# REINET INVESTMENTS S.C.A.

Annual Report at 31 March 2016

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***Cautionary statement regarding forward-looking statements***
*This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Words such as 'may', 'should', 'estimate', 'project', 'plan', 'believe', 'expect', 'anticipate', 'intend', 'potential', 'goal', 'strategy', 'target', 'will', 'seek' and similar expressions may identify forward-looking statements. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside Reinet's control. Reinet does not undertake to update, nor does it have any obligation to provide updates or to revise, any forward-looking statements. Certain information included in the Management Report is text attributed to the management of investee entities. While no facts have come to our attention that lead us to conclude that any such information is inaccurate, we have not independently verified such information and do not assume any responsibility for the accuracy or completeness of such information.*

# HIGHLIGHTS

**The investment objective of Reinet is to achieve long-term capital growth.**

**Reinet's strategy is to work with experienced partners to invest in unique opportunities focusing on value creation for investors.**

- **Net asset value at 31 March 2016: € 5 221 million, an increase of € 144 million or 3 per cent from € 5 077 million at 31 March 2015**
- **Growth in net asset value reflects a compound return of 16 per cent per annum, in euro terms since March 2009, including dividends paid**
- **Net asset value per share at 31 March 2016: € 26.65 (31 March 2015: € 25.91)**
- **New investments with overall funding commitments of € 201 million closed during the year**
- **Dividends received from British American Tobacco during the year amounted to € 149 million**
- **Sale of 6.25 million British American Tobacco shares in the year realised proceeds of € 307 million**
- **Dividend of some € 31 million, or € 0.157 per share, paid during the year**
- **Proposed dividend of € 0.161 per share payable after the 2016 annual general meeting**
- **Subsequent to the year-end, Reinet committed to invest up to an additional € 177 million (£ 140 million) in Pension Insurance Corporation Group Limited**

# PERFORMANCE

## NET ASSET VALUE

The increase in the net asset value of € 144 million during the year is influenced by the receipt of dividends from British American Tobacco p.l.c., the sale of 6.25 million British American Tobacco p.l.c. shares, realisations of investments, in particular by Trilantic Capital Partners, increases in the estimated fair value of certain investments, including British American Tobacco p.l.c. and Pension Insurance Corporation Group Limited and decreases in the estimated fair value of loans payable. Offsetting these increases are decreases in the estimated fair value of investments in United States land development and mortgages and Renshaw Bay, together with the effect of the weakening of sterling and the US dollar against the euro in the year.

The Company records its assets and liabilities in euro; the depreciation of other currencies against the euro has resulted in a decrease in the value of certain assets and liabilities in euro terms. Applying current year exchange rates to the March 2015 assets and liabilities would have resulted in a decrease in value of some € 404 million.

## SHARE PRICE

The Company's share price decreased by 6 per cent in the year from € 18.50 at 31 March 2015 to € 17.31 at 31 March 2016, with the highest trade being at € 21.49 during the year. The share price reflects a total shareholder return of 13 per cent per annum compared to the Initial Price, together with dividends paid. The Company's shares are listed on the Luxembourg Stock Exchange.

The price of depository receipts issued by Reinet Securities SA in respect of the Company's shares increased from ZAR 24.50 at 31 March 2015 to ZAR 31.74 at 31 March 2016. The increase of almost 30 per cent reflects in part the weakening of the South African rand against the euro in the year. These depository receipts are listed on the Johannesburg Stock Exchange.

## DIVIDEND

The Company paid a dividend of € 0.157 per share in September 2015, a 2.6 per cent increase from € 0.153 per share in 2014. A dividend of € 0.161 per share, is proposed for the current financial year, subject to approval by shareholders at the annual general meeting in August 2016.

*Reinet Investments S.C.A. (the 'Company') is a partnership limited by shares incorporated in the Grand Duchy of Luxembourg and having its registered office at 35, boulevard Prince Henri, L-1724 Luxembourg. It is governed by the Luxembourg law on securitisation and in this capacity allows its shareholders to participate indirectly in the portfolio of assets held by its wholly-owned subsidiary Reinet Fund S.C.A., F.I.S. ('Reinet Fund'), a specialised investment fund also incorporated in Luxembourg. The Company's shares are listed on the Luxembourg Stock Exchange, the primary listing, and the depository receipts issued by Reinet Securities SA in respect of the Company's shares are listed on the Johannesburg Stock Exchange, the secondary listing. The Company's shares are included in the 'LuxX' index of the principal shares traded on the Luxembourg Stock Exchange. The Company and Reinet Fund together with Reinet Fund's subsidiaries are referred to as 'Reinet'.*

# MANAGEMENT REPORT

## CHAIRMAN'S COMMENTARY

Reinet has continued to make investments in line with its commitments to investee companies during the year and new commitments were entered into amounting in total to € 201 million.

Dear Shareholder

### OVERVIEW OF RESULTS

The Company's net asset value at 31 March 2016 amounted to € 5 221 million, an increase of 3 per cent above last year's figure of € 5 077 million. This reflects principally significant increases in the value of Reinet's investments in British American Tobacco and Pension Corporation. However, Reinet's net asset value was negatively impacted by the weakening of the pound sterling and the US dollar against the euro in the latter part of the year.

### BUSINESS DEVELOPMENTS

Continuing our policy of diversifying out of the British American Tobacco position as and when funds are required to invest in other opportunities, 6.25 million shares were sold during the year under review. As a result, Reinet's interest in British American Tobacco represented some 67.3 per cent of the net asset value at 31 March 2016, compared to 70.5 per cent a year ago. Nevertheless, the value of the remaining holding of 68.1 million shares in British American Tobacco increased in value to € 3 512 million at 31 March 2016. We remain confident in the future prospects for this global business.

At 31 March, the proceeds of these sales were held to fund a further investment in Pension Corporation, which is expected to close in June this year. Reinet has committed to co-invest alongside current and new investors in a recently announced capital increase by Pension Corporation in order to support the continued growth of this business. Pension Corporation has had an excellent year, writing significant new business and insuring a record number of pension fund members. The additional capital will support Pension Corporation and allow it to take advantage of the increasing demand from companies wishing to exit or de-risk their defined benefit pension plans, whilst remaining fully compliant with its regulatory requirements, which – for good reason – are increasingly stringent.

Reinet continues to pursue the planned diversification of its investment portfolio and during the year committed $ 100 million to Snow Phipps III, a US fund investing in the US middle-market private equity space. Reinet has been an investor since 2011 in the predecessor to this fund. Snow Phipps III expects to make its first investments in the summer of 2016. Reinet has continued to make investments in line with its commitments to other investee companies during the year and new commitments were entered into amounting in total to € 201 million.

## DIVIDEND

The Board of Reinet Investments Manager S.A. proposes an increase in the annual dividend to € 0.161 per share. This represents an increase of 2.5 per cent over the dividend paid last year.

## CHANGES TO THE BOARD OF OVERSEERS

The role of the Board of Overseers is to oversee and control the activities of both Reinet Investments and Reinet Fund. In addition, the Board acts as the audit committee of both Reinet Investments and Reinet Fund. During the year under review, Mr John Li, a former senior partner in the Luxembourg office of an international accounting firm, was appointed to the Board.

I am sorry to report, towards the end of the financial year, the death of Dr Peter Kaul, who had been a member of the Board since 2009 and whose connections with the Company and its predecessors went back to before the formation of Richemont in 1988. We will miss his insight and understanding of Reinet and its underlying interests and send our deepest condolences to his family. We are in the process of identifying a new member for the Board of Overseers.

I would also like to take this opportunity to thank our management and advisory teams and our partners in the investee companies for their contribution to Reinet's performance during the year.

## OUTLOOK

The global economic situation has not improved significantly over the last twelve months. Cash and government bonds attract negative interest rates in Europe and the economic situation in the United States and in China is unsettled. In addition, the geopolitical situation has, if anything, worsened. This calls for prudence.

Our goal remains that of looking to maintain a pattern of long-term growth in shareholders' capital; we will continue to seek investment opportunities where funds can be deployed with a high degree of security and where we believe Reinet can add value.

**Johann Rupert**
Chairman

Reinet Investments Manager S.A.
Luxembourg, 25 May 2016

# MANAGEMENT REPORT

## BUSINESS OVERVIEW

Reinet Investments S.C.A. (the 'Company') has determined that it meets the definition of an investment entity in terms of the amended International Financial Reporting Standards ('IFRS') 10. The consolidated net asset value, the consolidated income statement and the consolidated cash flow statement included in this business overview have however been presented in a more comprehensive format than required by IFRS in order to provide readers with detailed information relating to the underlying assets and liabilities.

### CONSOLIDATED NET ASSET VALUE

The consolidated net asset value ('NAV') at 31 March 2016 comprised:

| | 31 March 2016 | | 31 March 2015[1] | |
|---|---|---|---|---|
| | € m | % | € m | % |
| **Listed investments** | | | | |
| **British American Tobacco p.l.c.** | **3 512** | **67.3** | 3 579 | 70.5 |
| **SPDR Gold shares** | **24** | **0.5** | – | – |
| **Unlisted investments** | | | | |
| **Pension Insurance Corporation Group Limited** | **920** | **17.6** | 907 | 17.9 |
| **Private equity and related partnerships** | **671** | **12.8** | 878 | 17.3 |
| **Trilantic Capital Partners** | **143** | **2.7** | 231 | 4.6 |
| Fund IV, Fund V, TEP, related general partners and management companies | | | | |
| **Renshaw Bay and related investments** | **178** | **3.4** | 223 | 4.4 |
| Renshaw Bay advisory and investment management company | **11** | | 33 | |
| JPS Credit Opportunities Fund | **84** | | 85 | |
| Renshaw Bay Real Estate Finance Fund | **83** | | 55 | |
| Renshaw Bay Structured Finance Opportunity L.P. | – | | 50 | |
| **36 South macro/volatility funds** | **62** | **1.2** | 77 | 1.5 |
| **Asian private equity and portfolio funds[1]** | **155** | **3.0** | 164 | 3.2 |
| Milestone China Opportunities funds, investment holdings and management company participation | **113** | | 116 | |
| Prescient China Balanced Fund and investment management company | **42** | | 48 | |
| **Specialised private equity funds** | **133** | **2.5** | 183 | 3.6 |
| Vanterra Flex Investments | **30** | | 53 | |
| Vanterra C Change TEM | **23** | | 30 | |
| NanoDimension funds and co-investment opportunities | **48** | | 56 | |
| Fountainhead Expert Fund | **19** | | 30 | |
| Other fund investments[1] | **13** | | 14 | |
| **United States land development and mortgages** | **164** | **3.1** | 207 | 4.1 |
| **Diamond interests** | **59** | **1.1** | 92 | 1.8 |
| **Other investments** | **66** | **1.3** | 11 | 0.2 |
| **Total investments** | **5 416** | **103.7** | 5 674 | 111.8 |
| | | | | |
| **Cash and liquid funds** | **380** | **7.3** | 76 | 1.5 |
| **Bank borrowings and collar financing** | | | | |
| Borrowings | **(417)** | **(8.0)** | (474) | (9.4) |
| Net derivative assets/(liabilities) | **(78)** | **(1.5)** | (32) | (0.6) |
| **Other liabilities** | | | | |
| Minority interest, fees payable and other liabilities, net of other assets[2] | **(80)** | **(1.5)** | (167) | (3.3) |
| **Consolidated net asset value** | **5 221** | **100.0** | 5 077 | 100.0 |

*(1) The investment in GEMS is now included in 'Other fund investments'.*
*(2) Includes fees payable and other liabilities, net of other assets, funding by minority partners and minority interests previously disclosed separately.*

All investments are held, either directly or indirectly, by Reinet Fund S.C.A., F.I.S. ('Reinet Fund'). The Company and Reinet Fund together with Reinet Fund's subsidiaries are referred to as 'Reinet'.

## INFORMATION RELATING TO CURRENT KEY INVESTMENTS

| | | Committed amount[1] in millions | Remaining committed amount[1] in millions | Invested amount[2] in millions | Realised proceeds[2] in millions | Current fair value[1] in millions | Total value in millions |
|---|---|---|---|---|---|---|---|
| **Listed investments** | | | | | | | |
| **British American Tobacco p.l.c.** | **EUR** | **–** | **–** | **1 739** | **1 565** | **3 512** | **5 077** |
| | GBP | – | – | 1 418 | 1 280 | 2 783 | 4 063 |
| **SPDR Gold shares** | **EUR** | **22** | **–** | **22** | **–** | **24** | **24** |
| | USD | 25 | – | 25 | – | 27 | 27 |
| **Unlisted investments** | | | | | | | |
| **Pension Insurance Corporation Group Limited** | **EUR** | **505** | **–** | **477** | **–** | **920** | **920** |
| | GBP | 400 | – | 400 | – | 729 | 729 |
| **Trilantic Capital Partners** | **EUR** | **328** | **125** | **192** | **253** | **143** | **396** |
| Euro investment | EUR | 86 | 20 | 66 | 108 | 70 | 178 |
| US dollar investment[3] | USD | 275 | 119 | 166 | 183 | 84 | 267 |
| **Renshaw Bay and related investments** | | | | | | | |
| Renshaw Bay advisory and investment management company | **EUR** | **32** | **2** | **29** | **–** | **11** | **11** |
| | GBP | 25 | 1 | 24 | – | 9 | 9 |
| JPS Credit Opportunities Fund | **EUR** | **62** | **–** | **54** | **–** | **84** | **84** |
| | USD | 70 | – | 70 | – | 96 | 96 |
| Renshaw Bay Real Estate Finance Fund | **EUR** | **126** | **45** | **77** | **2** | **83** | **85** |
| | GBP | 100 | 36 | 64 | 2 | 66 | 68 |
| Renshaw Bay Structured Finance Opportunity L.P. | **EUR** | **132** | **–** | **46** | **47** | **–** | **47** |
| | USD | 150 | – | 60 | 52 | – | 52 |
| **36 South macro/volatility funds** | **EUR** | **88** | **–** | **88** | **5** | **62** | **67** |
| **Asian private equity and portfolio funds** | | | | | | | |
| Milestone China Opportunities funds, investment holdings and management company participation | **EUR** | **149** | **10** | **122** | **16** | **113** | **129** |
| | USD | 169 | 11 | 158 | 20 | 129 | 149 |
| Prescient China Balanced Fund and investment management company | **EUR** | **28** | **–** | **25** | **–** | **42** | **42** |
| | USD | 32 | – | 32 | – | 48 | 48 |
| **Specialised private equity funds** | | | | | | | |
| Vanterra Flex Investments | **EUR** | **91** | **35** | **49** | **23** | **30** | **53** |
| | USD | 104 | 40 | 64 | 27 | 34 | 61 |
| Vanterra C Change TEM | **EUR** | **57** | **5** | **43** | **1** | **23** | **24** |
| | USD | 65 | 6 | 59 | 1 | 26 | 27 |
| NanoDimension funds and co-investment opportunities | **EUR** | **53** | **12** | **38** | **1** | **48** | **49** |
| Euro investment | EUR | 4 | – | 4 | 1 | 5 | 6 |
| US dollar investment | USD | 56 | 14 | 42 | – | 49 | 49 |
| Fountainhead Expert Fund | **EUR** | **35** | **18** | **15** | **–** | **19** | **19** |
| | USD | 40 | 20 | 20 | – | 22 | 22 |
| **United States land development and mortgages** | **EUR** | **178** | **5** | **150** | **–** | **164** | **164** |
| | USD | 203 | 6 | 197 | – | 187 | 187 |
| **Diamond interests[4]** | **EUR** | **73** | **2** | **116** | **55** | **59** | **114** |
| | ZAR | 1 230 | 40 | 1 190 | 780 | 985 | 1 765 |

*(1) Calculated using year-end foreign exchange rates.*
*(2) Calculated using actual foreign exchange rates.*
*(3) The invested amount for Trilantic Capital Partners includes an initial payment of $ 10 million.*
*(4) The exposure to the South African rand has been partially hedged by a forward exchange contract and borrowings in this currency.*

# MANAGEMENT REPORT

## BUSINESS OVERVIEW
CONTINUED

## LISTED INVESTMENTS

BRITISH AMERICAN TOBACCO

### BRITISH AMERICAN TOBACCO P.L.C.

The investment in British American Tobacco p.l.c. ('BAT') remains Reinet's single largest investment position and is kept under constant review, considering the company's performance, the industry outlook, cash flows from dividends, stock market performance, volatility and liquidity.

