Remgro Limited

# 2015 ANNUAL FINANCIAL STATEMENTS

# CONTENTS

# STATEMENT OF RESPONSIBILITY

## BY THE BOARD OF DIRECTORS

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements included in this Annual Report.

The annual financial statements are prepared, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act (No. 71 of 2008), as amended, on the going concern basis and incorporate full and responsible disclosure. The annual financial statements are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates. The financial statements have been prepared under the supervision of the Chief Financial Officer, Leon Crouse CA(SA).

The directors are satisfied that the information contained in the financial statements fairly represents the results of operations for the year and the financial position of the Group at year-end. The accuracy of the other information included in the Annual Report was considered by the directors and they are satisfied that it accords with the financial statements.

The directors are also responsible for the Group's system of internal financial controls. The system was developed to provide reasonable, but not absolute, assurance regarding the reliability of the financial statements, the safeguarding of assets, and to prevent and detect misrepresentation and losses.

The directors are of the opinion that the Group will continue as a going concern in the future.

The financial statements were audited by the independent auditor, PricewaterhouseCoopers Inc., to whom unrestricted access was given to all financial records and related information. The auditor's report is presented on page 9.

Signed on behalf of the Board of Directors.

Johann Rupert.

**Johann Rupert**
*Chairman*

**Jannie Durand**
*Chief Executive Officer*

Stellenbosch
17 September 2015

# STATEMENT BY THE COMPANY SECRETARY

I, Mariza Lubbe, being the Company Secretary of Remgro Limited, hereby certify that all returns and notices of Remgro Limited required in terms of the Companies Act (No. 71 of 2008), as amended, have in respect of the year under review, been filed with the Companies and Intellectual Property Commission and that all such returns and notices appear to be true, correct and up to date.

**Mariza Lubbe**
*Company Secretary*

Stellenbosch
17 September 2015

# AUDIT AND RISK COMMITTEE REPORT

TO THE SHAREHOLDERS OF REMGRO LIMITED

This report by the Audit and Risk Committee (the committee), as appointed by the shareholders in respect of the year under review, is prepared in accordance with the recommendations of King III and the requirements of the Companies Act (No. 71 of 2008), as amended (Companies Act) and describes how the committee has discharged its statutory duties in terms of the Companies Act and its additional duties assigned to it by the Board in respect of the financial year ended 30 June 2015.

## COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

The committee comprises four independent non-executive directors (as set out in the table below) and is chaired by Mr Herman Wessels who is a Chartered Accountant. All the committee members are suitably skilled and experienced. In terms of the committee's mandate, at least four meetings should be held annually.

COMPOSITION OF THE COMMITTEE

| Committee member* | Number of meetings held | Number of meetings attended |
|---|---|---|
| H Wessels (chairman) | 4 | 4 |
| N P Mageza | 4 | 4 |
| P J Moleketi | 4 | 4 |
| F Robertson | 4 | 4 |

* *Abridged curriculum vitae of all the directors of the Company are set out on pages 14 and 15 of the Integrated Annual Report.*

The Chief Executive Officer, Chief Financial Officer, head of internal audit and representatives of the external auditors attend the committee meetings by invitation. Committee agendas provide for confidential meetings between committee members and the internal and external auditors, as well as management.

## ROLE AND RESPONSIBILITIES

The committee's role and responsibilities include its statutory duties as per the Companies Act, as well as the responsibilities assigned to it by the Board.

The committee is satisfied that it has fulfilled all of its duties during the financial year under review, as further detailed below.

Remgro's principal wholly owned operating subsidiary is Wispeco. Wispeco's Audit and Risk Committee functions as a subcommittee of the committee and reports to this committee at each meeting by way of inclusion of the minutes of the meetings held by it in the committee's agenda. The committee has also satisfied itself that there are effective audit committees functioning at the Company's significant non-wholly owned subsidiaries, associates and joint ventures, whose minutes of meetings held are also included in the committee's agenda.

More information about the functioning of the committee and the matters dealt with in this report can be found in the Corporate Governance Report and Risk Management Report which are included in the Integrated Annual Report.

### STATUTORY DUTIES

In the conduct of its duties, the committee has performed the following statutory duties:

- Nominated PricewaterhouseCoopers Inc. and Mr Hein Döman, who, in the opinion of the committee, is independent of the Company, to the shareholders for appointment as the external auditor for the financial year ended 30 June 2015
- Determined the fees to be paid to the external auditor and their terms of engagement
- Ensured that the appointment of the external auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors
- Determined the nature and extent of any non-audit services that the external auditor may provide to the Company and its wholly owned subsidiaries administered by Remgro Management Services Limited (RMS), as well as Wispeco
- Pre-approved any proposed agreement with the external auditor for the provision of non-audit services to the Company and its wholly owned subsidiaries administered by RMS, as well as Wispeco.

### EXTERNAL AUDIT

The committee is satisfied that the Company's external auditor, PricewaterhouseCoopers Inc., is independent of the Company and is therefore able to conduct their audit functions without any influence from the Company.

A formal policy governs the process whereby the external auditor of the Company is considered for non-audit services. In terms of the policy, the committee is responsible for determining the nature and extent of any non-audit services that the external auditor may provide and also to pre-approve any proposed contract with the external auditor for the provision of non-audit services.

### INTERNAL FINANCIAL CONTROL AND ACCOUNTING SYSTEMS

The committee is responsible for assessing the systems of internal financial controls and accounting systems of the Company and its wholly owned subsidiaries. In this regard the committee has evaluated reports on the effectiveness of the systems of internal financial controls conducted by the internal audit function, considered information provided by management and held discussions with the external auditor on the results of their audit. The committee is of the opinion that the systems of internal financial controls are effective and forms a basis for the preparation of reliable financial statements. In support of the aforementioned the committee also received reports from the internal audit function regarding the effectiveness of the combined assurance process and fraud prevention and detection measures in place.

The Remgro executives serving on the boards of investee companies (RCL Foods and associates and joint ventures) are responsible for executing the Company's significant influence to ensure that effective internal controls are implemented and complied with.

## EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee has considered and has satisfied itself of the appropriateness of the expertise and experience of the Chief Financial Officer, Mr Leon Crouse, whose curriculum vitae appears on page 15 of the Integrated Annual Report.

The committee has furthermore considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the Company's finance function and the experience of the senior members of management responsible for the financial function.

## FINANCIAL STATEMENTS AND GOING CONCERN

The committee has reviewed the stand-alone and consolidated financial statements of the Company and is satisfied that they comply with International Financial Reporting Standards and the Companies Act, and that the accounting policies used are appropriate.

The committee has also reviewed a documented assessment by management of the going concern premise of the Company before recommending to the Board that the Company will be a going concern in the foreseeable future.

## RISK MANAGEMENT

The committee has assigned oversight of the risk management function to the Risk and IT Governance Committee, which is a subcommittee of the committee. The mandate of this committee includes the maintenance of the Risk Management Policy and plan, establishment of an operational Risk Register, information technology risk management, legal compliance and occupational health and safety. The Risk and IT Governance Committee is chaired by the CFO and the fourteen other members are all senior managers of the Company. The chairman of the committee attends the Risk and IT Governance Committee meetings as an *ex officio* member to ensure the effective functioning of this committee and that appropriate risk information is shared with the committee.

## INTERNAL AUDIT

The Company's internal audit division is an effective independent appraisal function and forms an integral part of the Enterprise-wide Risk Management system that provides assurance on the effectiveness of the Company's system of internal control. The internal audit division of the Company is staffed by qualified and experienced personnel and services all of Remgro's wholly owned subsidiaries administered by RMS, as well as Wispeco. In addition, the internal audit division also performs independent internal audit work for other investee companies such as Dark Fibre Africa, Mediclinic, RMB Holdings, RMI Holdings, SEACOM and Business Partners.

During the year under review the committee considered and recommended the internal audit charter for approval by the Board. The committee further considered the internal audit quality assurance plan and the performance of the internal audit function. Further details on the Group's internal audit functions are provided in the Risk Management Report which is included in the Integrated Annual Report.

## COMPLIANCE

The committee is responsible for reviewing any major breach of relevant legal and regulatory requirements. The committee is satisfied that there has been no material non-compliance with laws and regulations.

The committee is also satisfied that it has complied with all its legal, regulatory and other responsibilities during the year under review.

## RECOMMENDATION TO THE BOARD

The committee has reviewed and considered the Integrated Annual Report, as well as the comprehensive annual financial statements and Sustainable Development Report, and has recommended it for approval by the Board.

**Herman Wessels**
*Chairman of the Audit and Risk Committee*

Stellenbosch
17 September 2015

# REPORT OF THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2015

Dear Shareholder

The Board has pleasure in reporting on the activities and financial results for the year under review.

## NATURE OF ACTIVITIES

The Company is an investment holding company. Cash income is derived mainly from dividends and interest. The consolidated annual financial statements of the Company and its subsidiaries also incorporate the equity accounted attributable income of associated companies and joint ventures.

The Group's interests consist mainly of investments in food, liquor and home care; banking; healthcare; insurance; industrial; infrastructure as well as media and sport.

## RESULTS

| Year ended | **30 June 2015** | 30 June 2014 |
|---|---|---|
| Headline earnings (R million) | **7 996** | 6 635 |
| – per share (cents) | **1 555.0** | 1 292.4 |
| – diluted (cents) | **1 541.8** | 1 270.3 |
| Earnings – net profit for the year (R million) | **8 715** | 6 917 |
| – per share (cents) | **1 694.9** | 1 347.3 |
| – diluted (cents) | **1 680.9** | 1 325.7 |
| Dividends (R million) | **2 211** | 2 010 |
| – ordinary – per share (cents) | **428.00** | 389.00 |

*A final dividend of 259 cents (2014: 233 cents) per share was declared after the year-end and was therefore not provided for in the annual financial statements. The final dividend is subject to dividend tax.*

## INVESTMENT ACTIVITIES

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

### MEDICLINIC INTERNATIONAL LIMITED (MEDICLINIC) AND SPIRE HEALTHCARE GROUP PLC (SPIRE)

During June 2015 Remgro entered into an agreement with funds managed by Cinven to acquire 119 923 335 Spire shares (equivalent to a 29.9% shareholding in Spire) at a price of GBP3.60 per share for a total purchase consideration of GBP431.7 million (excluding transaction costs). The transaction was concluded early in July 2015 and Remgro financed the transaction through a combination of its own cash, as well as external funding.

In conjunction with the above transaction, Remgro and Mediclinic concluded an agreement whereby Mediclinic would acquire Remgro's interest in Spire, subject to Mediclinic 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 111 111 111 new Mediclinic shares were issued at a price of R90.00 per share. Remgro, by following its rights and by underwriting the balance of the rights issue, invested an additional R4.6 billion into Mediclinic. Following the successful conclusion of the rights issue, Mediclinic acquired Remgro's shareholding in Spire during August 2015 for an amount of R8.6 billion, equal to the purchase price, transaction and funding costs Remgro thus effectively only facilitated the acquisition of Spire by Mediclinic.

On 30 June 2015 Remgro's effective interest in Mediclinic was 42.0% (2014: 42.1%). The additional Mediclinic shares acquired by Remgro in terms of it underwriting the Mediclinic rights issue referred to above, marginally increased its interest in Mediclinic to 42.5%.

### RMB HOLDINGS LIMITED (RMBH)

During April 2015 Remgro acquired a further 2 990 000 RMBH shares for a total amount of R215.5 million. This transaction increased Remgro's effective interest in RMBH to 28.2% (2014: 27.9%).

### COMMUNITY INVESTMENT VENTURES HOLDINGS PROPRIETARY LIMITED (CIVH)

Remgro's interest in Dark Fibre Africa Proprietary Limited (Dark Fibre Africa) is held through its investment in CIVH. Dark Fibre Africa is a wholly owned subsidiary of CIVH. During August 2014 Remgro invested a further R56.6 million in CIVH, thereby increasing its interest marginally from 50.7% on 30 June 2014 to 50.9% on 30 June 2015.

### GRINDROD LIMITED (GRINDROD)

During the year under review Remgro acquired a further 3 380 435 Grindrod shares in the open market for a total amount of R58.0 million, thereby increasing its effective interest in Grindrod to 23.0% (2014: 22.6%).

### KAGISO TISO HOLDINGS LIMITED (KTH)

During July 2014 Remgro acquired an additional 3 000 ordinary shares in KTH for a total amount of R22.5 million. This transaction increased Remgro's effective interest in KTH to 34.9% (2014: 34.7%).

### LASHOU GROUP INC (LASHOU)

During the year under review Remgro disposed of its investment in Lashou. A loss of $19.9 million was realised on this transaction. This loss is excluded from headline earnings.

### MILESTONE CHINA OPPORTUNITIES FUND III (MILESTONE III)

During the year under review Remgro invested a further $33.1 million in Milestone III, thereby increasing its cumulative investment to $86.5 million. As at 30 June 2015 the remaining commitment to Milestone III amounted to $13.5 million.

### OTHER

Other smaller investments amounted to R85.2 million.

### EVENTS AFTER YEAR-END

Other than the above-mentioned Spire transaction, there were no significant transactions subsequent to 30 June 2015.

## CASH RESOURCES AT THE CENTRE

The Company's cash resources at 30 June 2015 were as follows:

| R million | 30 June 2015 Local | 30 June 2015 Offshore | 30 June 2015 Total | 30 June 2014 |
|---|---|---|---|---|
| Per consolidated statement of financial position | **3 055** | **995** | **4 050** | 3 657 |
| Investment in money market funds | **500** | **486** | **986** | 1 171 |
| Less: Cash of operating subsidiaries | **(965)** | **(52)** | **(1 017)** | (1 564) |
| *Cash at the centre* | **2 590** | **1 429** | **4 019** | 3 264 |

On 30 June 2015, approximately 25% (R986 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. Refer to note 14 to the annual financial statements for further details.

## GROUP FINANCIAL REVIEW

### STATEMENT OF FINANCIAL POSITION

The analysis of "Equity employed" and of "Source of headline earnings" below reflects the sectors into which the Group's investments have been classified. No adjustment has been made where investments are active mainly in one sector but also have interests in other sectors.

| | 30 June 2015 R million | 30 June 2015 R per share | 30 June 2014 R million | 30 June 2014 R per share |
|---|---|---|---|---|
| *Equity employed* | | | | |
| Attributable to equity holders | **73 114** | **142.12** | 66 035 | 128.56 |
| *Employment of equity* | | | | |
| Food, liquor and home care | **13 887** | **26.99** | 12 812 | 24.94 |
| Banking | **16 567** | **32.20** | 15 194 | 29.58 |
| Healthcare | **13 227** | **25.71** | 10 597 | 20.63 |
| Insurance | **6 717** | **13.06** | 6 224 | 12.12 |
| Industrial | **5 461** | **10.62** | 5 529 | 10.76 |
| Infrastructure | **6 857** | **13.33** | 6 722 | 13.09 |
| Media and sport | **1 500** | **2.92** | 1 508 | 2.94 |
| Other investments | **3 047** | **5.92** | 2 699 | 5.26 |
| Central treasury – cash at the centre | **4 019** | **7.81** | 3 264 | 6.35 |
| Other net corporate assets | **1 832** | **3.56** | 1 486 | 2.89 |
| | **73 114** | **142.12** | 66 035 | 128.56 |

## INCOME STATEMENT

| | 30 June 2015 R million | 30 June 2015 % | 30 June 2014 R million | 30 June 2014 % |
|---|---|---|---|---|
| *Source of headline earnings* | | | | |
| Food, liquor and home care | **1 531** | **19** | 795 | 12 |
| Banking | **2 845** | **36** | 2 542 | 38 |
| Healthcare | **1 734** | **22** | 1 489 | 22 |
| Insurance | **986** | **12** | 871 | 13 |
| Industrial | **381** | **5** | 700 | 11 |
| Infrastructure | **392** | **5** | 166 | 3 |
| Media and sport | **(16)** | **–** | 64 | 1 |
| Other investments | **84** | **1** | 59 | 1 |
| Central treasury | **111** | **1** | 83 | 1 |
| Other net corporate costs | **(52)** | **(1)** | (134) | (2) |
| | **7 996** | **100** | 6 635 | 100 |

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| *Composition of headline earnings* | | |
| Subsidiary companies | **996** | (4) |
| Profits | **1 107** | 355 |
| Losses | **(111)** | (359) |
| Associated companies and joint ventures | **7 000** | 6 639 |
| Profits | **7 183** | 6 725 |
| Losses | **(183)** | (86) |
| | **7 996** | 6 635 |

## SHARE INCENTIVE SCHEME

Remgro currently has one long-term incentive plan, i.e. the Remgro Equity Settled Share Appreciation Right Scheme (the SAR Scheme). In terms of the SAR Scheme, participants are offered Remgro ordinary shares to the value of the appreciation of their rights to a specified number of Remgro ordinary shares that can be exercised at different intervals but before the expiry of seven years from date of grant.

The earliest intervals at which the share appreciation rights are exercisable are as follows:

- One-third after the third anniversary of the grant date
- Two-thirds after the fourth anniversary of the grant date
- The remainder after the fifth anniversary of the grant date

Refer to note 25 to the annual financial statements for full details on the SAR Scheme.

## TREASURY SHARES

At 30 June 2014, 2 960 766 Remgro ordinary shares (0.6%) were held as treasury shares by a wholly owned subsidiary company of Remgro. As previously reported, these shares were acquired for the purpose of hedging Remgro's share incentive scheme.

During the year under review no Remgro ordinary shares were repurchased, while 791 208 Remgro ordinary shares were utilised to settle Remgro's obligation towards share scheme participants who exercised the rights granted to them.

At 30 June 2015, 2 169 558 Remgro ordinary shares (0.5%) were held as treasury shares.

## PRINCIPAL SHAREHOLDER

Rembrandt Trust Proprietary Limited (Rembrandt Trust) holds all the issued unlisted B ordinary shares of the Company and is entitled to 42.57% (2014: 42.61%) of the total votes.

An analysis of the shareholders appears on pages 81 and 82.

## SUBSIDIARY COMPANIES AND INVESTMENTS

Particulars of subsidiary companies, equity accounted investments and other investments are disclosed in Annexures A and B.

## DIRECTORS

The names of the directors appear on pages 14 to 15 of the Integrated Annual Report.

On 25 November 2014, the Remgro Board of directors appointed Mr J Malherbe, a current Remgro non-executive director, as co-deputy chairman with Dr E de la H Hertzog, who is the current deputy chairman.

The Board wishes to congratulate Mr Malherbe on his appointment.

Ms S E N de Bruyn Sebotsa has been appointed as an independent non-executive director of Remgro with effect from 16 March 2015. She has considerable experience in the areas of finance, business and the empowerment of women in South Africa.

The Board wishes to welcome Ms De Bruyn Sebotsa as a director to the Company.

In terms of the provision of the Memorandum of Incorporation, Messrs W E Bührmann, G T Ferreira, F Robertson, J P Rupert and H Wessels retire from the Board by rotation. These directors are eligible and offer themselves for re-election.

## DIRECTORS' INTERESTS

At 30 June 2015 the aggregate of the direct and indirect interests of the directors and their associates in the issued ordinary share capital of the Company amounted to 2.57% (2014: 2.52%).

Mr J P Rupert is a director of Rembrandt Trust which owns all the issued unlisted B ordinary shares.

An analysis of directors' interests in the issued capital of the Company appears on page 83.

## DIRECTORS' EMOLUMENTS

The total directors' fees for services rendered as directors during the past financial year amounted to R3.7 million (2014: R3.5 million).

## ACQUISITION OF SHARES OF THE COMPANY

It is recommended that a general authority be granted to the Board to acquire, should circumstances warrant it, the Company's own shares and to approve the acquisition of shares in the Company by any of its subsidiaries, subject to the provisions of the Companies Act (No. 71 of 2008), as amended, and the Listings Requirements of the JSE Limited.

A special resolution to grant this general authority to the Board is incorporated in the notice of the Annual General Meeting that appears on page 114 of the Integrated Annual Report.

## DIVIDENDS

The final ordinary dividend per share was determined at 259 cents (2014: 233 cents). Total ordinary dividends per share in respect of the year to 30 June 2015 therefore amount to 428 cents (2014: 389 cents).

## DECLARATION OF CASH DIVIDEND

### DECLARATION OF DIVIDEND NO. 30

Notice is hereby given that a final gross dividend of 259 cents (2014: 233 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 2015.

A dividend withholding tax of 15% or 38.85 cents per share will be applicable, resulting in a net dividend of 220.15 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 2015 therefore amounts to 428 cents, compared to 389 cents for the year ended 30 June 2014.

The issued share capital at the declaration date is 481 106 370 ordinary shares and 35 506 352 B ordinary shares. The income tax number of the Company is 9500-124-71-5.

### PAYMENT

The final dividend is payable on Monday, 16 November 2015, to shareholders of the Company registered at the close of business on Friday, 13 November 2015.

Shareholders may not dematerialise or rematerialise their holdings of ordinary shares between Monday, 9 November 2015, and Friday, 13 November 2015, 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 pay out.

## SECRETARY

The name and address of the Company Secretary appears on page 17 of the Integrated Annual Report.

## APPROVAL

The annual financial statements set out on pages 10 to 83 have been approved by the Board.

