>	<b>8 221</b>	5 874
Once-off costs	<b>-</b>	788
Option remeasurement	<b>(687)</b>	730
<b>Headline earnings, excluding once-off costs and option remeasurement</b>	<b>7 534</b>	7 392

\* For the year under review "Net impairment of equity accounted investments" primarily consist of a reversal of impairment of the investment in Grindrod of R478 million (2016: impairment of the investment in Grindrod of R1 861 million). For the previous year "Impairment of intangible assets" primarily consist of an impairment in RCL Foods' Milling business amounting to R643 million.

\*\* For the previous year "Profit on sale and dilution of equity accounted investments" primarily consists of a profit of R2 262 million realised on the dilution of Remgro's interest in Mediclinic as part of the Al Noor transaction.

# REMGRO LIMITED

## EARNINGS AND DIVIDENDS

<b>Cents</b>	<b>Year ended 30 June</b>	
	<b>2017</b>	<b>2016</b> Restated
<b>Headline earnings per share</b>		
– Basic	<b>1 485.5</b>	1 119.6
– Diluted	<b>1 479.5</b>	1 115.0
<b>Headline earnings per share, excluding once-off costs and option remeasurement</b>		
– Basic	<b>1 361.3</b>	1 409.0
– Diluted	<b>1 355.5</b>	1 404.4
<b>Earnings per share</b>		
– Basic	<b>1 523.4</b>	1 022.4
– Diluted	<b>1 517.2</b>	1 018.5
<b>Dividends per share</b>		
Ordinary	<b>495.00</b>	460.00
– Interim	<b>194.00</b>	185.00
– Final	<b>301.00</b>	275.00

## REMGRO LIMITED

### SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>R million</b>	<b>Year ended 30 June</b>	
	<b>2017</b>	2016 Restated
Net profit for the year	<b>8 508</b>	5 409
Other comprehensive income, net of tax	<b>(2 097)</b>	2 579
<b>Items that may be reclassified subsequently to the income statement:</b>		
Exchange rate adjustments	<b>(4 477)</b>	1 745
Fair value adjustments for the year	<b>69</b>	534
Deferred taxation on fair value adjustments	<b>21</b>	(112)
Reclassification of other comprehensive income to the income statement	<b>(20)</b>	(951)
Other comprehensive income of equity accounted investments	<b>2 245</b>	1 652
<b>Items that will not be reclassified to the income statement:</b>		
Remeasurement of post-employment benefit obligations	<b>68</b>	19
Deferred taxation on remeasurement of post-employment benefit obligations	<b>(19)</b>	(6)
Change in reserves of equity accounted investments	<b>16</b>	(302)
 Total comprehensive income for the year	 <b>6 411</b>	 7 988
 <b>Total comprehensive income attributable to:</b>		
Equity holders	<b>6 338</b>	7 943
Non-controlling interest	<b>73</b>	45
	<b>6 411</b>	7 988

### SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<b>R million</b>	<b>Year ended 30 June</b>	
	<b>2017</b>	2016 Restated
Balance at the beginning of the year	<b>81 657</b>	75 917
Total comprehensive income for the year	<b>6 411</b>	7 988
Dividends paid	<b>(2 708)</b>	(2 358)
Transactions with non-controlling shareholders	<b>18</b>	31
Other movements	<b>18</b>	15
Long-term share incentive scheme reserve	<b>127</b>	64
Shares issued	<b>9 945</b>	-
Share issue costs	<b>(134)</b>	-
Purchase of treasury shares by wholly owned subsidiary	<b>(32)</b>	-
Balance at the end of the year	<b>95 302</b>	81 657

## REMGRO LIMITED

### SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

<b>R million</b>	<b>Year ended 30 June</b>	
	<b>2017</b>	2016 Restated
Cash generated from operations	2 874	1 413
Taxation paid	(363)	(328)
Dividends received	4 163	3 547
Finance costs	(1 179)	(795)
Cash available from operating activities	5 495	3 837
Dividends paid	(2 708)	(2 358)
Net cash inflow from operating activities	2 787	1 479
Investing activities*	(6 572)	(18 767)
Financing activities**	8 553	16 365
Net increase/(decrease) in cash and cash equivalents	4 768	(923)
Exchange rate profit/(loss) on foreign cash	(424)	222
Cash and cash equivalents at the beginning of the year	3 128	3 829
Cash and cash equivalents at the end of the year	7 472	3 128
Cash and cash equivalents – per statement of financial position	7 524	3 569
Bank overdraft	(52)	(441)

\* “Investing activities” primarily consists of an increase in money market funds of R4 838 million, while the comparative year included an investment in Mediclinic of R17 512 million in respect of the Mediclinic rights issue and Al Noor transaction.

\*\* “Financing activities” primarily consists of the Remgro rights issue of R9 811 million, while the comparative year included debt raised of R16 456 million in order to participate in the above-mentioned Mediclinic rights issue and Al Noor transaction.