*Nicardo Durante, Chief Executive of BAT, writing in its annual report for 2015 commented:*

> *'We delivered outstanding results in 2015, against a very challenging external environment and with significant adverse transactional foreign exchange rate movements. Driven by a very strong second half of the year, with cigarette volume higher by 1.7%, total Group cigarette volume for the full year was down only 0.5%, to 663 billion. This was significantly better than the overall estimated industry decline of 2.3%. After excluding the impact of the TDR acquisition, organic cigarette volume decline was still ahead of the market at 0.8%.*
>
> *Market share in our Key Markets increased by over 40 bps. This was driven by an excellent performance from our Global Drive Brands, which grew volume by an exceptional 8.5% and increased market share by 120 bps. At constant rates of exchange, we grew revenue by 5.4%, adjusted profit from operations by 4.0% and adjusted diluted earnings per share by 10.1%. Excluding the significant transactional effect of foreign exchange on the cost of raw materials and leaf, adjusted profit from operations would have grown by approximately 10%.*
>
> *Price mix of 5.9% was up from 4.2% in 2014. Underlying operating margin grew by around 160 bps, although on a reported basis it was down by 60 bps to 38.1%. This was largely due to the adverse transactional impact of unfavourable foreign exchange described above. These excellent results in 2015 are once again proof of the strength of our strategy. They were achieved despite unprecedented adverse exchange rate movements and continuing pressure on consumers' disposable income.'*

During the year under review, Reinet sold 6.25 million BAT shares at an average price of £ 38.585 per share; the aggregate proceeds amounting to € 307 million.

Reinet received dividends from BAT during the year amounting to € 149 million (£ 110 million), being BAT's final 2014 dividend and interim 2015 dividend. In May 2016, after the end of the financial year, Reinet received BAT's final dividend in respect of its 2015 financial year; this amounted to € 88 million (£ 70 million) and is not included in the current reported year-end results.

Reinet holds 68.1 million shares in BAT, representing some 3.7 per cent of BAT's issued share capital. The value of Reinet's investment in BAT amounted to € 3 512 million at 31 March 2016, being 67 per cent of Reinet's NAV. The BAT share price on the London Stock Exchange increased from £ 34.885 at 31 March 2015 to £ 40.900 at 31 March 2016. This increase in value is offset to some extent by the weakening of sterling against the euro during the year.

*Further information on BAT is available at www.bat.com/annualreport.*

## SPDR GOLD SHARES

During the year under review, Reinet invested € 22 million in SPDR Gold shares ('GLD'), the largest physically backed gold exchange traded fund in the world. Over the long term, gold can provide a hedge against inflation and offer some protection against value changes in turbulent economic and political times.

Reinet holds 230 000 shares with a market value of € 24 million as at 31 March 2016.

*Further information on GLD can be found at www.spdrgoldshares.com.*

# UNLISTED INVESTMENTS

Reinet seeks, through a range of investment structures, to build partnerships with other investors, specialised fund managers and entrepreneurs to find and develop opportunities for long-term value creation for its shareholders.

Since its formation in 2008, Reinet has invested over € 1 750 million and at 31 March 2016 committed to provide further funding of € 348 million to its current investments. Details of the funding commitments outstanding are given in the table on page 22 of this report. The increase in commitments during the year under review amounted to € 201 million.

Unlisted investments are carried at their estimated fair value. In determining fair value, Reinet Fund Manager S.A. (the 'Fund Manager') relies on audited and unaudited financial statements of investee companies, management reporting and valuations provided by third-party experts. Valuations are based on the net asset value of investment funds as well as discounted cash flow models and comparable valuation multiples for other entities, as appropriate.

## PENSION INSURANCE CORPORATION GROUP LIMITED

Pension Insurance Corporation Group Limited's ('Pension Corporation') wholly-owned subsidiary, Pension Insurance Corporation plc ('Pension Insurance Corporation') is one of the UK's leading providers of risk management solutions to defined benefit pension funds. Pension Insurance Corporation provides tailored pension insurance buyouts and buy-ins to the trustees and sponsors of UK defined benefit pension funds. Pension Insurance Corporation brings safety and security to scheme members' benefits through innovative, bespoke insurance solutions, which include deferred premiums and the use of company assets as part payment. In 2015, Pension Insurance Corporation wrote new pension insurance business of £ 3.8 billion of premiums including a £ 2.4 billion pension insurance buyout with the trustees of the Philips UK pension fund. This transaction covers the pension benefits of around 26 000 UK pension scheme members. At 31 December 2015, Pension Insurance Corporation had £ 16.6 billion in assets (31 December 2014: £ 13.8 billion) and had insured more than 132 000 pension fund members (31 December 2014: 103 600). Clients include FTSE 100 companies, multinationals and the public sector.

# MANAGEMENT REPORT

## BUSINESS OVERVIEW
CONTINUED

### PENSION INSURANCE CORPORATION GROUP LIMITED
**CONTINUED**

*Tracy Blackwell, Chief Executive Officer of Pension Insurance Corporation commented:*

*'2015 was a landmark year for Pension Insurance Corporation. We insured a record £ 3.8 billion of liabilities, which just pipped the £ 3.7 billion of liabilities we insured in 2013, we were one of only nineteen UK insurers to have our Internal Model approved by the Regulator, as part of our Solvency II transition, and we attained recognition by a key industry body for our excellence in customer service. As a consequence, the overall value of the company grew 20% year-on-year.*

*In each of the past couple of years we have seen more than £ 10 billion per annum of pension fund liabilities secured through insurance. With the markets having such a poor start to 2015, we were slightly concerned that pension funds would be put off transacting. However, the pipeline quickly filled up and we had a very busy year. Our conclusion was that those pension funds with a long-term plan, which includes aligning assets and liabilities as well as putting the right structures and processes in place to facilitate a buyout, can still transact despite market gyrations. In terms of context, £ 10 billion is only about 0.5% of the total universe of defined benefit pension fund liabilities, which currently total more than £ 2 trillion. An increase in the percentage of the total pension fund liabilities that transacts from 0.5% to between 1% and 2% per year is not implausible. Should that happen, trustees and their advisors want to know that there is capacity in the market. They will also want to be confident they are getting a fair price. Healthy competition helps bring confidence, but at the same time there remain high barriers to entry into this market.*

*We have become a leading insurer in our sector because our customers value innovative thinking, flexibility in delivery, high levels of customer service and our rigorous approach to pension risk management.'*

Reinet's investment in Pension Corporation is carried at an estimated fair value of € 920 million at 31 March 2016 (31 March 2015: € 907 million), this value takes into account Pension Corporation's audited embedded value at 31 December 2015 of £ 1 873 million (31 December 2014: £ 1 624 million) and valuation multiples drawn from industry data.

The increase in estimated fair value is due to the increase in Pension Corporation's embedded value which reflects the expected release of margins, return on surplus assets and new business written, offset by the effect of changing economic variables during the year ended 31 December 2015; this increase in estimated fair value is offset by decreases in comparable valuation multiples being applied by the market in valuing listed companies in the UK insurance sector. These comparable market multiples are 15 per cent lower than those applied at 31 March 2015, reflecting the market movements relative to embedded value of the sector during the year. The change in estimated fair value also reflects the reduction of a discount applied by the Fund Manager from 20 per cent at 31 March 2015 to 10 per cent at 31 March 2016; the reduction reflects the increased maturity of the business. The increase in estimated fair value is further reduced by the weakening of sterling against the euro in the year.

In May 2016, subsequent to the Company's year-end, Pension Corporation announced its intention to raise capital of £ 250 million (€ 315 million). Reinet Fund has committed to invest up to £ 140 million (€ 177 million).

*Further information on Pension Corporation is available at www.pensioncorporation.com.*

## PRIVATE EQUITY AND RELATED PARTNERSHIPS

Where Reinet invests in funds managed by third parties its philosophy is to partner with the managers of such funds and to share in fees generated by funds under management. This is the case with funds managed by Trilantic Capital Partners, 36 South Capital Advisors, Milestone Capital, Prescient Investment Management China, Renshaw Bay and Vanterra Capital. Under the terms of the investment advisory agreement (the 'Investment Advisory Agreement'), entered into by the Fund Manager and Reinet Investment Advisors Limited (the 'Investment Advisor'), Reinet pays no management fee to the Investment Advisor on such investments except in the case where no fee or a reduced fee below 1 per cent is paid to the third-party manager. In such cases, the aggregate fee payable to the Investment Advisor and the third-party manager is capped at 1 per cent.

TRILANTIC | CAPITAL PARTNERS

### TRILANTIC CAPITAL PARTNERS

Trilantic Capital Partners ('Trilantic') is a global private equity firm focused on making controlling and significant minority interest investments in companies in North America and Western Europe. Trilantic employs flexible transaction structures and has a strong heritage of partnering with family owned businesses and providing growth capital to management teams. Trilantic primarily targets investments in the consumer, energy, industrials, technology, media and telecommunications, healthcare, financial and business services sectors, and currently manages six private equity funds with aggregate capital commitments of $ 7.4 billion.

Reinet and its minority partners invest in the Trilantic general partnerships and management companies (together 'Trilantic Management') and four of the six current funds under Trilantic's management. The terms of investment applicable to Reinet's investment in Trilantic Capital Partners IV L.P., Trilantic Capital Partners IV (Europe) L.P., Trilantic Capital Partners V (North America) L.P. and Trilantic Energy Partners (North America) L.P. provide that Reinet will not pay any management fees or carried interest. In addition, Reinet receives a share of the carried interest payable on the realisation of investments held in the funds, once a hurdle rate has been achieved.

Trilantic Capital Partners IV L.P. is in the process of realising value from underlying investments. In the year under review, distributions of some € 30 million were received.

In 2013 and 2014, Reinet committed to invest in Trilantic Capital Partners V (North America) L.P., Trilantic Energy Partners (North America) L.P., and their respective general partners. These US based funds are focused on North American opportunities with Trilantic Energy Partners (North America) L.P. being especially focused on the oil and gas sector. These funds continue to build their portfolios at a steady pace.

*Charlie Ayres, Chairman of Trilantic North America and the Executive Committee of Trilantic Capital Partners, commented:*

*'We remain cautiously optimistic regarding the outlook of US domestic companies in general and believe that patience and duration are necessary to battle the continued headwinds on the energy front. We will continue adhering to our investment discipline, which we believe has been critical in protecting capital, enhancing value and maximising returns. We have both fully monetised and strategically partially monetised companies that have reached maturity, while methodically putting capital to work where we find attractive investment opportunities that can drive appropriate risk-adjusted returns. Patience and flexibility will be essential in our deployment of capital. We continue to strive to build value in our existing portfolio and focus on having our mature companies exit-ready to take advantage of attractive market dynamics.'*

# MANAGEMENT REPORT

## BUSINESS OVERVIEW
CONTINUED

### TRILANTIC CAPITAL PARTNERS CONTINUED

Trilantic Capital Partners IV (Europe) L.P. is also in the process of realising value from underlying investments. In the year under review, distributions of some € 69 million were received.

*Vittorio Pignatti-Morano, Chairman of Trilantic Europe, commented:*

*'2015 has been characterised by a number of key developments in the world economy that have had and will have a lasting influence on currency movements, economic growth and asset prices. Among the economic trends that emerged in 2015 which we believe are relevant for Trilantic Europe's investment strategy are (i) the divergence of monetary policy between the US and Europe; (ii) the reversal of a six-year trend of growth and stability in developing economies, caused by a slowdown in global trade; (iii) the challenges facing the European banking system; (iv) the low economic growth in Europe which has, however, not been an impediment to asset prices growth; and (v) a tumultuous period in European politics in 2015 with populist parties gaining traction in Spain, France, Germany and to some extent the UK with the Brexit referendum. Despite being rather alarming, these trends can present opportunities for value-oriented investors like Trilantic Europe but require in-depth analysis and actions – both in terms of decisions concerning existing portfolio companies and of selecting new investment opportunities that are compatible with the challenging scenario outlined above. Consequently, 2015 has been an important year for Trilantic Europe, which has seen positive developments in several fronts by (i) closing the fundraising of Trilantic Europe V at € 900 million; (ii) executing three successful exits from Trilantic Europe IV which resulted in distributions of c. 88% of invested capital by the fund; and (iii) signing the first three investments of Trilantic Europe V on transactions that tick all the boxes of what we define as a "Trilantic Europe deal" – value investing in proprietary transactions sourced through our network in primary transactions partnering with the entrepreneurs and founding family.'*

Reinet's and its minority partners' investment in Trilantic Management and all the above funds is carried at the estimated fair value of € 143 million at 31 March 2016 (31 March 2015: € 231 million) of which € 10 million (31 March 2015: € 20 million) is attributable to minority partners. The estimated fair value is based on audited and unaudited valuation data provided by Trilantic Management at 31 December 2015 adjusted for changes in the value of listed investments included in the portfolios. The decrease in the valuation is due to distributions of € 99 million together with the weakening of the US dollar against the euro in the year, offset by additional capital invested.

During the year under review, carried interest of € 6 million was received (31 March 2015: € 3 million).

*Further information on Trilantic is available at www.trilantic.com.*

RENSHAWBAY

## RENSHAW BAY AND RELATED INVESTMENTS

**Renshaw Bay advisory and investment management company**

In 2011, Reinet co-invested with Mr William T. Winters, RIT Capital Partners plc and Renshaw Bay's management team in an advisory and investment management business, known as Renshaw Bay.

