

CHIEF EXECUTIVE OFFICER'S REPORT



JANNIE DURAND
CHIEF EXECUTIVE OFFICER

INTRODUCTION

Remgro's intrinsic net asset value is the best indicator of the value added for our shareholders. Over the year under review the intrinsic net asset value per share has increased by 17.5% from R245.96 at 30 June 2014 to R288.89 at 30 June 2015. Over the same period the JSE all share index has increased by 1.7%, while Remgro's share price grew by 11.3%. Refer to the tables on page 22 where the relative performances are set out in more detail.

This report aims to provide shareholders with a better understanding of the methodology behind the calculation of the intrinsic net asset value, especially relating to the valuation of our unlisted investments. A summary of our investing activities during the year under review is also provided.

INTRINSIC NET ASSET VALUE

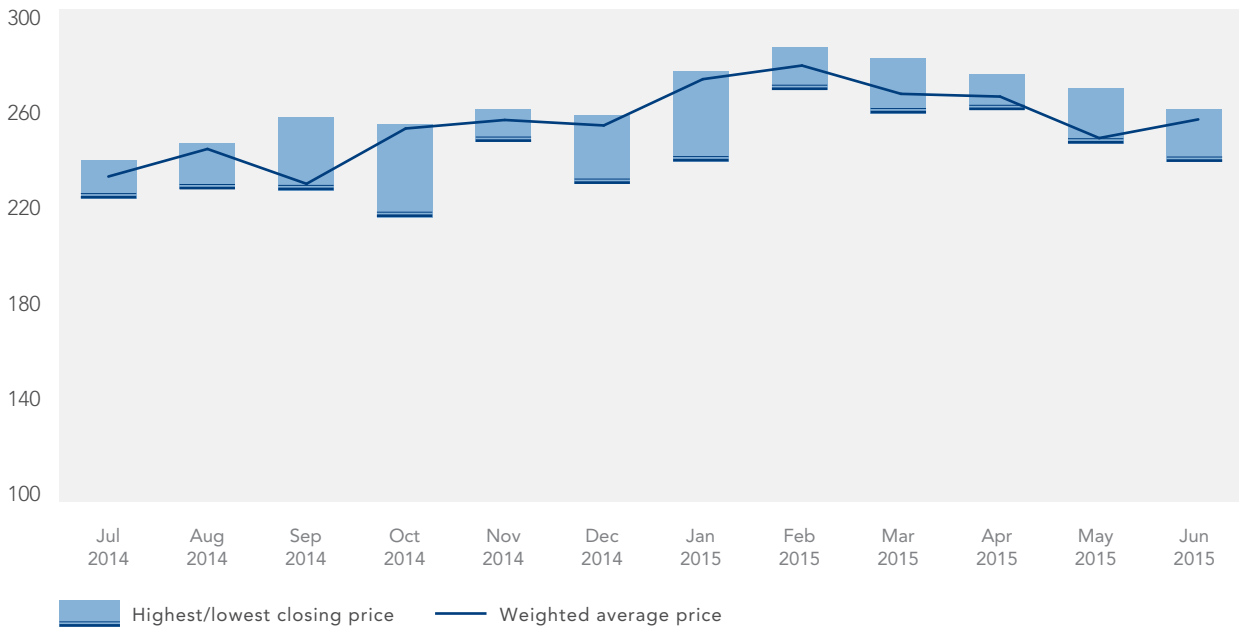
The intrinsic net asset value of the Group includes valuations of all investments, incorporating subsidiary and associated companies and joint ventures, either at listed market value or, in the case of unlisted investments, at directors' valuation. The net assets of wholly owned non-investment subsidiary companies consist mainly of monetary items (included at book value) and property (included at fair value).

The following factors are taken into account in determining the directors' valuation of unlisted investments:

- Market value and earnings yield of similar listed shares, taking into account that the marketability of unlisted investments is limited and, in some cases, also the tradeability
- Growth potential and risk
- Underlying net asset value
- Profit history
- Cash flow projections

REMGRO SHARE PRICE

Rand per share



It is the policy of Remgro not to apply a control premium to the valuation of investments where it holds a majority interest. Where Remgro holds a minority interest a 10% tradeability discount is applied.