### ADDITIONAL INFORMATION

	<b>30 June</b>	
	<b>2017</b>	2016 Restated
<b>Number of shares in issue</b>		
- Ordinary shares of no par value	529 217 007	481 106 370
- Unlisted B ordinary shares of no par value	39 056 987	35 506 352
Total number of shares in issue	568 273 994	516 612 722
<b>Number of shares held in treasury</b>		
- Ordinary shares repurchased and held in treasury	(1 666 638)	(1 725 393)
	566 607 356	514 887 329
<b>Weighted number of shares</b>	553 423 346	524 628 257

In determining earnings per share and headline earnings per share the weighted number of shares was taken into account.

## REMGRO LIMITED

### ADDITIONAL INFORMATION (continued)

<b>R million</b>	<b>30 June</b>	
	<b>2017</b>	2016 Restated
<b>Equity accounted investments</b>		
Associates	75 392	73 418
Joint ventures	5 491	5 147
	<b>80 883</b>	<b>78 565</b>
<b>Equity accounted investment reconciliation</b>		
Carrying value at the beginning of the year	78 565	57 831
Share of net attributable profit	7 545	6 250
Dividends received	(3 861)	(3 900)
Investment in Mediclinic	-	18 246
Dilutionary effects	196	1 886
Exchange rate differences	(4 947)	(1 274)
Grindrod impairment reversal/(impairment)	478	(1 861)
Movements on reserves	2 256	1 350
Other movements	651	37
Carrying value at the end of the year	<b>80 883</b>	<b>78 565</b>
<b>Long-term loans</b>		
20 000 Class A 7.7% cumulative redeemable preference shares	3 512	3 512
10 000 Class B 8.3% cumulative redeemable preference shares	4 382	4 382
Exchangeable bonds with an effective interest rate of 4.5%	5 650	6 380
Various other loans	3 127	3 672
	<b>16 671</b>	<b>17 946</b>
Short-term portion of long-term loans	(225)	(147)
	<b>16 446</b>	<b>17 799</b>
<b>Additions to and replacement of property, plant and equipment</b>	<b>1 228</b>	<b>1 295</b>
<b>Capital and investment commitments</b> (Including amounts authorised, but not yet contracted for)	<b>1 247</b>	<b>1 999</b>
<b>Guarantees and contingent liabilities</b>	<b>26</b>	<b>241</b>
<b>Dividends received from equity accounted investments set off against investments</b>	<b>3 861</b>	<b>3 900</b>
<b>Dividends received from associate classified as asset held for sale</b>	<b>-</b>	<b>149</b>
<b>Refer to the section dealing with “Investment activities” for more detail on related party transactions.</b>		



## REMGRO LIMITED

### ADDITIONAL INFORMATION (continued)

#### Fair value remeasurements

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

- Financial instruments available-for-sale and investment in money market funds: Fair value is based on quoted market prices or, in the case of unlisted instruments, appropriate valuation methodologies, being discounted cash flow, liquidation valuation and actual net asset value of the investment.
- Derivative instruments: The fair value of derivative instruments is determined by using appropriate valuation methodologies and mark-to-market valuations.

Financial instruments measured at fair value, are disclosed by level of the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table illustrates the fair values of financial assets and liabilities that are measured at fair value, by hierarchy level:

<b>R million</b>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<b>Total</b>
<b>30 June 2017</b>				
<b>Assets</b>				
Available-for-sale	1 178	-	2 167	3 345
Derivative instruments	-	1	-	1
Investment in money market funds	5 888	-	-	5 888
	<b>7 066</b>	<b>1</b>	<b>2 167</b>	<b>9 234</b>
<b>Liabilities</b>				
Non-current derivative instruments	-	363	-	363
Current derivative instruments	-	13	49	62
	-	<b>376</b>	<b>49</b>	<b>425</b>
 <b>30 June 2016</b>				
<b>Assets</b>				
Available-for-sale	1 260	-	2 148	3 408
Derivative instruments	-	8	-	8
Investment in money market funds	1 050	-	-	1 050
	<b>2 310</b>	<b>8</b>	<b>2 148</b>	<b>4 466</b>
<b>Liabilities</b>				
Non-current derivative instruments	-	1 197	-	1 197
Current derivative instruments	-	63	54	117
	-	<b>1 260</b>	<b>54</b>	<b>1 314</b>

## REMGRO LIMITED

### ADDITIONAL INFORMATION (continued)

The following table illustrates the reconciliation of the carrying value of level 3 assets from the beginning to the end of the period:

<b>R million</b>	<b>30 June</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets: Available-for-sale</b>		
Balances at the beginning of the year	<b>2 148</b>	1 591
Additions	<b>119</b>	174
Disposals	<b>(67)</b>	(53)
Exchange rate adjustments	<b>(178)</b>	236
Fair value adjustments through comprehensive income	<b>145</b>	200
<b>Balances at the end of the year</b>	<b>2 167</b>	2 148
<b>Liabilities: Derivative instruments</b>		
Balances at the beginning of the year	<b>54</b>	-
Remeasurements	<b>(5)</b>	-
Additions	<b>-</b>	54
<b>Balances at the end of the year</b>	<b>49</b>	54

There were no transfers between the different levels.