Following the departure of Mr Winters, Renshaw Bay completed the transfer of its real estate finance business to entities in the group headed by GAM Holding AG and in December 2015, Renshaw Bay Structured Finance Opportunity L.P. was dissolved. As a result of these developments, Reinet re-evaluated the expected cash flows from the business and accordingly adjusted the value of its investment in Renshaw Bay.

*Richard Berliand, Chairman of the Management Committee of Renshaw Bay, commented:*

*'In August 2015, Renshaw Bay agreed the sale of the principal assets of its real estate finance business to companies in the independent asset management group headed by GAM Holding AG. The sale to GAM was completed on 2 October 2015 and, in the context of senior management changes at Renshaw Bay in 2015, provided an excellent opportunity for the preservation and development of the value of the real estate finance business for Renshaw Bay's investors and shareholders.*

*Although Renshaw Bay's structured finance business had made significant progress since its first fund was launched in late 2013, the decision was made in 2015 to reduce that aspect of the business, some structured finance-related activities are continuing. The number of Renshaw Bay's personnel was reduced substantially in the second half of 2015, commensurate with these changes.'*

The investment in Renshaw Bay is carried at the estimated fair value of € 11 million at 31 March 2016 based on future cash flow information provided by Renshaw Bay's management team (31 March 2015: € 33 million).

Following its investment in Renshaw Bay, Reinet also invested in JPS Credit Opportunities Fund (Cayman) Ltd, Renshaw Bay Real Estate Finance Fund and Renshaw Bay Structured Finance Opportunity L.P. These investments are described below.

*Further information on Renshaw Bay may be found at www.renshawbay.com.*

**JPS Credit Opportunities Fund (Cayman) Ltd.**

The investment in JPS Credit Opportunities Fund (Cayman) Ltd. ('JPS Credit Fund'), which was the first transaction introduced to Reinet by Renshaw Bay, focuses on liquid opportunities in the credit markets. JPS Credit Fund is managed by JP Morgan Asset Management.

JPS Credit Fund's investment objective is to achieve attractive risk-adjusted returns through both capital appreciation and current income by taking positions in publicly traded and privately held securities, derivatives and other instruments (including bonds, credit default swaps and index options), primarily in credit and credit-related markets.

The investment is carried at the estimated fair value of € 84 million at 31 March 2016 (31 March 2015: € 85 million) based on the valuation at that date provided by the fund manager.

The decrease in estimated fair value during the year is due to increases in the value of underlying investments offset by the weakening of the US dollar against the euro during the year.

# MANAGEMENT REPORT

## BUSINESS OVERVIEW
CONTINUED

### RENSHAW BAY AND RELATED INVESTMENTS CONTINUED

**Renshaw Bay Real Estate Finance Fund**

In October 2015, Renshaw Bay completed the transfer of its real estate finance business to entities in the group headed by GAM Holding AG.

The Renshaw Bay Real Estate Finance Fund ('REFF') was created to take advantage of opportunities resulting from a funding gap between the expected demand for commercial real estate finance and its availability from banks, other traditional lenders and equity investors. Its real estate strategy focuses on the origination of commercial real estate loans primarily in Western Europe, and with a focus on the UK. REFF held its successful final closing at the end of February 2015 with committed capital of £ 258 million. At December 2015, REFF held eighteen investments, in addition, there are six investments in progress which will be financed over the current year.

The investment is carried at the estimated fair value of € 83 million at 31 March 2016 (31 March 2015: € 55 million) based on audited valuation data provided by the fund manager at 31 December 2015.

The increase in estimated fair value is mainly due to Reinet's capital contributions in the year.

**Renshaw Bay Structured Finance Opportunity L.P.**

During the year under review, Renshaw Bay Structured Finance Opportunity L.P. was dissolved with all cash and remaining assets returned to its limited partners.

Reinet had invested a total of € 46 million in the fund; in connection with the dissolution it received cash distributions amounting to € 38 million and a distribution of assets with an estimated fair value of € 9 million.

The assets received are included in 'Other investments'.

### 36 SOUTH GLOBAL MACRO/VOLATILITY FUNDS

36 South Capital Advisors LLP ('36 South') is an absolute return fund manager that specialises in managing global macro/volatility funds. 36 South was established in 2001 and specialises in finding cheap convexity, principally in long-dated options, across all asset classes. Its global volatility strategies are designed to perform well in most market environments but to substantially outperform in periods of extreme market movement and volatility.

Reinet has co-invested with the 36 South management team in the fund management and distribution companies. Reinet is also an investor in the following 36 South funds:

The 36 South Black Eyrar Fund, which is a left tail-risk protection strategy investing in volatility across all asset classes and geographical areas. The fund is designed to deliver significant returns should some or all financial asset markets suffer a lower tail-risk event, ie an asset price move of greater than three standard deviations towards lower equity markets, lower bond yields, lower commodities and higher currency volatility. The fund invests up to 95 per cent in options and investment levels will be decided upon based on these opportunities.

The Kohinoor Core Fund, which was launched in March 2011 and is the 'high octane' offering within the Kohinoor Strategy. Up to 95 per cent of initial capital is invested in the options portfolio and it aims to achieve significant returns with commensurate risk over a medium- to long-term investment period.

*Richard Haworth, Chief Executive Officer of 36 South, commented as follows:*

*'36 South was established in 2001 and specialises in finding cheap convexity, principally in long-dated options, across all asset classes. Our global volatility strategies are designed to perform well in most market environments, but substantially outperform in periods of extreme market movement and volatility.*

*Markets experienced volatility in both August and January which was reflected in the strongly positive performance in those months. These gains were given back however as Central Banks seemed determined to dampen down volatility and institute measures which reverse negative market direction whenever these moves start to get meaningful. This has the result of not only dampening down our positive performance, but has resulted in losses on the portfolio of some 20% over the financial year. These results are within expectations given the market environment. Whilst these may persist in the short term, we believe the net effect will be an outsize volatility/market move in the medium- to long-term resulting in commensurate returns to the portfolio. Assets under management increased however by some 7% reflecting continual support from the investment community for our product offering.'*

The investment in the funds is carried at an estimated fair value of € 54 million, based on unaudited financial information received from the fund manager as at 31 March 2016 (31 March 2015: € 69 million). The estimated fair value of the investment in the fund management and distribution companies amounted to € 8 million (31 March 2015: € 8 million). The investments in total have an estimated fair value of € 62 million (31 March 2015: € 77 million). The change in valuation reflects the movement in the value of the underlying investments held by the funds.

*Further information on 36 South may be found at www.36south.com.*

MANAGEMENT REPORT

# BUSINESS OVERVIEW
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## ASIAN PRIVATE EQUITY AND PORTFOLIO FUNDS

**Milestone China Opportunities funds, investment holdings and management company participation**

Reinet has invested along with Milestone Capital in a management company based in Shanghai, and has also invested in certain funds and investment companies managed by Milestone Capital (together 'Milestone').

Milestone Capital has a strong track record in helping portfolio companies scale their operations and be listed on either domestic or foreign stock exchanges. Funds under management invest primarily in domestic Chinese high-growth companies seeking expansion or acquisition capital. Milestone funds seek to maximise medium- to long-term capital appreciation by making direct investments to acquire minority or majority equity stakes in those companies identified by Milestone's investment team. Current areas of investment include: restaurants; B2C online travel services; bio-pharmaceutical manufacturers; medical device manufacturers; food and beverage distribution; brands covering sportswear and apparel; big data services; e-commerce; power generation equipment; retail pharmacies and online education.

*Yunli Lou, Managing Partner of Milestone Capital, commented:*

*'2015 was a productive year for Milestone. Throughout the year, we deployed $ 45.3 million to five investments in consumer, healthcare and internet/new economy sectors, including four follow-on investments into existing portfolio companies to support further growth. We continued to work closely with our portfolio companies to drive operational excellence and help with various strategic initiatives. During 2015, one of our portfolio companies completed its listing on the Taiwan Emerging Stock Board, and two portfolio companies completed new rounds of equity financing. We also fully exited from our investment in a men's apparel company with total proceeds of $ 36.6 million, or an IRR of 58.3% over a 19-month period.*

*China's GDP growth in 2015 decelerated to 6.9% from 7.3% in 2014, the lowest since 1991, in line with market expectations. The growth continued to be largely driven by the consumer and services sectors (the tertiary industry), accounting for 50.5% of GDP, 2.4% higher than the previous year, the fourth consecutive year as the largest part and the first year in history to account for over 50% of China's GDP. Consumption remained strong and contributed 66.4% of GDP growth in 2015, while manufacturing and construction further weakened. We believe that the Chinese economy's rebalancing towards a more-consumption, less-investment and less-export driven structure will continue, where retail is expected to continue its double-digit growth while old growth engines such as heavy industries and infrastructure construction will continue to lose steam. While slowdown is inevitable, this rebalancing will create a healthier structure for long-term growth.'*

The investment in Milestone is held at the estimated fair value of € 113 million (31 March 2015: € 116 million) based on audited financial information provided by Milestone Capital at 31 December 2015 adjusted for movements in listed investments and cash movements up to 31 March 2016. The change in estimated fair value reflects the decrease due to the repayment of capital, decreases in the value of listed investments and the weakening of the US dollar against the euro.

*Further information on Milestone Capital and Milestone funds may be found at www.mcmchina.com.*

PRESCIENT 预知投资咨询(上海)有限公司

**Prescient China Balanced Fund and investment management company**

Prescient China Balanced Fund ('Prescient China') is a fund managed by a subsidiary of Prescient Limited, a South African-listed fund manager. The fund invests in equities, bonds, cash and derivatives with the objective of generating inflation-beating returns at acceptable risk levels. It invests principally in equities and other instruments listed on the Shanghai and Shenzhen Stock Exchanges.

*Liang Du, Portfolio Manager of Prescient China, commented:*

*'2015 was a volatile year, with the equity market rising in the first half before decreasing in the second half and continuing into the first quarter of 2016. Under a volatile market the fund performed well, outperforming the benchmark as well as market based indices in 2015. This resulted in the fund being the best performing unit trust in South Africa for a second year running for the 2015 calendar year. At the end of March 2016 the fund will have been in operation for three years. Since inception the fund has comfortably beaten its benchmark of Chinese Inflation + 3% by around 13% and when compared to a market based benchmark of 65% equity 35% cash, the fund is ahead by 7%. With the market falling in the second half the operating environment became much harder, as China once again became an unfashionable investment destination.'*

Reinet invests in Prescient China and in the management company. These investments are carried at the estimated fair value of € 42 million based on unaudited financial information provided by the fund manager at 31 March 2016 (31 March 2015: € 48 million). The decrease in estimated fair value over the year under review is the result of decreases in the value of underlying listed investments and the weakening of the US dollar against the euro in the year.

*Further information on Prescient China may be found at www.prescient.co.za.*

# MANAGEMENT REPORT

## BUSINESS OVERVIEW
CONTINUED

### SPECIALISED PRIVATE EQUITY FUNDS

**Vanterra Flex Investments L.P.**

Vanterra Flex Investments L.P. ('Vanterra') was established in 2010 to invest in privately issued securities and to make direct investments in the US and emerging markets. Vanterra seeks to construct a globally diversified private equity portfolio providing investors with long-term capital appreciation. Vanterra has co-invested alongside Reinet in Trilantic Capital Partners IV L.P., United States land development and mortgages, Vanterra C Change Transformative Energy & Materials I, L.P. and Vanterra C Change Transformative Energy & Materials AIV-A, L.P. Vanterra also has investments in established platforms in US healthcare, small business credit, distressed general partner secondaries and Brazil.

*Shad Azimi, Managing Partner of Vanterra Capital, commented:*

*'In 2015, the private equity markets enjoyed another strong year of capital distributions despite public market volatility and increasing economic uncertainty. A large amount of dry capital remaining in funds continued to fuel competition for deals and push investment multiples to new highs.*

*We began to achieve meaningful exits in 2015 as we shifted our focus from investing to harvesting the portfolio and generating liquidity. The majority of our geographic exposure is in the US, which has benefited from a strong sellers' market. This was evidenced by impressive portfolio company exits in Trilantic Capital Partners Fund IV and Cressey & Company Health Care Fund IV. We achieved significant milestones for several portfolio companies in Vanterra Transformative Energy & Materials. Our exposure to Brazil through BTG Pactual Brazil Investment Fund I was negatively impacted by foreign currency depreciation and continued economic headwinds in the country, and therefore we anticipate longer hold periods in Brazil.*

*In 2016, Vanterra will look to realise value in older positions, and will continue to execute on its operational and strategic initiatives within its newer core platforms. Some of the older vintage platforms have already demonstrated their ability to achieve successful realisations in select investments. Vanterra expects that the next few years will be when the hard work put in during the harvesting period will lead to meaningful exits across the majority of our platforms.'*

Reinet is an investor in both Vanterra and in its general partner.

Vanterra is in the process of disinvesting and distributing assets. During the year under review distributions amounting to € 15 million were received.

This investment is carried at the estimated fair value of € 30 million at 31 March 2016, based on unaudited financial information as at 31 December 2015, adjusted for cash movements and changes in prices of listed investments (31 March 2015: € 53 million). The decrease in estimated fair value is due mainly to the distributions received, decreases in the value of listed investments and the weakening of the US dollar against the euro.

*Further information on Vanterra may be found at www.vanterra.com.*

**Vanterra C Change Transformative Energy & Materials**

Vanterra C Change Transformative Energy & Materials ('Vanterra C Change TEM') was established in July 2010 to invest in companies and projects providing products or services that supply cleaner energy; create a more cost-effective building environment through the use of energy efficient technologies; and develop renewable resources as a substitute for fossil and other traditional fuels.

*Dan Matloff, Chief Financial Officer of TEM Capital, commented:*

> *'Over the past year, Vanterra C Change TEM narrowed its focus to the portfolio companies with the highest upside potential, while recovering as much capital as possible from other investments. The IPO of Talgo, S.A., provided Vanterra C Change TEM with a 3.3x multiple of invested capital (in US dollar terms), for the 45% of our holding that we sold. Also, we sold one of the remaining two businesses in our building materials platform, to generate cash and focus our efforts on the one with greater upside potential. Our 76%-owned alternative cement portfolio company has a patent-issued technology product that displaces ordinary Portland cement, the second-most consumed commodity in the world. Over the past year, the company made meaningful progress, building the operational team, growing revenues, and entering 2016 with a significantly improved feedstock supply situation that enables ongoing improvements to operating results. The Vanterra C Change TEM fund continues to focus on limiting further commitments, while maximising returns on our existing investments.'*

Reinet is an investor in Vanterra C Change TEM and in its general partner.

In the year under review, Reinet received a distribution of € 7 million from Vanterra C Change TEM and its general partner, following the partial sale of its holding in Talgo, S.A. Of this distribution, € 6 million represents a recallable return of capital and € 1 million represents capital returned.