Remgro's unlisted investments were valued as follows:

AIR PRODUCTS SOUTH AFRICA

The discounted cash flow method was used to value this investment. No tradeability discount is applied to the valuation due to the 50% shareholding.

BUSINESS PARTNERS

The net asset value was used.

CIV GROUP

The discounted cash flow method was used.

KAGISO TISO HOLDINGS

The annual external valuation was used.

PGSI

The discounted cash flow method was used.

PRIF

The annual external valuation was used.

SABIDO

A comparable market price was used.

SEACOM

The discounted cash flow method was used.

TOTAL SOUTH AFRICA

The discounted cash flow method was used.

UNILEVER SOUTH AFRICA

The discounted cash flow method was used.

WISPECO

The discounted cash flow method was used.

Refer to the table on page 24 for a detailed analysis of Remgro's intrinsic net asset value.



RELATIVE PERFORMANCE OF INTRINSIC NET ASSET VALUE AND REMGRO INTERNAL RATE OF RETURN (IRR)

The tables below compare the relative performance of the Remgro intrinsic net asset value per share with certain selected JSE indices. No account has been taken of dividends paid by Remgro.

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011	31 March 2010	31 March 2009
Intrinsic net asset value – Rand per share	288.89	245.96	204.83	152.61	135.97	121.64	99.15
JSE – All share index	51 807	50 945	39 578	33 708	31 865	28 748	20 364
– Fin & Ind 30 index	71 344	63 467	48 801	35 943	30 834	26 592	18 080
– Financial 15 index	16 498	14 501	11 176	9 618	8 128	8 061	5 438
– Resource 10 index	39 130	56 968	42 428	47 234	53 933	51 854	38 767
Remgro share price (Rand)	255.94	230.00	189.95	131.49	111.60	98.00	67.50

Relative performance	Year 30 June 2015 (% year on year)	Period from 28 October 2008 to 30 June 2015 (% comp per annum)
Intrinsic net asset value	17.5	20.3
JSE – All share index	1.7	16.6
– Fin & Ind 30 index	12.4	22.3
– Financial 15 index	13.8	17.8
– Resource 10 index	(31.3)	3.7
Remgro share price	11.3	24.0

The following table compares Remgro's IRR with that of certain selected JSE indices. For this purpose it has been assumed that dividends have been reinvested in either Remgro shares or in the particular index, depending on the specific calculation.

	IRR from 28 October 2008 to 30 June 2015 (% comp per annum)
JSE – All share index	20.0
– Fin & Ind 30 index	25.8
– Financial 15 index	22.6
– Resource 10 index	6.6
Remgro share	27.4

The following table compares the value of R100 invested on 28 October 2008 in either the relevant index or a Remgro share. For this purpose it has been assumed that dividends have been reinvested in either Remgro shares or in the particular index, depending on the specific calculation.

	R100 invested on 28 October 2008 until 30 June 2015 (Rand)
JSE – All share index	338
– Fin & Ind 30 index	463
– Financial 15 index	389
– Resource 10 index	153
Remgro share	502

INVESTMENT ACTIVITIES

During June 2015 Remgro acquired a 29.9% interest in Spire Healthcare Group Plc (Spire) for a total consideration of GBP431.7 million. The transaction was concluded early in July 2015 and Remgro financed the transaction through a combination of its own cash and external funding. Simultaneously, an agreement was concluded with Mediclinic whereby it would acquire Remgro's interest in Spire, subject to it raising the appropriate funds in order to conclude such a transaction. During August 2015 Mediclinic raised R10.0 billion through a rights issue in terms of which 111.1 million new Mediclinic shares were issued at a price of R90.00 per share. By following its rights and by also underwriting the balance of the rights issue, Remgro invested an additional R4.6 billion into Mediclinic, increasing its equity interest to 42.5%. Following the successful conclusion of the rights issue, Mediclinic acquired Remgro's interest in Spire during August 2015 for an amount of R8.6 billion, equalling the purchase price, transaction and funding costs.