Level 3 financial assets consist mainly of investments in the Milestone China entities (Milestone), the Kagiso Infrastructure Empowerment Fund (KIEF) and the Pembani Remgro Infrastructure Fund (PRIF) amounting to R1 554 million, R272 million and R246 million respectively. These investments are all valued based on the fair value of each investment's underlying assets, which are valued using a variety of valuation methodologies. Listed entities are valued at the last quoted share price on the reporting date, whereas unlisted entities' valuation methods include discounted cash flow valuations, appropriate earnings and revenue multiples.

Milestone's fair value consists of listed investments (40%), cash and cash equivalents (4%) and unlisted investments (56%). Unlisted investments included at recent transaction prices in Milestone's fair value amounted to R606 million, while its remaining eight unlisted investments were valued at R264 million and is considered to be immaterial. KIEF's investments were valued using the discounted cash flow method or the agreed exit price. PRIF's main assets are the investments in ETG Group and Nova Lumos. ETG Group was valued using appropriate revenue and earnings multiples based on peer group companies to determine a price-to-book valuation, while Nova Lumos was recently acquired and therefor valued at its cost price.

Changes in the valuation assumptions of the above unlisted investments will not have a significant impact on Remgro's financial statements as the underlying assets of the funds in which Remgro made its investments are widely spread.

## REMGRO LIMITED

### RESTATEMENT OF COMPARATIVE NUMBERS

Refer to notes 1 and 2 under “Comments” for further detail

#### Restatement of comparative numbers on 1 July 2015

R million	As at 1 July 2015 as previously reported	Adjustments	As at 1 July 2015 Restated
<b>Impact on statement of financial position*</b>			
<b>ASSETS</b>			
Property, plant and equipment	5 716	269	5 985
Non-current assets – Biological agricultural assets	550	(550)	-
Current assets – Biological agricultural assets	549	281	830
Total assets	94 692	-	94 692

\* There was no impact on shareholders’ equity on 1 July 2015 as all affected entities elected to use the carrying value of bearer plants on that date as the deemed cost thereof as permitted by IFRS.

#### Restatement of comparative numbers for the 2016 financial year

R million	For the year ended 30 June 2016 as previously reported	Adjustments	For the year ended 30 June 2016 Restated
<b>Impact on income statement</b>			
Depreciation	(670)	(57)	(727)
Fair value adjustment on exchangeable bonds’ option*	-	(730)	(730)
Other net operating expenses*	(5 647)	726	(4 921)
Taxation	4	17	21
Net profit for the year	5 453	(44)	5 409
Attributable to:			
Equity holders (earnings)	5 386	(22)	5 364
Non-controlling interest	67	(22)	45
		(44)	
<b>Impact on headline earnings</b>			
Headline earnings	5 887	(13)	5 874
Headline earnings, excluding once-off costs and option remeasurement	7 405	(13)	7 392
<b>Impact on earnings per share (cents)</b>			
Headline earnings	1 143.9	(24.3)	1 119.6
Headline earnings, excluding once-off costs and option remeasurement	1 438.9	(29.9)	1 409.0
Earnings	1 046.6	(24.2)	1 022.4
<b>Impact on statement of comprehensive income</b>			
Net profit for the period	5 453	(44)	5 409
Total comprehensive income for the year	8 032	(44)	7 988
Total comprehensive attributable to:			
Equity holders	7 965	(22)	7 943
Non-controlling interest	67	(22)	45
		(44)	
<b>Impact on statement of cash flows</b>			
Cash flows from operating activities	1 457	22	1 479
Cash flows from investing activities	(18 745)	(22)	(18 767)

\* The fair value adjustment on the exchangeable bonds’ option was included in “Other net operating expenses” in the 2016 income statement. In order to improve disclosure this item is now shown separately.

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### RESTATEMENT OF COMPARATIVE NUMBERS (continued)

Restatement of comparative numbers for the 2016 financial year

<b>R million</b>	As at 30 June 2016 as previously reported	Adjustments	As at 30 June 2016 Restated
<b>Impact on statement of financial position</b>			
<b>ASSETS</b>			
Property, plant and equipment	6 292	208	6 500
Non-current assets – Biological agricultural assets	625	(625)	-
Current assets – Biological agricultural assets	612	356	968
Total assets	109 161	<u>(61)</u>	109 100
<b>LIABILITIES</b>			
Deferred taxation	1 640	<u>(17)</u>	1 623
Total liabilities	27 460	<u>(17)</u>	27 443
<b>EQUITY</b>			
Distributable reserves	44 324	(22)	44 302
Non-controlling interest	2 835	(22)	2 813
Total equity	81 701	<u>(44)</u>	81 657

# REMGRO LIMITED

## COMMENTS (unaudited)

### 1. ACCOUNTING POLICIES

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by *IAS 34: Interim Financial Reporting*.

