

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

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

REMGRO LIMITED

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June		1 July
	2017	2016	2015
R million		Restated	Restated
ASSETS			
Non-current assets			
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
	96 738	94 658	73 285
Current assets	22 317	14 442	21 407
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
	22 228	14 413	12 873
Assets held for sale	89	29	8 534
Total assets	119 055	109 100	94 692
EQUITY AND LIABILITIES			
Stated capital	13 416	3 605	3 605
Reserves	79 235	75 456	69 781
Treasury shares	(219)	(217)	(272)
Shareholders' equity	92 432	78 844	73 114
Non-controlling interest	2 870	2 813	2 803
Total equity	95 302	81 657	75 917
Non-current liabilities	18 493	20 821	5 404
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	-
Current liabilities	5 260	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
	5 259	6 622	4 904
Liabilities held for sale	1	-	8 467
Total equity and liabilities	119 055	109 100	94 692
Net asset value per share (Rand)			
- 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".

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SUMMARY CONSOLIDATED INCOME STATEMENT

	Year ended 30 June	
	2017	2016
R million		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
Net profit for the year	8 508	5 409
Attributable to:		
Equity holders	8 431	5 364
Non-controlling interest	77	45
	8 508	5 409

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)
	7 545	6 250

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HEADLINE EARNINGS RECONCILIATION

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

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EARNINGS AND DIVIDENDS

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

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SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

R million	Year ended 30 June	
	2017	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

	30 June	
	2017	2016 Restated
Number of shares in issue		
- 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
Number of shares held in treasury		
- Ordinary shares repurchased and held in treasury	(1 666 638)	(1 725 393)
	566 607 356	514 887 329
Weighted number of shares	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.

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ADDITIONAL INFORMATION (continued)

R million	30 June	
	2017	2016 Restated
Equity accounted investments		
Associates	75 392	73 418
Joint ventures	5 491	5 147
	80 883	78 565
Equity accounted investment reconciliation		
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	80 883	78 565
Long-term loans		
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
	16 671	17 946
Short-term portion of long-term loans	(225)	(147)
	16 446	17 799
Additions to and replacement of property, plant and equipment	1 228	1 295
Capital and investment commitments	1 247	1 999
(Including amounts authorised, but not yet contracted for)		
Guarantees and contingent liabilities	26	241
Dividends received from equity accounted investments set off against investments	3 861	3 900
Dividends received from associate classified as asset held for sale	-	149
Refer to the section dealing with “Investment activities” for more detail on related party transactions.		

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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:

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

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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:

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

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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
Impact on statement of financial position*			
ASSETS			
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
Impact on income statement			
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)	
Impact on headline earnings			
Headline earnings	5 887	(13)	5 874
Headline earnings, excluding once-off costs and option remeasurement	7 405	(13)	7 392
Impact on earnings per share (cents)			
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
Impact on statement of comprehensive income			
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)	
Impact on statement of cash flows			
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

R million	As at 30 June 2016 as previously reported	Adjustments	As at 30 June 2016 Restated
Impact on statement of financial position			
ASSETS			
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	(61)	109 100
LIABILITIES			
Deferred taxation	1 640	(17)	1 623
Total liabilities	27 460	(17)	27 443
EQUITY			
Distributable reserves	44 324	(22)	44 302
Non-controlling interest	2 835	(22)	2 813
Total equity	81 701	(44)	81 657

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.

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Contribution to headline earnings by reporting platform

R million	Year ended 30 June 2017	% Change	Year ended 30 June 2016 Restated
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)
Headline earnings	8 221	40.0	5 874
Once-off costs	-		788
Option remeasurement	(687)		730
Headline earnings, excluding once-off costs and option remeasurement	7 534	1.9	7 392

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:

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

The annual financial statements have been audited by PricewaterhouseCoopers Inc. and their unqualified audit report on the comprehensive annual financial statements is available for inspection at the registered office of the Company and the report on the summary annual financial statements is attached.

The auditor's report does not necessarily report on all 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.

REMGRO LIMITED

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

REMGRO LIMITED

ANNEXURE A

COMPOSITION OF HEADLINE EARNINGS

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

Notes

1. Includes the investment in Capevin Holdings Limited.
2. 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.

REMGRO LIMITED

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
Healthcare				
Mediclinic	33 763	41 568	33 629	69 691
Banking				
RMBH	14 016	23 350	13 132	22 356
FirstRand	5 010	10 365	4 652	9 857
Consumer products				
Unilever	3 737	10 702	3 589	10 650
Distell ¹	3 727	9 556	3 500	10 723
RCL Foods	7 553	10 173	7 272	9 278
Insurance				
RMI Holdings	7 277	17 532	7 157	18 526
Industrial				
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
Infrastructure				
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
Media and sport				
eMedia Investments	1 147	1 424	1 116	1 342
Other media and sport interests	365	319	328	328
Other investments	3 947	3 932	3 737	3 717
Central treasury				
Cash at the centre ²	12 223	12 223	3 778	3 778
Debt at the centre	(13 907)	(13 907)	(16 452)	(16 452)
Other net corporate assets	2 741	3 164	2 779	3 149
Intrinsic net asset value (INAV)	92 432	149 503	78 844	164 310
Potential CGT liability³		(7 010)		(6 526)
INAV after tax	92 432	142 493	78 844	157 784
Issued shares after deduction of shares repurchased (million)	566.6	566.6	514.9	514.9
INAV after tax per share (Rand)	163.13	251.48	153.13	306.44
Remgro share price (Rand)		213.46		254.66
Percentage discount to INAV		15.1		16.9

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.

REMGRO LIMITED

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF REMGRO LIMITED

Opinion

The summary consolidated financial statements of Remgro Limited, set out on pages 1 to 12 and 20 and 21 of the audited consolidated results, which comprise the summary consolidated statement of financial position as at 30 June 2017, and the summary consolidated income statement and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Remgro Limited for the year ended 30 June 2017.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 20 September 2017. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

Director: N H Döman

Registered Auditor

Stellenbosch

20 September 2017