Signed on behalf of the Board of Directors.

| | |
|---|---|
| **Johann Rupert** | **Jannie Durand** |
| *Chairman* | *Chief Executive Officer* |

Stellenbosch
17 September 2015

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REMGRO LIMITED

We have audited the consolidated and separate financial statements of Remgro Limited, set out on pages 10 to 83, which comprise the statements of financial position as at 30 June 2015, the income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Remgro Limited as at 30 June 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

## Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2015, we have read the Report of the Board of Directors, the Audit and Risk Committee Report and the Statement by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
**Director: N H Döman**
*Registered Auditor*

Stellenbosch
17 September 2015

# CONSOLIDATED

## STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

| R million | Notes | 30 June 2015 | 30 June 2014 |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | **5 716** | 5 616 |
| Biological agricultural assets | 4 | **550** | 499 |
| Investment properties | 5 | **51** | 42 |
| Intangible assets | 6 | **5 710** | 5 811 |
| Investments – Equity accounted | 7 | **57 831** | 52 169 |
| – Other | 8 | **2 493** | 2 642 |
| Retirement benefits | 9 | **220** | 210 |
| Loans | | **977** | 629 |
| Deferred taxation | 10 | **18** | 14 |
| | | **73 566** | 67 632 |
| **Current assets** | | **21 126** | 11 876 |
| Inventories | 11 | **3 118** | 2 408 |
| Biological agricultural assets | 4 | **549** | 539 |
| Debtors and short-term loans | 12 | **3 837** | 3 330 |
| Derivative instruments | 13 | **10** | 3 |
| Taxation | | **42** | 14 |
| Investment in money market funds | 14 | **986** | 1 171 |
| Cash and cash equivalents | 15 | **4 050** | 3 657 |
| | | **12 592** | 11 122 |
| Assets held for sale | 16 | **8 534** | 754 |
| **Total assets** | | **94 692** | 79 508 |
| EQUITY AND LIABILITIES | | | |
| **Stated capital** | 17 | **3 605** | 3 605 |
| **Reserves** | 18 | **69 781** | 62 802 |
| **Treasury shares** | | **(272)** | (372) |
| **Shareholders' equity** | | **73 114** | 66 035 |
| **Non-controlling interest** | 19 | **2 803** | 2 599 |
| **Total equity** | | **75 917** | 68 634 |
| **Non-current liabilities** | | **5 404** | 2 199 |
| Retirement benefits | 9 | **227** | 258 |
| Long-term loans | 20 | **3 547** | 436 |
| Deferred taxation | 10 | **1 630** | 1 505 |
| **Current liabilities** | | **13 371** | 8 675 |
| Trade and other payables | 21 | **4 469** | 3 791 |
| Short-term loans | 22 | **366** | 4 661 |
| Derivative instruments | 13 | **16** | 10 |
| Taxation | | **53** | 27 |
| | | **4 904** | 8 489 |
| Liabilities held for sale | 16 | **8 467** | 186 |
| **Total equity and liabilities** | | **94 692** | 79 508 |

## INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

| R million | Notes | 30 June 2015 | 30 June 2014 |
|---|---|---|---|
| Sales | | **25 590** | 24 621 |
| Inventory expenses | | **(15 267)** | (15 374) |
| Staff costs | 23 | **(4 276)** | (3 747) |
| Depreciation | 26 | **(607)** | (592) |
| Other net operating expenses | 26 | **(3 878)** | (4 238) |
| Trading profit | | **1 562** | 670 |
| Dividend income | 27 | **213** | 43 |
| Interest received | 26 | **276** | 326 |
| Finance costs | | **(371)** | (1 057) |
| Net impairment of investments, loans, assets and goodwill | 26 | **(288)** | 22 |
| Profit on sale of investments | 26 | **696** | 51 |
| Consolidated profit before tax | | **2 088** | 55 |
| Taxation | 10 | **(395)** | (57) |
| Consolidated profit/(loss) after tax | | **1 693** | (2) |
| Share of after-tax profit of equity accounted investments | 28 | **7 228** | 6 853 |
| **Net profit for the year** | | **8 921** | 6 851 |
| | | | |
| ***Attributable to:*** | | | |
| Equity holders | | **8 715** | 6 917 |
| Non-controlling interest | | **206** | (66) |
| | | **8 921** | 6 851 |
| | | | |
| EARNINGS PER SHARE (cents) | | | |
| Basic | 2 | **1 694.9** | 1 347.3 |
| Diluted | 2 | **1 680.9** | 1 325.7 |

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

| R million | Equity reserves | Other reserves | Fair value reserves | Retained earnings | Share-holders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| **30 June 2015** | | | | | | | |
| Net profit for the year | | | | **8 715** | **8 715** | **206** | **8 921** |
| Other comprehensive income, net of tax | **(57)** | **50** | **9** | **349** | **351** | **4** | **355** |
| **Items that may be reclassified subsequently to the income statement:** | | | | | | | |
| Exchange rate adjustments | **(87)** | **29** | **(19)** | **346** | **269** | **(2)** | **267** |
| Fair value adjustments for the year | **–** | **29** | **(194)** | **–** | **(165)** | **9** | **(156)** |
| Deferred taxation on fair value adjustments | **–** | **(8)** | **(24)** | **–** | **(32)** | **(2)** | **(34)** |
| Reclassification of other comprehensive income to the income statement | **(200)** | **–** | **246** | **(1)** | **45** | **–** | **45** |
| Other comprehensive income of equity accounted investments | **929** | **–** | **–** | **–** | **929** | **–** | **929** |
| **Items that will not be reclassified to the income statement:** | | | | | | | |
| Remeasurement of post-employment benefit obligations | **–** | **–** | **–** | **6** | **6** | **(1)** | **5** |
| Deferred taxation on remeasurement of post-employment benefit obligations | **–** | **–** | **–** | **(2)** | **(2)** | **–** | **(2)** |
| Change in reserves of equity accounted investments | **(699)** | **–** | **–** | **–** | **(699)** | **–** | **(699)** |
| **Total comprehensive income for the year** | **(57)** | **50** | **9** | **9 064** | **9 066** | **210** | **9 276** |
| **30 June 2014** | | | | | | | |
| Net profit for the year | | | | 6 917 | 6 917 | (66) | 6 851 |
| Other comprehensive income, net of tax | 1 864 | 382 | 207 | (13) | 2 440 | 4 | 2 444 |
| **Items that may be reclassified subsequently to the income statement:** | | | | | | | |
| Exchange rate adjustments | (66) | 379 | (21) | 5 | 297 | 1 | 298 |
| Fair value adjustments for the year | – | 5 | 341 | – | 346 | – | 346 |
| Deferred taxation on fair value adjustments | – | (2) | (41) | – | (43) | – | (43) |
| Reclassification of other comprehensive income to the income statement | (72) | – | (72) | (32) | (176) | – | (176) |
| Other comprehensive income of equity accounted investments | 2 015 | – | – | – | 2 015 | – | 2 015 |
| **Items that will not be reclassified to the income statement:** | | | | | | | |
| Remeasurement of post-employment benefit obligations | – | – | – | 19 | 19 | 4 | 23 |
| Deferred taxation on remeasurement of post-employment benefit obligations | – | – | – | (5) | (5) | (1) | (6) |
| Change in reserves of equity accounted investments | (13) | – | – | – | (13) | – | (13) |
| **Total comprehensive income for the year** | 1 864 | 382 | 207 | 6 904 | 9 357 | (62) | 9 295 |

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

| R million | Stated and issued capital | Equity reserves | Other reserves | Fair value reserves | Retained earnings | Treasury shares | Share-holders' equity | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **30 June 2015** | | | | | | | | | |
| **Balances at 1 July** | **3 605** | **17 605** | **1 360** | **311** | **43 526** | **(372)** | **66 035** | **2 599** | **68 634** |
| Total comprehensive income for the year | **–** | **(57)** | **50** | **9** | **9 064** | **–** | **9 066** | **210** | **9 276** |
| Dividends paid | **–** | **–** | **–** | **–** | **(2 068)** | **–** | **(2 068)** | **(68)** | **(2 136)** |
| Capital invested by minorities | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **37** | **37** |
| Transfer between reserves and other movements | **–** | **18** | **19** | **–** | **(27)** | **–** | **10** | **15** | **25** |
| Transfer of retained income of equity accounted investments | **–** | **5 110** | **–** | **–** | **(5 110)** | **–** | **–** | **–** | **–** |
| Long-term share incentive scheme reserve | **–** | **–** | **(29)** | **–** | **–** | **100** | **71** | **10** | **81** |
| **Balances at 30 June** | **3 605** | **22 676** | **1 400** | **320** | **45 385** | **(272)** | **73 114** | **2 803** | **75 917** |
| **30 June 2014** | | | | | | | | | |
| **Balances at 1 July** | 3 605 | 12 559 | 889 | 104 | 41 904 | (431) | 58 630 | 2 015 | 60 645 |
| Total comprehensive income for the year | – | 1 864 | 382 | 207 | 6 904 | – | 9 357 | (62) | 9 295 |
| Dividends paid | – | – | – | – | (1 833) | – | (1 833) | (1) | (1 834) |
| Investment in subsidiaries | – | – | (30) | – | (144) | – | (174) | (355) | (529) |
| Capital invested by minorities | – | – | – | – | – | – | – | 876 | 876 |
| Transfer between reserves and other movements | – | (20) | 118 | – | (103) | – | (5) | 119 | 114 |
| Transfer of retained income of equity accounted investments | – | 3 202 | – | – | (3 202) | – | – | – | – |
| Long-term share incentive scheme reserve | – | – | 1 | – | – | 59 | 60 | 7 | 67 |
| **Balances at 30 June** | 3 605 | 17 605 | 1 360 | 311 | 43 526 | (372) | 66 035 | 2 599 | 68 634 |

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

| R million | Notes | 30 June 2015 | 30 June 2014 |
|---|---|---|---|
| **Cash flows – operating activities** | | | |
| Trading profit | | 1 562 | 670 |
| Adjustments | 29.1 | 851 | 809 |
| Trading profit before working capital changes | | 2 413 | 1 479 |
| Working capital changes | 29.2 | (422) | (215) |
| Cash generated from operations | | 1 991 | 1 264 |
| Cash flow generated from returns on investments | | 3 491 | 3 627 |
| Interest received | | 276 | 255 |
| Dividends received | 29.3 | 3 215 | 3 372 |
| Finance costs | | (372) | (621) |
| Taxation paid | 29.4 | (397) | (135) |
| Cash available from operating activities | | 4 713 | 4 135 |
| Dividends paid | 29.5 | (2 136) | (1 834) |
| **Cash inflow/(outflow) from operating activities** | | 2 577 | 2 301 |
| | | | |
| **Cash flows – investing activities** | | | |
| Net investments to maintain operations | | (194) | (357) |
| Replacement of property, plant and equipment | | (477) | (394) |
| Proceeds on disposal of property, plant and equipment and other assets | | 283 | 37 |
| Investments to expand operations | | (1 728) | (2 029) |
| Additions to – property, plant and equipment and other assets | | (376) | (477) |
| – investments and loans | | (1 352) | (1 552) |
| Increase in money market funds | | (261) | (300) |
| Decrease in money market funds | | 446 | 269 |
| Proceeds on disposal of investments and loans | | 586 | 296 |
| **Cash inflow/(outflow) from investing activities** | | (1 151) | (2 121) |
| | | | |
| **Cash flows – financing activities** | | | |
| Loans repaid | | (4 819) | (5 731) |
| Loans advanced | | 3 433 | 4 566 |
| Investment in subsidiary companies | | – | (529) |
| Capital invested by minorities | | 37 | 876 |
| **Cash inflow/(outflow) from financing activities** | | (1 349) | (818) |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | 77 | (638) |
| **Exchange rate profit on foreign cash** | | 116 | 110 |
| **Cash and cash equivalents at the beginning of the year** | | 3 636 | 4 164 |
| **Cash and cash equivalents at the end of the year** | | 3 829 | 3 636 |
| | | | |
| Cash and cash equivalents – per statement of financial position | | 4 050 | 3 657 |
| Bank overdraft | | (221) | (21) |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 1. ACCOUNTING POLICIES

The annual financial statements are prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS, the requirements of the Companies Act (No. 71 of 2008), as amended, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and the Listings Requirements of the JSE Limited.

These financial statements incorporate accounting policies that have been consistently applied to both periods presented, with the exception of the implementation of *IFRIC 21: Levies and the amendments* to *IAS 19: Employee Benefits*, *IAS 32: Financial Instruments – Presentation*, *IAS 36: Impairment of Assets* and *IAS 39: Financial Instruments – Novation of derivatives and continuation of hedge accounting*. The adoption of these interpretations and amendments had no impact on the results of either the current or prior year.

During the year under review various other new and revised accounting standards became effective, but their implementation had no impact on the results of either the current or prior periods.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note XXI of the accounting policies.

The accounting policies that the Group applied in the presentation of the financial statements are set out below.

### (I) CONSOLIDATION AND EQUITY ACCOUNTING

#### Consolidation – subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intergroup transactions, balances and unrealised gains and losses are eliminated on consolidation. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

## (I) CONSOLIDATION AND EQUITY ACCOUNTING (continued)

### Consolidation – subsidiaries (continued)

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### Equity accounting – joint ventures

The Group has applied IFRS 11 to all joint arrangements, under which investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Remgro has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Equity accounting – associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Other equity movements are assessed based on the substance of the transaction and accounted for accordingly, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Certain associated companies have year-ends that differ from that of the Company. In such circumstances the results of listed and certain unlisted companies are accounted for from the latest published information and management accounts as at year-end, respectively. The accounting policies of associated companies have been changed where necessary to align them to those of Remgro and its subsidiaries to the extent that it is material and appropriate for the specific industry in which the associate operates.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

## (I) CONSOLIDATION AND EQUITY ACCOUNTING (continued)

Separate financial statements

In Remgro's separate financial statements, investments in subsidiaries, joint ventures and associated companies are carried at cost.

## (II) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment consist mainly of land and buildings, machinery, equipment, office equipment and vehicles. All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on buildings, machinery, equipment, office equipment and vehicles is provided on a straight-line basis at rates that reduce the cost thereof to an estimated residual value over the expected useful life of the asset. The residual values and expected useful lives of assets are reviewed annually on reporting date and adjusted where necessary. No depreciation is provided for land.

Leased assets – Assets leased in terms of finance leases, i.e. where the Group assumes substantially all the risks and rewards of ownership, are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum finance lease payments. Leased assets are depreciated over the shorter of the lease period or the period over which the particular asset category is otherwise depreciated. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The finance charges are accounted for in the income statement over the term of the lease using the effective interest rate method.

Leases of assets where the lessor substantially retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are accounted for in the income statement on a straight-line basis over the period of the lease.

Pre-production and borrowing costs – Pre-production and borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until such assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalised.

## (III) BIOLOGICAL AGRICULTURAL ASSETS

The fair value of the biological agricultural assets is determined on the following basis:

Growing crops and orchards – Growing crops and orchards comprise two elements:

- Bearer biological assets – sugar cane roots and banana plants
- Consumable biological assets – standing sugar cane and bananas

Bearer biological assets are valued at fair value based on the current replacement cost of planting and establishment, subsequently reduced in value over the period of their productive lives.

Consumable biological assets are measured at their fair value, determined on current estimated market prices less estimated harvesting, transport, packing and point-of-sale costs:

- Standing cane at estimated sucrose content, age and market price
- Growing fruit at estimated yields, quality standards, age and market prices

Breeding stock – Breeding stock includes the breeding and laying operations. Hatching eggs are included in breeding stock. Breeding stock is measured at their fair value less estimated closure point-of-sale costs at reporting dates. Fair value is determined based on market prices or, where market prices are not available, by reference to sector benchmarks.

Gains and losses arising on the initial recognition of these assets at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs are accounted for in the income statement during the period in which they arise.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

## (III) BIOLOGICAL AGRICULTURAL ASSETS (continued)

Current/non-current distinction – bearer biological assets are reported in the statement of financial position as non-current assets, while breeding stock and broiler stock are reported as current assets.

## (IV) INVESTMENT PROPERTIES

Investment properties are held to generate rental income and appreciate in capital value. Investment properties are treated as long-term investments and are carried at cost less accumulated depreciation. Buildings are depreciated to their estimated residual values on a straight-line basis over their expected useful lives.

Investment properties are valued by external independent professional valuators every third year.

## (V) INTANGIBLE ASSETS

Goodwill – Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Remgro's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is carried at cost less accumulated impairment losses.

Identifiable intangible assets include trade marks, customer contracts and relationships and software – The cost of developing and establishing identifiable intangible assets is expensed as incurred. Consequently, the value thereof is not reflected in the annual financial statements. The cost of purchased identifiable intangible assets is written off on a straight-line basis over their expected useful lives.

Research and development costs – Research cost is expensed as incurred. Where the asset recognition criteria have been met, development cost is capitalised and written off over the expected useful life of the product. Development cost previously expensed is not recognised as an asset in a subsequent period.

Identifiable intangible assets and capitalised development costs with indefinite useful lives are not amortised.

## (VI) FINANCIAL INSTRUMENTS

Financial instruments disclosed in the financial statements include cash and cash equivalents, investments in money market funds, other investments, derivative instruments, debtors and short-term loans, trade and other payables and borrowings. Financial instruments are initially recognised at fair value, including transaction costs, when the Group becomes party to the contractual terms of the instruments. The transaction costs relating to the acquisition of financial instruments held at fair value through profit and loss are expensed. Subsequent to initial recognition, these instruments are measured as follows:

Loans and receivables – Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. These instruments are carried at amortised cost using the effective interest rate method.

Held-to-maturity financial instruments – Instruments with fixed maturity that the Group has the intent and ability to hold to maturity are classified as held-to-maturity financial instruments and are carried at amortised cost using the effective interest rate method.

Available-for-sale financial instruments – Other long-term financial instruments are classified as available-for-sale and are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial instruments are recognised through other comprehensive income in the period in which they arise. When these financial instruments are either derecognised or impaired, the accumulated fair value adjustments are realised and included in the income statement.

Financial instruments at fair value through profit and loss – These instruments, consisting of investments in money market funds, financial instruments held-for-trading and those designated at fair value through profit and loss at inception, are carried at fair value. Derivatives are also classified as held-for-trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these financial instruments are recognised in the income statement in the period in which they arise.

Investments in money market funds relate to investments in shares of liquidity funds of which the underlying investments have maturities of up to one year. The shares in these funds are callable on a daily basis.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

## (VI) FINANCIAL INSTRUMENTS (continued)

Trade payables and borrowings – Trade payables and borrowings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

All purchases and sales of financial instruments are recognised at the trade date.

Financial assets (or portions thereof) are derecognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable, as well as any prior adjustments to reflect fair value that had been recognised in other comprehensive income, is included in the income statement.

Financial liabilities (or portions thereof) are derecognised when the Group's obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in the income statement.

Fair value estimation – Financial instruments that are measured at fair value in the statement of financial position, 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 fair value of financial instruments traded in an organised financial market is measured at the applicable quoted prices. The fair value of the financial instruments that are not traded in an organised financial market is determined using a variety of methods and assumptions that are based on market conditions and risk existing at reporting date, including independent appraisals and discounted cash flow methods. Fair values represent an approximation of possible value, which may differ from the value that will finally be realised.

There are Group companies that are parties to derivative financial instruments that reduce exposure to financial risks. These instruments mainly comprise forward contracts. Certain Group companies apply hedge accounting.

### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified in the income statement in the periods when the hedged item will affect profit and loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

### Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies fair value hedge accounting for hedging foreign currency risk on certain foreign currency denominated balances. The gain or loss relating to the effective and ineffective portion is recognised in the income statement under foreign exchange gains or losses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest rate method is used is amortised to profit of loss over the period to maturity.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

## (VI) FINANCIAL INSTRUMENTS (continued)

### Fair value hedges (continued)

Group companies that do not apply hedge accounting, recognise changes in the fair value of these and other derivative instruments in the income statement in the period in which they arise.

Any derivatives embedded in financial instruments are separated from the host contract when their economic characteristics are not closely related to those of the host contract and the host contract is not carried at fair value. Gains and losses are reported in the income statement.

Where a current legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

## (VII) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. These assets (or disposal groups) are measured at the lower of its carrying amount or fair value less costs to sell.

The Group classifies a component as a discontinued operation when that component has been disposed of, or is classified as held for sale; and

- it represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

## (VIII) INVENTORIES

Inventories are stated at the lower of cost or net realisable value. The basis of determining cost, which excludes finance costs, is the first-in-first-out cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Work in progress and finished goods include direct costs and an appropriate allocation of manufacturing overheads.

## (IX) TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Interest and penalties are disclosed as part of other payables.

Current taxation is provided by using rates that have been enacted or substantially enacted in terms of applicable tax laws.

Deferred taxation is provided for at rates that have been enacted or substantially enacted using the statement of financial position liability method. Full provision is made for all temporary differences between the taxation base of an asset or liability and its carrying amount on the statement of financial position. No deferred tax liability is recognised in those circumstances where the initial recognition of an asset or liability has no impact on accounting profit or taxable income. Deferred tax assets are not raised unless it is probable that future taxable profits will be available against which the deferred taxation asset can be realised in the foreseeable future.

Secondary taxation on companies (STC) was provided on dividend payments, net of dividends received and was recognised as a taxation charge. STC was abolished effective 1 April 2012 and has been replaced by a new withholding tax which is levied on the shareholder and not the company, with the exception of non-cash dividends. Unutilised STC credits expired on 1 April 2015.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

## (X) FOREIGN CURRENCIES

### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, i.e. its functional currency. The functional currency of the Company and the presentation currency of both the Company and the Group is Rand. All amounts, unless otherwise indicated, are stated in millions.

### Transactions and balances

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the date of the transactions. Except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges, foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of foreign currency denominated monetary assets and liabilities are recognised in the income statement. Translation differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on financial instruments classified as available-for-sale financial assets are included in other comprehensive income, whereas those on financial instruments held at fair value through profit and loss are reported as part of the fair value gain or loss.

### Group entities

The results and financial position of all foreign operations (excluding those operating in hyperinflationary economies) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate on the reporting date
- Income and expenses for each income statement are translated at average exchange rates for the year, to the extent that such average rates approximate actual rates
- All resulting exchange differences are recognised directly in other comprehensive income

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. On disposal of foreign operations, the related exchange differences are recognised in the income statement as part of the profit or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at closing rates at reporting date.

## (XI) IMPAIRMENT OF ASSETS

### Goodwill and intangible assets with indefinite lives

These assets are assessed annually for possible impairments. For purposes of impairment testing, goodwill is allocated to cash-generating units, being the lowest component of the business measured in the management accounts that is expected to generate cash flows that are largely independent of another business component. Impairment losses relating to goodwill are not reversed. Any impairment is recognised in the income statement.

### Other assets

The Group assesses at each reporting date whether there is objective evidence that other assets may be impaired.

- **Impairment – subsidiaries, joint ventures and associated companies**
  An asset is impaired if its carrying amount is greater than its estimated recoverable amount, which is the higher of its fair value less cost to sell or its value in use. The carrying amounts of subsidiaries, joint ventures and associated companies are reviewed, if there is objective evidence of impairment, and written down where necessary.

- **Investment properties, property, plant and equipment and intangible assets with finite useful lives**
  Where these assets are identified as being impaired, that is when the recoverable amount has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. Such written-off amounts are accounted for in the income statement.

- **Financial instruments carried at amortised cost**
  A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

## (XI) IMPAIRMENT OF ASSETS (continued)

### Other assets (continued)

- **Financial instruments carried at amortised cost (continued)**
  If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

  If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in the income statement.

- **Financial assets carried at fair value**
  If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss is removed from other comprehensive income and recognised in the income statement.

  Impairment losses on equity instruments that were recognised in the income statement are not subsequently reversed through the income statement – such reversals are accounted for in other comprehensive income.

- **Presentation**
  Due to the significance of the item it is presented in a separate line below trading profit on the income statement.

## (XII) PROVISIONS

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expected expenditure required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## (XIII) EMPLOYEE BENEFITS

### Post-retirement benefits

**Pension obligations** – Companies in the Group provide defined-benefit and defined-contribution post-retirement plans for their employees. The plan assets are held in separate trustee-administered funds. These plans are funded by payments from the employees and the Group, taking into account recommendations of independent qualified actuaries.

For the defined-benefit plans, the pension accounting costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement to spread the regular costs over the service lives of the employees in accordance with advice of qualified actuaries. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities that have maturity terms approximating the terms of the related liability.

Past-service costs are immediately expensed.

The net surplus or deficit of the benefit obligation is the difference between the present value of the funded obligations and the fair value of the plan assets. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The Group's contribution to the defined-contribution pension plans is charged to the income statement in the period to which they relate.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 1. ACCOUNTING POLICIES (continued)

### (XIII) EMPLOYEE BENEFITS (continued)

**Post-retirement medical obligations** – The Group provides post-retirement medical benefits to its retirees. The entitlement to post-retirement medical benefits is based on the employees remaining in service up to retirement age and the completion of a minimum service period. The projected unit credit method of valuation is used to calculate the liability for post-retirement medical benefits.

The expected costs of these benefits are expensed and the liabilities accumulated over the period of employment, using accounting methodology similar to that for defined-benefit pension plans. Independent qualified actuaries value these obligations.

Equity compensation plans

The Remgro Group operates various equity settled share-based compensation plans. The fair value of offers is determined on the grant date and is accounted for as an employee services expense over the vesting period of the offer, with a corresponding increase in equity, based on the Group's estimate of the number of shares that will eventually vest. Fair value is determined using a binomial model. The expected contract life used in the model has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

Any profits or losses that realise from shares being delivered to participants of the schemes are recognised directly in equity. The proceeds received net of any directly attributable transaction costs are accounted for against treasury shares when the options are exercised.