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, with the exception of the adoption of the amendments to *IAS 16: Property, Plant and Equipment* and *IAS 41: Agriculture*. These amendments have to be applied retrospectively and accordingly the reported results of the comparative year were restated. The restatements pertain to the reclassification of bearer plants from biological assets to property, plant and equipment, the transfer of the remaining non-current biological assets (being the produce) to current biological assets and the measurement of the reclassified assets under the appropriate accounting treatment. Refer to the section “Restatement of comparative numbers” for further detail.

The financial statements have been prepared under the supervision of the Chief Financial Officer, Neville Williams CA(SA).

### 2. RIGHTS ISSUE

During October 2016 Remgro completed a rights issue whereby 48 110 637 new ordinary shares and 3 550 635 new B ordinary shares were issued at a subscription price of R192.50 per share for a total consideration of R9 944.8 million. The offer to the ordinary shareholders was made in the ratio of 10 rights issue shares for every 100 ordinary shares held on the record date of the rights issue, representing an aggregate amount of R9 261.3 million. In order to maintain the current level of voting rights of Rupert Beleggings Proprietary Limited (Rupert Beleggings) in Remgro, and to contribute to the new equity capital being raised, Remgro offered Rupert Beleggings the right to subscribe for 3 550 635 B ordinary shares, representing an aggregate amount of R683.5 million. In terms of *IAS 33 paragraph 26*, an adjustment to the weighted average number of shares in issue for the comparative period is required as the shares were issued at a discount to the Remgro share price on the day before the announcement (being R243.29 per share). Consequently, the comparable weighted number of shares in issue was adjusted by 9 994 195 shares to account for the deemed dilutive effect of the rights issue. Refer to the section “Restatement of comparative numbers” for further detail.

### 3. RESULTS

#### **Headline earnings**

For the year to 30 June 2017, headline earnings increased by 40.0% from R5 874 million to R8 221 million, while headline earnings per share (HEPS) increased by 32.7% from 1 119.6 cents to 1 485.5 cents. The difference in the increase between headline earnings and HEPS is attributed to the impact of the rights issue during the year under review.

Included in headline earnings for the comparative year are once-off transaction costs incurred with the Mediclinic International Limited (Mediclinic) rights issue and Al Noor Hospitals Group plc (Al Noor) transaction amounting to R788 million (“once-off costs”), as well as a negative fair value adjustment of R730 million, relating to the increase in value of the bondholders’ exchange option of the bonds (“option remeasurement”). The year under review includes a positive fair value adjustment of R687 million. Excluding these items, headline earnings increased by 1.9% from R7 392 million to R7 534 million, while HEPS decreased by 3.4% from 1 409.0 cents to 1 361.3 cents. The increase in headline earnings, excluding once-off costs and option remeasurement, is mainly due to higher contributions from the banking and insurance platforms, KTH and higher interest income, partly offset by lower earnings from RCL Foods and higher finance costs.

## REMGRO LIMITED

### Contribution to headline earnings by reporting platform

<b>R million</b>	<b>Year ended 30 June 2017</b>	<b>% Change</b>	<b>Year ended 30 June 2016 Restated</b>
Healthcare	1 875	19.7	1 566
Banking	3 163	5.8	2 989
Consumer products	1 354	(15.6)	1 605
Insurance	1 041	17.2	888
Industrial	750	45.1	517
Infrastructure	36	500.0	6
Media and sport	(58)	(61.1)	(36)
Other investments	70	4.5	67
Central treasury			
- finance income	349	179.2	125
- finance costs	(903)	(3.6)	(872)
- option remeasurement	687	194.1	(730)
Other net corporate costs	(143)	43.0	(251)
<b>Headline earnings</b>	<b>8 221</b>	<b>40.0</b>	<b>5 874</b>
Once-off costs	-		788
Option remeasurement	(687)		730
<b>Headline earnings, excluding once-off costs and option remeasurement</b>	<b>7 534</b>	<b>1.9</b>	<b>7 392</b>

Refer to Annexures A and B for segmental information.

### Commentary on reporting platforms' performance

#### *Healthcare*

Mediclinic's contribution to Remgro's headline earnings amounted to R1 875 million (2016: R1 566 million), representing an increase of 19.7%. It should be noted that Mediclinic's results for the comparative period include once-off transaction costs incurred with the Al Noor transaction amounting to R891 million (Remgro's portion being R386 million). Excluding these once-off items Mediclinic's contribution to Remgro's headline earnings would have decreased by 3.9% from R1 952 million to R1 875 million. This decrease is mainly due to the strengthening of the rand against the British pound. In British pound terms Mediclinic's contribution, excluding once-off transaction costs, increased by 8.2% mainly due to Remgro's increased interest in Mediclinic (42.1% to 44.6%), the inclusion of the results of Al Noor and Spire Healthcare Group plc (Spire) for the full twelve months and a strong performance in Switzerland, as well as good organic growth in Southern Africa. The increase is partly offset by the underperforming Middle East business, which was impacted by a number of operational and regulatory factors, doctor vacancies and delayed facility openings.