The investment is carried at the estimated fair value of € 23 million at 31 March 2016, based on audited financial information as at 31 December 2015, adjusted for cash movements and changes in prices of listed investments (31 March 2015: € 30 million). The decrease in estimated fair value is due mainly to the repayment of capital, decreases in value of listed investments and the weakening of the US dollar against the euro.

*Further information on Vanterra C Change TEM may be found at www.temcapital.com.*

# MANAGEMENT REPORT

## BUSINESS OVERVIEW
CONTINUED

ND
NanoDimension

**NanoDimension funds and co-investment opportunities**

NanoDimension Management Ltd has established two funds in which Reinet is an investor. The focus of each fund is to invest in and support the growth and commercialisation of nanotechnology. Areas of investment by the funds include: pharmaceuticals and drug delivery structures; optical and electronic switches; and thin film photo-chromatic coatings.

*Aymeric Sallin, Founder of NanoDimension Management Ltd, commented:*

*'2015 was in line with the previous years: nanotechnology is on a steady, healthy growth trajectory.*

*It was an exciting year for the portfolio, with existing and new companies making significant progress on technology development and commercialisation. View will equip the new headquarters of major Silicon Valley companies with its Dynamic Glass. ARMO Therapeutics has enrolled almost three hundred patients in their Phase 1 clinical programmes for five different cancers. Twist Bioscience is finalising its DNA foundry scale up and has already sold several months of its capacity for 2016.*

*We continue to believe that the convergence of biology, chemistry, and physics enables breakthrough technologies with broad applications across all industries. Portfolio companies like Emulate, Twist Bioscience, and Click Diagnostics have built products that sit at the intersection of the life and physical sciences.*

*We are seeing the convergence of industries, where major global companies are broadly expanding their scope. Companies like Alphabet, Apple, Microsoft and Samsung are moving into healthcare; companies like Dow, DuPont, and Exxon are using biological tools to solve problems in the chemical and oil industries. This convergence of industries increases the number of potential buyers that should impact positively the exit valuations.'*

At 31 March 2016, the estimated fair value of Reinet's investment in the two funds and a co-investment amounted to € 48 million (31 March 2015: € 56 million). The estimated fair value is based on audited valuation data received from the fund manager as at 31 December 2015, together with an independent valuation of the co-investment. The decrease in estimated fair value reflects decreases in the value of underlying investments and the weakening of the US dollar against the euro in the year.

*Further information on NanoDimension may be found at www.nanodimension.com.*

**Fountainhead Expert Fund**

Fountainhead Expert Fund ('Fountainhead') is a fund investing in a concentrated manner in global equities offering superior potential for capital appreciation and value realisation by benchmarking themselves to global inflation and striving for absolute real returns through time.

*Andre Cillie, Managing Partner of Andre Cillie Capital Management (Pty) Limited, manager of Fountainhead, commented:*

*'2015 was a disappointing year for us from a return perspective. In fact the last two years have been very difficult for all value investors as the age of free money drove premiums of fashionable growth stocks over value stocks to extremes last seen in the late 90's. The underperformance of old economy or bricks and mortar companies has been specifically acute.*

*The last two years have been very painful as our view of US financials being by far the cheapest part of the market has been frustrated by a very dovish federal reserve. The banks are in better shape than ever, yet the market is pricing them as if the US is already in a deep recession, allocating the banks no credit for the tremendous transformation they have undertaken since the great recession. Valuations of the big US financials are providing terrific value and we believe that return of capital via buybacks at a time when they trade at significant (>30%) discount to book value and near record discount to the overall market cannot come at a better time.'*

At 31 March 2016, the estimated fair value of the investment was € 19 million based on the unaudited valuation at that date provided by the fund manager (31 March 2015: € 30 million). The decrease in estimated fair value is the result of decreases in the value of underlying listed investments and the weakening of the US dollar against the euro.

*Further information on Fountainhead may be found at www.fountainheadpartners.co.za.*

**Other fund investments**

This includes small, specialist funds investing in private equity businesses, start-up ventures and listed securities. These investments are valued at their estimated fair value of € 13 million at 31 March 2016 based on valuation statements received from the fund managers (31 March 2015: € 14 million).

# MANAGEMENT REPORT

## BUSINESS OVERVIEW
CONTINUED

### UNITED STATES LAND DEVELOPMENT AND MORTGAGES

Reinet has co-invested both directly and with partners to acquire interests in real estate development projects. The investments are located in Florida, Georgia, Colorado, North and South Carolina and Nevada. These include properties where infrastructure services have been laid but where the construction of properties has not yet commenced. Reinet has also purchased mortgage debt linked to such developments from financial institutions, usually at significant discounts to face value.

In addition, Reinet has invested in residential golf communities, owning the land for sale to future homeowners together with infrastructure assets. This latter investment is known as Arendale.

*John Kunkel, Chief Executive Officer of Arendale Holdings Corporation, commented:*

*'Investments in this portfolio concentrate on two segments of the US residential markets: 1) Community housing for the populous; and, 2) high-end country club 'lifestyle' communities which includes club operations for various country clubs within the communities. Operating results have been mixed. On the one hand, real estate sales for the calendar year ended 2015 have increased 12% and club operations have posted 7% revenue gains from the prior year. Both are ahead of industry averages. On the other hand, however, asset values have reduced, primarily related to club related assets due to longer lead times to get clubs to a stable membership base.*

*Specific to the portfolio of properties managed, our communities managed are primarily located in the Southeastern US, which has in the past led the nation in housing starts. Secondly, the two segments of the population which have recently been experiencing the biggest increases in household creations, and thus new home purchases, are the millennial generation and the retiring generation. Our community offerings cater primarily to both ends of the spectrum. Thirdly, many of our communities are widely recognised as premier communities within their respective market segments. This is important as we should outperform the competition in a continued housing recovery.'*

During the year under review, Reinet purchased certain minority interests and repaid funding provided by a minority partner for the total amount of € 9 million.

The investment is carried at the estimated fair value of € 164 million (31 March 2015: € 207 million), of which € 2 million is attributable to minority partners (31 March 2015: € 8 million).

The current valuation is based on audited financial statements as at 31 December 2015 adjusted for cash movements up to 31 March 2016. The decrease in the valuation reflects decreases in land values, changes in the expected rate of lot sales, changes in forecast management expenses and the weakening of the US dollar against the euro during the year.

*Further information on Arendale may be found at www.arendale.com.*

JAGERSFONTEIN
DEVELOPMENTS

### DIAMOND INTERESTS

Reinet has invested in two projects in South Africa. Firstly in an entity which extracts diamonds from the waste tailings of mining operations which began over a century ago. The tailings are located at Jagersfontein in South Africa. Developments in terms of gemstone extraction technology since the mines were first excavated mean that there is now the potential to recover stones which were previously treated as waste. In addition, Reinet has an interest in a separate project, which has acquired rights to source diamonds on a previously unexploited site at Rooipoort near Kimberley in South Africa. Both entities are fully operational and continue to repay loans to Reinet.

ROOIPOORT
DEVELOPMENTS

## DIAMOND INTERESTS CONTINUED

*Henk van Zuydam, Chief Financial Officer of both projects, commented as follows:*

> *'Jagersfontein and Rooipoort achieved positive trading results during the past financial year. This is attributed to good production levels, effective cost management and the derived benefit of the depreciation of the South African rand against the US dollar. During the year the companies implemented various new technologies in the recovery of diamonds which has enhanced the companies' recovery capabilities and also increased efficiencies.*
>
> *The benefits of the above were diluted by the softer world rough diamond pricing experienced during the course of the year due to the continued slowdown in the global economy. The general decline in rough prices notwithstanding, Jagersfontein and Rooipoort goods enjoyed strong demand at their tenders evidenced by continued high attendances which resulted in competitive bidding. From November 2015 there were tentative signs that rough diamond prices in the market were recovering, a trend that has continued into 2016.'*

In total, these projects are carried at their estimated fair value of € 59 million at 31 March 2016 (31 March 2015: € 92 million) based on discounted cash flow projections. The decrease in estimated fair value reflects repayment of loans and interest in the year amounting to € 13 million along with the decrease in market prices of rough diamonds and the weakening of the South African rand against the euro in the year, offset by a decease in the discount rate applied to the cash flow projections.

Reinet has borrowed ZAR 443 million to fund its investments in these projects and entered into a forward exchange contract to sell ZAR 550 million (31 March 2015: ZAR 715 million).

## OTHER INVESTMENTS

The increase in other investments relates to two new investments in the year, the first is a venture in the digital music industry with the estimated fair value of € 25 million and the second, a 3D manufacturing initiative with an estimated fair value of € 22 million. In addition, as noted on page 12, the remaining assets distributed from Renshaw Bay Structured Finance Opportunity L.P. are included in this caption with an estimated fair value of € 10 million.

There were no significant changes in value during the year in respect of other investments, either as a result of movements in the valuation of underlying investments, further amounts invested or returns of capital.

## COMMITMENTS

Commitments made in the year amounted to € 201 million.

Reinet increased its commitment to Trilantic Capital Partners by € 14 million during the year; of this amount, € 12 million was in respect of Trilantic Energy Partners (North America) L.P.

In 2011, Reinet committed to invest up to $ 10 million in Snow Phipps II, L.P. a US fund investing in the US middle-market private equity space. In the year under review, Reinet made a commitment of $ 100 million (€ 88 million) to Snow Phipps III, L.P. the successor fund to Snow Phipps II, L.P. The commitment is included in 'Other fund investments'.

Reinet increased its commitment to United States land development and mortgages by € 17 million during the year.

Reinet also committed to invest $ 25 million in a 3D manufacturing initiative and £ 28 million in a venture in the digital music industry, these amounts were fully invested in the year and are included in 'Other investments'.

# MANAGEMENT REPORT

## BUSINESS OVERVIEW
CONTINUED

### COMMITTED FUNDS

Funding commitments are entered into in various currencies including sterling, US dollar and South African rand and are converted into euro using 31 March 2016 exchange rates.

The table below summarises Reinet's outstanding investment commitments at 31 March 2016.

| | 31 March 2015[(1)] € m | Exchange rate effects[(2)] € m | Committed during the year[(3)] € m | Funded during the year[(3)] € m | **31 March 2016[(3)] € m** | 31 March 2016 % |
|---|---|---|---|---|---|---|
| **SPDR Gold shares** | – | – | 22 | (22) | **–** | – |
| **Pension Corporation** | – | – | – | – | **–** | – |
| **Private equity and related partnerships** | | | | | | |
| **Trilantic Capital Partners** | | | | | | |
| Fund IV, Fund V, TEP and related management companies[(4)] | 123 | (6) | 14 | (11) | **120** | 34.5 |
| **Renshaw Bay and related investments** | | | | | | |
| Renshaw Bay advisory and investment management company | 2 | – | – | – | **2** | 0.6 |
| JPS Credit Opportunities Fund | – | – | – | – | **–** | – |
| Renshaw Bay Real Estate Finance Fund[(5)] | 83 | (7) | – | (31) | **45** | 12.9 |
| Renshaw Bay Structured Finance Opportunity L.P. | 84 | (5) | (79) | – | **–** | – |
| **36 South macro/volatility funds** | – | – | – | – | **–** | – |
| **Asian private equity and portfolio funds** | | | | | | |
| Milestone China Opportunities funds, investment holdings and management company participation | 22 | (1) | – | (11) | **10** | 2.9 |
| Prescient China Balanced Fund and investment management company | – | – | – | – | **–** | – |
| **Specialised private equity funds** | | | | | | |
| Vanterra Flex Investments | 42 | (3) | – | (4) | **35** | 10.1 |
| Vanterra C Change TEM[(5)] | 1 | – | – | 4 | **5** | 1.4 |
| NanoDimension funds and co-investment opportunities | 16 | (1) | – | (3) | **12** | 3.4 |
| Fountainhead Expert Fund | 19 | (1) | – | – | **18** | 5.2 |
| Other fund investments[(6)] | 3 | – | 88 | (1) | **90** | 25.9 |
| **United States land development and mortgages[(4)]** | – | – | 17 | (12) | **5** | 1.4 |
| **Diamond interests** | 3 | (1) | – | – | **2** | 0.6 |
| **Other investments** | 7 | – | 60 | (63) | **4** | 1.1 |
| | 405 | (25) | 122 | (154) | **348** | 100.0 |

*(1) Commitments calculated using 31 March 2015 exchange rates.*
*(2) Reflects exchange rate movements between 31 March 2015 and 31 March 2016.*
*(3) Amounts calculated using 31 March 2016 exchange rates.*
*(4) Commitments noted represent only Reinet's share of the investments at 31 March 2016; additional commitments payable by minority partners amount to € 5 million in respect of Trilantic and € nil in respect of United States land development and mortgages.*
*(5) Certain repayments of capital increased the outstanding commitment.*
*(6) Includes Snow Phipps III.*

## CASH AND LIQUID FUNDS

Reinet holds cash on deposit principally in European banks.

Reinet's liquidity is measured by its ability to meet potential cash requirements, including unfunded commitments on investments and the repayment of borrowings, and can be summarised as follows:

| | |
|---|---|
| Cash at bank | € 380 m |
| Undrawn borrowing facilities | € 379 m |
| Cash required for unfunded commitments (refer to table on previous page) | (€ 348 m) |
| Cash required to meet ZAR borrowing obligations (refer to note below) | (€ 26 m) |

Existing bank borrowings of € 391 million under the collar financing arrangements noted below will be settled either by the delivery of BAT shares pursuant to the put and call options in place, by the proceeds of the sale of BAT shares, or may be rolled over or replaced by other borrowings.

Reinet may sell further BAT shares or use such shares to secure additional financing facilities from time to time.

The undrawn borrowing facilities comprise a facility with Bank of America Merrill Lynch of £ 150 million and a facility with Morgan Stanley Bank N.A. of £ 150 million, in total £ 300 million (€ 379 million). At 31 March 2016, these facilities had not been drawn upon.

## BANK BORROWINGS AND RELATED DERIVATIVE CONTRACTS

### BORROWINGS

In February 2012, in order to meet its ongoing commitments, Reinet entered into a £ 300 million, medium-term collar financing arrangement. At 31 March 2016, the estimated fair value of the borrowing was € 380 million (31 March 2015: € 415 million). The decrease in estimated fair value reflects the weakening of sterling against the euro, offset by a decrease in interest rates during the year. The collar financing arrangement involves the purchase by Reinet of put options and the sale by Reinet of call options over 13.7 million BAT shares. The remaining unpaid net option premium is payable over the period to 2017 and is carried as a liability at its estimated fair value of € 11 million as at 31 March 2016 (31 March 2015: € 25 million). Some 1 million BAT shares have also been pledged to guarantee the balance of the net option premium and a portion of the interest payments.

Reinet has also borrowed ZAR 443 million to fund its investments in South African projects. At 31 March 2016, the estimated fair value of the borrowing was € 26 million (31 March 2015: € 34 million); the decrease in estimated fair value is due to the weakening of the South African rand against the euro during the year.