Short-term benefits

Employee entitlements to leave are recognised when they accrue to employees involved. A creditor is created for the estimated liability for leave as a result of services rendered by employees up to reporting date.

### (XIV) CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flow, cash and cash equivalents comprise cash on hand and deposits held at call with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in short-term interest-bearing loans.

### (XV) REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is disclosed net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

Sales of goods comprise the sale of milling, agricultural produce and consumer goods, as well as aluminium products. Sales of services comprise logistics and distribution services where the Group acts as an agent on behalf of a principal and earns commission, as well as consulting services.

Revenue is recognised when a Group entity has delivered products to the customer (in the case of services when the underlying products have been delivered), the customer has accepted the products, the amount of revenue can be reliably measured, and collectability of the related receivable is reasonably assured.

Consulting services are recorded in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

The Group bases its estimates of incentive rebates and settlement discounts on historical results.

Interest is recognised on a time proportion basis (taking into account the principal outstanding, the effective rate and the period), unless collectability is in doubt. Dividends are recognised when the right to receive payment is established.

### (XVI) SHARE CAPITAL

Ordinary shares and B ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of new shares are accounted for in equity as a deduction from the proceeds.

Shares in the Company held by Group companies are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued number of shares and taken into account in the calculation of the weighted average number of shares. The cost price of the shares is deducted from the Group's equity.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

## (XVII) DIVIDEND DISTRIBUTION

Distributions of assets to the Company's shareholders are accounted for at fair value.

## (XVIII) INCOME STATEMENT

The composition of the Group's net profit is relevant for a proper understanding of its financial results. Due to the nature of the Group's operations a significant portion of its net profit results from associated companies and joint ventures. Consequently, additional information relating to the Group's share of the after-tax profit of associated companies and joint ventures is disclosed separately in note 28. In order to promote comparability, equity accounted income from associated companies and joint ventures, which is presented on an after-tax basis, is disclosed after the tax line on the income statement.

"Consolidated profit" represents the profit of the Company and its subsidiary companies before equity accounted income, while "trading profit" represents the profit of the operating subsidiaries in the Group, before investment income, finance costs and items of a capital nature.

From time to time corporate actions may lead to significant items being recognised in the income statement that may not be excluded from the calculation of headline earnings. In these instances the Group may elect to disclose alternative earnings measures excluding these items in order to promote comparability between reporting periods.

## (XIX) CURRENT/NON-CURRENT DISTINCTION

Items are classified as current when it is expected to be realised, traded, consumed or settled within twelve months after the reporting date, or the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date.

## (XX) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company, who makes strategic decisions. Each significant investment is classified as an operating segment.

## (XXI) CRITICAL ACCOUNTING JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and income statement. Although estimates are based on management's best knowledge and judgements of current facts as at reporting date, the actual outcome may differ from those estimates.

### Critical judgements in applying the Group's accounting policies

The most critical judgement exercised relates to the classification of investments as associated companies rather than investments available-for-sale or subsidiaries. There are some investments over which Remgro is believed to have significant influence although it has an interest of less than 20% in these companies. However, as Remgro has board representation and is one of the major shareholders of these companies, its influence over their financial and operating policies is significant. There are also investments in which Remgro holds an interest less than 50% of voting rights. The directors considered whether the Group control these investments and concluded that that is not the case. Accordingly, these investments are accounted for as associated companies using the equity method and not as financial instruments at fair value or subsidiary companies.

Critical judgement is also exercised with regard to the determination of the functional currency of the offshore entities that holds the Group's cash and short-term financial investments. The functional currencies of these entities are determined with reference to the currency in which the entities receive their operating cash inflows, as these most fairly present the economic effects of the underlying transactions, events and conditions. The operations of these entities are clearly separated from those of the parent and are managed separately from each other in terms of a strategic investment plan to invest in hard currencies based on specific and pre-determined portfolio allocations. As a result, exchange differences arising on the translation of those entities into the reporting currency of the Group are deferred in other comprehensive income until being realised, as opposed to being reported in the income statement on a continuous basis.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 1. ACCOUNTING POLICIES (continued)

### (XXI) CRITICAL ACCOUNTING JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Critical accounting estimates and assumptions

A significant estimate relates to the Group's accounting policy in terms of which deferred taxation is provided for on all temporary differences between the carrying value and the tax base of investments. This tax is measured at the estimated tax consequences based on the manner in which the entity, at the reporting date, expects to recover the carrying value of the various investments. The carrying value of investments in associated companies is mainly recovered through dividends. As no taxable temporary differences exist, no deferred taxation is provided. Deferred taxation is provided on temporary differences that arise on the revaluation of available-for-sale investments based on the future economic benefits the entity expects to realise from that asset, i.e. a combination of dividends and capital gains or losses.

Other estimates and assumptions relate to the determination of the useful lives of assets, impairments, the valuation of unlisted investments and the assumptions used in calculating retirement benefit obligations and share-based payments. Details of these estimates and assumptions are set out in the relevant notes to the annual financial statements.

Critical accounting estimates and assumptions were also made during the purchase price allocation process in accounting for acquisitions as business combinations in accordance with *IFRS 3: Business Combinations*. These estimates and assumptions relate to the determination of useful lives of assets, discount rates, growth rates and valuation of unlisted investments.

### (XXII) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 30 June 2015, but not yet effective on that date. The standards that are applicable to the Group, but that were not implemented early, are the following:

- IFRS 9: Financial Instruments
  *(effective date – financial periods commencing on/after 1 January 2018)*
  The International Accounting Standards Board (IASB) issued IFRS 9: Financial Instruments as the first step in its project to replace *IAS 39: Financial Instruments – Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets, as well as the requirements for classification and measurement of financial liabilities.

  IFRS 9 was also amended to align hedge accounting more closely with an entity's risk management and also establishes a more principles-based approach to hedge accounting, while addressing inconsistencies and weaknesses in the current model in IAS 39.

  The IASB intends to expand IFRS 9 to add new requirements for the derecognition of financial instruments, impairment and hedge accounting.

- IFRS 14: Regulatory Deferral Accounts
  *(effective date – financial periods commencing on/after 1 January 2016)*
  IFRS 14 applies to first-time adopters of IFRS that apply IFRS 1 and conduct rate regulated activities. The standard will not have an impact on the Group.

- IFRS 15: Revenue from Contracts with Customers
  *(effective date – financial periods commencing on/after 1 January 2018)*
  The standard prescribes the accounting treatment and disclosures pertaining to revenue recognition from contracts with customers.

- Amendments to IFRS 10: Consolidated Financial Statements
  *(effective date – financial periods commencing on/after 1 January 2016)*
  These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- Amendments to IFRS 11: Joint Arrangements
  *(effective date – financial periods commencing on/after 1 January 2016)*
  This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES (continued)

## (XXII) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

- Amendments to IAS 1: Presentation of Financial Statements
  *(effective date – financial periods commencing on/after 1 January 2016)*
  IAS 1 is amended to clarify guidance given in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
  *(effective date – financial periods commencing on/after 1 January 2016)*
  The IASB has amended *IAS 16: Property, Plant and Equipment* and *IAS 38: Intangible Assets* to clarify when a method of depreciation or amortisation based on revenue may be appropriate.

  The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

  The amendment to IAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances.

- Amendments to IAS 16: Property, plant and equipment and IAS 41: Agriculture: Bearer Plants
  *(effective date – financial periods commencing on/after 1 January 2016)*
  The amendments define a bearer plant and include bearer plants within the scope of IAS 16. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Previously, bearer plants were not defined and bearer plants related to agricultural activity were included within the scope of IAS 41.

- Amendments to IAS 27: Separate financial statements on equity accounting
  *(effective date – financial periods commencing on/after 1 January 2016)*
  IAS 27 is amended to give an option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture
  *(effective date – financial periods commencing on/after 1 January 2016)*
  Full gain or loss is recognised where non-monetary assets consisting a "business" is sold by the investor to associate or joint venture. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investor's interests.

It is expected that IFRS 9, IFRS 15 and the amendments to IAS 16 and IAS 41 pertaining to bearer plants may have an impact on Remgro's results, but that impact has not yet been assessed. It is not expected that the other changes to IFRS will have a significant impact on the Group's financial statements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 2. EARNINGS AND DIVIDENDS

| R million | 30 June 2015 Gross | 30 June 2015 Net | 30 June 2014 Gross | 30 June 2014 Net |
|---|---|---|---|---|
| HEADLINE EARNINGS RECONCILIATION | | | | |
| **Net profit for the year attributable to equity holders** | | **8 715** | | 6 917 |
| Plus/(minus): | | | | |
| – Net impairment of equity accounted investments | **99** | **99** | (92) | (92) |
| – Impairment of other investments | **79** | **79** | 80 | 80 |
| – Net impairment of property, plant and equipment | **94** | **72** | (5) | (3) |
| – Impairment of assets held for sale | **16** | **9** | – | – |
| – Recycling of foreign currency translation reserves | **–** | **–** | (32) | (32) |
| – (Profit )/loss on sale of equity accounted investments | **(984)** | **(984)** | 83 | 83 |
| – (Profit )/loss on sale of other investments | **288** | **238** | (98) | (98) |
| – Net surplus on disposal of property, plant and equipment | **(5)** | **(4)** | (12) | (6) |
| – Non-headline earnings items included in equity accounted earnings of equity accounted investments | **(231)** | **(228)** | (244) | (214) |
| – Net surplus on disposal of property, plant and equipment | **(111)** | **(99)** | (131) | (107) |
| – Profit on the sale of investments | **(271)** | **(268)** | (174) | (169) |
| – Net impairment of investments, assets and goodwill | **213** | **200** | 262 | 263 |
| – Other non-recurring and capital items | **(62)** | **(61)** | (201) | (201) |
| **Headline earnings** | | **7 996** | | 6 635 |

| Cents | 30 June 2015 | 30 June 2014 |
|---|---|---|
| EARNINGS PER SHARE | | |
| **Headline earnings per share** | | |
| – Basic | **1 555.0** | 1 292.4 |
| – Diluted | **1 541.8** | 1 270.3 |
| **Earnings per share** | | |
| – Basic | **1 694.9** | 1 347.3 |
| – Diluted | **1 680.9** | 1 325.7 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 2. EARNINGS AND DIVIDENDS (continued)

**Earnings per share**

In determining earnings per share and headline earnings per share the weighted number of shares in issue, being 514 200 979 (2014: 513 404 676), was taken into account after deduction of treasury shares.

**Diluted earnings per share**

In determining diluted earnings per share and diluted headline earnings per share the weighted number of shares in issue was adjusted for the deemed dilutive effect of the offers accepted by participants in the Remgro Equity Settled Share Appreciation Right Scheme, but not yet delivered.

The delivery of scheme shares to participants will be regarded as an issue of shares. As the market value (fair value) of the shares at date of delivery will differ from the offer value, the number of shares represented by the difference will be regarded as an issue of ordinary shares for no consideration. These imputed shares total 1 289 178 (2014: 1 461 477) and have been added to the weighted number of shares to determine the dilutive effect.

Some subsidiary and equity accounted investments have similar management incentive schemes as well as other instruments that can dilute these companies' earnings in the future. To calculate Remgro's diluted earnings per share, R48 million (2014: R91 million) and R50 million (2014: R88 million) were offset against headline earnings and earnings respectively to account for the potential dilutive effect.

### CASH DIVIDEND DECLARED AFTER YEAR-END

A final gross dividend of 259 cents (2014: 233 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 2015.

A dividend withholding tax of 15% or 38.85 cents per share will be applicable, resulting in a net dividend of 220.15 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 2015 therefore amounts to 428 cents, compared to 389 cents for the year ended 30 June 2014.

The issued share capital at the declaration date is 481 106 370 ordinary shares and 35 506 352 B ordinary shares.

### EVENTS AFTER YEAR-END

**Mediclinic International Limited (Mediclinic) and Spire Healthcare Group Plc (Spire)**

During June 2015 Remgro entered into an agreement with funds managed by Cinven to acquire 119 923 335 Spire shares (equivalent to a 29.9% shareholding in Spire) at a price of GBP3.60 per share for a total purchase consideration of GBP431.7 million (excluding transaction costs). The transaction was concluded early in July 2015 and Remgro financed the transaction through a combination of its own cash, as well as external funding.

In conjunction with the above transaction, Remgro and Mediclinic concluded an agreement whereby Mediclinic would acquire Remgro's interest in Spire, subject to Mediclinic 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 111 111 111 new Mediclinic shares were issued at a price of R90.00 per share. Remgro, by following its rights and by underwriting the balance of the rights issue, invested an additional R4.6 billion into Mediclinic. Following the successful conclusion of the rights issue, Mediclinic acquired Remgro's shareholding in Spire during August 2015 for an amount of R8.6 billion, equal to the purchase price, transaction and funding costs. Remgro thus effectively only facilitated the acquisition of Spire by Mediclinic.

On 30 June 2015 Remgro's effective interest in Mediclinic was 42.0% (2014: 42.1%). The additional Mediclinic shares acquired by Remgro in terms of it underwriting the Mediclinic rights issue referred to above, marginally increased its interest in Mediclinic to 42.5%.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 3. PROPERTY, PLANT AND EQUIPMENT

| R million | *Land and buildings* | *Machinery and equipment* | *Vehicles* | *Office equipment* | *Total* |
|---|---|---|---|---|---|
| **Carrying value at 1 July 2013** | 2 134 | 2 698 | 517 | 41 | 5 390 |
| Cost | 2 851 | 5 526 | 895 | 66 | 9 338 |
| Accumulated depreciation | (717) | (2 828) | (378) | (25) | (3 948) |
| Additions | 452 | 317 | 75 | 8 | 852 |
| Disposals | (2) | (7) | (9) | (1) | (19) |
| Depreciation | (91) | (401) | (87) | (13) | (592) |
| Impairments | (1) | 6 | – | – | 5 |
| Transfers and other | (92) | 29 | 9 | 34 | (20) |
| **Carrying value at 30 June 2014** | 2 400 | 2 642 | 505 | 69 | 5 616 |
| Cost | 3 203 | 5 677 | 926 | 149 | 9 955 |
| Accumulated depreciation | (803) | (3 035) | (421) | (80) | (4 339) |
| Additions | **474** | **292** | **71** | **16** | **853** |
| Disposals | **(8)** | **(10)** | **(8)** | **(1)** | **(27)** |
| Depreciation | **(101)** | **(398)** | **(91)** | **(17)** | **(607)** |
| Impairments | **(84)** | **(10)** | **–** | **–** | **(94)** |
| Transfers and other | **(264)** | **205** | **19** | **15** | **(25)** |
| **Carrying value at 30 June 2015** | **2 417** | **2 721** | **496** | **82** | **5 716** |
| Cost | **3 315** | **6 042** | **994** | **201** | **10 552** |
| Accumulated depreciation | **(898)** | **(3 321)** | **(498)** | **(119)** | **(4 836)** |

| **Depreciation rates (%) are as follows:** | **30 June 2015** | 30 June 2014 |
|---|---|---|
| Buildings | **2 – 50** | 2 – 50 |
| Machinery and equipment | **2½ – 100** | 3⅓ – 100 |
| Vehicles | **5 – 33⅓** | 5 – 33⅓ |
| Office equipment | **5 – 50** | 5 – 33⅓ |

Liabilities resulting from mortgage loans, finance leases and instalment sale agreements are secured by assets with a book value of R67 million (2014: R101 million).

The registers containing details of land and buildings are available for inspection by shareholders or their proxies at the registered offices of the companies to which the relevant properties belong.

Assets with a book value of R471 million (2014: R495 million) are still under construction.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 4. BIOLOGICAL AGRICULTURAL ASSETS

Biological assets are measured at fair value using inputs that are not based on observable market data. Accordingly these assets are classified as level 3 in terms of IFRS 13. There were no transfers to either level 1 or level 2 fair value assets during the periods under review.

Included in non-current assets:

| Reconciliation of carrying value at the beginning and end of the year (R million) | Sugar cane roots | Sugar cane plants | Litchi and banana trees | 30 June 2015 | Sugar cane roots | Sugar cane plants | Litchi and banana trees | 30 June 2014 |
|---|---|---|---|---|---|---|---|---|
| Balances at the beginning of the year | 198 | 278 | 23 | 499 | 181 | 209 | 17 | 407 |
| Fair value adjustment | 67 | 287 | 7 | 361 | 8 | 278 | 12 | 298 |
| Transfers | (7) | (15) | (8) | (30) | – | – | – | – |
| Additions | – | – | – | – | 9 | – | – | 9 |
| Decrease due to harvest | – | (273) | (7) | (280) | – | (209) | (6) | (215) |
| **Balances at the end of the year** | 258 | 277 | 15 | 550 | 198 | 278 | 23 | 499 |

Included in current assets:

| Reconciliation of carrying value at the beginning and end of the year (R million) | Breeding stock | Broiler stock | 30 June 2015 | Breeding stock | Broiler stock | 30 June 2014 |
|---|---|---|---|---|---|---|
| Balances at the beginning of the year | 294 | 245 | 539 | 272 | 265 | 537 |
| Additions | 877 | 3 726 | 4 603 | 866 | 3 670 | 4 536 |
| Decrease due to harvest | (869) | (3 751) | (4 620) | (851) | (3 713) | (4 564) |
| Fair value adjustment | 6 | 21 | 27 | 7 | 23 | 30 |
| **Balances at the end of the year** | 308 | 241 | 549 | 294 | 245 | 539 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 4. BIOLOGICAL AGRICULTURAL ASSETS (continued)

The following valuation techniques and significant inputs were used to measure the biological assets.

| *Description* | *Valuation technique* | *Unobservable inputs* | *Range of unobservable inputs* | *Relationship of unobservable input to fair value* | *Fair value at 30 June 2015 R million* |
|---|---|---|---|---|---|
| Chicken stock | Replacement cost of the components of growing the stock | Number of eggs per hen | 163 to 174 per hen | The higher the number of eggs per hen, the higher the fair value | |
| | | Cost of a day old breeder bird | R46.30 to R56.50 per chick | The higher the cost per chick, the higher the fair value | |
| | | Mortality rates | 4.5% to 5.6% | The higher the mortality, the lower the fair value | |
| | | Average live mass | 1.48 kg to 1.81 kg per bird | The higher the average live mass, the higher the fair value | |
| | | Feed cost | R4 586 to R5 605 per ton | The higher the feed cost per ton, the higher the fair value | **549** |
| Litchi trees | Current establishment and replacement cost | Replanting/establishment cost of litchi trees | R26 915 to R32 897 per hectare | The higher the replanting/establishment cost, the higher the value of litchi trees | **3** |
| Banana trees | Current establishment and replacement cost | Replanting/establishment cost of banana trees | R51 879 to R57 603 per hectare | The higher the replanting/establishment cost, the higher the value of banana trees | **12** |
| Cane roots | Current establishment and replacement cost | Replanting/establishment cost of cane roots | R31 427 to R33 793 per hectare | The higher the replanting/establishment cost, the higher the value of cane roots | **258** |
| Standing cane | Recoverable value | Recoverable value (price per ton of sucrose) less harvesting, transport and other cost to sell | R2 950 to R3 217 per ton | The higher the recoverable value less harvesting, transport and other cost to sell per ton of sucrose, the higher the value of standing cane | **277** |

**Sensitivity analysis**

A sensitivity analysis is shown for the significant unobservable inputs below.

| *Input* | *Sensitivity* |
|---|---|
| Feed cost – chicken stock | A five percent change in feed cost would result in a R7 million change in fair value. |
| Replacement cost per hectare – cane roots | A one percent change in replacement cost would result in a R2 million change in fair value. |
| Recoverable value price per ton – standing cane | A change of one percent in recoverable value would result in a R4 million change in fair value. |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 5. INVESTMENT PROPERTIES

| R million | 30 June 2015 Cost | 30 June 2015 Accumulated depreciation | 30 June 2015 Net value | 30 June 2014 Cost | 30 June 2014 Accumulated depreciation | 30 June 2014 Net value |
|---|---|---|---|---|---|---|
| Land | **3** | **–** | **3** | 3 | – | 3 |
| Buildings | **48** | **–** | **48** | 39 | – | 39 |
| | **51** | **–** | **51** | 42 | – | 42 |

| Reconciliation of carrying value at the beginning and end of the year (R million) | *Land* | *Buildings* | *30 June 2015* | Land | Buildings | 30 June 2014 |
|---|---|---|---|---|---|---|
| Balances at the beginning of the year | **3** | **39** | **42** | 3 | 39 | 42 |
| Additions | **–** | **9** | **9** | – | – | – |
| **Balances at the end of the year** | **3** | **48** | **51** | 3 | 39 | 42 |

The Group's diverse investment property portfolio's fair value was determined during the 2014 financial year by an independent, qualified valuer using, depending on the specific property, either a discounted cash flow or a depreciated replacement cost approach using inputs appropriate to each specific property. The Group obtains external valuations of its property every three years, which are adjusted for inflation in following reporting periods. The fair value of the investment properties (Level 3), VAT exclusive, is R515 million (2014: R491 million).

No depreciation was provided for on investment properties, as all the assets have significant residual values. The remaining useful life of the assets is estimated as 50 years.

The registers containing details of investment properties are available for inspection by shareholders or their proxies at the registered offices of the companies to which the relevant properties belong.

## 6. INTANGIBLE ASSETS

| R million | *Goodwill* | *Trade marks* | *Customer relation-ships* | *Software* | *Total* |
|---|---|---|---|---|---|
| **Carrying value at 1 July 2013** | 2 939 | 1 867 | 982 | 43 | 5 831 |
| Cost | 2 951 | 1 922 | 995 | 53 | 5 921 |
| Accumulated amortisation/impairment | (12) | (55) | (13) | (10) | (90) |
| Disposals | – | – | – | (1) | (1) |
| Additions | – | – | – | 19 | 19 |
| Amortisation | – | (1) | (99) | (15) | (115) |
| Transfers and other | 117 | (77) | – | 37 | 77 |
| **Carrying value at 30 June 2014** | 3 056 | 1 789 | 883 | 83 | 5 811 |
| Cost | 3 068 | 1 845 | 995 | 152 | 6 060 |
| Accumulated amortisation/impairment | (12) | (56) | (112) | (69) | (249) |
| Additions | **–** | **–** | **–** | **7** | **7** |
| Amortisation | **–** | **(1)** | **(98)** | **(17)** | **(116)** |
| Transfers and other | **–** | **3** | **–** | **5** | **8** |
| **Carrying value at 30 June 2015** | **3 056** | **1 791** | **785** | **78** | **5 710** |
| Cost | **3 068** | **1 813** | **995** | **161** | **6 037** |
| Accumulated amortisation/impairment | **(12)** | **(22)** | **(210)** | **(83)** | **(327)** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 6. INTANGIBLE ASSETS (continued)

| Amortisation periods (years) | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Trade marks | 15 – 20 | 15 – 20 |
| Customer relationships | 4 – 20 | 4 – 20 |
| Software | 3 – 20 | 3 – 20 |

Goodwill and indefinite life intangible assets are tested annually for possible impairment and for this purpose are allocated to the respective cash-generating units as indicated below:

| | Indefinite life intangible assets | Goodwill | | |
|---|---|---|---|---|
| | RCL Foods Limited and its subsidiaries[1] | RCL Foods Limited and its subsidiaries[2] | Wispeco Holdings Proprietary Limited and its subsidiaries | 30 June 2015 Total |
| Carrying value (R million) | 1 787 | 3 041 | 15 | 3 056 |
| Basis of valuation of cash-generating units | Value in use | Value in use | Value in use | |
| Discount rate (%) | 11.1 | 10.4 – 14.2 | 12.7 | |
| Growth rate (%) | 6.0 | 5.0 – 6.0 | 3 | |
| Period (years) | 5 | 5 | 5 | |

(1) *These indefinite life intangible assets relate to the acquisition of New Foodcorp Holdings Proprietary Limited (Foodcorp).*
(2) *The goodwill relates mainly to the acquisition of Foodcorp amounting to R2 735 million, as well as the acquisition of Vector Logistics Proprietary Limited amounting to R287 million.*

Sensitivity analysis of assumptions used in the goodwill impairment tests:

| Assumption | Movement | Impairment |
|---|---|---|
| Discount rate (%) | + 2.0 | 1 172 |
| Growth rate (%) | – 0.5 | 130 |

No intangible assets were pledged as security.