#### *Banking*

The headline earnings contribution from the banking division amounted to R3 163 million (2016: R2 989 million), representing an increase of 5.8%. FirstRand and RMBH reported headline earnings growth of 6.1% and 5.7% respectively. On a normalised basis, which excludes certain non-operational and accounting anomalies, FirstRand and RMBH reported earnings growth of 7.1% and 6.6% respectively. These increases are mainly due to growth in both net interest income, underpinned by good growth in deposits and a positive endowment on the back of higher average interest rates, and non-interest revenue due to strong growth in fee and commission income at FNB and from realisations in RMB's private equity portfolio at marginally higher levels. This growth in earnings was partly offset by an increase in credit impairment charges.

#### *Consumer products*

The contribution from consumer products to Remgro's headline earnings amounted to R1 354 million (2016: R1 605 million), representing a decrease of 15.6%. RCL Foods' contribution to Remgro's headline earnings decreased by 34.3% to R424 million (2016: R645 million). During the comparative period RCL Foods' results were positively impacted by the release of a R163 million provision raised for uncertain tax disputes as part of the Foodcorp acquisition, as well as a R119 million gain on the exercise of the Zam Chick and Zamhatch put options. On a normalised basis, RCL Foods reported headline earnings growth of 7.7%. The Sugar business benefited from price increases which helped offset reduced volumes, while the Chicken business was impacted by a massive oversupply in the local market caused by local production and dumping of imported chicken. Unilever's contribution to Remgro's headline earnings decreased by 2.6% to R449 million (2016: R461 million). This decrease is mainly the result of lower tax allowances following the completion of manufacturing investments, as well as a weakening trade

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environment. Distell's contribution to headline earnings, which includes the investment in Capevin Holdings, amounted to R481 million (2016: R499 million). Distell's results were negatively impacted by a stronger rand, particularly against the British pound, as well as intense competition and pressure on consumers. Distell reported headline earnings growth, adjusted for foreign exchange movements, of 7.4%.

### *Insurance*

RMI Holdings' contribution to headline earnings increased by 17.2% to R1 041 million (2016: R888 million). On a normalised basis, RMI Holdings reported an increase of 16.4% in earnings mainly due to OUTsurance and Discovery, which achieved earnings growth of 25.7% and 8.2% respectively. The strong result by OUTsurance was driven by favourable claims experienced across the group, as well as a significant improvement in the cost-to-income ratio, particularly at Youi due to scale benefits and cost efficiencies. With effect from 1 March 2017 RMI Holdings acquired a 29.9% stake in Hastings Group Holdings plc (Hastings), a fast-growing agile digital general insurance provider operating principally in the UK motor market. The contribution from Hastings were partially offset by higher funding costs relating to the acquisition.

### *Industrial*

Total's contribution to Remgro's headline earnings amounted to R224 million (2016: R291 million). The decrease is mainly due to a lower refining margin. Remgro's share of the results of KTH amounted to a profit of R34 million (2016: loss of R229 million). In the comparative period, KTH's results were negatively impacted by unfavourable fair value adjustments relating to its investments in Exxaro Resources Limited and MMI Holdings Limited preference shares. Air Products' and Wispeco's contribution to headline earnings amounted to R298 million and R169 million respectively (2016: R275 million and R144 million), while PGSI contributed R25 million to Remgro's headline earnings (2016: R36 million).

### *Infrastructure*

Grindrod's contribution to Remgro's headline earnings amounted to a loss of R48 million (2016: a loss of R45 million). The increased loss is mainly due to the underperformance of the rail assembly businesses resulting from a lack in demand for locomotives, continued uncertainty in the mining sector and low levels of activity in Southern Africa. The increased loss is partly offset by an improvement in dry-bulk shipping rates and commodity markets, as well as the Agricultural businesses. For the year under review the CIV group contributed R110 million to headline earnings (2016: R64 million). This increase is mainly due to solid growth in annuity revenue. Remgro's share of SEACOM's loss amounted to R33 million (2016: loss of R33 million).

### *Media and sport*

Media and sport primarily consist of the interests in eMedia Investments and various sport interests, including interests in rugby franchises, as well as the Stellenbosch Academy of Sport. eMedia Investments' contribution to Remgro's headline earnings increased to R49 million (2016: R28 million), mainly due to higher advertising revenue as a result of an improvement in market share. The increase is partly offset by higher business development costs, as well as continued investment into the multi-channel business.

### *Other investments*

The contribution from other investments to headline earnings amounted to R70 million (2016: R67 million), of which Business Partners' contribution was R54 million (2016: R48 million).