During April 2015 Remgro acquired a further 2.99 million RMBH shares for a total amount of R215 million, thereby increasing its interest in RMBH from 27.9% to 28.2%.

During May 2015 the Pembani Remgro Infrastructure Fund (PRIF) announced that it has achieved a successful first closing of \$245 million. In addition, PRIF has also received a further commitment equal to 20% of the fund size, capped at \$100 million from an offshore investor. Remgro provided seed capital to the amount of R500 million to PRIF during November 2012. The strategy of the fund is to invest in equity and quasi-equity in the full spectrum of infrastructure opportunities on the African continent, with a focus on sub-Saharan Africa.

On the international front, we also invested a further R371 million in the Milestone Capital Funds, increasing Remgro's total investment in China to R1.5 billion. Despite the current problems in the Chinese economy, Remgro believes that its partnership with the Milestone Funds will produce value over the long term.



Jannie Durand
Chief Executive Officer

Stellenbosch
17 September 2015

The following table represents the cash effects of Remgro's investing activities for the year to 30 June 2015. These activities exclude the investing activities of Remgro's operating subsidiaries, i.e. RCL Foods Limited and Wispeco Holdings Limited.

Investments made and loans granted	R million
Existing investee companies	
Milestone Capital Funds (offshore)	371
Unilever South Africa (loan)	258
RMBH	215
Sabido (loan)	157
Grindrod	58
CIV group	57
Premier Team Holdings	49
Invenfin	29
KTH	22
Other	27
	1 243

Investments sold and loans repaid	R million
PRIF	317
Milestone Capital Funds (offshore)	110
Longkloof	83
GEMS	54
Other	19
	583

INVESTMENT COMMITMENTS

The table below summarises the investment commitments of Remgro as at 30 June 2015.

Investment commitments	R million
Mediclinic	4 135
PRIF	317
Milestone China Funds (offshore)	275
Kagiso Infrastructure Empowerment Fund	65
Other	38
	4 830

INTRINSIC NET ASSET VALUE

R million	30 June 2015		30 June 2014	
	Book value	Intrinsic value	Book value	Intrinsic value
Food, liquor and home care				
Unilever South Africa	3 384	8 688	3 086	9 037
Distell ⁽¹⁾	3 157	11 098	2 864	9 336
RCL Foods	7 346	11 514	6 862	10 547
Banking				
RMBH	12 267	26 409	11 225	20 743
FirstRand	4 300	11 720	3 969	8 957
Healthcare				
Mediclinic	13 227	36 727	10 597	29 316
Insurance				
RMI Holdings	6 717	19 096	6 224	14 739
Industrial				
Air Products South Africa	882	4 164	839	3 610
KTH	1 876	2 696	2 061	2 481
Total South Africa	1 428	1 785	1 329	1 596
PGSI	672	672	760	760
Wispeco	603	920	540	778
Infrastructure				
Grindrod	4 016	2 329	3 667	4 513
CIV group	1 795	2 797	1 657	2 282
SEACOM	566	1 001	569	991
Other infrastructure interests	480	480	829	829
Media and sport				
Sabido	1 126	2 094	974	2 528
Other media and sport interests	374	382	534	533
Other investments	3 047	3 266	2 699	2 767
Central treasury – cash at the centre⁽²⁾	4 019	4 019	3 264	3 264
Other net corporate assets	1 832	2 224	1 486	1 860
Net asset value (NAV)	73 114	154 081	66 035	131 467
Potential CGT liability⁽³⁾		(5 466)		(5 130)
NAV after tax	73 114	148 615	66 035	126 337
Issued shares after deduction of shares repurchased (million)	514.4	514.4	513.7	513.7
NAV after tax per share (Rand)	142.12	288.89	128.56	245.96

⁽¹⁾ Includes the investment in Capevin Holdings Limited.

⁽²⁾ Cash at the centre excludes cash held by subsidiaries that are separately valued above (mainly RCL Foods and Wispeco).

⁽³⁾ 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.

⁽⁴⁾ 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.

⁽⁵⁾ Intrinsic net asset values have not been audited.