## 7. INVESTMENTS – EQUITY ACCOUNTED

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Associated companies | 52 869 | 47 691 |
| Joint ventures | 4 962 | 4 478 |
| | 57 831 | 52 169 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 7. INVESTMENTS – EQUITY ACCOUNTED (continued)

The Group houses its investments in joint ventures, associated companies and financial instruments through its investing subsidiary companies. The Group's most significant associated companies and joint ventures are:

| *Investment* | *Classification* | *Business* |
|---|---|---|
| Distell | Joint venture | South African wine and spirits producer and exporter |
| FirstRand | Associate | Incorporated in South Africa and operating as First National Bank and Rand Merchant Bank |
| Mediclinic | Associate | Incorporated in South Africa, operating private medical facilities in South Africa, the Middle East and Switzerland |
| RMBH | Associate | South African investment holding company holding mainly a 34% interest in FirstRand |
| RMI Holdings | Associate | South African investment holding company with significant investments in the insurance sector |

### 7.1 Associated companies

| | **30 June 2015** | | | 30 June 2014 | | |
|---|---|---|---|---|---|---|
| **R million** | ***Listed*** | ***Unlisted*** | **Total** | *Listed* | *Unlisted* | Total |
| Shares – at cost | **22 497** | **6 922** | **29 419** | 22 224 | 6 939 | 29 163 |
| Equity adjustment | **19 036** | **4 251** | **23 287** | 14 377 | 4 030 | 18 407 |
| Carrying value | **41 533** | **11 173** | **52 706** | 36 601 | 10 969 | 47 570 |
| Long-term loans | **–** | **163** | **163** | – | 121 | 121 |
| | **41 533** | **11 336** | **52 869** | 36 601 | 11 090 | 47 691 |
| Market values of listed investments | **97 926** | | | 79 734 | | |

| **R million** | **30 June 2015** | 30 June 2014 |
|---|---|---|
| **Reconciliation of carrying value at the beginning and end of the year** | | |
| Carrying value at the beginning of the year | **47 691** | 41 451 |
| Exchange rate differences on translation of carrying value at the beginning of the year to year-end rate | **96** | 106 |
| Share of net attributable profit of associated companies | **6 737** | 6 367 |
| Dividends received from associated companies | **(2 866)** | (2 956) |
| Equity-accounted movements on reserves | **159** | 1 843 |
| Dilutionary effects | **771** | 17 |
| Investments made* | **364** | 969 |
| Loans advanced | **166** | 16 |
| Investments disposed | **–** | (101) |
| Loans repaid | **(7)** | (163) |
| Transfers | **(143)** | 39 |
| Net impairments | **(99)** | 103 |
| **Carrying value at the end of the year** | **52 869** | 47 691 |

* *The year under review includes investments in respect of R215 million to RMBH and R58 million to Grindrod. The previous year included an amount of R652 million in respect of Grindrod's accelerated bookbuild.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 7. INVESTMENTS – EQUITY ACCOUNTED (continued)

### 7.1 Associated companies (continued)

Set out below is the summarised financial information, as well as a reconciliation of that information to the carrying amount, of the Group's most significant associated companies which are accounted for using the equity method.

| | Year ended | | | |
|---|---|---|---|---|
| | | 30 June 2015 | | 31 March 2015 |
| R million | RMI | RMBH | FirstRand | Mediclinic |
| **Summarised statement of comprehensive income** | | | | |
| Revenue | 12 613 | n/a | 35 621 | 35 238 |
| Profit before tax | 4 137 | 7 778 | 29 855 | 4 741 |
| Taxation | (624) | (9) | (6 731) | (206) |
| Profit after tax | 3 513 | 7 769 | 23 124 | 4 535 |
| Attributable to non-controlling shareholders | (221) | – | (1 501) | (238) |
| Attributable profit for the year | 3 292 | 7 769 | 21 623 | 4 297 |
| Headline earnings | 3 258 | 7 177 | 21 141 | 4 081 |
| Other comprehensive income attributable to shareholders | 44 | (192) | (561) | 990 |
| **Total comprehensive income attributable to shareholders** | 3 336 | 7 577 | 21 062 | 5 287 |
| **Summarised statement of financial position** | | | | |
| Net advance, loans and bank-related securities | 832 | – | 111 293 | – |
| Intangible assets | 68 | – | 1 068 | 11 565 |
| Property, plant and equipment and other | 908 | – | 7 558 | 54 088 |
| Investments and loans | 24 672 | 36 474 | 7 911 | 160 |
| Current assets | 5 849 | 52 | 8 124 | 13 366 |
| **Total assets** | 32 329 | 36 526 | 135 954 | 79 179 |
| | (15 224) | (1 349) | (45 176) | (47 115) |
| Non-controlling interest | (978) | – | (7 826) | (1 098) |
| Non-current liabilities | (12 871) | (1 239) | (19 373) | (38 078) |
| Current liabilities | (1 375) | (110) | (17 977) | (7 939) |
| **Net assets** | 17 105 | 35 177 | 90 778 | 32 064 |
| **Reconciliation to carrying value** | | | | |
| Remgro's effective interest | 30.26% | 28.15% | 3.92% | 42.09%* |
| Remgro's effective interest in net assets | 5 177 | 9 903 | 3 557 | 13 496 |
| Goodwill/bargain purchase adjustment | 1 540 | 2 364 | 743 | 2 |
| Dividends received subsequent to associates' reporting date | – | – | – | (271) |
| **Carrying value at 30 June 2015** | 6 717 | 12 267 | 4 300 | 13 227 |
| **Fair value of listed investments** | 19 096 | 26 409 | 11 720 | 36 727 |
| **Dividends received** | 513 | 984 | 418 | 382 |

* *Remgro's interest in Mediclinic on 31 March 2015.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

7. INVESTMENTS – EQUITY ACCOUNTED (continued)

**7.1 Associated companies (continued)**

Set out below is the summarised financial information, as well as a reconciliation of that information to the carrying amount, of the Group's most significant associated companies which are accounted for using the equity method.

| | Year ended | | | |
|---|---|---|---|---|
| | | | | 31 March |
| | | 30 June 2014 | | 2014 |
| **R million** | RMI | RMBH | FirstRand | Mediclinic |
| **Summarised statement of comprehensive income** | | | | |
| Revenue | 10 783 | – | 29 878 | 30 495 |
| Profit before tax | 4 179 | 6 337 | 25 377 | 4 362 |
| Taxation | (870) | (1) | (5 591) | (776) |
| Profit after tax | 3 309 | 6 336 | 19 786 | 3 586 |
| Attributable to non-controlling shareholders | (256) | – | (1 346) | (201) |
| Attributable profit for the year | 3 053 | 6 336 | 18 440 | 3 385 |
| Headline earnings | 2 879 | 6 417 | 18 671 | 3 355 |
| Other comprehensive income attributable to shareholders | 235 | 225 | 646 | 4 537 |
| **Total comprehensive income attributable to shareholders** | 3 288 | 6 561 | 19 086 | 7 922 |
| **Summarised statement of financial position** | | | | |
| Net advance, loans and bank-related securities | 301 | – | 96 856 | – |
| Intangible assets | 110 | – | 1 047 | 9 210 |
| Property, plant and equipment and other | 877 | – | 7 317 | 49 959 |
| Investments and loans | 21 521 | 35 532 | 7 879 | 139 |
| Current assets | 4 957 | 34 | 8 290 | 11 226 |
| **Total assets** | 27 766 | 33 566 | 121 389 | 70 534 |
| | (12 288) | (1 347) | (40 875) | (46 066) |
| Non-controlling interest | (899) | – | (7 703) | (923) |
| Non-current liabilities | (10 176) | (1 281) | (18 569) | (36 899) |
| Current liabilities | (1 213) | (66) | (14 603) | (8 244) |
| **Net assets** | 15 478 | 32 219 | 80 514 | 24 468 |
| **Reconciliation to carrying value** | | | | |
| Remgro's effective interest | 30.26% | 27.94% | 4.01% | 44.30%* |
| Remgro's effective interest in net assets | 4 684 | 9 002 | 3 226 | 10 839 |
| Goodwill/bargain purchase adjustment | 1 540 | 2 223 | 743 | 2 |
| Dividends received subsequent to associates' reporting date | – | – | – | (244) |
| **Carrying value at 30 June 2014** | 6 224 | 11 225 | 3 969 | 10 597 |
| **Fair value of listed investments** | 14 739 | 20 743 | 8 957 | 29 316 |
| **Dividends received** | (454) | (807) | (347) | (345) |

* *Remgro's interest in Mediclinic on 31 March 2014.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 7. INVESTMENTS – EQUITY ACCOUNTED (continued)

### 7.1 Associated companies (continued)

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Information pertaining to Remgro's other associated companies is aggregated: | | |
| Carrying value | **16 358** | 15 676 |
| The Group's share of: | | |
| – Profit from operations | **884** | 1 430 |
| – Other comprehensive income | **207** | (174) |
| – Total comprehensive income | **1 091** | 1 256 |
| – Headline earnings | **968** | 1 249 |

### 7.2 Joint ventures

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Unlisted shares – at cost | **1 859** | 1 817 |
| Equity adjustment | **2 758** | 2 406 |
| Carrying value | **4 617** | 4 223 |
| Long-term loans | **345** | 255 |
| | **4 962** | 4 478 |
| **Reconciliation of carrying value at the beginning and end of the year** | | |
| Carrying value at the beginning of the year | **4 478** | 3 957 |
| Share of net attributable income of joint ventures | **491** | 486 |
| Dividends received from joint ventures | **(211)** | (612) |
| Equity accounted movements on reserves | **71** | 159 |
| Exchange difference | **(3)** | – |
| Dilutionary effects | **1** | (172) |
| Investment made | **102** | 592 |
| Loans advanced | **43** | 33 |
| Loans repaid | **(10)** | – |
| Transfers | **–** | 35 |
| **Carrying value at the end of the year** | **4 962** | 4 478 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

7. INVESTMENTS – EQUITY ACCOUNTED (continued)

**7.2 Joint ventures (continued)**

Set out below is the summarised financial information, as well as a reconciliation of that information to the carrying amount of Distell (which is held through Remgro-Capevin Investments Proprietary Limited), the Group's most significant joint venture that is accounted for using the equity method.

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| **Summarised statement of comprehensive income** | | |
| Revenue | 19 589 | 17 740 |
| Depreciation and amortisation | 271 | 256 |
| Interest income | 23 | 15 |
| Interest expense | (260) | (233) |
| Profit before tax | 1 989 | 2 042 |
| Taxation | (569) | (518) |
| Profit after tax | 1 420 | 1 524 |
| Attributable to non-controlling shareholders | 17 | (1) |
| Attributable profit for the year | 1 437 | 1 523 |
| Headline earnings | 1 435 | 1 514 |
| Other comprehensive income attributable to shareholders | 246 | 474 |
| **Total comprehensive income attributable to shareholders** | 1 683 | 1 997 |
| **Summarised statement of financial position** | | |
| Non-current assets | 7 435 | 6 639 |
| Cash and cash equivalents | 619 | 452 |
| Other current assets | 9 753 | 8 769 |
| **Total assets** | 17 807 | 15 860 |
| | (8 269) | (7 290) |
| Non-controlling interest | (19) | (32) |
| Non-current financial liabilities | (3 323) | (3 114) |
| Other non-current liabilities | (652) | (609) |
| Current financial liabilities (excluding trade and other payables and provisions) | (870) | (762) |
| Current liabilities | (3 405) | (2 773) |
| **Net assets** | 9 538 | 8 570 |
| **Reconciliation to carrying value** | | |
| Remgro's effective interest | 26.82% | 26.86% |
| Remgro's effective interest in net assets | 2 558 | 2 302 |
| **Carrying value at 30 June** | 2 558 | 2 302 |
| Information pertaining to Remgro's other joint ventures is aggregated: | | |
| Carrying value | 2 447 | 2 176 |
| The Group's share of: | | |
| – Profit from operations | 105 | 56 |
| – Other comprehensive income | (3) | 13 |
| – Total comprehensive income | 102 | 69 |
| – Headline earnings | 82 | 59 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 7. INVESTMENTS – EQUITY ACCOUNTED (continued)

### 7.3 Accounting periods

The following significant equity accounted investments have different year-ends to that of the Group:

| *Investment* | *Financial year-end* | *Reporting period used to equity account* |
|---|---|---|
| **Associated companies** | | |
| Air Products South Africa | 30 September | 12 months ended 31 March 2015 |
| Business Partners | 31 March | Year ended 31 March 2015 |
| Grindrod | 31 December | 12 months ended 30 June 2015 |
| Mediclinic | 31 March | Year ended 31 March 2015 |
| PGSI | 25 December | 12 months ended 25 June 2015 |
| Sabido | 31 March | Year ended 31 March 2015 |
| SEACOM | 31 December | 12 months ended 30 June 2015 |
| Total South Africa | 31 December | 12 months ended 30 June 2015 |
| Unilever South Africa | 31 December | 12 months ended 30 June 2015 |
| **Joint venture** | | |
| CIVH | 31 March | Year ended 31 March 2015 |

The reporting period used to equity account the above investments was used as it is impractical to adjust their reported numbers to conform to the Group's reporting period. Significant transactions in the intermediate period are adjusted.

## 8. INVESTMENTS – OTHER

| R million | 30 June 2015 Listed | 30 June 2015 Unlisted | 30 June 2015 Total | 30 June 2014 Listed | 30 June 2014 Unlisted | 30 June 2014 Total |
|---|---|---|---|---|---|---|
| Investments – other | | | | | | |
| Shares | **902** | **1 591** | **2 493** | 880 | 1 762 | 2 642 |
| Market values of listed investments | **902** | **–** | **902** | 880 | – | 880 |
| Directors' valuation of unlisted investments | **–** | **1 591** | **1 591** | – | 1 762 | 1 762 |
| **Market values and directors' valuation** | **902** | **1 591** | **2 493** | 880 | 1 762 | 2 642 |

| **Reconciliation of carrying value of investments – other at the beginning and end of the year (R million)** | **30 June 2015** | 30 June 2014 |
|---|---|---|
| Balances at the beginning of the year | **2 642** | 2 168 |
| Fair value adjustments for the year | **(194)** | 341 |
| Investments made | **376** | 300 |
| Exchange rate adjustments | **153** | 59 |
| Disposals | **(484)** | (143) |
| Transfers and other | **–** | (83) |
| **Balances at the end of the year** | **2 493** | 2 642 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 9. RETIREMENT BENEFITS

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| **Statement of financial position obligations** | | |
| Retirement benefits | **(9)** | (7) |
| Post-retirement medical benefits | **(218)** | (251) |
| | **(227)** | (258) |
| **Statement of financial position assets** | **220** | 210 |
| Retirement benefits | **17** | 8 |
| Defined-contribution fund employer's surplus | **203** | 202 |
| **Net defined-benefit post-retirement obligation** | **(7)** | (48) |
| **Represented by:** | | |
| Retirement benefits (refer note 9.1) | **8** | 1 |
| Post-retirement medical benefits (refer note 9.2) | **(218)** | (251) |
| Defined-contribution fund employer's surplus | **203** | 202 |
| | **(7)** | (48) |
| **Income statement*** | | |
| Retirement benefits | **3** | 4 |
| Post-retirement medical benefits | **21** | 27 |
| **Expense** | **24** | 31 |

* *Refer note 23 on page 53.*

### 9.1 Retirement benefits

Some of the Company's subsidiaries have various defined-benefit and defined-contribution funds which are privately administered independent of the finances of the Group. The Group operates defined-benefit funds in South Africa, governed by the Pension Funds Act, 1956 (as amended), and in Switzerland. All salaried employees are obliged to accept membership of one of these funds.

For South African statutory purposes defined-benefit pension funds are actuarially valued every three years by independent actuaries using the projected unit credit method. The latest actuarial valuations of the South African funds were conducted as at 30 June 2013.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 9. RETIREMENT BENEFITS (continued)

### 9.1 Retirement benefits (continued)

| R million | Statement of financial position | | | | Income statement | Statement of other comprehensive income |
|---|---|---|---|---|---|---|
| | *Fair value of plan assets* | *Present value of funded obligations* | *Effect of the asset limit** | *Amount recognised in statement of financial position* | *(Income)/ expense included in staff costs* | *(Income)/ expense* |
| **Balances at 1 July 2013** | 418 | (258) | (158) | 2 | | |
| Current service cost | – | (4) | – | (4) | 4 | – |
| Net interest income/(expense) | 32 | (19) | (13) | – | – | – |
| Change in effect of the asset limit | – | – | (14) | (14) | – | 14 |
| Fund expense | (1) | 1 | – | – | – | – |
| Contributions | 1 | – | – | 1 | – | – |
| Exchange rate differences | 3 | (3) | – | – | – | – |
| Benefit payments | (16) | 16 | – | – | – | – |
| Remeasurements: | | | | | | |
| – Return on plan assets excluding interest | 28 | – | – | 28 | – | (28) |
| – Actuarial gains and losses | – | (12) | – | (12) | – | 12 |
| **Balances at 30 June 2014** | 465 | (279) | (185) | 1 | 4 | (2) |
| Current service cost | **–** | **(4)** | **–** | **(4)** | **4** | **–** |
| Net interest income/(expense) | **38** | **(21)** | **(16)** | **1** | **(1)** | **–** |
| Change in effect of the asset limit | **–** | **–** | **9** | **9** | **–** | **(9)** |
| Fund expense | **(1)** | **1** | **–** | **–** | **–** | **–** |
| Contributions | **2** | **–** | **–** | **2** | **–** | **–** |
| Exchange rate differences | **1** | **(3)** | **–** | **(2)** | **–** | **–** |
| Benefit payments | **(16)** | **16** | **–** | **–** | **–** | **–** |
| Remeasurements: | | | | | | |
| – Return on plan assets excluding interest | **(6)** | **–** | **–** | **(6)** | **–** | **6** |
| – Actuarial gains and losses | **–** | **7** | **–** | **7** | **–** | **(7)** |
| **Balances at 30 June 2015** | **483** | **(283)** | **(192)** | **8** | **3** | **(10)** |

* *The Financial Services Board approved the surplus allocation scheme on 6 September 2005. The present value of economic benefits recognised in the financial statements is limited to the value of the surplus allocated to the Employer Surplus Account. The Trustees have decided not to allocate any of the current surpluses in the Fund. The Group has no unfunded liabilities.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

9. RETIREMENT BENEFITS (continued)

**9.1 Retirement benefits (continued)**

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Actual return on plan assets | **32** | 60 |
| Adjustment for experience on funded obligations | **(2)** | 1 |
| Expected contributions to retirement funds for the year ending 30 June 2016: R2 million | | |
| Number of members | **90** | 98 |
| **Composition of plan assets (%)** | | |
| Cash | **34.7** | 41.6 |
| Equity | **23.5** | 20.8 |
| Bonds | **4.7** | 3.2 |
| Property | **3.3** | 2.7 |
| International | **30.2** | 28.1 |
| Other | **3.6** | 3.6 |
| | **100.0** | 100.0 |
| **Principal actuarial assumptions on reporting date (%)** | | |
| Discount rate | **0.8 – 8.4** | 1.5 – 8.6 |
| Future salary increases | **8.4** | 8.5 |
| Future pension increases | **6.3** | 6.5 |
| Inflation rate | **1.0 – 6.3** | 1.1 – 6.5 |

The sensitivity of the defined-benefit obligation to changes in the principal assumptions is:

| | Impact on defined-benefit obligation | | |
|---|---|---|---|
| R million | *Change in assumption* | *Increase in assumption* | *Decrease in assumption* |
| South African obligation | | | |
| Discount rate | **1.0%** | **(22)** | **27** |
| Inflation rate | **1.0%** | **27** | **(23)** |
| Switzerland | | | |
| Discount rate | **0.5%** | **(1)** | **2** |
| Inflation rate | **0.5%** | **2** | **(1)** |

The above sensitivity analyses are based on a change in assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some assumptions may be correlated.

**9.2 Post-retirement medical benefits**

The Group operates a number of post-employment medical benefit schemes in South Africa. The majority of these plans are unfunded.

The amounts recognised in the statement of financial position are determined as follows:

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Present value of funded obligations | **88** | 84 |
| Fair value of plan assets | **(62)** | (63) |
| Deficit of the funded plans | **26** | 21 |
| Present value of unfunded obligations | **192** | 230 |
| Liability included in the statement of financial position | **218** | 251 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 9. RETIREMENT BENEFITS (continued)

### 9.2 Post-retirement medical benefits (continued)

| | Statement of financial position | | | Income statement | Statement of other comprehensive income |
|---|---|---|---|---|---|
| **R million** | *Fair value of plan assets* | *Present value of fund obligations* | *Amount recognised in statement of financial position* | *(Income)/ expense included in staff costs* | *(Income)/ expense* |
| **Balances at 1 July 2013** | 54 | (311) | (257) | | |
| Current service cost | – | (7) | (7) | 7 | – |
| Net interest income/(expense) | 5 | (25) | (20) | 20 | – |
| Benefit payments | – | 11 | 11 | – | – |
| Remeasurements: | | | | | |
| – Return on plan assets excluding interest income | 4 | – | 4 | – | (4) |
| – Gain/(loss) from change in actuarial assumptions | – | 10 | 10 | – | (10) |
| – Gain/(loss) due to experience adjustment | – | 8 | 8 | – | (8) |
| **Balances at 30 June 2014** | 63 | (314) | (251) | 27 | (22) |
| Current service cost | **–** | **(7)** | **(7)** | **7** | **–** |
| Net interest income/(expense) | **6** | **(27)** | **(21)** | **21** | **–** |
| Past service cost | **–** | **7** | **7** | **(7)** | **–** |
| Benefit payments | **(3)** | **15** | **12** | **–** | **–** |
| Liability settled | **–** | **47** | **47** | **–** | **–** |
| Remeasurements: | | | | | |
| – Return on plan assets excluding interest income | **(4)** | **–** | **(4)** | **–** | **4** |
| – Gain/(loss) from change in actuarial assumptions | **–** | **(21)** | **(21)** | **–** | **21** |
| – Gain/(loss) due to experience adjustment | **–** | **20** | **20** | **–** | **(20)** |
| **Balances at 30 June 2015** | **62** | **(280)** | **(218)** | **21** | **5** |

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Amount of plan assets represented by investment in the entity's own financial instruments | **1** | 1 |
| Actual return on plan assets | **2** | 9 |
| Expected medical premiums for the year ending 30 June 2016: R5 million. | | |
| Number of members | **811** | 821 |
| **Composition of plan assets (%)** | | |
| Cash | **9.1** | 9.3 |
| Equity | **83.7** | 84.5 |
| Bonds | **7.2** | 6.2 |
| | **100.0** | 100.0 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 9. RETIREMENT BENEFITS (continued)

### 9.2 Post-retirement medical benefits (continued)

| Principal actuarial assumptions on reporting date (%) | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Discount rate | 8.6 – 9.4 | 8.6 – 9.7 |
| Annual increase in healthcare costs | 8.4 – 9.0 | 8.4 – 9.3 |

| | Impact on post-retirement medical liability | | |
|---|---|---|---|
| R million | *Change in assumption* | *Increase in assumption* | *Decrease in assumption* |
| Discount rate | 1% | (33) | 42 |
| Healthcare cost inflation | 1% | 44 | (35) |

The above sensitivity analyses are based on a change in assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some assumptions may be correlated.