### *Central treasury and other net corporate costs*

Finance income amounted to R349 million (2016: R125 million). This increase is mainly due to higher average cash balances as a result of the Remgro rights issue. Finance costs mainly consist of funding costs amounting to R893 million (2016: R466 million) and once-off transaction costs in the comparative period amounting to R402 million, which relate to the Mediclinic rights issue and Al Noor transaction. The positive fair value adjustment of R687 million relates to the decrease in the value of the exchange option of the exchangeable bonds (2016: negative fair value adjustment of R730 million). Other net corporate costs amounted to R143 million (2016: R251 million). The comparative period includes transaction and funding costs amounting to R115 million relating to Remgro's acquisition of Spire. These costs were recouped from Mediclinic as part of the Spire disposal consideration, outside headline earnings.

### *Earnings*

Earnings increased by 57.2% to R8 431 million (2016: R5 364 million). This increase is mainly the result of the positive fair value adjustment relating to the decrease in value of the exchange option of the exchangeable bonds amounting to R687 million (2016: negative fair value adjustment of R730 million) and the once-off transaction costs in the comparative period amounting to R788 million, which relate to the Mediclinic rights issue and Al Noor transaction. The comparative period also includes an impairment of the investment in Grindrod (R1 861 million), Remgro's portion of the impairments in Grindrod's Rail and Shipping divisions (R577 million) and Remgro's portion of an impairment in RCL Foods' Milling business (R439 million), offset by a profit of R2 262 million realised on the dilution of Remgro's interest in Mediclinic as part of the Al Noor transaction.

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### 4. INTRINSIC NET ASSET VALUE

Remgro's intrinsic net asset value per share decreased by 17.9% from R306.44 at 30 June 2016 to R251.48 at 30 June 2017 mainly due to a 40.4% drop in the market value of the Mediclinic investment, as well as the dilutive effect of the rights issue. The closing share price at 30 June 2017 was R213.46 (2016: R254.66) representing a discount of 15.1% (2016: 16.9%) to the intrinsic net asset value. Refer to Annexure B for full details.

### 5. INVESTMENT ACTIVITIES

*The most important investment activities during the year under review were as follows:*

#### **Community Investment Ventures Holdings Proprietary Limited (CIVH)**

During September 2016 Remgro subscribed for an additional 12 353 shares in CIVH for a total amount of R329.3 million in terms of a CIVH rights issue. As a result of the share subscription, Remgro's interest in CIVH increased marginally to 51.0% on 30 June 2017 (2016: 50.9%).

#### **Capevin Holdings Limited (Capevin)**

During May 2017 Remgro acquired a further 30 667 156 Capevin shares for a total amount of R264.5 million. This transaction increased Remgro's effective interest in Capevin to 19.0% (2016: 15.6%).

#### **Invenfin Proprietary Limited (Invenfin)**

During July 2016 Remgro (through its wholly owned subsidiary, Invenfin) acquired a 30% stake in Dynamic Commodities Proprietary Limited (Dynamic Commodities) for R80.0 million. Dynamic Commodities is an export-focused company that produces high quality frozen desserts, snacks and value-added "fresh frozen" fruit.

During August 2016, Invenfin also acquired a 30% stake in Joya Brands Proprietary Limited, a sweets manufacturer, for R50.2 million.

#### **Pembani Remgro Infrastructure Fund (PRIF)**

On 15 August 2016 PRIF had its final close, which resulted in Remgro receiving a capital distribution of R14.6 million, as well as an income distribution of R3.8 million. During the year under review Remgro also invested a further R58.0 million in PRIF, thereby increasing its cumulative investment to R255.2 million. As at 30 June 2017 the remaining commitment to PRIF amounted to R394.8 million

#### **Other**

Other smaller investments amounted to R215 million.

#### **Events after year-end**

#### **Distell Group Limited (Distell)**

During June 2017 it was announced that Distell will restructure its multi-tiered ownership structure (the Proposed Transaction) and in order to give effect to the Proposed Transaction, Remgro will, through a number of inter-conditional steps, exchange its existing 50% shareholding in Remgro-Capevin Investments Proprietary Limited (RCI) for additional ordinary shares in Capevin Holdings Limited (Capevin) (RCI Exchange). Remgro currently holds 19.0% of the ordinary shares in Capevin and after the RCI Exchange, Remgro will hold 59.5% in Capevin. Following the RCI Exchange, Remgro will exchange its entire Capevin shareholding for ordinary shares in a new listed entity (New Distell), which entity will be substantially similar to the current Distell. Remgro will, in addition, also receive unlisted B shares in New Distell, which shares will be linked to those New Distell ordinary shares acquired by Remgro in virtue of the RCI Exchange, resulting in Remgro replicating RCI's current 52.8% voting rights in Distell. The unlisted B shares will only carry voting rights in New Distell and will have no economic participation. The Proposed Transaction will have no impact on Remgro's intrinsic asset value and Remgro will retain its economic interest in Distell. Post implementation of the Proposed Transaction, Remgro will, in aggregate, have voting rights of 56.0% in New Distell. The Proposed Transaction is still subject to a number of conditions precedent, *inter alia* Distell and Capevin shareholders' approvals, which is expected to be on 27 October 2017, as well as the approval of the relevant competition authorities.