### DERIVATIVE ASSETS/(LIABILITIES) – PUT AND CALL OPTIONS AND FORWARD EXCHANGE CONTRACTS

Put and call options in respect of the £ 300 million medium-term collar financing arrangement noted above are carried at their respective estimated fair values at the balance sheet date. The net derivative liability is carried at its estimated fair value of € 80 million at 31 March 2016 (31 March 2015: € 26 million). The increase in the value of the liability is due to the increase in the BAT share price of over £ 6 per share in the year.

Reinet has entered into a forward exchange contract to sell ZAR 550 million (31 March 2015: ZAR 715 million). The derivative asset in respect of the forward exchange contract is carried at its estimated fair value of € 2 million at 31 March 2016 (31 March 2015: liability of € 6 million). The change in value reflects the weakening of the South African rand against the euro in the year.

## OTHER LIABILITIES

### MINORITY INTEREST, FEES PAYABLE AND OTHER LIABILITIES, NET OF OTHER ASSETS

The minority interest liability amounts to € 15 million (31 March 2015: € 23 million) and is in respect of minority partners' share in the gains and losses not yet distributed to them arising from the fair value movement of investments in which they have interests.

Fees payable and other liabilities comprise principally an accrual of € 5 million in respect of the performance fee payable as at 31 March 2016 (31 March 2015: € 78 million), together with the half-yearly management fee payable of € 22 million (31 March 2015: € 18 million) a provision for deferred taxes of € 10 million (31 March 2015: € 24 million) relating to gains arising from the investments in Trilantic and withholding and corporate taxes of € 18 million (31 March 2015: € 14 million) relating to the investment in United States land development and mortgages. Accruals and other payables amount to some € 10 million (31 March 2015: € 10 million).

The performance fee and management fee are payable to the Investment Advisor.

# MANAGEMENT REPORT

## BUSINESS OVERVIEW
CONTINUED

### SUMMARISED CONSOLIDATED INCOME STATEMENT

The summarised consolidated income statement set out below differs from the format used in the IFRS reporting on page 41 and is presented to provide investors with a more comprehensive picture of the movement in the estimated fair value of assets held by the Company.

| | **Year ended 31 March 2016** | | Year ended 31 March 2015 | |
|---|---|---|---|---|
| | **€ m** | **€ m** | € m | € m |
| **Income** | | | | |
| BAT dividends | **149** | | 133 | |
| Interest and other investment income | **35** | | 21 | |
| Realised gains on investments – BAT | **178** | | 20 | |
| – others | **73** | | – | |
| Realised gains on foreign exchange contracts | **1** | | – | |
| Carried interest earned on investments | **6** | **442** | 3 | 177 |
| **Expenses** | | | | |
| Management fee | **(46)** | | (39) | |
| Performance fee | **(5)** | | (78) | |
| Operating expenses, foreign exchange and transaction-related costs | **(7)** | | (7) | |
| Interest expense | **(12)** | | (12) | |
| Tax income/(expense) | **5** | **(65)** | (6) | (142) |
| **Realised investment income, net of expenses** | | **377** | | 35 |
| **Fair value adjustments** | | | | |
| BAT – unrealised gain on shares held | **234** | | 582 | |
| – reversal of unrealised gain on shares sold(1) | **(172)** | | – | |
| Other investments | **(253)** | | 448 | |
| Derivative instruments | **(46)** | | (19) | |
| Borrowings | **47** | **(190)** | (62) | 949 |
| | | **187** | | 984 |
| **Effect of exchange rate changes on cash balances** | | **(10)** | | 14 |
| Net profit | | **177** | | 998 |
| Minority interest | | **(2)** | | (6) |
| **Profit attributable to the shareholders of the Company** | | **175** | | 992 |

*(1) The reversal of the unrealised gain on shares sold represents the unrealised gain as at 1 April 2015 on the 6.25 million BAT shares sold during the year ended 31 March 2016.*

### INCOME

Dividends received from BAT increased from € 133 million (£ 107 million) during the year under review to € 149 million (£ 110 million). The increase is due to the increase of £ 0.05 in the dividend per BAT share and the strengthening of the sterling/euro exchange rate at the time of the dividend payments. The dividends received from BAT represent the final 2014 dividend paid in May 2015, as well as the interim 2015 dividend paid in September 2015.

Interest income is earned on bank deposits and loans made to underlying investments.

Total realised gains on investments of € 251 million includes € 178 million in respect of the sale of 6.25 million BAT shares calculated by reference to the cost of the investment when the BAT shares were first carried at fair value when Reinet was established in 2008. Other gains comprise € 75 million in respect of investments realised by the Trilantic funds and net realised losses of € 2 million in respect of other investments. Reinet's share of the Trilantic gains amounts to € 68 million with a further € 7 million being attributable to the minority partner.

Gains of € 1 million were realised on the settlement of the euro/South African rand foreign exchange contracts during the year.

Carried interest of € 6 million was attributable to Reinet in respect of investments realised by the Trilantic funds.

## EXPENSES

The performance fee payable for the year ended 31 March 2016 amounts to € 5 million (31 March 2015: € 78 million). The performance fee is calculated as 10 per cent of the Cumulative Total Shareholder Return as defined in the Company's prospectus, published on 10 October 2008, including dividends paid, over the period since completion of the rights issue in December 2008 up to 31 March 2016, less the sum of all performance fees paid in respect of previous periods.

The management fee for the year ended 31 March 2016 amounts to € 46 million (31 March 2015: € 39 million). Operating expenses of € 7 million include € 1 million in respect of charges from Reinet Investments Manager S.A. (the 'General Partner') and other expenses, including legal and other fees, which amounted to € 6 million.

Interest expense relates to sterling and South African rand-denominated borrowings.

The net tax income of € 5 million includes corporate and withholding taxes payable in respect of gains realised on Trilantic investments, offset by a reduction in the deferred tax provision related to unrealised gains, expected distributions and accrued interest in respect of the Trilantic funds and other US investments.

## FAIR VALUE ADJUSTMENTS

The investment in 68.1 million BAT shares increased in value by € 234 million during the year under review. Of this, € 565 million was attributable to the increase in value of the underlying BAT shares in sterling terms offset by € 331 million due to the weakening of sterling against the euro during the year under review.

The unrealised fair value adjustment of € 253 million in respect of other investments includes an increase in the estimated fair value of the investment in Pension Corporation of € 13 million, a decrease in the estimated fair value of the Trilantic funds of € 77 million, decreases in the estimated fair value of the investment in United States land development and mortgages of € 78 million, decreases in the estimated fair value of the investment in Diamond interests of € 26 million together with decreases of € 85 million in respect of certain other investments, see detailed analysis on page 47. The above amounts include the negative effect of changes in foreign exchange rates due to the depreciation of other currencies against the euro in the year under review.

The estimated fair value of the collar financing derivative liability increased by € 54 million during the year, reflecting the increase in the price of the BAT shares underlying the put and call options. The estimated fair value of the forward exchange contracts increased by € 8 million, thereby changing from a liability at the beginning of the year to an asset at the end of the year, reflecting the weakening of the South African rand against the euro. In total, these items increased the derivative liabilities by € 46 million in the year under review.

Borrowings are carried at estimated fair value reflecting the discounted cash flow value of future principal and interest payments taking into account prevailing interest rates. An unrealised gain of € 8 million arose in respect of the South African rand borrowing due to the weakening of the South African rand against the euro during the year. An unrealised gain of € 39 million arose in respect of the sterling borrowing. Of this, a gain of € 37 million is due to the weakening of the sterling/euro exchange rate during the year.

## MINORITY INTEREST

The minority interest expense arises in respect of the minority partners' shares in the earnings of the Reinet entities which hold the Trilantic and United States land development and mortgages interests, respectively.

# MANAGEMENT REPORT

## BUSINESS OVERVIEW
CONTINUED

### CONSOLIDATED CASH FLOW STATEMENT

The summarised consolidated cash flow statement set out below differs from the format used in the IFRS reporting on page 43 and is presented to provide investors with a more comprehensive picture of the movement in liquid funds.

| | **Year ended 31 March 2016** | | Year ended 31 March 2015 | |
|---|---|---|---|---|
| | **€ m** | **€ m** | € m | € m |
| **Investing activities** | | | | |
| Purchase of investments, net of repayments | **(116)** | | (216) | |
| Proceeds from sales of investments | **457** | **341** | 36 | (180) |
| **Financing activities** | | | | |
| Dividend paid | **(31)** | | (30) | |
| Repayment of funding to minority partners | **(5)** | | (14) | |
| Proceeds from settlement of derivative assets | **1** | | – | |
| Movements in bank borrowings | **(10)** | **(45)** | (8) | (52) |
| **Operating activities** | | | | |
| Dividends, interest and other income received | **149** | | 133 | |
| Carried interest earned on investments | **6** | | 3 | |
| Interest expense | **(12)** | | (12) | |
| Operating and related expenses | **(43)** | | (45) | |
| Performance fee paid | **(78)** | | (12) | |
| Taxation (paid)/refunded | **(4)** | **18** | 4 | 71 |
| Net cash inflow/(outflow) | | **314** | | (161) |
| Opening liquid funds position | | **76** | | 223 |
| Effects of exchange rate changes on cash balances | | **(10)** | | 14 |
| **Closing liquid funds position** | | **380** | | 76 |

### INVESTING ACTIVITIES

Investments totalling € 116 million were made during the year, including SPDR Gold shares, United States land development and mortgages, Trilantic, Milestone, Renshaw Bay Real Estate fund and new investments in the digital music industry and 3D manufacturing initiative. Amounts invested were partially offset by repayments in respect of loans and interest received from Jagersfontein and Rooipoort.

Proceeds from the sale of investments include € 307 million in respect of BAT shares sold during the year, € 99 million realised through Trilantic, a distribution of € 40 million following the dissolution of the Renshaw Bay Structured Finance Opportunity L.P. and € 11 million on the sale of other investments.

### FINANCING ACTIVITIES

A dividend of some € 31 million was paid to shareholders in September 2015 (September 2014: € 30 million).

Funding is received from minority partners in respect of investments made in Trilantic and United States land development and mortgages. The appropriate share of distributions received from the same investments are repaid to minority partners.

### OPERATING ACTIVITIES

Dividends received from BAT increased by 12 per cent from € 133 million (£ 107 million) to € 149 million (£ 110 million) during the year under review. The increase is due to an increase of £ 0.05 per share in the underlying dividends paid by BAT and a strengthening in the sterling/euro exchange rate at the time of the dividend payments. The dividends received from BAT represent the final 2014 dividend, paid in May 2015, as well as the interim 2015 dividend paid in September 2015.

Carried interest of € 6 million was received in respect of the investment in Trilantic.

Interest of € 10 million was paid in respect of the sterling loan and € 2 million in respect of the South African rand-denominated loan in the year.

The performance fee of € 78 million was paid in respect of the year ending 31 March 2015. A performance fee of € 5 million is payable in respect of the current year.

US tax payments of € 4 million were made in the year under review. This amount includes taxes withheld by Trilantic in respect of gains and carried interest received, together with estimated taxes paid on gains and income which will be taxable in the US.

Liquid funds increased by € 304 million over the year to € 380 million as the proceeds from the sale of investments and BAT dividends received exceeded amounts invested in new investments together with payment of the dividend, performance fee and operating expenses.

## RISKS AND UNCERTAINTIES

Reinet's current investments and future investment strategy are subject to a number of risks and uncertainties. The General Partner and Fund Manager have established policies and procedures to identify and monitor these risks.

Responsibility for investment risk and treasury risk is borne by the Board of the Fund Manager. The day-to-day treasury position is monitored by the Chief Executive Officer and the Chief Financial Officer and policy decisions in respect of the investment of cash resources are taken by the Board of the Fund Manager.

Investment decisions are the responsibility of the Fund Manager, acting on the advice of the Investment Advisor, as appropriate.

Reinet's activities expose it to a variety of financial risks including market risk (ie currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk; these risks are detailed in note 5 to the financial statements.

Other principal risks are as follows:

### LEGAL AND COMPLIANCE RISKS

Laws and regulations governing the operations of the Company and Reinet Fund may adversely affect their business, investments and results of operations.

The Company is required to comply with certain regulatory requirements applicable to a Luxembourg securitisation company, and Reinet Fund with certain regulatory requirements that are applicable to a Luxembourg specialised investment fund. The Company is also required to comply with regulations applicable to a company admitted to the Official List of the Luxembourg Stock Exchange.

Additional laws and regulations may apply to the portfolio assets in which Reinet Fund makes investments, and those laws and regulations, as well as those applicable to Reinet Fund and the Company themselves, and may restrict the ability of Reinet Fund to make certain types of investments in certain countries or affect the returns available from those investments.

Laws and regulations and their interpretation and application may also change from time to time and such laws and regulations or those changes could have a material adverse effect on the business, investments and results of operations of Reinet Fund and the Company. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, or to maintain any necessary regulatory licences, by any of the General Partner, Fund Manager or Investment Advisor, could have a material adverse effect on the business, investments and results of operations of Reinet Fund and the Company. Where investee companies are subject to regulation, failure to obtain appropriate licences or to comply with regulatory requirements may impact the valuation of the underlying investment.

The United States' Foreign Account Tax Compliance Act ('FATCA') imposes reporting and other requirements on payers and recipients of certain categories of income starting 1 July 2014. Non-US entities which do not comply with FATCA may be subject to withholding tax on certain categories of income. The US Department of the Treasury and the Government of Luxembourg signed an intergovernmental agreement on 28 March 2014, which simplifies Reinet's obligations under FATCA. The Company and its controlled affiliates have taken the steps they considered necessary to be and remain compliant with FATCA, and where relevant, have registered as participating foreign financial institutions or as compliant under an intergovernmental agreement.

Under FATCA, the Company or its affiliates may be required to report to the US Internal Revenue Service ('IRS'), directly or through foreign government agencies co-operating with the IRS, information about financial transactions made by US taxpayers and other specified entities or individuals, and could impose withholding, documentation and reporting requirements on such transactions. Full implementation of FATCA will be phased in over a multi-year period. The additional administrative requirements of FATCA may result in increased compliance costs and could have an adverse effect on the business, investments and results of operations of Reinet Fund and the Company.

The Common Reporting Standard ('CRS'), developed by the Organisation for Economic Co-operation and Development ('OECD'), is a global standard for the automatic exchange of financial information between tax authorities worldwide. Under the CRS, the Company and/or its affiliates may be required to identify and report to their respective tax authority information on certain accounts held directly or indirectly by tax residents in other participating CRS countries, which may subsequently be disclosed to foreign tax authorities. The Company and its affiliates have taken the steps they considered necessary to be and remain compliant with the obligations imposed by the CRS. The additional administrative requirements of the CRS may result in increased compliance costs for Reinet Fund and the Company.