## 10. TAXATION

### 10.1 Deferred taxation

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| **Deferred taxation liability** | 1 630 | 1 505 |
| Property, plant and equipment | 823 | 793 |
| Inventories and biological assets | 329 | 290 |
| Intangible assets | 726 | 787 |
| Provisions | (154) | (66) |
| Investments | 155 | 121 |
| Tax losses | (239) | (435) |
| Other | (10) | 15 |
| **Deferred tax asset** | (18) | (14) |
| Inventories | (1) | – |
| Tax losses | – | (2) |
| Provisions | (18) | (11) |
| Other | 1 | (1) |
| **Net deferred taxation** | 1 612 | 1 491 |
| The movement between balances of deferred taxation at the beginning and end of the year can be analysed as follows: | | |
| Beginning of the year | 1 491 | 1 709 |
| As per income statement | (27) | (125) |
| Accounted for in other comprehensive income | 36 | 32 |
| Transfers and other | 112 | (125) |
| | 1 612 | 1 491 |

No deferred tax is provided on temporary differences relating to investments in subsidiary companies as Remgro controls the dividend policy of these companies and consequently also controls the reversal of the temporary differences.

Deferred taxation is provided at a rate of 0% on temporary differences relating to the investments in associates and joint ventures as the carrying values of these investments are expected to be recovered through dividends, which are exempt from taxation.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 10. TAXATION (continued)

### 10.2 Tax losses

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Estimated tax losses available for set-off against future taxable income | **1 681** | 2 127 |
| Utilised to create deferred tax asset | **(846)** | (1 432) |
| | **835** | 695 |

### 10.3 Taxation in income statement

| | | |
|---|---|---|
| Current – current year – South African normal taxation | **402** | 172 |
| – Foreign income | **2** | – |
| – Foreign taxation | **5** | 10 |
| – previous year – South African normal taxation | **13** | – |
| | **422** | 182 |
| Deferred – current year | **–** | (115) |
| – previous year | **(27)** | (10) |
| | **395** | 57 |

### 10.4 Reconciliation of effective tax rate of the Company and its subsidiaries with standard rate (%)

| | | |
|---|---|---|
| Effective tax rate | **18.9** | 104.1 |
| Reduction/(increase) in standard rate as a result of: | | |
| Exempt dividend income | **2.9** | 21.9 |
| Non-taxable capital profit | **0.1** | 57.1 |
| Non-deductible expenditure/non-taxable income | **7.3** | (113.9) |
| Foreign taxation | **(0.4)** | (9.6) |
| Previous year taxation | **0.7** | 5.1 |
| Tax losses utilised | **(1.5)** | (36.7) |
| **Standard rate** | **28.0** | 28.0 |

## 11. INVENTORIES

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Raw materials | **728** | 707 |
| Finished products | **2 068** | 1 514 |
| Work in progress | **94** | 8 |
| Consumable stores | **228** | 179 |
| | **3 118** | 2 408 |
| Inventory expensed during the year | **15 267** | 15 374 |
| Inventory carried at net realisable value | **186** | 102 |

## 12. DEBTORS AND SHORT-TERM LOANS

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Trade debtors (gross) | **3 127** | 2 810 |
| Less: Provision for impairments | **(80)** | (71) |
| Trade debtors (net) | **3 047** | 2 739 |
| Dividends receivable | **75** | – |
| Advance payments and other | **715** | 591 |
| | **3 837** | 3 330 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 12. DEBTORS AND SHORT-TERM LOANS (continued)

Debtors with a carrying value of R1 525 million (2014: R1 488 million) provided collateral to the Group. The collateral consists of mortgage and notarial bonds, cessions, bank guarantees and credit insurance.

Movements on the provision for impairments of trade debtors are as follows:

| R million | **30 June 2015** | 30 June 2014 |
|---|---|---|
| Balances at the beginning of the year | **71** | 71 |
| Provision for impairments on debtors | **17** | 13 |
| Debtors written off as uncollectable during the year | **(4)** | (6) |
| Unused amounts written back | **(5)** | (7) |
| Exchange difference | **1** | – |
| **Balances at the end of the year** | **80** | 71 |

During the year, bad debts amounting to R4 million (2014: R6 million) were written off. The other classes of assets in debtors and short-term loans have no assets where impairments were made. For further information refer to note 30.

## 13. DERIVATIVE INSTRUMENTS

The following derivative instruments existed at 30 June:

| | **30 June 2015** | | | 30 June 2014 | | |
|---|---|---|---|---|---|---|
| **Assets** | ***Currency value million*** | ***Forward value R million*** | ***Fair value R million*** | *Currency value million* | *Forward value R million* | *Fair value R million* |
| *Foreign exchange contracts* | | | | | | |
| Buy: Euro | **3** | **37** | **1** | – | – | – |
| Sell: USA dollar | **2** | **30** | **1** | 15.5 | 169.7 | 3 |
| | | | **2** | | | 3 |
| *Other derivative instruments* | | | | | | |
| Commodity option contracts | | | **2** | | | – |
| Interest rate collar option | | | **6** | | | – |
| | | | **8** | | | – |
| | | | **10** | | | 3 |
| **Liabilities** | | | | | | |
| *Foreign exchange contracts* | | | | | | |
| Buy: Euro | | | **–** | 1.8 | 27.5 | 2 |
| Sell: USA dollar | | | **–** | 19.8 | 214.4 | 2 |
| | | | **–** | | | 4 |
| *Other derivative instruments* | | | | | | |
| Commodity option contracts | | | **13** | | | 2 |
| Embedded derivative | | | **3** | | | 4 |
| | | | **16** | | | 6 |
| | | | **16** | | | 10 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 14. INVESTMENT IN MONEY MARKET FUNDS

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Money market fund investments are held in the following currencies: | | |
| South African rand | **500** | 746 |
| USA dollar (2015: $40 million; 2014: $40 million) | **486** | 425 |
| | **986** | 1 171 |

Investments in offshore money market funds relate to investments in shares of J P Morgan liquidity funds, specifically the US Government Liquidity Fund (with an Aaa Moody's Rating). The portfolio of the funds on 30 June 2015 consisted of government bonds with maturities of up to one year and bank repurchase agreements to ensure liquidity on demand as the shares in the funds are callable on a daily basis. Distributions from these funds are disclosed as dividend income. Local money market funds relate to investment in a South African unit trust offered by Nedgroup Collective Investments mandated to invest only in money market instruments of major South African banks, government securities and government-related entities. These instruments carry very low risk and provide daily liquidity, but cannot be classified as cash and cash equivalents as the individual instruments held by the funds do not meet the maturity criteria of *IAS 7: Statement of Cash Flows*. These investments are considered to be equity instruments categorised as "financial assets at fair value through profit and loss".

## 15. CASH AND CASH EQUIVALENTS

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Cash at the centre | **3 033** | 2 539 |
| Operating subsidiaries | **1 017** | 1 118 |
| | **4 050** | 3 657 |
| The cash is held in the following currencies: | | |
| South African rand | **3 073** | 2 975 |
| British pound | **26** | 27 |
| USA dollar | **929** | 579 |
| Euro | **–** | 56 |
| Swiss franc | **4** | 3 |
| Other | **18** | 17 |
| | **4 050** | 3 657 |
| At year-end cash and cash equivalents earned interest at effective interest rates that varied between 5.55% and 6.48% (2014: 5.00% and 8.75%) per annum at local financial institutions and between 0.01% and 6.33% (2014: 0.01% and 5.65%) per annum abroad. | | |
| Cash and cash equivalents are represented by the following: | | |
| Current accounts and call accounts | **4 050** | 3 657 |
| | **4 050** | 3 657 |
| At year-end the Group's cash was invested at financial institutions with the following Moody's credit rating (unless otherwise indicated): | | |
| Aa3 | **419** | 232 |
| A1 | **430** | – |
| A2 | **230** | 878 |
| A3 | **26** | 235 |
| Baa2 | **1 756** | 1 266 |
| C– | **87** | – |
| AA+ (Fitch credit rating) | **515** | 515 |
| A+ (Fitch credit rating) | **500** | 515 |
| Rating not available* | **87** | 16 |
| | **4 050** | 3 657 |

* *This relates to cash balances with Menara Standard Chartered Bank, CHMR Niagra Bank and Safex deposits with various financial institutions for which ratings were not available on Moody's.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 16. ASSETS HELD FOR SALE

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Assets held for sale comprise of: | | |
| Assets held for sale | 8 534 | 754 |
| Liabilities held for sale | (8 467) | (186) |
| | 67 | 568 |
| The details of these assets and liabilities are as follows: | | |
| During June 2015 Remgro entered into an agreement with funds managed by Cinven to acquire 119 923 335 Spire shares (equivalent to a 29.9% shareholding in Spire). In conjunction with the transaction, Remgro and Mediclinic concluded an agreement whereby Mediclinic would acquire Remgro's interest in Spire, subject to a successful Mediclinic rights issue. Total assets and liabilities are | (175) | – |
| Investment | 8 275 | – |
| Trade and other creditors | (8 276) | – |
| Derivative instruments[1] | (174) | – |
| The last condition precedent pertaining to the sale of RCL Foods' fishing division was fulfilled during the current financial year. The sale was concluded subject to a condition that the Glenryck trade mark will not form part of the transaction. However, the sale of the Glenryck brand to a third party is well advanced. Total assets and liabilities are | 26 | 355 |
| Property, plant and equipment | – | 109 |
| Goodwill | – | 139 |
| Trade marks and other intangibles[2] | 24 | 120 |
| Inventory | 5 | 69 |
| Trade and other receivables | 2 | 80 |
| Trade receivables with group entities | 12 | 24 |
| Borrowings | – | (2) |
| Trade and other payables | (10) | (79) |
| Deferred tax liability | (7) | (105) |
| During the current financial year RCL Foods exercised an option to exit a lease agreement in respect of a cane and fruit producing farm. The assets of the farm to which the lease agreement pertains will be transferred to the local community (the lessor) during the next financial year. Total assets are | 33 | – |
| Property, plant and equipment | 3 | – |
| Biological agricultural assets | 30 | – |
| Wispeco took a decision to sell two of its properties. The carrying value of property, plant and equipment classified as held for sale is | 40 | – |
| Previously, Remgro actively marketed its investment in Experiential Marketing Proprietary Limited (EXP). The disposal did not materialise, and consequently EXP is consolidated from 1 January 2015. The carrying value of the investment classified as held for sale is | – | 144 |
| Remgro negotiated the disposal of its investment in Britehouse and entered into a sale agreement subsequent to year-end (2014: investments in Longkloof and Crystal Brook). The carrying value of the investments classified as held for sale is | 143 | 69 |
| Britehouse Holdings Proprietary Limited | 143 | – |
| Longkloof Limited | – | 67 |
| Crystal Brook Distribution Proprietary Limited | – | 2 |
| **Net non-current assets held for sale** | 67 | 568 |

[1] *The fair value (Level 2) was based on observable market data.*
[2] *The fair value (Level 3) was determined using the selling price of the asset based on the impending sale to a third party.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 17. STATED AND ISSUED CAPITAL AND SHARE PREMIUM

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Stated and issued capital | | |
| **Authorised** | | |
| 512 493 650 ordinary shares of no par value | | |
| 40 506 352 B ordinary shares of no par value | | |
| | | |
| **Issued** | | |
| 481 106 370 ordinary shares of no par value | **3 601** | 3 601 |
| 35 506 352 B ordinary shares of no par value | **4** | 4 |
| | **3 605** | 3 605 |

Each ordinary share has one vote.
Each B ordinary share has ten votes.

At 30 June 2014, 2 960 766 Remgro ordinary shares (0.6%) were held as treasury shares by a wholly owned subsidiary company of Remgro. As previously reported, these shares were acquired for the purpose of hedging Remgro's share incentive schemes.

During the year under review no Remgro ordinary shares were repurchased, while 791 208 Remgro ordinary shares were utilised to settle Remgro's obligation towards scheme participants who exercised the rights granted to them.

At 30 June 2015, 2 169 558 Remgro ordinary shares (0.5%) were held as treasury shares.

At a general meeting of shareholders held on 7 October 2008, 21 000 000 ordinary shares were placed under the control of the Remgro Board as a specific authority for purposes of issuing and allotting such ordinary shares to participants in the Remgro Equity Settled Share Appreciation Right Scheme (the SAR Scheme) in accordance with the provisions of the rules of the SAR Scheme.

Details in respect of the SAR Scheme and the current year's offers are disclosed in note 25.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 18. RESERVES

### 18.1 Composition of reserves

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| The Company | | |
| Retained earnings | 38 173 | 1 568 |
| Subsidiary companies | 8 932 | 43 629 |
| Fair value reserve | 320 | 311 |
| Other reserves* | 1 400 | 1 360 |
| Retained earnings | 7 212 | 41 958 |
| Equity accounted companies | | |
| Equity reserves | 22 676 | 17 605 |
| | 69 781 | 62 802 |

* *Other reserves consist mainly of share scheme reserves and foreign currency translation reserves.*

### 18.2 Included in the respective reserves above are reserves arising on exchange rate translation

| R million | *Equity reserves* | *Other reserves* | *Fair value reserves* | *Retained earnings* | 30 June 2015 Total | 30 June 2014 Total |
|---|---|---|---|---|---|---|
| Balances at the beginning of the year | (178) | 874 | (75) | 70 | 691 | 426 |
| Exchange rate adjustments during the year | (87) | 29 | (19) | 346 | 269 | 297 |
| Reclassification to the income statement | – | – | – | (1) | (1) | (32) |
| **Balances at the end of the year** | (265) | 903 | (94) | 415 | 959 | 691 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 19. NON-CONTROLLING INTEREST

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Balances at the beginning of the year | 2 599 | 2 015 |
| Total comprehensive income for the year | 210 | (62) |
| Net profit for the year | 206 | (66) |
| Exchange rate adjustments | (2) | 1 |
| Fair value adjustments for the year | 9 | – |
| Deferred tax on fair value adjustments | (2) | – |
| Remeasurement of post-employment benefit obligations | (1) | 4 |
| Deferred taxation on remeasurement of post-employment benefit obligations | – | (1) |
| Dividends paid | (68) | (1) |
| Investment in subsidiaries[1] | – | (355) |
| Capital invested by minorities[2] | 37 | 876 |
| Long-term share incentive scheme reserve | 10 | 7 |
| Other movements | 15 | 119 |
| **Balances at the end of the year** | 2 803 | 2 599 |
| | | |
| RCL Foods | 2 772 | 2 578 |
| Other non-wholly owned subsidiaries | 31 | 21 |

[1] *The amount of the previous year mainly relates to RCL Foods' acquisition of the remaining non-controlling shareholders' interest in Foodcorp.*
[2] *The previous year includes an amount of R790 million in respect of RCL Foods' non-controlling shareholders participating in RCL Foods' capital raisings.*

The Group consists of various investing and operating subsidiaries, details of which are disclosed in Annexure A. The main operating subsidiary is RCL Foods in which the Group has an interest of 77.5% (2014: 77.7%). RCL Foods consists of four main businesses, namely, Rainbow Chicken (a poultry producer), TSB Sugar (a sugar producer and miller), Foodcorp (a manufacturer and supplier of fast-moving consumer goods) and Vector Logistics. The Group's revenue and operating profit are mainly driven by these subsidiaries and are presented as trading profit in the income statement.

RCL Foods' non-controlling shareholders own 22.5% of RCL Foods. Below is RCL Foods' summarised financial information:

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| **Statement of financial position** | | |
| **ASSETS** | | |
| Non-current assets | 12 251 | 12 122 |
| Current assets | 7 442 | 7 789 |
| | 19 693 | 19 911 |
| **EQUITY AND LIABILITIES** | | |
| Shareholders' equity | 10 035 | 9 375 |
| Non-controlling interest | 79 | 62 |
| Non-current liabilities | 5 168 | 1 996 |
| Current liabilities | 4 411 | 8 478 |
| | 19 693 | 19 911 |
| **Income statement** | | |
| Revenue | 23 428 | 19 720 |
| Profit/(loss) for the year | 862 | (277) |
| Profit/(loss) for the year attributable to equity holders | 848 | (289) |
| Profit for the year attributable to non-controlling interest | 14 | 12 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 19. NON-CONTROLLING INTEREST (continued)

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| **Statement of comprehensive income** | | |
| Other comprehensive income | 18 | 17 |
| Total comprehensive income | 880 | (260) |
| Total comprehensive income attributable to equity holders | 866 | (272) |
| Total comprehensive income attributable to non-controlling interest | 14 | 12 |
| | | |
| **Cash flow information** | | |
| Cash inflow from operating activities | 1 262 | 666 |
| Cash outflow from investing activities | (98) | (494) |
| Cash outflow from financing activities | (1 322) | (1 459) |

## 20. LONG-TERM LOANS

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| **Interest-bearing loans** | | |
| Unsecured long-term loans with an effective interest rate of Jibar + 2.3% per annum repayable in four equal yearly instalments | – | 216 |
| Unsecured long-term loans with an effective interest rate of 3 month Jibar with a margin of between 1.5% and 5.25% | 61 | 66 |
| Liabilities resulting from various capitalised finance leases and instalment sale agreements payable in monthly, quarterly and annual instalments at varying interest rates per annum amount to | 95 | 116 |
| These liabilities are secured by plant, machinery and equipment and vehicles with a book value of R67 million (2014: R101 million). | | |
| Secured long-term loan with a fixed rate of 4% per annum, repayable yearly, over a maximum period of six years. Secured by cessions over the production of the supplier to whom the loans were made | 144 | 111 |
| Term-funded debt package | | |
| The debt package comprises two bullet loans and a revolving credit facility. The loans bear interest with a floating rate of Jibar plus a margin of between 1.65% and 2.25% and is guaranteed by RCL Foods | 3 350 | – |
| Various unsecured loans with varying terms and interest rates | 37 | 66 |
| | 3 687 | 575 |
| Instalments payable within one year transferred to short-term interest-bearing loans | (140) | (139) |
| | 3 547 | 436 |
| | | |
| Payable – two to five years | 3 538 | 436 |
| Payable thereafter | 9 | – |
| | 3 547 | 436 |

*Note: Loans' carrying values approximate their fair values.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 21. TRADE AND OTHER PAYABLES

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Trade payables | 2 279 | 2 374 |
| Accrued expenses | 2 190 | 1 417 |
| | 4 469 | 3 791 |

## 22. SHORT-TERM LOANS

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Interest-bearing loans | | |
| Portion of long-term interest-bearing loans payable within one year | 140 | 139 |
| Bridging loan facility* | – | 4 495 |
| Bank overdrafts | 221 | 21 |
| Various secured and unsecured loans with varying terms and interest rates | 2 | 2 |
| | 363 | 4 657 |
| Interest-free loans with no fixed repayment conditions | 3 | 4 |
| | 366 | 4 661 |

* *RCL Foods provided the security in respect of this bridging loan facility. The security was a pledge on all RCL Foods' bank accounts, including the amounts standing to the credit of these bank accounts, as well as all the shares held by RCL Foods in the issued share capital of any of its subsidiaries and all claims that RCL Foods may have against any of its subsidiaries.*

## 23. STAFF COSTS

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Salaries and wages | 3 589 | 3 014 |
| Share-based payments | 84 | 70 |
| Pension costs – defined contribution | 245 | 248 |
| Pension costs – return on defined-contribution asset | (7) | (27) |
| Pension costs – defined benefit | 3 | 4 |
| Post-retirement medical benefits | 21 | 27 |
| Other | 341 | 411 |
| | 4 276 | 3 747 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 24. DIRECTORS' EMOLUMENTS

| R'000 | 30 June 2015 Executive | 30 June 2015 Non-executive | 30 June 2015 Total | 30 June 2014 Executive | 30 June 2014 Non-executive | 30 June 2014 Total |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| Fees | 735 | – | 735 | 798 | – | 798 |
| Salaries | 18 107 | – | 18 107 | 17 360 | – | 17 360 |
| Retirement fund contributions | 3 737 | – | 3 737 | 3 528 | – | 3 528 |
| Other benefits | 879 | – | 879 | 856 | – | 856 |
| Subtotal | 23 458 | – | 23 458 | 22 542 | – | 22 542 |
| **Non-executive directors** | | | | | | |
| Independent | – | 2 459 | 2 459 | – | 2 248 | 2 248 |
| Non-independent | – | 490 | 490 | – | 456 | 456 |
| **Total** | 23 458 | 2 949 | 26 407 | 22 542 | 2 704 | 25 246 |
| **Share options exercised** | | | | | | |
| Increase in value – Remgro SAR Scheme* | 139 574 | – | 139 574 | 25 104 | – | 25 104 |

* *It refers to the increase in value of the SAR Scheme shares of participants from the offer date to the date of payment and delivery. Refer to note 25 for detail regarding the individual participants.*

| R'000 | 30 June 2015 Fees | 30 June 2015 Salaries and other | 30 June 2015 Total | 30 June 2014 Fees | 30 June 2014 Salaries and other | 30 June 2014 Total |
|---|---|---|---|---|---|---|
| Paid by: | | | | | | |
| The Company | 2 704 | – | 2 704 | 2 476 | – | 2 476 |
| Subsidiary company | 980 | 22 723 | 23 703 | 1 026 | 21 744 | 22 770 |
| **Total** | 3 684 | 22 723 | 26 407 | 3 502 | 21 744 | 25 246 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 24. DIRECTORS' EMOLUMENTS (continued)

**Fixed pay**

| | 30 June 2015 | | | | | 30 June 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R'000 | Fees | Salaries | Retirement fund | Other benefits[7] | Total | Fees | Salaries | Retirement fund | Other benefits[7] | Total |
| **Executive** | | | | | | | | | | |
| W E Bührmann | 245 | 2 649 | 574 | 280 | 3 748 | 228 | 2 492 | 489 | 266 | 3 475 |
| L Crouse | 245 | 6 254 | 1 289 | 297 | 8 085 | 228 | 5 842 | 1 204 | 279 | 7 553 |
| J W Dreyer[1] | – | – | – | – | – | 114 | 1 409 | 279 | 28 | 1 830 |
| J J Durand | 245 | 9 204 | 1 874 | 302 | 11 625 | 228 | 7 617 | 1 556 | 283 | 9 684 |
| Subtotal | 735 | 18 107 | 3 737 | 879 | 23 458 | 798 | 17 360 | 3 528 | 856 | 22 542 |
| **Non-executive (independent)** | | | | | | | | | | |
| G T Ferreira | 286 | – | – | – | 286 | 266 | – | – | – | 266 |
| P K Harris | 286 | – | – | – | 286 | 266 | – | – | – | 266 |
| N P Mageza[2] | 328 | – | – | – | 328 | 305 | – | – | – | 305 |
| P J Moleketi | 328 | – | – | – | 328 | 305 | – | – | – | 305 |
| M Morobe | 245 | – | – | – | 245 | 228 | – | – | – | 228 |
| F Robertson | 369 | – | – | – | 369 | 343 | – | – | – | 343 |
| S E N de Bruyn Sebotsa[3] | 61 | – | – | – | 61 | – | – | – | – | – |
| H Wessels[4] | 556 | – | – | – | 556 | 535 | – | – | – | 535 |
| Subtotal | 2 459 | – | – | – | 2 459 | 2 248 | – | – | – | 2 248 |
| **Non-executive (non-independent)** | | | | | | | | | | |
| E de la H Hertzog[5] | 245 | – | – | – | 245 | 228 | – | – | – | 228 |
| J Malherbe | 245 | – | – | – | 245 | 228 | – | – | – | 228 |
| J P Rupert[6] | – | – | – | – | – | – | – | – | – | – |
| Subtotal | 490 | – | – | – | 490 | 456 | – | – | – | 456 |
| **Total** | 3 684 | 18 107 | 3 737 | 879 | 26 407 | 3 502 | 17 360 | 3 528 | 856 | 25 246 |

*[1] Mr J W Dreyer retired as executive director with effect from 31 December 2013.*
*[2] During the year under review Mr N P Mageza also received R455 000 (2014: R389 000) as director's fees from RCL Foods Limited, a subsidiary company of Remgro Limited.*
*[3] Ms S E N de Bruyn Sebotsa was appointed as independent non-executive director with effect from 16 March 2015.*
*[4] In addition to his director's fees and fee as chairman of the Audit and Risk Committee and chairman of the Social and Ethics Committee, an amount of R105 000 was also paid to Mr H Wessels during the year under review (2014: R116 100) for his attendance of meetings of subcommittees of the Audit and Risk Committee.*
*[5] With effect from 31 August 2012 Dr E de la H Hertzog retired from his executive role at Mediclinic International Limited (Mediclinic). Until his retirement, his remuneration was borne by both Mediclinic (65%) and Remgro (35%). In terms of King III and the JSE Listings Requirements, a director shall not be regarded as independent if he has been employed by the Company or the Group in any executive capacity during the preceding three financial years. Accordingly, Dr Hertzog is still regarded as a non-independent non-executive director.*
*[6] Mr J P Rupert receives no emoluments.*
*[7] Benefits include medical aid contributions and vehicle benefits.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

24. DIRECTORS' EMOLUMENTS (continued)

**Prescribed officers**

**Fixed pay**

| R'000 | 30 June 2015 Salaries | 30 June 2015 Retire-ment fund | 30 June 2015 Other benefits[1] | 30 June 2015 Total | 30 June 2014 Salaries | 30 June 2014 Retire-ment fund | 30 June 2014 Other benefits[1] | 30 June 2014 Total |
|---|---|---|---|---|---|---|---|---|
| P J Uys | 4 383 | 869 | 299 | 5 551 | 3 930 | 796 | 281 | 5 007 |
| N J Williams | 2 345 | 465 | 299 | 3 109 | 2 188 | 434 | 281 | 2 903 |
| Total | 6 728 | 1 334 | 598 | 8 660 | 6 118 | 1 230 | 562 | 7 910 |

[1] *Benefits include medical aid contributions and vehicle benefits.*
[2] *Both Messrs P J Uys and N J Williams are members of the Management Board, as well as the Social and Ethics Committee.*

25. SHARE-BASED PAYMENTS

The share-based payments that are accounted for in the financial statements are in respect of the Remgro Equity Settled Share Appreciation Right Scheme, as well as the RCL Foods Share Scheme and the RCL Foods Share Appreciation Right Scheme.