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### **RMI Holdings Limited (RMI Holdings)**

On 19 September 2017 RMI Holdings declared its final dividend for the year ended 30 June 2017, which included an alternative to the cash dividend of either receiving a scrip distribution or reinvesting the cash dividend by subscribing for new RMI Holdings ordinary shares. Remgro has committed to reinvesting its cash dividend amounting to R292.3 million, by electing the reinvestment alternative, in order to receive 7 691 641 new RMI Holdings ordinary shares at R38.00 per share.

Other than the above-mentioned transactions, there were no other significant transactions subsequent to 30 June 2017.

## **6. TREASURY SHARES**

At 30 June 2016, 1 725 393 Remgro ordinary shares (0.4%) were held as treasury shares by a wholly owned subsidiary of Remgro. As previously reported, these shares were acquired for the purpose of hedging Remgro's share incentive scheme.

During the year under review 224 542 Remgro ordinary shares were utilised to settle Remgro's obligation towards scheme participants who exercised the rights granted to them. Remgro also followed its rights with respect to treasury shares it held when it completed the rights issue during October 2016 and subscribed for 165 787 Remgro ordinary shares for a total amount of R32 million.

At 30 June 2017, 1 666 638 (0.3%) Remgro ordinary shares were held as treasury shares.

## **7. CASH RESOURCES AT THE CENTRE**

*The Company's cash resources at 30 June 2017 were as follows:*

<b>R million</b>	<b>30 June 2017</b>			<b>30 June 2016</b>
	<b>Local</b>	<b>Offshore</b>	<b>Total</b>	
Per consolidated statement of financial position	<b>5 260</b>	<b>2 264</b>	<b>7 524</b>	3 569
Investment in money market funds	<b>3 815</b>	<b>2 073</b>	<b>5 888</b>	1 050
Less: Cash of operating subsidiaries	<b>(1 170)</b>	<b>(19)</b>	<b>(1 189)</b>	(841)
<b>Cash at the centre</b>	<b>7 905</b>	<b>4 318</b>	<b>12 223</b>	3 778

On 30 June 2017, approximately 48% (R5 888 million) of the available cash at the centre was invested in money market funds which are not classified as cash and cash equivalents on the statement of financial position.

## **REPORTS OF THE INDEPENDENT AUDITOR**

The Company's directors are responsible for the preparation of a summary of the audited consolidated financial statements.

These summary consolidated financial statements for the year ended 30 June 2017 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the Company's registered office, together with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the registered office of the Company.

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## DECLARATION OF CASH DIVIDEND

### **Declaration of Dividend No. 34**

Notice is hereby given that a final gross dividend of 301 cents (2016: 275 cents) per share has been declared out of income reserves in respect of both the ordinary shares of no par value and the unlisted B ordinary shares of no par value, for the year ended 30 June 2017.

A dividend withholding tax of 20% or 60.2 cents per share will be applicable, resulting in a net dividend of 240.8 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

The total gross dividend per share for the year ended 30 June 2017 therefore amounts to 495 cents, compared to 460 cents for the year ended 30 June 2016.

The issued share capital at the declaration date is 529 217 007 ordinary shares and 39 056 987 B ordinary shares. The income tax number of the Company is 9500-124-71-5.

### **Dates of importance:**

Last day to trade in order to participate in the dividend	Tuesday, 14 November 2017
Shares trade ex dividend	Wednesday, 15 November 2017
Record date	Friday, 17 November 2017
Payment date	Monday, 20 November 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 November 2017, and Friday, 17 November 2017, both days inclusive.

In terms of the Company's Memorandum of Incorporation, dividends will only be transferred electronically to the bank accounts of shareholders, while dividend cheques are no longer issued. In the instance where shareholders do not provide the Transfer Secretaries with their banking details, the dividend will not be forfeited, but will be marked as "unclaimed" in the share register until the shareholder provides the Transfer Secretaries with the relevant banking details for payout.

Signed on behalf of the Board of Directors.

**Johann Rupert**  
*Chairman*

**Jannie Durand**  
*Chief Executive Officer*

Stellenbosch  
20 September 2017

## REMGRO LIMITED

### DIRECTORATE

#### Non-executive directors

Johann Rupert (*Chairman*), E de la H Hertzog (*Deputy Chairman*),  
J Malherbe (*Deputy Chairman*), S E N De Bruyn Sebotsa\*, G T Ferreira\*,  
P K Harris\*, N P Mageza\*, P J Moleketi\*, M Morobe\*,  
F Robertson\*  
(\**Independent*)

#### Executive directors

J J Durand (*Chief Executive Officer*),  
W E Bührmann, M Lubbe, N J Williams

### CORPORATE INFORMATION

#### Secretary

D I Heynes

#### Listing

JSE Limited

*Sector:* Industrials – Diversified Industrials

#### Business address and registered office

Millennia Park, 16 Stellantia Avenue, Stellenbosch 7600  
(PO Box 456, Stellenbosch 7599)