# MANAGEMENT REPORT

## BUSINESS OVERVIEW
CONTINUED

### OPERATIONAL RISKS

The Company does not have any operations of its own.

The Company's principal source of earnings is returns in the form of income and capital gains from the investments made through Reinet Fund and its subsidiaries.

The ability of Reinet Fund to make cash distributions to the Company will depend on a number of factors, including, among others, the actual results of operations and financial condition of Reinet Fund, its subsidiaries and investee companies, restrictions on cash distributions that are imposed by applicable law or the constitutional documents of Reinet Fund, the terms of any future financing agreements entered into by Reinet Fund or its subsidiaries, the timing and amount of cash generated by investments that are made by Reinet Fund, any contingent liabilities to which Reinet Fund may be subject, the amount of income generated by Reinet Fund and other factors that the Fund Manager deems relevant.

### DIVIDEND

The Company relies on distributions from Reinet Fund as its principal source of income from which it may pay dividends.

A cash dividend of € 0.157 per share totalling some € 31 million was paid in September 2015, following approval at the annual general meeting on 25 August 2015.

The General Partner has proposed a cash dividend of € 0.161 per share subject to shareholder approval at the annual general meeting, which is scheduled to take place in Luxembourg on Tuesday, 30 August 2016.

There is no Luxembourg withholding tax payable on dividends which may be declared by the Company.

The Company has sought clarification from the South African Revenue Service ('SARS') as to the treatment of any dividends to be declared by and paid to holders of depository receipts issued by Reinet Securities SA in respect of the Company's shares ('DRs'). SARS has confirmed that any such dividends will be treated as 'foreign dividends' as defined in the Income Tax Act No. 58 of 1962. Accordingly, any such dividends will be subject to South African dividends withholding tax at 15 per cent in the hands of DR holders unless those holders are otherwise exempt from the tax. Non-resident DR holders will be required to fill in the appropriate SARS declaration form, if they wish to be exempted from the tax.

The dividend will be payable in accordance with the following schedule, subject to shareholder approval:

The last day to trade the Company's shares and the DRs cum-dividend will be Tuesday, 6 September 2016. Both the Company's shares and the DRs will trade ex-dividend from Wednesday, 7 September 2016. The record date for the Company's shares will be Thursday, 8 September 2016 and for the DRs will be Friday, 9 September 2016.

The dividend on the Company's shares will be paid on Friday, 9 September 2016 and is payable in euro.

The dividend in respect of the DRs will be paid on Friday, 16 September 2016. The DR dividend is payable in South African rand to residents of the South African Common Monetary Area ('CMA') but may, dependent upon residence status, be payable in euro to non-CMA residents. Further details regarding the dividend payable to DR holders may be found in a separate announcement dated 25 May 2016 on the Johannesburg Stock Exchange News Service ('SENS').

# CORPORATE GOVERNANCE

## INTRODUCTION

Reinet recognises the importance of appropriate corporate governance procedures in the management and oversight of its business. The Company acknowledges the obligations placed upon it as a public company listed in Luxembourg with a secondary listing of the depository receipts issued by Reinet Securities SA in respect of the Company's shares ('DRs') on the Johannesburg Stock Exchange. The Company's corporate governance principles are codified in its prospectus published on 10 October 2008 (the 'Reinet Prospectus'), in the Statutes of the Company (the 'Statutes'), as well as in the Corporate Governance Charter adopted by the Company, all of which are available on the Company website, www.reinet.com. The requirements of the Statutes, the principles set out in the Reinet Prospectus and the Corporate Governance Charter adequately establish the framework of corporate governance within which Reinet and its management companies operate.

The Company, a partnership limited by shares (société en commandite par actions) under the laws of Luxembourg, gives its shareholders exposure to Reinet Fund, a specialised investment fund.

The Company was formerly known as Richemont S.A., which was a subsidiary of Compagnie Financière Richemont SA ('CFR SA'), a Swiss company with significant luxury goods interests (CFR SA, together with its subsidiaries are referred to as 'Richemont'). The Company separated from its former parent on 20 October 2008, which saw the luxury businesses transferred to CFR SA. The Company retained Richemont's former interests in British American Tobacco p.l.c. ('BAT') together with cash and certain smaller investments.

## MANAGEMENT

As a partnership limited by shares, the Company is managed by a general partner rather than a board of directors. The general partner is Reinet Investments Manager S.A. (the 'General Partner'), a limited liability company established in Luxembourg, which also owns 1 000 management shares in the Company and which has unlimited liability for any obligations of the Company that cannot be met from the assets of the Company.

Both the General Partner and Reinet Fund Manager S.A. (the 'Fund Manager') are owned and controlled by Rupert family interests.

During the year ended 31 March 2016, the Board of Directors of the General Partner met four times. Four directors attended four meetings and one director attended three meetings. The statutes of the General Partner require that the Board of Directors consists of a minimum of three directors.

The General Partner is not acting as general partner for any partnership other than the Company.

## BOARD OF DIRECTORS OF THE GENERAL PARTNER

The directors of the General Partner are:

### JOHANN RUPERT

**Chairman**

*South African, born 1950*

Mr Rupert was appointed to the Board of Directors in 2008.

Mr Rupert studied economics and company law at the University of Stellenbosch, South Africa. After working for the Chase Manhattan Bank and Lazard Frères in New York, he founded Rand Merchant Bank in 1979. In 1985 he joined Rembrandt. He founded Richemont in 1988 and became Group Chief Executive. Appointed as Executive Chairman in September 2002, he also served as Group Chief Executive Officer during the periods from October 2003 to September 2004 and from April 2010 to March 2013. He was Chairman of CFR SA up to September 2013, when he indicated his intention to step down from the board of that company during a sabbatical year. He was re-elected as Chairman of CFR SA in September 2014. He is also Non-Executive Chairman of Remgro Limited, is the Managing Partner of Compagnie Financière Rupert and serves as a director of Renshaw Bay (UK) Limited.

Mr Rupert holds honorary doctorates in Law, Economics and in Commerce and is the Chancellor of the University of Stellenbosch. He is the Chairman of the Peace Parks Foundation.

### WILHELM VAN ZYL

**Chief Executive Officer**

*South African, born 1965*

Mr van Zyl was appointed to the Board of Directors in 2014 and appointed Chief Executive Officer with effect from January 2015.

Mr van Zyl holds a BCom degree from the University of Stellenbosch and qualified as a Fellow member of the Institute and Faculty of Actuaries (United Kingdom) in 1994. He is also a Fellow member of the Actuarial Society of South Africa and completed the Harvard AMP program in 2005. Mr van Zyl was group actuary of the financial services group Metropolitan Holdings from 2001 and headed up its corporate business from 2006. In 2008 he was appointed as a director and chief executive of Metropolitan Holdings. Following the listing of MMI Holdings in 2010, resulting from the merger between Metropolitan and Momentum, he was appointed as a director and deputy group chief executive with oversight of the group's health, international, investments and employee benefit operations. He currently also serves on the board of Pension Insurance Corporation plc and is also a director of the Investment Advisor and of various subsidiaries of Reinet Fund.

# MANAGEMENT REPORT

## CORPORATE GOVERNANCE
CONTINUED

### ALAN GRIEVE
**Non-Executive Director**
*British, born 1952*
Mr Grieve was appointed to the Board of Directors in 2008. He retired as Chief Executive Officer in December 2014.

Mr Grieve served as Chief Financial Officer from 2008 to 2011 and as Chief Executive Officer from 2012 to 2014. He remains on the Board of Directors as a Non-Executive Director of both the General Partner and Fund Manager.

Mr Grieve was appointed to the board of directors of Richemont S.A. (the predecessor company to Reinet Investments S.C.A.) in 2004. Mr Grieve holds a degree in business administration from Heriot-Watt University, Edinburgh and is a member of the Institute of Chartered Accountants of Scotland. Prior to joining Richemont's predecessor companies in 1986, he worked with Price Waterhouse & Co (now PricewaterhouseCoopers) and Arthur Young (now Ernst & Young). He served as company secretary of CFR SA from 1988 until 2004 and was corporate affairs director of Richemont from 2004 to 2016. He is a Non-Executive Director of Mediclinic International p.l.c (formerly Mediclinic International Limited), the international private hospital group.

### JOSUA MALHERBE
**Non-Executive Director**
*South African, born 1955*
Mr Malherbe was appointed to the Board of Directors in 2009.

Mr Malherbe qualified as a chartered accountant in South Africa in 1984 having commenced his career with the predecessor firm to PricewaterhouseCoopers. He then joined the Corporate Finance Department of Rand Merchant Bank in 1985 and was a general manager of the bank before moving to Rembrandt Group Limited in 1990, also being involved with Richemont at that time.

He was appointed as Director – Investments of Rembrandt in 1993 and served in this position until the formation of VenFin Limited in 2000 where he served as Chief Executive Officer until 2006. Thereafter he held the position of Deputy Chairman of VenFin Limited until November 2009 at which time Remgro Limited acquired all the shares in VenFin Limited. He was appointed as a Non-Executive Director to the board of CFR SA in September 2010 and assumed the role of Deputy Chairman in September 2014. He also serves as a director on boards of a number of companies, including Remgro Limited (appointed Deputy Chairman in November 2014), Pension Insurance Corporation Group Limited and Renshaw Bay Limited.

### ELOY MICHOTTE
**Non-Executive Director**
*Belgian, born 1948*
Mr Michotte was appointed to the Board of Directors in August 2008.

Mr Michotte graduated in engineering from the University of Louvain in Belgium and holds an MBA from the University of Chicago. He has had an extensive career in international business and finance and worked for Ford, McKinsey & Co and Bankers Trust Company prior to joining Richemont at the time of its formation in 1988 when he was appointed to the board of directors of Richemont S.A., the predecessor company to the Company.

Mr Michotte serves on the boards of a number of companies in which Reinet holds an interest. In particular, he is a director of Pension Insurance Corporation Group Limited and of Pension Insurance Corporation plc.

## REINET FUND
The Company owns the entire ordinary share capital of Reinet Fund, a specialised investment fund established as a partnership limited by shares (société en commandite par actions) under the laws of Luxembourg.

Reinet Fund is managed by the Fund Manager, a limited liability company established in Luxembourg, which also owns 1 000 management shares in Reinet Fund. The Fund Manager is the general partner in Reinet Fund, with unlimited liability.

## BOARD OF DIRECTORS OF THE FUND MANAGER
The directors of the Fund Manager are:

### JOHANN RUPERT
**Chairman**
(For biographical details see page 29)

### WILHELM VAN ZYL
**Chief Executive Officer**
(For biographical details see page 29)

### ALAN GRIEVE
**Non-Executive Director**
(For biographical details see above)

### SWEN GRUNDMANN
**General Counsel and Company Secretary**
*Dutch, born 1968*
Mr Grundmann was appointed to the Board of Directors in September 2012.

Mr Grundmann holds a law degree from the Faculty of Law of the University of Amsterdam and is a member of the Dutch Association of Corporate Litigation. He joined Richemont in January 1996 and has since been responsible for the corporate law affairs of many of its subsidiaries and been involved in various merger and acquisition projects. In 2009, he was appointed as Company Secretary of both the General Partner and Fund Manager. Since 2011, he has been responsible for Reinet's legal affairs and serves on the boards of a number of companies in which Richemont or Reinet hold an interest.

### DIANE LONGDEN
**Chief Financial Officer**
*British, born 1961*
Ms Longden was appointed to the Board of Directors in September 2012.

Ms Longden is a member of the Institute of Chartered Accountants in England and Wales and holds a Masters in Business Administration from the Sacred Heart University, John F. Welch College of Business in Luxembourg. Prior to joining Reinet in 2009, Ms Longden worked in the accountancy profession and international insurance industry. She is also a director of various subsidiaries of Reinet Fund.

## BOARD COMMITTEES AND MANAGEMENT

The Company is managed by a general partner and as such it has no board of directors, executive management or employees. As a consequence, aspects of corporate governance which relate, amongst others, to the composition, organisation and proceedings of the board or directors and executive management, the establishment of board committees, the determination of a remuneration policy and related processes of a public company established in Luxembourg are not directly applicable to the Company.

## BOARD OF OVERSEERS

In accordance with Luxembourg law, a Board of Overseers ('Collège des Commissaires') has been appointed to review the activities of the Company. The Board of Overseers' role is one of oversight and control in addition to the specific powers conferred upon the Board of Overseers by virtue of the Statutes. It has no executive responsibility for the management of the Company except that the Board of Overseers may be consulted by the General Partner on such matters as the General Partner may determine and no action of the General Partner that may exceed its powers shall be valid unless authorised by the Board of Overseers.

The Board of Overseers of the Company has also been appointed as the Board of Overseers of Reinet Fund. Each of the members of the Board of Overseers is independent from the General Partner and the Fund Manager.

The members of the Board of Overseers may not be directors or employees of the General Partner or of the principal shareholder of the General Partner or any entity in which the Company has a material direct or indirect interest.

The Board of Overseers reports each year to the general meeting of shareholders on the results of the mandate entrusted to it, making such recommendations as it considers appropriate.

In addition to its role as defined by law, the Board of Overseers also acts as the Audit Committee of the Company and Reinet Fund. In this capacity, the functions of the Board of Overseers include:

- Reviewing the financial statements of the Company and Reinet Fund in order to ensure that they are fair, accurate and complete;
- Monitoring the Company's and Reinet Fund's compliance with applicable legal and regulatory obligations;
- Assessing the quality of the internal and external audit of the Company and Reinet Fund; and
- Verifying the existence and adequacy of internal control and risk management procedures.

During the year under review, the Board of Overseers met formally on four occasions. All members attended all meetings during the term of their mandate, except for one member who tendered his apologies for one meeting. Subsequent to the year-end, the Board of Overseers met on 9 May 2016 to review and discuss with the approved statutory auditor the statutory and consolidated financial statements of the Company and recommended that these be presented to the annual general meeting of shareholders of the Company for approval.

The members of the Board of Overseers are:

### DENIS FALCK

*South African, born 1945*

Mr Falck was appointed to the Board of Overseers in September 2009.

Mr Falck is a South African chartered accountant and after working in the auditing profession joined Rembrandt Tobacco Company in 1971, where he became the Chief Financial Officer before being transferred to Rembrandt Group Limited in 1979. After various senior positions, he was appointed as the Financial Director of the parent company in 1990. He was a member of the Remgro Executive Committee and its Audit and Risk Committee and was the Chairman of the group's Pension and Retirement Funds' Boards of Trustees. He retired at the end of June 2008 after a career of close to 37 years with Rembrandt Group Limited/Remgro Limited in South Africa. Mr Falck also served as a non-executive director on the boards and audit/risk committees of listed and unlisted investee companies of Remgro, including FirstRand Bank Holdings Limited, RMB Holdings Limited, Medi-Clinic Corporation Limited, Total South Africa (Pty) Limited and Trans Hex Group Limited.