**Background to the Remgro Equity Settled Share Appreciation Right Scheme**

The valuation of the share scheme was performed using an actuarial model. This model was developed by an independent third party from the standard binomial option pricing model in order to address the unique nature of the scheme, especially with regard to early exercise of offers.

The expected contract lifetimes are estimated by considering separately each of the tranches within that grant. The risk-free rate was estimated by using the implied yield on an SA zero-coupon government bond and the yield curve over the expected contract lifetimes of five, six and seven years from the offer date.

Share price volatility of ordinary shares in Remgro Limited was determined with reference to movements in the share price since 1 October 2000, that being the date from which Remgro commenced trading on the JSE.

Dividend yield was calculated using the two-year moving average dividend yield at each offer date.

**25.1 Remgro Equity Settled Share Appreciation Right Scheme (the SAR Scheme)**

Participants of the SAR Scheme are remunerated with shares to the value of the appreciation of their rights to a specified number of Remgro ordinary shares that must be exercised within a period of seven years after the grant date.

The earliest intervals at which the share appreciation rights (SARs) are exercisable are as follows:

- One-third after the third anniversary of the grant date
- Two-thirds after the fourth anniversary of the grant date
- The remainder after the fifth anniversary of the grant date

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Share-based payment cost included in the income statement (in accordance with IFRS 2) | 36 | 35 |
| Fair value of offers made during the year | 29 | 36 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 25. SHARE-BASED PAYMENTS (continued)

### 25.1 Remgro Equity Settled Share Appreciation Right Scheme (the SAR Scheme) (continued)

Number and weighted average exercise prices of all SARs offered to participants of the SAR Scheme:

| | 30 June 2015 Number of SARs | 30 June 2015 Rand | 30 June 2014 Number of SARs | 30 June 2014 Rand |
|---|---|---|---|---|
| Carried forward from previous financial years | 4 518 351 | 124.27 | 4 733 969 | 111.52 |
| Offered during current financial year | 424 828 | 252.40 | 661 219 | 192.40 |
| Forfeited during the year | (28 937) | 151.54 | (118 021) | 123.69 |
| Exercised during the year | (1 159 764) | 76.50 | (758 816) | 76.12 |
| **Outstanding at the end of the year** | 3 754 478 | 153.32 | 4 518 351 | 124.27 |
| | | | | |
| **Exercisable at the end of the year** | 724 013 | 89.93 | 1 309 119 | 74.07 |

Exercise prices of all options:

| | 30 June 2015 Number of SARs outstanding at year-end | 30 June 2015 Weighted average remaining contract lifetime in years | 30 June 2014 Number of SARs outstanding at year-end | 30 June 2014 Weighted average remaining contract lifetime in years |
|---|---|---|---|---|
| R60.00 – R69.99 | 123 857 | 0.41 | 851 280 | 1.32 |
| R70.00 – R79.99 | 149 782 | 1.15 | 305 870 | 2.16 |
| R80.00 – R89.99 | 406 | 2.01 | 12 197 | 1.47 |
| R90.00 – R99.99 | 766 150 | 2.42 | 1 004 409 | 3.41 |
| R100.00 – R109.99 | 14 923 | 3.33 | 15 255 | 4.32 |
| R110.00 – R119.00 | 6 525 | 3.59 | 7 667 | 4.60 |
| R140.00 – R149.99 | 1 374 271 | 4.33 | 1 404 589 | 5.40 |
| R170.00 – R179.99 | 43 377 | 4.73 | 43 377 | 5.73 |
| R180.00 – R189.99 | 242 921 | 4.79 | 252 986 | 5.82 |
| R190.00 – R199.99 | 590 936 | 5.44 | 604 219 | 6.44 |
| R200.00 – R209.99 | 6 775 | 5.52 | 6 775 | 6.52 |
| R210.00 – R219.99 | 9 727 | 5.93 | 9 727 | 6.93 |
| R220.00 – R229.99 | 29 189 | 6.26 | – | – |
| R230.00 – R239.99 | 3 404 | 6.09 | – | – |
| R240.00 – R249.99 | 8 619 | 6.82 | – | – |
| R250.00 – R259.99 | 356 285 | 6.42 | – | – |
| R260.00 – R269.99 | 21 923 | 6.76 | – | – |
| R270.00 – R279.99 | 5 408 | 6.61 | – | – |

The following assumptions were used to value offers made during the year:

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Weighted average Remgro share price for the year (R) | 244.07 | 197.33 |
| Exercise price (R) | 225.04 – 281.57 | 182.49 – 220.00 |
| Average expected exercise period (years) | 4 – 6 | 4 – 6 |
| Price volatility (%) | 16.67 – 19.61 | 16.72 – 21.02 |
| Risk-free rate (%) | 6.55 – 7.80 | 6.77 – 8.38 |
| Expected dividend yield (%) | 1.65 – 1.81 | 1.84 – 2.11 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 25. SHARE-BASED PAYMENTS (continued)

### 25.1 Remgro Equity Settled Share Appreciation Right Scheme (the SAR Scheme) (continued)

**Directors**

| Participant | Balance of SARs accepted as at 30 June 2014 | *SARs accepted during the year*[(1)] | *Fair value of SARs on offer date (R'000)* | *Offer price (Rand)* | *Number of SARs exercised* | *Date exercising SARs* | *Share price on exercise date* | *Increase in value*[(3)] *(R'000)* | *Balance of SARs accepted as at 30 June 2015* |
|---|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | | |
| W E Bührmann | 124 771 | | | 65.50 | 124 771 | 13/10/2014 | 225.04 | 19 906 | – |
| | 23 548 | | | 97.55 | | | | | 23 548 |
| | 98 817 | | | 147.25 | | | | | 98 817 |
| | 25 485 | | | 191.70 | | | | | 25 485 |
| | | 8 958 | 615 | 253.53 | | | | | 8 958 |
| L Crouse | 418 108 | | | 65.50 | 418 108 | 07/10/2014 | 238.60 | 72 374 | – |
| | 51 865 | | | 97.55 | | | | | 51 865 |
| | 283 952 | | | 147.25 | | | | | 283 952 |
| | 79 144 | | | 191.70 | | | | | 79 144 |
| | | 23 587 | 1 618 | 253.53 | | | | | 23 587 |
| J J Durand | 108 236 | | | 78.30 | 108 236 | 03/11/2014 | 252.98 | 18 907 | – |
| | 7 572 | | | 75.38 | 7 572 | 03/11/2014 | 252.98 | 1 345 | – |
| | 235 895 | | | 97.55 | 78 633 | 03/11/2014 | 252.98 | 12 222 | 157 262 |
| | 271 258 | | | 147.25 | | | | | 271 258 |
| | 93 128 | | | 191.70 | | | | | 93 128 |
| | | 108 468 | 7 442 | 253.53 | | | | | 108 468 |
| J W Dreyer[(2)] | 90 090 | | | 65.50 | 90 090 | 01/07/2014 | 230.00 | 14 820 | – |
| Subtotal | 1 911 869 | 141 013 | 9 675 | | 827 410 | | | 139 574 | 1 225 472 |
| | | | | | | | | | |
| **Non-executive** | | | | | | | | | |
| J Malherbe | 50 506 | | | 78.30 | | | | | 50 506 |
| | 6 949 | | | 75.38 | | | | | 6 949 |
| Subtotal | 57 455 | – | – | | – | | | – | 57 455 |
| **Total** | 1 969 324 | 141 013 | 9 675 | | 827 410 | | | 139 574 | 1 282 927 |

(1) *SARs were offered on 26 November 2014.*

(2) *Mr J W Dreyer retired as executive director with effect from 31 December 2013. In terms of the rules of the SAR Scheme, participants going into retirement are entitled to exercise all their SARs granted to them at any time within twelve months after the date of retirement or before the expiry of the SAR period (being seven years from the grant date), whichever is the earlier.*

(3) *It refers to the increase in value of the SAR Scheme shares of the indicated participants from the offer date to the date of payment and delivery.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 25. SHARE-BASED PAYMENTS (continued)

### 25.1 Remgro Equity Settled Share Appreciation Right Scheme (the SAR Scheme) (continued)

**Directors**

| Participant | Balance of SARs accepted as at 30 June 2013 | SARs accepted during the year[1] | Fair value of SARs on offer date (R'000) | Offer price (Rand) | Number of SARs exercised | Date exercising SARs | Share price on exercise date | Increase in value[3] (R'000) | Balance of SARs accepted as at 30 June 2014 |
|---|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | | |
| W E Bührmann | 98 405 | | | 64.00 | 98 405 | 30/09/2013 | 194.60 | 12 852 | – |
| | 124 771 | | | 65.50 | | | | | 124 771 |
| | 23 548 | | | 97.55 | | | | | 23 548 |
| | 98 817 | | | 147.25 | | | | | 98 817 |
| | | 25 485 | 1 386 | 191.70 | | | | | 25 485 |
| L Crouse | 418 108 | | | 65.50 | | | | | 418 108 |
| | 51 865 | | | 97.55 | | | | | 51 865 |
| | 283 952 | | | 147.25 | | | | | 283 952 |
| | | 79 144 | 4 303 | 191.70 | | | | | 79 144 |
| J J Durand | 108 236 | | | 78.30 | | | | | 108 236 |
| | 7 572 | | | 75.38 | | | | | 7 572 |
| | 235 895 | | | 97.55 | | | | | 235 895 |
| | 271 258 | | | 147.25 | | | | | 271 258 |
| | | 93 128 | 5 064 | 191.70 | | | | | 93 128 |
| J W Dreyer[2] | 180 180 | | | 65.50 | 90 090 | 17/10/2013 | 201.50 | 12 252 | 90 090 |
| Subtotal | 1 902 607 | 197 757 | 10 753 | | 188 495 | | | 25 104 | 1 911 869 |
| **Non-executive** | | | | | | | | | |
| J Malherbe | 50 506 | | | 78.30 | | | | | 50 506 |
| | 6 949 | | | 75.38 | | | | | 6 949 |
| Subtotal | 57 455 | – | – | | – | | | – | 57 455 |
| **Total** | 1 960 062 | 197 757 | 10 753 | | 188 495 | | | 25 104 | 1 969 324 |

*(1) SARs were offered on 4 December 2013.*

*(2) Mr J W Dreyer retired as executive director with effect from 31 December 2013. In terms of the rules of the SAR Scheme, participants going into retirement are entitled to exercise all their SARs granted to them at any time within twelve months after the date of retirement or before the expiry of the SAR period (being seven years from the grant date), whichever is the earlier.*

*(3) It refers to the increase in value of the SAR Scheme shares of the indicated participants from the offer date to the date of payment and delivery.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

25. SHARE-BASED PAYMENTS (continued)

**25.1 Remgro Equity Settled Share Appreciation Right Scheme (the SAR Scheme) (continued)**

**Prescribed officers**

| Participant | Balance of SARs accepted as at 30 June 2014 | SARs accepted during the year[(1)] | Fair value of SARs on offer date (R'000) | Offer price (Rand) | Number of SARs exercised | Date exercising SARs | Share price on exercise date | Increase in value[(2)] (R'000) | Balance of SARs accepted as at 30 June 2015 |
|---|---|---|---|---|---|---|---|---|---|
| P J Uys | 218 400 | | | 183.15 | | | | | 218 400 |
| | 3 325 | | | 191.70 | | | | | 3 325 |
| | | 14 774 | 1 014 | 253.53 | | | | | 14 774 |
| N J Williams | 18 076 | | | 78.30 | | | | | 18 076 |
| | 38 652 | | | 97.55 | 12 884 | 06/11/2014 | 255.75 | 2 038 | 25 768 |
| | 81 901 | | | 147.25 | | | | | 81 901 |
| | 22 221 | | | 191.70 | | | | | 22 221 |
| | | 16 430 | 1 127 | 253.53 | | | | | 16 430 |
| | 382 575 | 31 204 | 2 141 | | 12 884 | | | 2 038 | 400 895 |

(1) SARs were offered on 26 November 2014.

(2) It refers to the increase in value of the SAR Scheme shares of the indicated participants from the offer date to the date of payment and delivery.

| Participant | Balance of SARs accepted as at 30 June 2013 | SARs accepted during the year[(1)] | Fair value of SARs on offer date (R'000) | Offer price (Rand) | Number of SARs exercised | Date exercising SARs | Share price on exercise date | Increase in value[(2)] (R'000) | Balance of SARs accepted as at 30 June 2014 |
|---|---|---|---|---|---|---|---|---|---|
| P J Uys | 218 400 | | | 183.15 | | | | | 218 400 |
| | | 3 325 | 181 | 191.70 | | | | | 3 325 |
| N J Williams | 7 555 | | | 75.38 | 7 555 | 04/10/2013 | 194.61 | 901 | – |
| | 36 152 | | | 78.30 | 18 076 | 11/12/2013 | 197.00 | 2 146 | 18 076 |
| | 4 259 | | | 82.60 | 4 259 | 04/10/2013 | 194.61 | 477 | – |
| | 38 652 | | | 97.55 | | | | | 38 652 |
| | 81 901 | | | 147.25 | | | | | 81 901 |
| | | 22 221 | 1 208 | 191.70 | | | | | 22 221 |
| | 386 919 | 25 546 | 1 389 | | 29 890 | | | 3 524 | 382 575 |

(1) SARs were offered on 4 December 2013.

(2) It refers to the increase in value of the SAR Scheme shares of the indicated participants from the offer date to the date of payment and delivery.

**25.2 RCL Foods Share Schemes**

RCL Foods has an equity settled share scheme, as well as a share appreciation right scheme, for certain of its employees in terms of which share options offered are exercisable in three equal tranches from two, three and four years (for the share scheme) and three, four and five years (for the share appreciation right scheme) after the grant date. Subject to the discretion of the RCL Foods Share Incentive Trust's trustees, options are forfeited if not exercised before termination of employment. An expense of R48 million (2014: R35 million) relating to these schemes was recognised in the income statement.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 26. PROFIT

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Profit is stated after taking the following into account: | | |
| | | |
| **Income** | | |
| Fair value adjustment – biological assets | **388** | 328 |
| Fair value adjustment – derivative instruments | **99** | 174 |
| Rental income – investment properties | **13** | 12 |
| Profit on sale of investments | **696** | 51 |
| Investment in Caxton | **–** | 97 |
| Investment in Lashou | **(223)** | – |
| RCL Foods' fishing division | **(72)** | – |
| Dilution profit/(loss) of interest in equity accounted investments | **972** | (83) |
| Recycled exchange rate profits (previously deferred in other comprehensive income) | **–** | 32 |
| Other | **19** | 5 |
| Profit on the sale of property, plant and equipment | **5** | 12 |
| | | |
| **Expenses** | | |
| Amortisation of intangible assets | **116** | 115 |
| Fair value adjustment – derivative instruments | **–** | 91 |
| Expenses – investment properties | **6** | 5 |
| Rental | **480** | 411 |
| Land and buildings | **209** | 229 |
| Machinery and equipment | **49** | 122 |
| Vehicles | **195** | 45 |
| Office equipment | **27** | 15 |
| Research and development costs written off | **2** | 3 |
| Auditors' remuneration – audit fees | **26** | 31 |
| – other services | **8** | 4 |
| Net impairment of investments, assets and goodwill | **287** | (18) |
| Investment in PGSI | **82** | (91) |
| Investment in Experiential Marketing | **49** | 73 |
| Investment in Blue Bulls | **13** | – |
| Investment in Premier Team Holdings | **4** | (7) |
| Investment in Milestone China Opportunities Fund II | **29** | – |
| RCL Foods' Glenryck brand | **16** | – |
| Other | **94** | 7 |
| Net impairment of loans | **1** | (4) |
| Professional fees | **120** | 121 |
| Depreciation | **607** | 592 |
| Buildings | **101** | 91 |
| Machinery and equipment | **398** | 401 |
| Vehicles | **91** | 87 |
| Office equipment | **17** | 13 |
| Exchange rate losses[1] | **38** | 22 |

[1] *The year under review includes unrealised foreign exchange losses amounting to R174 million relating to forward exchange contracts in respect of the Spire transaction.*

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 27. DIVIDEND INCOME

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Included in profit: | | |
| Listed | **34** | 35 |
| Unlisted – Other | **179** | 8 |
| | **213** | 43 |
| Dividends from equity accounted investments set off against investments | **3 077** | 3 568 |

## 28. EQUITY ADJUSTMENT

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| **Share of after-tax profit of equity accounted investments** | | |
| Profit before taking into account impairments, non-recurring and capital items | **8 332** | 8 584 |
| Net impairment of investments, assets and goodwill | **(213)** | (262) |
| Profit on the sale of investments | **271** | 174 |
| Other non-recurring and capital items | **62** | 201 |
| Profit before tax and non-controlling interest | **8 452** | 8 697 |
| Taxation | **(1 129)** | (1 558) |
| Non-controlling interest | **(95)** | (286) |
| Share of net attributable profit of equity accounted investments – per income statement | **7 228** | 6 853 |
| Dividends received from equity accounted investments | **(3 077)** | (3 568) |
| Share of net profit retained by equity accounted investments | **4 151** | 3 285 |
| Non-controlling interest of subsidiaries | **(13)** | – |
| Dilution gain/(loss) of interest in equity accounted investments | **972** | (83) |
| Equity adjustment transferred to non-distributable reserves (Refer to statement of changes in equity) | **5 110** | 3 202 |
| Portion of the share of net attributable profit of equity accounted investments, that has been accounted for from unaudited interim reports and management accounts | **516** | 485 |
| The results of these equity accounted investments will be audited in later financial periods that coincide with their financial year-ends. | | |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 29. CASH FLOW INFORMATION

### 29.1 Adjustments

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Amortisation of intangible assets and depreciation | **723** | 707 |
| Movement in retirement benefits and provisions | **(37)** | (10) |
| Net movement in derivative instruments | **44** | (40) |
| Share scheme cost | **98** | 180 |
| (Profit)/loss on the sale of property, plant and equipment | **(5)** | (12) |
| Other | **28** | (16) |
| | **851** | 809 |
| **29.2 Decrease/(increase) in working capital** | | |
| Decrease/(increase) in inventories and biological agricultural assets | **(802)** | 32 |
| Decrease/(increase) in trade and other receivables | **(267)** | (422) |
| Increase/(decrease) in trade and other payables | **647** | 175 |
| | **(422)** | (215) |
| **29.3 Reconciliation of dividends received** | | |
| Receivable at the beginning of the year | **–** | 25 |
| Per income statement | **213** | 43 |
| Dividends from equity accounted investments set off against investments | **3 077** | 3 568 |
| Dividends *in specie* | **–** | (264) |
| Receivable at the end of the year | **(75)** | – |
| **Cash received** | **3 215** | 3 372 |
| **29.4 Reconciliation of taxation paid with the amount disclosed in the income statement** | | |
| Paid in advance at the beginning of the year | **14** | 35 |
| Unpaid at the beginning of the year | **(27)** | (1) |
| Per income statement | **(422)** | (182) |
| Transfers | **27** | – |
| Unpaid at the end of the year | **53** | 27 |
| Paid in advance at the end of the year | **(42)** | (14) |
| **Cash paid** | **(397)** | (135) |
| **29.5 Reconciliation of dividends paid** | | |
| Per statement of changes in equity | **(2 068)** | (1 833) |
| Paid by subsidiary companies to minority | **(68)** | (1) |
| **Cash paid** | **(2 136)** | (1 834) |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 30. FINANCIAL INSTRUMENTS

### 30.1 Classes of financial instruments and fair value

Financial instruments on the statement of financial position include investments, investment in money market funds, loans receivable, debtors, cash, creditors, short-term loans, long-term loans and derivative instruments. Details of the nature, extent and terms of these instruments are explained in the notes to the relevant items.