#### Transfer Secretaries

Computershare Investor Services Proprietary Limited,  
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196  
(PO Box 61051, Marshalltown 2107)

#### Auditors

PricewaterhouseCoopers Inc.  
Stellenbosch

#### Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)

#### Website

[www.remgro.com](http://www.remgro.com)

# REMGRO LIMITED

## ANNEXURE A

### COMPOSITION OF HEADLINE EARNINGS

R million	Year ended 30 June	
	2017	2016 Restated
<b>Healthcare</b>		
Mediclinic	1 875	1 566
<b>Banking</b>		
RMBH	2 232	2 112
FirstRand	931	877
<b>Consumer products</b>		
Unilever	449	461
Distell <sup>1</sup>	481	499
RCL Foods	424	645
<b>Insurance</b>		
RMI Holdings	1 041	888
<b>Industrial</b>		
Air Products	298	275
KTH	34	(229)
Total	224	291
PGSI	25	36
Wispeco	169	144
<b>Infrastructure</b>		
Grindrod	(48)	(45)
CIV group	110	64
SEACOM	(33)	(33)
Other infrastructure interests	7	20
<b>Media and sport</b>		
eMedia Investments	49	28
Other media and sport interests	(107)	(64)
<b>Other investments</b>	70	67
<b>Central treasury</b>		
Finance income	349	125
Finance costs <sup>2</sup>	(216)	(1 602)
<b>Other net corporate costs</b>	(143)	(251)
<b>Headline earnings</b>	<b>8 221</b>	<b>5 874</b>
Weighted number of shares (million)	553.4	524.6
<b>Headline earnings per share (cents)</b>	<b>1 485.5</b>	<b>1 119.6</b>

#### Notes

- Includes the investment in Capevin Holdings Limited.
- Finance costs for the year under review include a positive option remeasurement of R687 million. The prior year includes a negative option remeasurement of R730 million and once-off costs of R402 million.

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## ANNEXURE B

### COMPOSITION OF INTRINSIC NET ASSET VALUE

R million	30 June 2017		30 June 2016	
	Book value	Intrinsic value	Book value Restated	Intrinsic value
<b>Healthcare</b>				
Mediclinic	33 763	41 568	33 629	69 691
<b>Banking</b>				
RMBH	14 016	23 350	13 132	22 356
FirstRand	5 010	10 365	4 652	9 857
<b>Consumer products</b>				
Unilever	3 737	10 702	3 589	10 650
Distell <sup>1</sup>	3 727	9 556	3 500	10 723
RCL Foods	7 553	10 173	7 272	9 278
<b>Insurance</b>				
RMI Holdings	7 277	17 532	7 157	18 526
<b>Industrial</b>				
Air Products	1 047	4 298	933	4 241
KTH	1 684	2 466	1 631	2 723
Total	1 640	2 167	1 575	1 879
PGSI	643	643	734	734
Wispeco	821	1 368	702	1 055
<b>Infrastructure</b>				
Grindrod	1 915	1 915	1 986	1 986
CIV group	2 242	4 829	1 871	3 166
SEACOM	321	896	655	1 043
Other infrastructure interests	520	520	540	540
<b>Media and sport</b>				
eMedia Investments	1 147	1 424	1 116	1 342
Other media and sport interests	365	319	328	328
<b>Other investments</b>	3 947	3 932	3 737	3 717
<b>Central treasury</b>				
Cash at the centre <sup>2</sup>	12 223	12 223	3 778	3 778
Debt at the centre	(13 907)	(13 907)	(16 452)	(16 452)
<b>Other net corporate assets</b>	2 741	3 164	2 779	3 149
<b>Intrinsic net asset value (INAV)</b>	<b>92 432</b>	<b>149 503</b>	<b>78 844</b>	<b>164 310</b>
<b>Potential CGT liability<sup>3</sup></b>		<b>(7 010)</b>		<b>(6 526)</b>
<b>INAV after tax</b>	<b>92 432</b>	<b>142 493</b>	<b>78 844</b>	<b>157 784</b>
Issued shares after deduction of shares repurchased (million)	566.6	566.6	514.9	514.9
<b>INAV after tax per share (Rand)</b>	<b>163.13</b>	<b>251.48</b>	<b>153.13</b>	<b>306.44</b>
<b>Remgro share price (Rand)</b>		<b>213.46</b>		<b>254.66</b>
<b>Percentage discount to INAV</b>		<b>15.1</b>		<b>16.9</b>

#### Notes

- Includes the investment in Capevin Holdings Limited.
- Cash at the centre excludes cash held by subsidiaries that are separately valued above (mainly RCL Foods and Wispeco).
- The potential capital gains tax (CGT) liability is calculated on the specific identification method using the most favourable calculation for investments acquired before 1 October 2001 and also taking into account the corporate relief provisions. Deferred CGT on investments "available-for-sale" is included in "other net corporate assets" above.
- For purposes of determining the intrinsic net asset value, the unlisted investments are shown at directors' valuation and the listed investments are shown at stock exchange prices.