### JOHN LI

*Mauritian & Luxembourger, born 1960*

Mr Li was appointed to the Board of Overseers in August 2015.

Mr Li is a non-executive director and a partner of The Directors' Office, a company of independent and non-executive directors. Previously he was a managing partner of KPMG Luxembourg and a member of the KPMG global investment management leadership team, as well as, chairman of the supervisory board for KPMG Luxembourg. Mr Li is a Fellow of the Institute of Chartered Accountants in England and Wales. His expertise lies in investment funds, banking and wealth management.

### YVES PRUSSEN

*Luxembourger, born 1947*

Mr Prussen was appointed to the Board of Overseers in September 2009.

Mr Prussen graduated as a doctor at law in 1971 and holds a diploma from the 'Institut d'Etudes Politiques' of the University of Grenoble. During the same year he became a member of the Luxembourg bar and since 1975 has been a partner in Elvinger, Hoss & Prussen, a Luxembourg legal firm. Mr Prussen is a member of the International Bar Association, the Luxembourg Section of the International Fiscal Association and the Luxembourg Association for Arbitration. He is the author of various publications in the field of tax law, arbitration, securities laws and the law relating to undertakings for collective investments.

# MANAGEMENT REPORT

## CORPORATE GOVERNANCE
CONTINUED

### FORMER MEMBER OF THE BOARD OF OVERSEERS

On 22 February 2016, Dr Peter Kaul sadly passed away. Dr Kaul was appointed to the Board of Overseers in September 2009 and was an invaluable contributor, offering his knowledge and experience to Reinet until the time of his death. Dr Kaul recently retired from his role of managing director at Commerzbank AG, he also served on a number of boards and was a member of the Luxembourg Stock Exchange Committee for 10 years.

### THE MEMBERS OF THE BOARD OF OVERSEERS

The Statutes provide for a Board of Overseers composed of at least three members. The members of the Board of Overseers are appointed by a resolution of the general meeting of shareholders by a simple majority of the votes cast. The general meeting of shareholders fixes their remuneration as well as the term of their office. They may be re-elected. Their appointment is not subject to the approval of the General Partner.

### REMUNERATION

Neither the Company nor Reinet Fund has any employees. Rather, both entities pay fees to their respective managers, the General Partner and the Fund Manager, in respect of the management services provided (see Significant Agreements below).

The payment of an annual compensation of € 50 000 per annum to each of the members of the Board of Overseers was approved at the annual general meeting of shareholders held on 25 August 2015.

Although the management of Reinet is distinct from Richemont following the restructuring effected in 2008, a number of executives who have management responsibilities within the General Partner and the Fund Manager have executive roles in and are employed by Richemont. With effect from 1 April 2010, separate employment arrangements in respect of Richemont and Reinet duties apply in respect of those individuals having roles within both organisations.

### SHAREHOLDINGS AND LOANS

Details of shareholdings by members of the Board of Directors of the General Partner and the Board of Overseers are given in note 13 to the consolidated financial statements on page 62 of this report. As noted above, the General Partner holds 1 000 management shares in the Company.

The Company has procedures in place requiring persons connected with the Company, Reinet Fund, the General Partner, the Fund Manager and the Investment Advisor not to trade in the Company's securities during closed periods in advance of the release of financial information in respect of the Company or at other times when they may be in possession of price-sensitive information. Approval of transactions involving the Company's securities is required from Mr Rupert, Mr Malherbe or Mr van Zyl and transactions by members of the Board of Directors of the General Partner and the Board of Overseers are disclosed through the regulatory mechanism operated by the Luxembourg financial sector regulator and on the Company's website.

There were no loans outstanding to members of the Board of Directors of the General Partner or the Board of Overseers during the year or at 31 March 2016.

At 31 March 2016, the Company owed € 0.6 million to the General Partner and Reinet Fund owed € 1 million to the Fund Manager.

### SIGNIFICANT AGREEMENTS

The Company is managed by its General Partner. The Company reimburses the General Partner for its expenses incurred in the ordinary course of business, including but not limited to the remuneration of its staff, taxes, rentals and any other disbursements, and pays an annual administration fee equal to 10 per cent of such expenses. During the year ended 31 March 2016, the Company paid € 1 million to the General Partner in respect of the costs that it had incurred and the related administration fee.

The Company's wholly-owned subsidiary, Reinet Fund, is managed by the Fund Manager. Reinet Fund reimburses the Fund Manager for its expenses incurred in the ordinary course of business including but not limited to the remuneration of its staff, taxes, rentals and any other disbursements, and pays an annual administration fee equal to 10 per cent of such expenses. Any such amounts payable to the Fund Manager are deductible from any management fees payable to the Investment Advisor.

Under the terms of the Investment Advisory Agreement dated 9 October 2008, as amended on 24 May 2010 and 10 November 2011 between Reinet Fund and the Investment Advisor, Reinet Fund pays both management fees and performance fees to the Investment Advisor.

Mr van Zyl, who is a Director of the General Partner, is also a member of the Board of Directors of the Investment Advisor.

The management fee is payable to the Investment Advisor at a rate of 1 per cent per annum on the NAV of Reinet Fund, excluding cash and interests in funds managed by third parties. It is calculated semi-annually based on the closing NAV at the end of the previous six-month period.

The management fee in respect of cash is calculated at a rate of one quarter of 1 per cent per annum.

No management fee is payable in respect of funds managed by third parties except where the fee payable to the third party has been negotiated to a level below 1 per cent per annum and below the level payable by other investors in a fund. In such circumstances, the difference between the fee payable to the third-party manager and 1 per cent is payable to the Investment Advisor.

Investments as a limited partner in funds under the management of a management company in which Reinet is an investor are not treated as being managed by third parties; the management fee is payable at 1 per cent per annum to the Investment Advisor. However, such a fee payable to the Investment Advisor is reduced by any management fee paid by Reinet Fund to the management company, net of income received by Reinet Fund on its investment in the management company in terms of its share of the management fees earned by (but not carried interest attributable to) the management company.

The management fee for the year under review amounted to € 46 million.

As detailed in the Reinet Prospectus, issued when the Company was established in 2008 as part of the Richemont reorganisation which was approved by the former Richemont unitholders, the performance fee in any period is to be calculated as 10 per cent of the Cumulative Total Shareholder Return at the end of the Performance Measurement Period, adjusted for all dividends and returns of capital to the Company's shareholders, less the sum of all performance fees paid in previous Performance Measurement Periods. The Cumulative Total Shareholder Return will be the difference between the volume weighted average closing price of the Reinet share on the Luxembourg Stock Exchange over the last 20 trading days of each financial year of the Company less the Initial Price, calculated as the volume weighted average market price of the share on the Luxembourg Stock Exchange over the first 60 trading days following the third day after the conclusion of the rights issue in December 2008. The Initial Price, calculated over the trading period from 22 December 2008 to 19 March 2009, is € 7.1945.

The performance fee is payable as of 31 March 2016 in the amount of € 5 million. A performance fee of € 78 million was paid in May 2015 in respect of the year ended 31 March 2015.

The Investment Advisor shall be entitled to all accrued but unpaid Management Fees and Performance Fees should the Fund Manager (acting on the instructions of the Board of Overseers) terminate the Investment Advisory Agreement with notice. Such entitlement will not arise where the Fund Manager (acting on the instructions of the Board of Overseers) is entitled to, and does, terminate the Investment Advisory Agreement immediately or if the Investment Advisory Agreement terminates automatically.

## CONFLICTS OF INTEREST

Individuals who are involved in the management of the Company, the General Partner or the Fund Manager may also be involved in the management of other industrial and investment companies, including but not limited to CFR SA and Remgro Limited. There is a possibility that these individuals may have a conflict of interest between the duties they owe to the Company or Reinet Fund and the duties they owe to the other entities relying upon their expertise. Such a conflict may arise in relation to, in particular, proposed investment opportunities. The Company and Reinet Fund will be managed to avoid any such conflicts of interest in all possible circumstances, as is also formalised in a conflicts of interest policy which was adopted by the Boards of the General Partner and Fund Manager. If a conflict of interest in relation to an investment opportunity would arise between any entities affiliated with Rupert family interests the opportunity to co-invest may be offered to the appropriate entities (taking into consideration, among other things, the investment objective, policies and restrictions of each of those entities). Specifically, in terms of the Reinet Prospectus and the conflicts of interest policy it is expected that any investments in luxury goods businesses will be made by CFR SA.

## CAPITAL STRUCTURE

At 31 March 2016, the Company had 195 941 286 ordinary registered shares and 1 000 management registered shares of no par value in issue.

The total number of voting rights at 31 March 2016 was 195 942 286.

## DEPOSITORY RECEIPTS

Ownership of the ordinary shares is split between those which are held in the form of shares and those held through the form of DRs. The DRs are listed on the Johannesburg Stock Exchange.

DRs were issued to the former Richemont depository receipts holders when the Company was established and additional DRs were issued to the shareholders of Remgro Limited in exchange for the contribution to the Company by Remgro of 10 per cent of its holding of BAT shares in November 2008. In addition, DR holders who participated in the rights issue also received additional DRs in exchange for the BAT shares contributed to the Company pursuant to the rights issue.

Reinet Securities SA is the successor to Richemont Securities AG. Richemont Securities AG was a jointly held Swiss affiliate of CFR SA and Reinet Fund, and was divided in terms of Swiss law on 16 December 2010 into two new entities, being Reinet Securities SA and Richemont Securities SA, which are responsible for the Reinet and Richemont depository receipt schemes, respectively. The division into two entities had no effect whatsoever on the underlying DRs or Richemont depository receipts.

DRs trade in the ratio of ten DRs to each Company share. The terms and conditions applicable to DRs are set out in the Deposit Agreement entered into between Reinet Securities SA, as depository, and the Company, as issuer. In its capacity as depository, Reinet Securities SA holds one share in safe custody for every ten DRs in issue. Reinet Securities SA's interest in the shares that it holds is therefore non-beneficial.

Any dividends received by Reinet Securities SA from the Company are payable in rand to South African residents. Dividends are converted upon receipt by Reinet Securities SA and then remitted to DR holders. Non-South African resident DR holders may receive the dividends in euros, subject to their residence status.

DR holders are not entitled to attend the shareholders' meetings of the Company or to vote in person. Rather, DR holders are canvassed as to their voting instructions by Reinet Securities SA, which then represents the holders as their proxy at shareholders' meetings.

# MANAGEMENT REPORT

## CORPORATE GOVERNANCE
CONTINUED

### SIGNIFICANT SHAREHOLDERS

The General Partner holds 1 000 management shares in the Company, being 100 per cent of the management shares in issue.

Parties affiliated to the Anton Rupert Trust hold a total of 48.8 million Company shares representing 24.93 per cent of the Company's share capital. The group of parties regarded as being affiliated to the Anton Rupert Trust includes entities and persons which are not necessarily closely connected with persons discharging managerial responsibilities within the Company, as defined in Article 3 paragraph 1 of the Regulation 596/2016 of the European Parliament and Council of 16 April 2014 (the 'Market Abuse Regulation'). As a consequence, share dealings by such parties are not disclosed as dealings by connected parties in terms of the Market Abuse Regulation.

On 16 December 2013, the Public Investment Corporation ('PIC') notified the Company that it held 14.61 per cent of the shares and voting rights in the Company, PIC previously held 15.49 per cent of the shares.

On 2 February 2011, Allan Gray Limited notified the Company that accounts under its management held the equivalent of 5.01 per cent of the shares and voting rights in the Company.

Old Mutual Investment Group (Pty) Ltd informed the Company that as from 27 April 2016 its holding on behalf of its clients exceeded the equivalent of 3 per cent of the shares and voting rights in the Company.

As at the date of this report, the Company has not received any other notifications of significant shareholdings in excess of 3 per cent of the shares in issue.

### SHAREHOLDERS' MEETINGS AND VOTING RIGHTS

Shareholders' meetings may be convened by the General Partner or by the Board of Overseers. All shareholders are invited to attend and speak at all general meetings of shareholders. Any shareholder may appoint another person, who need not be a shareholder, to represent him at the meeting. As noted above, DR holders may only appoint Reinet Securities SA to represent them at such meetings of shareholders.

Other than as required by law, resolutions to be approved at a meeting of shareholders will be passed by an absolute majority of those present and voting. There is no quorum requirement for a meeting convened to consider the business ordinarily to be considered by a shareholders' meeting. The business ordinarily to be considered at a shareholders' meeting is the approval of the statutory and consolidated financial statements as presented by the General Partner; the consideration and approval of the appropriation of the result of the year as proposed by the General Partner; the appointment, removal and remuneration of the Board of Overseers; and the discharge to be given to the General Partner and to the members of the Board of Overseers. All other business at a general meeting shall be considered only upon a proposal of the General Partner unless otherwise provided for in the law.

Any other matter which does not fall within the scope of a general meeting, as set out above, shall be dealt with by way of an extraordinary meeting. An extraordinary meeting shall require that 50 per cent of each class of shareholder is represented, failing which the meeting must be reconvened in accordance with the notice requirements laid down by the law. Resolutions proposed at such a meeting shall be passed by a vote in favour of at least two-thirds of the votes cast, provided that no resolution tabled at such a meeting shall be validly passed unless approved by the General Partner.

The annual general meeting of shareholders of the Company was held on 25 August 2015. Out of a total of 195 941 286 ordinary shares and 1 000 management shares in issue, a total of 138 409 892 ordinary shares (some 70.64 per cent of the total) and all the 1 000 management shares were represented by proxy at that meeting. The proposals of the General Partner in respect of the resolutions to be considered at the meeting were approved by an overwhelming majority of the votes present or represented at the meeting.

The rights of a shareholder to participate in a general meeting and to vote in respect of his shares shall be determined with respect to the shares held by that shareholder on the 14th day prior to the general meeting at midnight (Luxembourg time) (the 'Record Date'). No later than on the Record Date, or the date as provided for in the notice of the meeting, the shareholder shall indicate to the Company his intention to participate in the general meeting. The Company may determine the manner in which this declaration is made. The Statutes provide that certificates of the shareholdings and proxies be received by the Company a certain time before the date of the relevant meeting. In accordance with the Statutes, the General Partner may determine such other conditions that must be fulfilled by shareholders for them to take part in any meeting of shareholders in person or by proxy.

The notice of the 2016 annual general meeting of shareholders is given on pages 73 and 74 of this report.

### FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

The preparation of the statutory and consolidated financial statements of the Company is the responsibility of the General Partner. The Company's role is limited to the holding of the investment in Reinet Fund, the issuance of its own shares and related activities and therefore its own entity financial statements are straightforward. The Board of Directors of the General Partner has established strict rules designed to protect the Company's interests in the areas of financial reporting, internal control and risk management. An internal control process has been defined and implemented by the Board of Directors of the General Partner and approved by the Board of Overseers, with the aim of achieving reliability of financial and accounting information and full compliance with applicable laws and regulations. The internal controls over financial reporting are designed to provide assurance that the financial reporting does not contain any material inadequacies. The level of financial controls that have been established are considered by the General Partner to be adequate for the scale of the Company's and Reinet Fund's operations and their level of complexity.