The accounting policy for financial instruments was applied to the following statement of financial position line items.

| Financial assets (R million) | *Non-financial assets* | *Loans and receivables* | *Assets at fair value through profit and loss* | *Available-for-sale* | *Carrying value* | *Fair value* |
|---|---|---|---|---|---|---|
| **30 June 2015** | | | | | | |
| Investments – other | **–** | **–** | **–** | **2 493** | **2 493** | **2 493** |
| Loans | **–** | **977** | **–** | **–** | **977** | **977** |
| Loans to equity accounted investments | **–** | **508** | **–** | **–** | **508** | **508** |
| Debtors and short-term loans | **715** | **3 122** | **–** | **–** | **3 837** | **3 837** |
| Derivative instruments | **–** | **–** | **10** | **–** | **10** | **10** |
| Investment in money market funds | **–** | **–** | **986** | **–** | **986** | **986** |
| Cash and cash equivalents | **–** | **4 050** | **–** | **–** | **4 050** | **4 050** |
| Assets held for sale | **8 442** | **92** | **–** | **–** | **8 534** | **8 534** |
| | **9 157** | **8 749** | **996** | **2 493** | **21 395** | **21 395** |
| **30 June 2014** | | | | | | |
| Investments – other | – | – | – | 2 642 | 2 642 | 2 642 |
| Loans | – | 629 | – | – | 629 | 629 |
| Loans to equity accounted investments | – | 376 | – | – | 376 | 376 |
| Debtors and short-term loans | 591 | 2 739 | – | – | 3 330 | 3 330 |
| Derivative instruments | – | – | 3 | – | 3 | 3 |
| Investment in money market funds | – | – | 1 171 | – | 1 171 | 1 171 |
| Cash and cash equivalents | – | 3 657 | – | – | 3 657 | 3 657 |
| Assets held for sale | 650 | 104 | – | – | 754 | 754 |
| | 1 241 | 7 505 | 1 174 | 2 642 | 12 562 | 12 562 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.1 Classes of financial instruments and fair value (continued)

| Financial liabilities (R million) | *Non-financial liabilities* | *Liabilities at amortised cost* | *Liabilities at fair value through profit and loss* | *Carrying value* | *Fair value* |
|---|---|---|---|---|---|
| **30 June 2015** | | | | | |
| Long-term loans | **–** | **3 547** | **–** | **3 547** | **3 547** |
| Trade and other payables | **60** | **4 409** | **–** | **4 469** | **4 469** |
| Short-term loans | **–** | **366** | **–** | **366** | **366** |
| Derivative instruments | **–** | **–** | **16** | **16** | **16** |
| Liabilities held for sale | **7** | **8 286** | **174** | **8 467** | **8 467** |
| | **67** | **16 608** | **190** | **16 865** | **16 865** |
| **30 June 2014** | | | | | |
| Long-term loans | – | 436 | – | 436 | 436 |
| Trade and other payables | 114 | 3 677 | – | 3 791 | 3 791 |
| Short-term loans | – | 4 661 | – | 4 661 | 4 661 |
| Derivative instruments | – | – | 10 | 10 | 10 |
| Liabilities held for sale | 105 | 81 | – | 186 | 186 |
| | 219 | 8 855 | 10 | 9 084 | 9 084 |

**Fair value**

On 30 June 2015 and 30 June 2014 the fair value of financial instruments approximates their carrying value.

**Fair value estimation**

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 or actual net asset value of the investment.
- Cash and cash equivalents, debtors, creditors and short-term loans: Due to the expected short-term maturity of these financial instruments their carrying values approximate their fair value.
- Borrowings: The fair value of long-term borrowings is based on discounted cash flows using the effective interest rate method. As the interest rates of long-term borrowings are all market related, their carrying values approximate their fair value.
- Derivative instruments: The fair value of derivative instruments is determined by using mark-to-market valuations.

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

| R million | *Level 1* | *Level 2* | *Level 3* | Total |
|---|---|---|---|---|
| **30 June 2015** | | | | |
| Available-for-sale | **902** | **–** | **1 591** | **2 493** |
| Derivative instruments | **–** | **10** | **–** | **10** |
| Investment in money market funds | **986** | **–** | **–** | **986** |
| | **1 888** | **10** | **1 591** | **3 489** |
| **30 June 2014** | | | | |
| Available-for-sale | 880 | – | 1 762 | 2 642 |
| Derivative instruments | – | 3 | – | 3 |
| Investment in money market funds | 1 171 | – | – | 1 171 |
| | 2 051 | 3 | 1 762 | 3 816 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.1 Classes of financial instruments and fair value (continued)

| Reconciliation of carrying value of level 3 assets at the beginning and end of the year (R million) | *Available-for-sale* |
|---|---|
| **30 June 2015** | |
| Balances at the beginning of the year | **1 762** |
| Additions | **375** |
| Disposals | **(484)** |
| Exchange rate adjustments | **148** |
| Fair value adjustments through comprehensive income | **(210)** |
| **Balances at the end of the year** | **1 591** |

| Reconciliation of carrying value of level 3 assets at the beginning and end of the year (R million) | *Available-for-sale* | *Assets at fair value through profit and loss* | *Derivative instruments* | Total |
|---|---|---|---|---|
| **30 June 2014** | | | | |
| Balances at the beginning of the year | 1 285 | 60 | 73 | 1 418 |
| Additions | 277 | 23 | – | 300 |
| Disposals | (3) | – | (111) | (114) |
| Exchange rate adjustments | 64 | – | – | 64 |
| Transfer to equity accounted investments | – | (83) | – | (83) |
| Fair value adjustments through profit and loss | – | – | 38 | 38 |
| Fair value adjustments through comprehensive income | 139 | – | – | 139 |
| **Balances at the end of the year** | 1 762 | – | – | 1 762 |

There were no transfers between the different levels.

Level 3 investments 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 058 million, R322 million and R150 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' methods include discounted cash flow valuations, appropriate earnings and revenue multiples.

Milestone's fair value consists of listed investments (42%), cash and cash equivalents (4%) and unlisted investments (54%). Two-thirds of the unlisted investments were acquired during the current financial year and were valued at cost as Milestone's management considers the transaction price to be the fair value of the investments, while the remaining one-third was valued at approximately R190 million. KIEF's investments were valued using the discounted cash flow method. PRIF's main asset is the investment in ETG Group and it was valued using appropriate revenue and earnings multiples based on peer group companies to determine a price-to-book valuation.

Changes in the valuation assumptions of the above unlisted investments will not have a significant impact on Remgro's financial statements.

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

| R million | *Level 1* | *Level 2* | *Level 3* | Total |
|---|---|---|---|---|
| **30 June 2015** | | | | |
| Derivative instruments | **–** | **190** | **–** | **190** |
| **30 June 2014** | | | | |
| Derivative instruments | – | 10 | – | 10 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.2 Financial instruments and risk management

Various financial risks have an impact on the Group's results: market risk (including price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Company and its subsidiary companies' risk management programmes, of which key aspects are explained below, acknowledge the unpredictability of financial markets and are aimed to minimise any negative effect thereof. Derivative instruments are used to hedge against certain financial risk exposures.

Remgro's risk management is performed by its central treasury department in terms of policy that was approved by the Board of Directors. A treasury committee identifies, evaluates and hedges financial risks in terms of the Group's risk appetite, sets risk limits and monitors compliance to policy and procedures. The committee is assisted by the internal audit department that regularly, and on an ad hoc basis, reviews risk management controls and procedures. It is the responsibility of the Remgro Audit and Risk Committee to supervise these functions and assess the appropriateness of risk management strategies.

Risk management at subsidiary level is performed by the respective subsidiaries themselves and Remgro's Board of Directors monitors this on a continuous basis through representation on the subsidiaries' boards.

Relevant financial risks and risk management programmes are summarised as follows:

**Market risk**

*Price risk*

Exposure to price risk is due to investments in listed and unlisted shares which are classified as "Investments available-for-sale", investments in money market funds and investments in commodity future contracts.

"Investments available-for-sale" consist mainly of the investments in British American Tobacco Plc, Kagiso Infrastructure Empowerment Fund, Pembani Remgro Infrastructure Fund and the Milestone China Funds. The Management Board monitors all the investments continuously and makes recommendations to the Investment Committee and the Board of Directors in this regard.

Investments in money market funds consist mainly of interest-bearing liquid investments with a low risk. Refer to note 14 for further details.

Some operating subsidiaries have commodity options and future contracts that are influenced by the prices of the underlying commodities. The Board of Directors monitors this through representation on the subsidiaries' boards.

*Foreign exchange risk*

As part of the Spire transaction, Remgro entered into vanilla forward exchange contracts during June 2015 in terms of which it bought GBP435 million in July 2015. Until 30 June 2015 foreign exchange losses amounting to R174 million were accounted for on these contracts. Refer to notes 16 and 26 for further details.

Certain subsidiary companies operate internationally and are therefore exposed to foreign currency risk due to commercial transactions and offshore borrowings denominated in foreign currencies. These risks are limited by using foreign exchange contracts when deemed necessary.

As part of the Foodcorp transaction, foreign debt amounting to €390 million with a coupon rate of 8.75% per annum was acquired by RCL Foods. This debt was redeemed during the previous financial year and replaced by a rand-denominated loan facility. Refer to notes 13 and 20 for further details.

The Group is also exposed to foreign exchange translation risk through its investment in money market funds (note 14) and foreign cash (note 15).

The Board of Directors monitors the exposure on money market funds and foreign cash on a regular basis and the risk is limited through the diversification in foreign currencies.

*Interest rate risk*

Due to significant cash investments, movements in market interest rates influence income. The profile of the cash and cash equivalents is explained in note 15. Interest rate risk is managed by Remgro's treasury department, as well as the respective subsidiary companies, by using approved counterparties that offer the best rates.

The Company and its subsidiary companies are also exposed to interest rate risk due to long-term and short-term debt. The interest rate profile of the liabilities is disclosed in note 20.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

30. FINANCIAL INSTRUMENTS (continued)

**30.2 Financial instruments and risk management (continued)**

**Market risk (continued)**

*The Group's sensitivity to market risk*

The following table illustrates the sensitivity of the Group's profit and other comprehensive income to market risk if markets change with the following percentages:

| | 30 June 2015 | | | 30 June 2014 | | |
|---|---|---|---|---|---|---|
| | *Change* | *Income statement* R million | *Equity* R million | Change | Income statement R million | Equity R million |
| Interest rates | **2.0%** | **17** | **–** | 2.0% | 10 | – |
| Foreign exchange | **5.0%** | **(7)** | **(287)** | 5.0% | 1 | 111 |
| Equity prices | **10.0%** | **(1)** | **203** | 10.0% | – | 227 |
| | | **9** | **(84)** | | 11 | 338 |

The above was calculated with reference to the carrying value of financial instruments at year-end and a possible change in the market risk factor.

**Credit risk**

The Group's exposure to credit risk is the fair value of loans, loans to equity accounted investments and other investee companies, debtors, short-term loans, derivative instruments, investments in money market funds and cash and cash equivalents as indicated above, as well as financial guarantee contracts.

*Loans receivable*

Management continuously assesses the credit risk of loans to equity accounted investments through its representation on the respective boards. The credit risk of loans to other investee companies is assessed through regular reporting from the respective investee companies. Loans to equity accounted investments and other investee companies are within their mandated terms.

*Financial guarantee contracts*

Credit risk exposure relating to items not recognised on the statement of financial position relates to financial guarantee contracts.

*Trade debtors*

No significant concentration of credit risk existed regarding debtors as customers are spread over a wide geographical area. Policies and procedures are in place ensuring that sales occur only to customers with an acceptable credit history. Other debtors consist mainly of prepayments and dividends receivable.

Terms granted to trade debtors are determined by the respective credit policies of each operating subsidiary, i.e. RCL Foods and Wispeco.

The following table indicates the age analysis of trade debtors in arrears and the corresponding outstanding amount of debtors at year-end:

| | Age analysis of trade debtors in arrears | | | | *Total trade debtors in* |
|---|---|---|---|---|---|
| **Debtors (R million)** | *30 days* | *60 days* | *90 days* | *120 days +* | *arrears* |
| **30 June 2015** | **164** | **27** | **6** | **23** | **220** |
| **30 June 2014** | 149 | 25 | 14 | 32 | 220 |

A provision for doubtful debts of R80 million (2014: R71 million) was made. Refer note 12.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 30. FINANCIAL INSTRUMENTS (continued)

### 30.2 Financial instruments and risk management (continued)

**Credit risk (continued)**

The credit quality of trade debtors against whom no impairment was provided, is as follows:

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Existing customers (history of six months +) – no past defaults | **2 594** | 2 402 |
| Existing customers (history of six months +) – with past defaults | **116** | 99 |
| New customers (history of less than six months) | **117** | 18 |
| | **2 827** | 2 519 |

*Derivative instrument transactions and cash investments*

Derivative instruments consist mainly of foreign exchange contracts with financial institutions. Other derivative instruments are limited to transactions with financial institutions with an acceptable credit rating. Remgro's Treasury Committee and/or the respective subsidiaries approve these institutions and determine the limit of credit exposure of each separate entity.

Investments in money market funds and cash and cash equivalents are only held by approved institutions with an acceptable credit-worthiness. The treasury committee sets the limit for each financial institution. Refer to the investment in money market funds note (note 14) and cash and cash equivalents note (note 15) for additional information.

**Liquidity risk**

Debt levels within the Group are monitored on a continuous basis. The Company and its subsidiary companies have substantial cash balances at their disposal and adequate credit facilities that limit their liquidity risk. Credit risk is further limited due to the fact that the Company also has substantial investments which can be realised on short notice.

The following schedule indicates the repayment terms of outstanding debt:

| | | | Non-discounted cash flow | | |
|---|---|---|---|---|---|
| **Financial liabilities (R million)** | *Carrying value* | *Contractual cash flow* | *0 to 12 months* | *1 to 5 years* | *5 years and longer* |
| **30 June 2015** | | | | | |
| Long-term loans | **3 547** | **4 699** | **279** | **4 371** | **49** |
| Trade and other payables | **4 409** | **4 409** | **4 409** | **–** | **–** |
| Short-term loans | **366** | **387** | **387** | **–** | **–** |
| Derivative instruments | **16** | **16** | **16** | **–** | **–** |
| Held for sale | **8 460** | **8 460** | **8 460** | **–** | **–** |
| Guarantee | **–** | **–** | **75** | **–** | **–** |
| | **16 798** | **17 971** | **13 626** | **4 371** | **49** |
| **30 June 2014** | | | | | |
| Long-term loans | 436 | 484 | 43 | 394 | 47 |
| Trade and other payables | 3 677 | 3 677 | 3 677 | – | – |
| Short-term loans | 4 661 | 4 788 | 4 788 | – | – |
| Derivative instruments | 10 | 10 | 10 | – | – |
| Held for sale | 81 | 81 | 81 | – | – |
| Guarantee | – | – | 75 | – | – |
| | 8 865 | 9 040 | 8 674 | 394 | 47 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 31. CAPITAL MANAGEMENT

The Company manages its shareholders' equity, i.e. its stated capital, reserves and treasury shares, as capital. The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns to shareholders in the form of dividends and capital appreciation.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue shares or repurchase shares from shareholders. For the year under review cash dividends amounting to R2 211 million (2014: R2 010 million) were declared.

Refer to the statement of changes in equity for further details regarding the Group's capital.

## 32. COMMITMENTS

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| **Capital commitments** | | |
| Uncompleted contracts for capital expenditure | **477** | 176 |
| Capital expenditure authorised but not yet contracted | **540** | 205 |
| Investments (including R4.1 billion in respect of the Mediclinic rights issue) | **4 830** | 724 |
| | **5 847** | 1 105 |
| **Operating lease commitments** | | |
| Land and buildings | **561** | 249 |
| Due within one year | **101** | 119 |
| Due – two to five years | **171** | 128 |
| Due thereafter | **289** | 2 |
| Machinery and equipment | **67** | 62 |
| Due within one year | **39** | 30 |
| Due – two to five years | **28** | 32 |
| | **628** | 311 |
| **Finance leases** | | |
| Gross finance lease liabilities – minimum lease payments | **111** | 415 |
| Due within one year | **40** | 44 |
| Due – two to five years | **68** | 135 |
| Due thereafter | **3** | 236 |
| Future finance charges on finance lease liabilities | **(15)** | (162) |
| Present value of finance lease liabilities | **96** | 253 |
| Due within one year | **34** | 36 |
| Due – two to five years | **60** | 116 |
| Due thereafter | **2** | 101 |
| | **96** | 253 |

Above-mentioned commitments will be financed by internal sources and borrowed funds.

## 33. BORROWING POWERS

There are no limitations on the borrowing powers of the Company and its subsidiaries in respect of loans and guaranteed debts.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 34. GUARANTEES AND CONTINGENT LIABILITIES

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Guarantees by subsidiary companies[1] | 316 | 306 |

[1] *Consist mainly of a guarantee given to the acquirer following the disposal of an associate.*

## 35. RELATED PARTY INFORMATION

**Subsidiaries**

Details of income from and investments in subsidiary companies are disclosed in the Company's annual financial statements and in Annexure A respectively.

**Equity accounted investments**

Details of investments in and income from equity accounted investments are disclosed in notes 7 and 28 respectively, as well as in Annexure B.

**Key management personnel**

Only Remgro's directors and members of the Management Board are key management personnel. Information on directors' emoluments and their shareholding in the Company appears in notes 24 and 25 as well as on page 83.

**Shareholders**

A detailed analysis of shareholders appears on pages 81 and 82.

| Related party transactions (R million) | 30 June 2015 | 30 June 2014 |
|---|---|---|
| **Transactions of Remgro Limited and its subsidiary companies with:** | | |
| *Principal shareholder* | | |
| Dividends | (143) | (127) |
| *Equity accounted investments* | | |
| Interest received | 108 | 79 |
| Interest paid | (52) | (22) |
| Dividends received | 3 077 | 3 568 |
| Administration fees received | 26 | 27 |
| Facilitation and underwriting fees received | 138 | – |
| Sales | 55 | 68 |
| Purchases | (978) | (398) |
| Corporate finance transaction cost paid | (19) | (46) |
| *Key management personnel* | | |
| Salaries and other benefits | (27) | (26) |
| Retirement benefits | (5) | (4) |
| Share-based payments | (8) | (8) |
| **Balances due from/(to) related parties:** | | |
| Equity accounted investments | (1 236) | (96) |
| Equity accounted investments | 1 344 | 933 |

No security is given for any outstanding balances. No provisions for bad debts against outstanding balances with related parties have been made. No bad debt of related parties has been written off during the year.

# ANNEXURE A

## PRINCIPAL SUBSIDIARY COMPANIES AT 30 JUNE 2015

NAME OF COMPANY

| Incorporated in South Africa unless otherwise stated | | Share capital R (unless otherwise stated) | Effective interest 30 June 2015 % | 30 June 2014 % |
|---|---|---|---|---|
| Eikenlust Proprietary Limited | | 100 | **100.0** | 100.0 |
| Entek Investments Proprietary Limited | | 16 029 279 | **100.0** | 100.0 |
| Financial Securities Proprietary Limited | | 250 000 | **100.0** | 100.0 |
| Friedshelf 1670 Proprietary Limited | | 36 543 642 592 | **100.0** | – |
| Historical Homes of South Africa Limited | | 555 000 | **58.7** | 57.9 |
| Industrial Electronic Investments Proprietary Limited | | 1 000 | **100.0** | 100.0 |
| Industrial Partnership Investments Proprietary Limited | | 125 000 | **100.0** | 100.0 |
| Invenfin Proprietary Limited | | 100 | **100.0** | 100.0 |
| IPI (Overseas) Limited – Jersey | | 918 530 004 | **100.0** | 100.0 |
| IPROP Holdings Limited – British Virgin Islands | (USD) | 4 882 892 | **100.0** | 100.0 |
| Metkor Group Proprietary Limited | | 82 978 237 | **100.0** | 100.0 |
| Partnership in Mining Proprietary Limited | | 100 | **100.0** | 100.0 |
| RCL Foods Limited | * | 9 992 814 622 | **77.5** | 77.7 |
| Remgro Finance Corporation Proprietary Limited | | 958 430 | **100.0** | 100.0 |
| Remgro International Holdings Proprietary Limited | | 2 | **100.0** | 100.0 |
| Remgro International Limited – Jersey | | 2 412 355 000 | **100.0** | 100.0 |
| Remgro Investment Corporation Proprietary Limited | | 100 | **100.0** | 100.0 |
| Remgro Loan Corporation Proprietary Limited | | 700 | **100.0** | 100.0 |
| Remgro Management Services Limited | | 100 | **100.0** | 100.0 |
| Remgro South Africa Proprietary Limited | | 48 614 | **100.0** | 100.0 |
| Remgro Sport Investments Proprietary Limited | | 100 | **100.0** | 100.0 |
| Remgro USA Limited – Jersey | (USD) | 2 | **100.0** | 100.0 |
| Remont Proprietary Limited | | 100 | **100.0** | 100.0 |
| Robertsons Holdings Proprietary Limited | | 1 000 | **100.0** | 100.0 |
| RPII Holdings Proprietary Limited | | 8 600 000 | **100.0** | 100.0 |
| SEACOM SA SPV Proprietary Limited | | 100 | **100.0** | 100.0 |
| Stellenbosch Academy of Sport Properties Proprietary Limited | | 2 | **100.0** | 100.0 |
| TSB Sugar Holdings Proprietary Limited | | 7 532 040 746 | **100.0** | 100.0 |
| TTR Holdings Proprietary Limited | | 7 | **100.0** | 100.0 |
| VenFin Holdings Limited – Jersey | (EUR) | 79 533 052 | **100.0** | 100.0 |
| VenFin Proprietary Limited | | 2 849 304 076 | **100.0** | 100.0 |
| VenFin Media Investments Proprietary Limited | | 2 | **100.0** | 100.0 |
| Wispeco Holdings Proprietary Limited | | 11 641 000 | **100.0** | 100.0 |

*(EUR) euro*
*(USD) USA dollar*
** Listed company*

A complete register of subsidiary companies is available for inspection at the registered office of the Company.

# ANNEXURE B

## PRINCIPAL INVESTMENTS AT 30 JUNE 2015

| NAME OF COMPANY | Listed | | | | Unlisted | | | |
|---|---|---|---|---|---|---|---|---|
| | **30 June 2015** | | 30 June 2014 | | **30 June 2015** | | 30 June 2014 | |
| Incorporated in South Africa unless otherwise stated | **Shares held** | **Effective interest %** | Shares held | Effective interest % | **Shares held** | **Effective interest %** | Shares held | Effective interest % |
| **Food, liquor and home care** | | | | | | | | |
| Unilever South Africa Holdings Proprietary Limited | | | | | **5 348 135** | **25.8** | 5 348 135 | 25.8 |
| Capevin Holdings Limited [1] | **136 978 200** | **15.6** | 136 978 200 | 15.6 | | | | |
| – indirectly held by Capevin Holdings Limited through Remgro-Capevin Investments Proprietary Limited: | | | | | | | | |
| – Distell Group Limited (15%) | | **4.2** | | 4.2 | | | | |
| Remgro-Capevin Investments Proprietary Limited | | | | | **50** | **50.0** | 50 | 50.0 |
| – held by Remgro-Capevin Investments Proprietary Limited: | | | | | | | | |
| – Distell Group Limited (54%) | | **26.8** | | 26.9 | | | | |
| **Banking** | | | | | | | | |
| RMB Holdings Limited | **397 421 450** | **28.2** | 394 431 450 | 27.9 | | | | |
| – held by RMB Holdings Limited: | | | | | | | | |
| – FirstRand Limited (34%) | | **9.6** | | 9.7 | | | | |
| FirstRand Limited [1] | **219 805 470** | **3.9** | 219 805 470 | 4.0 | | | | |
| **Healthcare** | | | | | | | | |
| Mediclinic International Limited | **358 869 121** | **42.0** | 358 869 121 | 42.1 | | | | |
| **Insurance** | | | | | | | | |
| RMI Holdings Limited | **449 638 871** | **30.3** | 449 638 871 | 30.3 | | | | |
| **Industrial** | | | | | | | | |
| Air Products South Africa Proprietary Limited | | | | | **4 500 000** | **50.0** | 4 500 000 | 50.0 |
| Kagiso Tiso Holdings Proprietary Limited (RF) | | | | | **325 892** | **34.9** | 322 892 | 34.7 |
| Total South Africa Proprietary Limited | | | | | **12 872 450** | **24.9** | 12 872 450 | 24.9 |
| PGSI Limited – BVI | | | | | **26 297 697** | **37.7** | 26 297 697 | 37.7 |
| **Infrastructure** | | | | | | | | |
| Grindrod Limited | **173 183 235** | **23.0** | 169 802 800 | 22.6 | | | | |
| Community Investment Ventures Holdings Proprietary Limited | | | | | **150 148** | **50.9** | 145 001 | 50.7 |
| SEACOM Capital Limited – Mauritius | | | | | **1 000** | **25.0** | 1 000 | 25.0 |
| **Media and sport** | | | | | | | | |
| Sabido Investments Proprietary Limited | | | | | **17 730 595** | **32.4** | 17 730 595 | 31.9 |
| **Other investments** | | | | | | | | |
| Business Partners Limited | | | | | **73 794 623** | **42.7** | 73 794 623 | 42.7 |

*All these investments were equity accounted.*
[1] *Remgro rebutted the presumption that it does not have significant influence in these investments.*

BVI – British Virgin Islands

Details of investments which are not material to the evaluation of the business of the Group, are not shown.

# ANNEXURE C

## INFORMATION ON SEGMENTS FOR THE YEAR ENDED 30 JUNE 2015

| R million | | Year ended 30 June 2015 Revenue | Year ended 30 June 2015 Headline earnings | 30 June 2015 Assets | 30 June 2015 Liabilities |
|---|---|---|---|---|---|
| **Food, liquor and home care** | | | | | |
| Unilever South Africa | (1) | – | 331 | 3 384 | – |
| Distell* | (1) | – | 445 | 3 157 | – |
| RCL Foods | (1) | 23 726 | 755 | 19 697 | 9 579 |
| **Banking** | | | | | |
| RMBH | (1) | – | 2 005 | 12 267 | – |
| FirstRand | (1) | – | 840 | 4 300 | – |
| **Healthcare** | | | | | |
| Mediclinic | (2) | – | 1 734 | 13 227 | – |
| **Insurance** | | | | | |
| RMI Holdings | (1) | – | 986 | 6 717 | – |
| **Industrial** | | | | | |
| Air Products South Africa | (2) | – | 222 | 882 | – |
| KTH | (1) | – | (108) | 1 876 | – |
| Total South Africa | (1) | – | 133 | 1 428 | – |
| PGSI | (1) | – | 30 | 672 | – |
| Wispeco | (1) | 1 649 | 104 | 955 | 350 |
| **Infrastructure** | | | | | |
| Grindrod | (1) | – | 135 | 4 016 | – |
| CIV group | (2) | – | 51 | 1 795 | – |
| SEACOM | (1) | – | 24 | 566 | – |
| Other infrastructure interests | | – | 182 | 480 | – |
| **Media and sport** | | | | | |
| Sabido | (2) | – | 69 | 1 126 | – |
| Other media and sport interests | | 215 | (85) | 545 | 164 |
| **Other investments** | | – | 84 | 3 050 | 4 |
| **Central treasury – cash at the centre** | (1) | – | 111 | 4 019 | – |
| **Other net corporate assets** | (1) | – | (52) | 10 601 | 8 746 |
| | | 25 590 | 7 996 | 94 760 | 18 843 |
| **Elimination of loans to/from subsidiary companies** | | | | (68) | (68) |
| **Consolidated** | | | | 94 692 | 18 775 |

* *Includes the investment in Capevin Holdings Limited.*

Geographical segmental information: Revenue is only derived in South Africa while non-current assets, amounting to R3 795 million, are located in foreign countries.

**Financial period accounted for the year ended 30 June 2015:**
(1) *Twelve months to 30 June 2015*
(2) *Twelve months to 31 March 2015*

# ANNEXURE C

## INFORMATION ON SEGMENTS FOR THE YEAR ENDED 30 JUNE 2014

| R million | | Year ended 30 June 2014 Revenue | Year ended 30 June 2014 Headline earnings | 30 June 2014 Assets | 30 June 2014 Liabilities |
|---|---|---|---|---|---|
| **Food, liquor and home care** | | | | | |
| Unilever South Africa | (1) | – | 347 | 3 086 | – |
| Distell* | (1) | – | 495 | 2 864 | – |
| RCL Foods | (1) | 20 196 | (239) | 19 911 | 10 474 |
| TSB | (1) | 2 939 | 192 | – | – |
| **Banking** | | | | | |
| RMBH | (1) | – | 1 793 | 11 225 | – |
| FirstRand | (1) | – | 749 | 3 969 | – |
| **Healthcare** | | | | | |
| Mediclinic | (2) | – | 1 489 | 10 597 | – |
| **Insurance** | | | | | |
| RMI Holdings | (1) | – | 871 | 6 224 | – |
| **Industrial** | | | | | |
| Air Products South Africa | (2) | – | 217 | 839 | – |
| KTH | (1) | – | 71 | 2 061 | – |
| Total South Africa | (1) | – | 233 | 1 329 | – |
| PGSI | (1) | – | 72 | 760 | – |
| Wispeco | (1) | 1 486 | 107 | 679 | 139 |
| **Infrastructure** | | | | | |
| Grindrod | (1) | – | 108 | 3 667 | – |
| CIV group | (2) | – | 58 | 1 657 | – |
| SEACOM | (1) | – | (6) | 569 | – |
| Other infrastructure interests | | – | 6 | 829 | – |
| **Media and sport** | | | | | |
| Sabido | (2) | – | 131 | 974 | – |
| Other media and sport interests | | – | (67) | 588 | 54 |
| **Other investments** | | – | 59 | 2 703 | 4 |
| **Central treasury – cash at the centre** | (1) | – | 83 | 3 264 | – |
| **Other net corporate assets** | (1) | – | (134) | 1 762 | 252 |
| | | 24 621 | 6 635 | 79 557 | 10 923 |
| **Elimination of loans to/from subsidiary companies** | | | | (49) | (49) |
| **Consolidated** | | | | 79 508 | 10 874 |

* *Includes the investment in Capevin Holdings Limited.*

Geographical segmental information: Revenue is only derived in South Africa while non-current assets, amounting to R3 682 million, are located in foreign countries.

**Financial period accounted for the year ended 30 June 2014:**

(1) *Twelve months to 30 June 2014*

(2) *Twelve months to 31 March 2014*

# THE COMPANY

## STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

| R million | Notes | 30 June 2015 | 30 June 2014 |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Investments – Subsidiary companies | 2 | **40 280** | 3 736 |
| **Current assets** | | **2 142** | 1 502 |
| Trade and other receivables | 3 | **4** | – |
| Intergroup debt | 3 | **2 138** | 1 502 |
| **Total assets** | | **42 422** | 5 238 |
| EQUITY AND LIABILITIES | | | |
| **Stated capital** | 4 | **3 605** | 3 605 |
| **Retained earnings** | | **38 173** | 1 568 |
| **Shareholders' equity** | | **41 778** | 5 173 |
| **Current liabilities** | | **644** | 65 |
| Trade and other payables | 3, 5 | **16** | 20 |
| Intergroup debt | 3 | **628** | 45 |
| **Total equity and liabilities** | | **42 422** | 5 238 |

## INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

| R million | Notes | 30 June 2015 | 30 June 2014 |
|---|---|---|---|
| Other net operating expenses | 6 | **(41)** | (34) |
| Dividend income* | | **40 004** | 3 349 |
| Impairment of loan | | **–** | (13) |
| Loss on sale of investment* | | **(1 281)** | – |
| **Net profit for the year** | | **38 682** | 3 302 |

* *During the year under review a wholly-owned subsidiary company unbundled its investment in Mediclinic to the Company resulting in a dividend in specie amounting to R37.8 billion. The Company subsequently sold the investment in Mediclinic to another wholly-owned subsidiary company and realised a loss on disposal of R1.3 billion.*

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Net profit for the year | **38 682** | 3 302 |
| Other comprehensive income | **–** | – |
| **Total comprehensive income for the year** | **38 682** | 3 302 |

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| **Balances at the beginning of the year** | **5 173** | 3 715 |
| Issued capital | **3 605** | 3 605 |
| Retained earnings | **1 568** | 110 |
| Total comprehensive income for the year | **38 682** | 3 302 |
| Dividends paid | **(2 077)** | (1 844) |
| **Balances at the end of the year** | **41 778** | 5 173 |

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

| R million | Notes | 30 June 2015 | 30 June 2014 |
|---|---|---|---|
| **Cash flows – operating activities** | | | |
| Other net operating expenses | | **(41)** | (34) |
| Working capital changes | 8 | **(8)** | (31) |
| Cash utilised by operations | | **(49)** | (65) |
| Dividends received | | **2 179** | 3 349 |
| Dividends paid | | **(2 077)** | (1 844) |
| Cash inflow/(outflow) from operating activities | | **53** | 1 440 |
| | | | |
| **Cash flows – financing activities** | | | |
| (Increase)/decrease in intergroup debt | | **(53)** | (1 440) |
| Cash inflow/(outflow) from financing activities | | **(53)** | (1 440) |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **–** | – |
| **Cash and cash equivalents at the beginning of the year** | | **–** | – |
| **Cash and cash equivalents at the end of the year** | | **–** | – |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 1. ACCOUNTING POLICIES

The annual financial statements are prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards and the requirements of the Companies Act (No. 71 of 2008), as amended. The accounting policies are consistent with those of the previous year. Refer to note 1 of the consolidated annual financial statements for detail accounting policies.

## 2. INVESTMENTS – SUBSIDIARY COMPANIES

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Unlisted shares – at cost | **40 280** | 3 736 |
| | | |
| Percentage interest held in unlisted shares (%) | | |
| Financial Securities Proprietary Limited | **100.0** | 100.0 |
| Friedshelf 1670 Proprietary Limited | **100.0** | – |
| Industrial Partnership Investments Proprietary Limited | **100.0** | 100.0 |
| Partnership in Mining Proprietary Limited | **100.0** | 100.0 |
| Remgro International Holdings Proprietary Limited | **100.0** | 100.0 |
| Remgro Investment Corporation Proprietary Limited | **100.0** | 100.0 |
| Remgro South Africa Proprietary Limited | **100.0** | 100.0 |
| Remont Proprietary Limited | **100.0** | 100.0 |
| TTR Holdings Proprietary Limited | **100.0** | 100.0 |
| VenFin Proprietary Limited | **100.0** | 100.0 |

## 3. INTERGROUP DEBT

| | | |
|---|---|---|
| Owing by subsidiary company | | |
| Interest-free loan with no fixed term of repayment | **2 138** | 1 502 |
| Included in trade and other receivables | **4** | – |
| Owing to subsidiary companies | | |
| Interest-free loan with no fixed term of repayment | **(628)** | (45) |
| Included in trade and other payables | **–** | (5) |
| | **1 514** | 1 452 |

## 4. STATED CAPITAL

The detail of the stated capital is presented in note 17 of the consolidated annual financial statements.

## 5. TRADE AND OTHER PAYABLES

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| Subsidiary company | **–** | 5 |
| Other | **16** | 15 |
| | **16** | 20 |

## 6. OTHER NET OPERATING EXPENSES

Other net operating expenses are stated after taking into account directors' emoluments of R3 million (2014: R3 million). The detail of the remuneration and benefits received by each director of the Company is presented in notes 24 and 25 of the consolidated annual financial statements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 7. TAXATION

No provision has been made for income tax, as the Company does not have taxable income.

The Company has a calculated capital loss of R3 906 million (2014: R3 906 million), which can be set off against future capital gains. No deferred tax asset has been recognised in respect of this capital loss as it is improbable that future taxable capital gains will arise against which the loss can be utilised.

## 8. CASH FLOW INFORMATION

| R million | 30 June 2015 | 30 June 2014 |
|---|---|---|
| **Decrease/(increase) in working capital** | | |
| (Increase)/decrease in trade and other receivables | **(4)** | – |
| Increase/(decrease) in trade and other payables | **(4)** | (31) |
| | **(8)** | (31) |

## 9. RELATED PARTY INFORMATION

**Subsidiaries**

Details of income from and investments in subsidiary companies are disclosed in the income statement and note 2 respectively.

**Key management personnel**

Only Remgro's directors and members of the Management Board are key management personnel. Information on directors' emoluments and their shareholding in the Company appear in notes 24 and 25 of the consolidated annual financial statements as well as on page 83.

**Shareholders**

A detailed analysis of shareholders appears on pages 81 and 82.

| Related party transactions (R million) | 30 June 2015 | 30 June 2014 |
|---|---|---|
| **Transactions of Remgro Limited with:** | | |
| *Principal shareholder* | | |
| Dividends paid | **(143)** | (127) |
| *Subsidiary companies* | | |
| Dividends received | **40 004** | 3 349 |
| **Balances due by/(owed to) related parties:** | | |
| Subsidiary companies | **1 514** | 1 452 |

No security is given for any outstanding balances. No provisions for bad debts against outstanding balances with related parties have been made, except for a R13 million impairment against the Remgro Share Trust loan in the prior year.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### 10. FINANCIAL INSTRUMENTS

The Company has the following exposure to financial risks resulting from the use of financial instruments:

**10.1 Credit risk**

Credit risk is the risk of financial loss should a counterparty fail to meet its contractual obligations and arises from credit exposure from outstanding loans and debtors. The risk in terms of outstanding loans and debtors is limited as it consists primarily of intergroup debt and the maximum exposure to credit risk at the reporting date is the carrying value of this class of asset.

**10.2 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Cash resources are managed centrally by the Group's treasury division and flexibility in funding is ensured through the availability of guaranteed credit lines and shareholder facilities.

The Company's only debt consists of a loan due to its subsidiary company as well as trade and other payables. The risk in terms of the outstanding loan is limited as it is repayable to a subsidiary company and the loan has no fixed date of repayment, while the risk in terms of outstanding trade and other payables is also low due to the size of the amount involved.

The Company provided letters of support to certain subsidiary companies, which enable them to perform all their obligations of whatsoever nature in the conduct of business for as long as they remain subsidiaries of the Company.

**10.3 Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and market prices of equity instruments will affect the Company's income.

*Foreign exchange risk*

The Company has no transactions in foreign currency and as such is not exposed to any foreign currency risk.

*Interest rate risk*

The Company has no exposure to interest rate risk as its loan payable to and loan receivable from its subsidiary companies are interest-free.

*Price risk*

The Company is not exposed to price risk as it does not have any investments in equity instruments that are accounted for at fair value.

**10.4 Fair value**

At 30 June 2015 and 30 June 2014 the fair value of financial assets and liabilities disclosed in the statement of financial position approximate their carrying value.

**10.5 Capital risk management**

There are no limitations on the borrowing powers of the Company in respect of loans and guaranteed debts. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue shares or repurchase shares from shareholders.

# STATUTORY INFORMATION

## SHAREHOLDERS' INFORMATION

AT 30 JUNE 2015

| | 30 June 2015 % | 30 June 2015 Number of shares | 30 June 2014 % | 30 June 2014 Number of shares |
|---|---|---|---|---|
| MAJOR BENEFICIAL SHAREHOLDERS | | | | |
| Ordinary shares | | | | |
| Public Investment Corporation | **16.76** | **80 621 000** | 17.63 | 84 799 544 |
| Other | **83.24** | **400 485 370** | 82.37 | 396 306 826 |
| | **100.00** | **481 106 370** | 100.00 | 481 106 370 |
| B ordinary shares | | | | |
| Rembrandt Trust Proprietary Limited | **100.00** | **35 506 352** | 100.00 | 35 506 352 |
| **Total** | | **516 612 722** | | 516 612 722 |

No other shareholder held a beneficial interest of more than 5% in the ordinary shares in your Company on 30 June 2015.

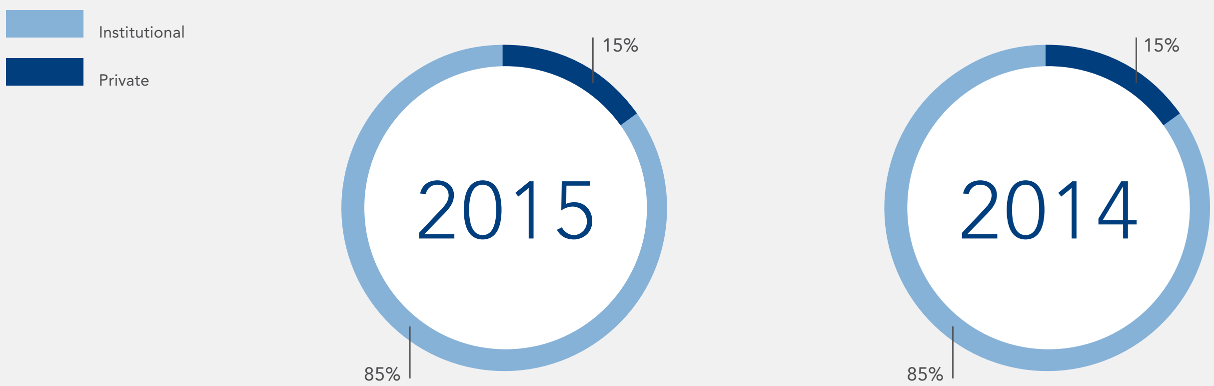
| | 30 June 2015 | 30 June 2014 | 30 June 2013 | 30 June 2012 |
|---|---|---|---|---|
| DISTRIBUTION OF SHAREHOLDERS | | | | |
| Ordinary shares | | | | |
| *Public shareholders* | **59 141** | 53 874 | 49 487 | 46 220 |
| Percentage of shareholders | **99.86** | 99.83 | 99.85 | 99.94 |
| Number of shares | **465 119 986** | 464 263 605 | 464 305 068 | 466 239 333 |
| Percentage of shares issued | **96.68** | 96.50 | 96.51 | 96.91 |
| *Non-public shareholders* | | | | |
| Directors and their associates/Share Trust/Treasury shares | **84** | 91 | 73 | 29 |
| Percentage of shareholders | **0.14** | 0.17 | 0.15 | 0.06 |
| Number of shares | **15 986 384** | 16 842 765 | 16 801 302 | 14 867 037 |
| Percentage of shares issued | **3.32** | 3.50 | 3.49 | 3.09 |
| **Number of shareholders** | **59 225** | 53 965 | 49 560 | 46 249 |

Shares held by directors of the Company's subsidiaries and their associates were reported under public shareholders before 2013. Therefore the distribution of shareholders for the year under review is only comparable to the previous two years.

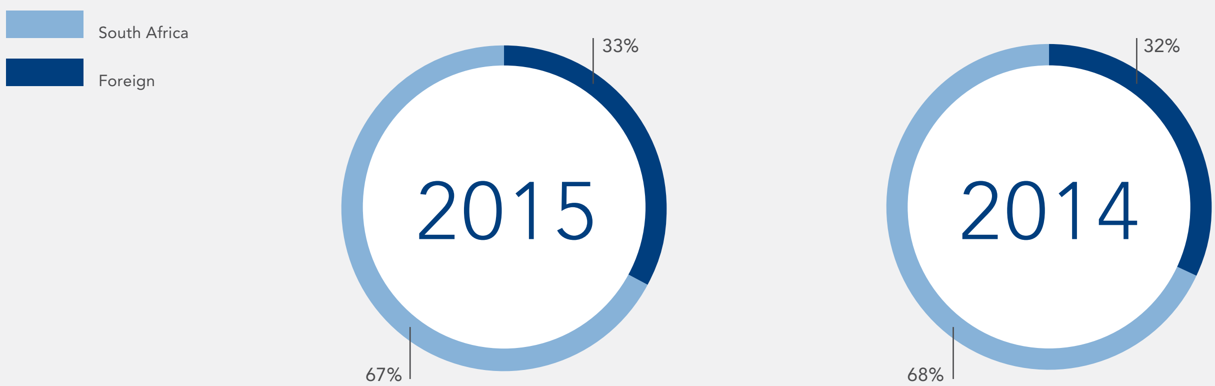
| | 30 June 2015 | 30 June 2014 | 30 June 2013 | 30 June 2012 |
|---|---|---|---|---|
| NUMBER OF SHARES IN ISSUE | | | | |
| – Ordinary shares of no par value (since 2013) | | | | |
| Issued at the beginning of the year | **481 106 370** | 481 106 370 | 481 106 370 | 481 106 370 |
| – Unlisted B ordinary shares of no par value (since 2013) | **35 506 352** | 35 506 352 | 35 506 352 | 35 506 352 |
| Total number of shares in issue | **516 612 722** | 516 612 722 | 516 612 722 | 516 612 722 |
| **Number of shares held in treasury** | | | | |
| Ordinary shares repurchased and held in treasury | **(2 169 558)** | (2 960 766) | (3 433 101) | (2 279 155) |
| | **514 443 164** | 513 651 956 | 513 179 621 | 514 333 567 |
| **Weighted number of shares** | **514 200 979** | 513 404 676 | 513 526 699 | 514 090 014 |

## ADDITIONAL INFORMATION

### Institutional and private shareholding in Remgro Limited ordinary shares




### Foreign and local shareholding in Remgro Limited ordinary shares



## INTERESTS OF THE DIRECTORS IN THE ISSUED CAPITAL OF THE COMPANY

### ORDINARY SHARES

| Directors | Direct beneficial | Indirect beneficial | Associates | Total |
|---|---|---|---|---|
| **30 June 2015** | | | | |
| W E Bührmann | 264 000 | – | – | 264 000 |
| L Crouse | 178 039 | – | – | 178 039 |
| J J Durand | – | 742 524 | 7 500 | 750 024 |
| G T Ferreira | 158 625 | – | 560 000 | 718 625 |
| P K Harris | – | 169 118 | – | 169 118 |
| E de la H Hertzog | 261 892 | 1 931 814 | 129 984 | 2 323 690 |
| J Malherbe | 26 826 | – | 1 053 301 | 1 080 127 |
| P J Moleketi | 1 130 | 1 445 | 1 180 | 3 755 |
| M Morobe | – | 575 | – | 575 |
| F Robertson | – | 5 000 | – | 5 000 |
| J P Rupert | – | – | 6 867 150 | 6 867 150 |
| S E N de Bruyn Sebotsa | 450 | – | – | 450 |
| H Wessels | – | – | 4 500 | 4 500 |
| | 890 962 | 2 850 476 | 8 623 615 | 12 365 053 |

| Directors | Direct beneficial | Indirect beneficial | Associates | Total |
|---|---|---|---|---|
| **30 June 2014** | | | | |
| W E Bührmann | 264 000 | – | – | 264 000 |
| J J Durand | – | 665 577 | 7 500 | 673 077 |
| G T Ferreira | 158 625 | – | 560 000 | 718 625 |
| P K Harris | – | 169 118 | – | 169 118 |
| E de la H Hertzog | 264 764 | 1 928 942 | 129 984 | 2 323 690 |
| J Malherbe | 26 826 | – | 1 053 301 | 1 080 127 |
| P J Moleketi | 1 130 | 1 445 | 1 180 | 3 755 |
| F Robertson | – | 5 000 | – | 5 000 |
| J P Rupert | – | – | 6 867 150 | 6 867 150 |
| H Wessels | – | – | 4 500 | 4 500 |
| | 715 345 | 2 770 082 | 8 623 615 | 12 109 042 |

### B ORDINARY SHARES

Mr J P Rupert is a director of Rembrandt Trust Proprietary Limited which owns all the issued unlisted B ordinary shares.

Since the end of the financial year to the date of this report the interests of directors remained unchanged.

www.remgro.com