A risk management function exists and quarterly reports are provided to the Board of the Fund Manager and the Board of Overseers.

The internal audit function is outsourced; an internal audit report is provided annually and the internal auditor attends one meeting of the Board of Overseers.

Responsibility for investment risk and treasury risk is borne by the Board of the Fund Manager. The day-to-day treasury position is monitored by the Chief Executive Officer and the Chief Financial Officer and policy decisions in respect of the investment of cash resources are taken by the Board of the Fund Manager.

Investment decisions are the responsibility of the Fund Manager, acting on the advice of the Investment Advisor.

The Company is subject to financial risks, certain of which are discussed in note 5 to the consolidated financial statements on page 48 of this report.

## INFORMATION POLICY

The Company reports to shareholders in accordance with the requirements of Luxembourg law, European regulations and the guidance provided by the Luxembourg Stock Exchange and the Commission de Surveillance du Secteur Financier ('CSSF'). The annual report is the principal source of financial and business information for shareholders. The Company's preliminary announcement of the results for the financial year is usually issued in May each year. In addition to the annual report, the Company publishes its half-yearly unaudited financial report in November, as well as interim management statements in July and January covering the Company's performance during the first and third quarters, respectively, of the financial year. Ad hoc news announcements are made in respect of matters which the Company considers to be of significance to shareholders, in accordance with the specific guidelines laid down by the Luxembourg Stock Exchange and the CSSF.

The annual report is distributed to all parties who have requested a copy and to registered DR holders. Investors may request electronic notification that such reports have been published on the Company's website.

All news announcements are distributed by email. Shareholders and other interested parties may ask to be included on the distribution list by contacting the Company Secretary at the Company's registered office or by email (info@reinet.com) or by registering on the Company's website (http://www.reinet.com/investor-relations/company-announcements.html).

Copies of the annual report and half-yearly unaudited financial report, the announcement of the results and ad hoc press releases may also be downloaded from the Company's website. A copy of the Statutes and the Corporate Governance Charter are also available on the website.

In addition, the Company publishes Reinet Fund's NAV statements. In accordance with Reinet Fund's prospectus, these NAV statements will be published within 20 business days of the end of each calendar quarter. These statements are also available on the Company's website www.reinet.com.

Statutory and regulatory announcements are filed with the CSSF, published on the Company's website and made available to the Luxembourg Stock Exchange.

## AUDITORS

The statutory and consolidated financial statements of the Company for the accounting year ended 31 March 2016 were audited by PricewaterhouseCoopers Société coopérative, approved statutory auditors, Luxembourg. PricewaterhouseCoopers falls to be reappointed by the General Partner in accordance with the terms of the law of 22 March 2004 on securitisation as amended.

## SUSTAINABILITY

For businesses to be successful, it is not sufficient to focus solely on the single bottom line of profitability at all costs. Rather, businesses are expected to meet the needs of all stakeholders – shareholders, employees, business partners, local communities, the global community and the environment. It is imperative for businesses to work responsibly, recognising that the world's resources are finite and that we all have a role to play in their conservation. Initiatives to reduce carbon dioxide emissions, reduce water usage and minimise emissions are to be welcomed.

Investors such as Reinet have a role to play by seeking out companies which do act responsibly and avoiding those which do not. Reinet's investment criteria reflect our concerns; we look for responsible management in businesses which take account of their stakeholders' interests, treat their employees fairly and respect the environment. A large proportion of Reinet's smaller investments (excluding the significant holding in BAT) are financial in nature being either in investment funds or investment advisory and management activities. By their nature, such operations have a minimal direct environmental impact.

Reinet's business philosophy is to find investments that offer long-term growth potential. Reinet's long-term investment philosophy minimises the risk of businesses in which we invest taking short-cuts to achieve 'quick-fix' returns. That logic applies to our partners as well. Reinet does not want to invest in businesses which do not share our goals and values. BAT is a good example of a company which has built a reputation for being a good corporate citizen within the industry in which it operates, whilst growing its business and consistently improving profitability.

MANAGEMENT REPORT

# CORPORATE GOVERNANCE
CONTINUED

In some cases – notably the co-investment in Jagersfontein, Rooipoort and Vanterra C Change TEM – Reinet is making an investment in projects which we expect will have positive, direct benefits for communities and the environment. Other investments, for example certain of those held through the NanoDimension funds, are exploring the use of new technologies to create new drugs or to improve the mechanisms for the delivery of drugs, targeting the site of the problem within the body and reducing side-effects.

As an investment vehicle, Reinet does not have any operations or staff of its own. It is managed by Reinet Investments Manager S.A. and Reinet Fund Manager S.A., whose teams are based in Luxembourg.

## ARTICLE 11 OF THE LUXEMBOURG LAW ON TAKEOVER BIDS OF 19 MAY 2006

The Company publishes the following detailed information as required by Article 11 (1) of the law of 19 May 2006 on takeover bids.

### CAPITAL STRUCTURE OF THE COMPANY

The Company has issued two classes of shares, namely management shares and ordinary shares. The ordinary shares are split between those which are held in the form of shares and are listed on the Luxembourg Stock Exchange and those held in the form of DRs which trade in the ratio of ten DRs to each Company share and are listed on the Johannesburg Stock Exchange.

At 31 March 2016, the Company had 195 941 286 ordinary shares and 1 000 management shares of no par value in issue.

The ordinary shares confer on the shareholder the entitlement to participate in and to vote at meetings of shareholders, with each share carrying the right to one vote. Each share also entitles each shareholder to receive a proportionate share of any dividend that the Company may declare and a proportionate share of the net assets of the Company on liquidation. The liability of shareholders is limited to the amount of their investment in the Company. The ordinary shares are listed on the Luxembourg Stock Exchange.

The management shares confer the same rights with regard to voting, dividends and the distribution of assets on liquidation as the ordinary shares. In addition, as holder of management shares, the General Partner has broad powers to manage the Company and has unlimited liability for any obligations of the Company that cannot be met out of the assets of the Company. The management shares are not listed.

DR holders are not entitled to attend the shareholders' meetings of the Company or to vote in person. Rather, DR holders are canvassed as to their voting instructions by Reinet Securities SA, which then represents the holders as their proxy at shareholders' meetings.

### RESTRICTIONS ON THE TRANSFER OF SECURITIES

The ordinary shares are freely transferable. The Company and its shareholders must comply with the requirements of the Luxembourg law of 11 January 2008 on transparency requirements (the 'Transparency Law'), provided however that in addition to the thresholds set out in such law, each shareholder shall, in accordance with the Statutes, be liable to notify the Company of any acquisition or disposal if the proportion of the holding of shares held by him, whether directly and/or indirectly, including those that are deemed to be controlled by him in the circumstances contemplated by Article 9 of the Transparency Law, reaches, exceeds or falls below the threshold of 3 per cent, failing which the General Partner may disregard the voting rights attached to the shares and certain restrictions may apply to such shareholdings in accordance with the terms of Article 10 of the Statutes.

The management shares are transferable only to a successor or an additional manager with unlimited liability for the Company's financial liabilities.

### SIGNIFICANT SHAREHOLDINGS

The details of significant shareholders within the meaning of the Transparency Law are given on page 34 of this report.

### SEPARATE CLASSES OF SECURITIES

The management shares held by the General Partner confer the same rights with regard to voting, dividends and the distribution of assets on liquidation as the ordinary shares. In addition, as holder of management shares, the General Partner shall have broad powers to manage the Company. The General Partner will have unlimited liability for any obligations of the Company that cannot be met out of the assets of the Company.

### SHARES HELD IN RESPECT OF SHARE INCENTIVE SCHEMES FOR EMPLOYEES OF THE GENERAL PARTNER, FUND MANAGER AND INVESTMENT ADVISOR

The Investment Advisor owns 963 540 ordinary shares of the Company as at 31 March 2016. These shares have been acquired to hedge share appreciation rights and related awards to key executives. Until the rights awarded under these schemes may be exercised by the employees concerned, the voting rights in respect of these shares may be exercised by the Investment Advisor.

### SHAREHOLDERS' MEETINGS AND VOTING RIGHTS

Each issued share represents one vote. The rights of a shareholder to participate in a general meeting and to vote in respect of his shares shall be determined with respect to the shares held by the shareholder on the 14th day prior to the general meeting, as required by Luxembourg law. Further information is set out on page 34 of this report.

### SHAREHOLDER AGREEMENTS AND TRANSFER RESTRICTIONS

There are no agreements between shareholders which are known to the Company. The Company is not aware of any agreements which may result in restrictions on the transfer of securities or voting rights.

## RULES GOVERNING THE APPOINTMENT OF THE GENERAL PARTNER AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Company has no executive management or employees. In accordance with Luxembourg law, the management of the Company is carried out by the General Partner, the unlimited shareholder of the Company, which has been designated as such in the Statutes.

The replacement of the General Partner or the appointment of additional managers requires an amendment to the Statutes.

Any proposal to amend the Statutes shall be considered and approved by an extraordinary general meeting of shareholders to be held before a public notary. At any such meeting, the shareholders may only validly deliberate if the quorum required by the law is satisfied. Resolutions shall be passed by at least two-thirds of the votes cast, provided that no resolution at any extraordinary general meeting of shareholders shall be validly passed unless approved by the General Partner, unless otherwise provided by law and the Statutes. In that respect it is to be noted that no decision of the General Partner on behalf of the Company in respect of the exercise by the Company of any power to amend the Statutes shall be valid unless approved by the Board of Overseers.

## POWERS OF THE GENERAL PARTNER

The General Partner is vested with the broadest powers to perform all acts of administration in compliance with the Company's corporate objects set out in the Statutes except for matters expressly reserved by Luxembourg law or the Statutes to be approved by the general meeting of shareholders. Certain decisions of the General Partner must be approved by the Board of Overseers.

The General Partner has authority to purchase, acquire or receive in the name of the Company, shares in the Company up to 10 per cent of the issued share capital, from time to time, over the stock exchange or in privately negotiated transactions or otherwise.

## SIGNIFICANT AGREEMENTS

There are no significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid.

## AGREEMENTS WITH DIRECTORS AND EMPLOYEES

The Company is managed by the General Partner, it has no directors, executive management or employees. Details of the agreements with the General Partner, the Fund Manager and the Investment Advisor are set out on pages 32 and 33 of this report.

## APPROVAL

The General Partner, represented by Wilhelm van Zyl, its Chief Executive Officer and Diane Longden, its Chief Financial Officer, confirms that, to the best of its knowledge:

1. The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union and give a true and fair view of the consolidated assets, liabilities, financial position and profit of the Company and its subsidiaries taken as a whole;
2. The Company financial statements have been prepared in accordance with Luxembourg legal and regulatory requirements and give a true and fair view of the Company's assets, liabilities, financial position and profit for the year; and
3. This report includes a fair review of the development and performance of the business and position of the Company and its subsidiaries taken as a whole, together with a description of the principal risks and uncertainties that they face.

The consolidated financial statements for the year ended 31 March 2016 on pages 40 to 64 and the Company financial statements on pages 66 to 70 of this report were approved for submission to the annual general meeting of shareholders by the Board of the General Partner and signed on its behalf by Wilhelm van Zyl and Diane Longden.

**Wilhelm Van Zyl**
Chief Executive Officer

**Diane Longden**
Chief Financial Officer

**Reinet Investments Manager S.A.**
General Partner
17 May 2016

# MANAGEMENT REPORT

## REPORT OF THE BOARD OF OVERSEERS

Pursuant to Articles 103 and 62 of the Luxembourg company law and Article 18 of the Statutes, we hereby report to the shareholders' meeting in respect of the accounting year ended 31 March 2016 and the financial statements prepared for such period.

The statutory and consolidated financial statements of the Company have been audited by the approved statutory auditor, PricewaterhouseCoopers Société coopérative, Luxembourg, in accordance with international standards on auditing. The audit reports on the statutory and consolidated financial statements of the Company are presented on pages 65 and 72 of this report, respectively.

We refer to those statutory and consolidated financial statements, which we have reviewed and discussed with the approved statutory auditor who is of the opinion that these provide a true and fair view of the financial situation of the Company.

During the period referred to above, we have been kept fully informed by the Board of Directors of the General Partner about developments in the Company.

The Board of Overseers recommends that the statutory and consolidated financial statements of the Company be presented to the annual general meeting of shareholders of the Company to be approved.

**The Board of Overseers**
Reinet Investments S.C.A.
9 May 2016

# FINANCIAL STATEMENTS


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*Reinet Investments S.C.A. (the 'Company') has determined that it meets the definition of an investment entity under International Financial Reporting Standards 10, as a result, its subsidiaries are consolidated in the fair value of Reinet Fund S.C.A., F.I.S., which is disclosed as one line item in the consolidated balance sheet and elsewhere in the consolidated financial statements as 'financial assets held at fair value through profit or loss'. The consolidated net asset value, income and cash flow statements are, however, disclosed in more detail in the business overview as in prior years.*

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

| | Notes | 31 March 2016 € m | 31 March 2015 € m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Financial assets held at fair value through profit or loss | 4, 5 | **5 221** | 5 078 |
| **Current assets** | | | |
| Cash and cash equivalents | | **1** | – |
| **Total assets** | | **5 222** | 5 078 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 8 | **220** | 220 |
| Share premium | | **770** | 770 |
| Non-distributable reserve | 9 | **22** | 22 |
| Retained earnings | | **4 209** | 4 065 |
| **Total equity** | | **5 221** | 5 077 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Amounts to affiliated undertakings | | | |
| – becoming due and payable after less than one year | 10 | **1** | 1 |
| **Total liabilities** | | **1** | 1 |
| **Total equity and liabilities** | | **5 222** | 5 078 |
| **Net asset value per ordinary share** | | **€ 26.65** | € 25.91 |

The notes on pages 44 to 64 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | **Year ended 31 March 2016 € m** | Year ended 31 March 2015 € m |
|---|---|---|---|
| **Income** | | | |
| Dividend received from Reinet Fund S.C.A., F.I.S. | | **34** | 40 |
| Net change in the fair value of financial assets at fair value through profit or loss | 4 | **143** | 955 |
| **Total income** | | **177** | 995 |
| **Expenses** | | | |
| Operating expenses | | **2** | 3 |
| **Total expenses** | | **2** | 3 |
| **Profit for the year** | | **175** | 992 |
| **Earnings per share from profit for the year** | | | |
| – basic and diluted | 12 | **€ 0.89** | € 5.06 |

The notes on pages 44 to 64 are an integral part of these consolidated financial statements.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to the shareholders | | | |
|---|---|---|---|---|
| | Equity holders' capital<br>€ m | Non-distributable reserve<br>€ m | Retained earnings<br>€ m | Total<br>€ m |
| Balance at 31 March 2014 | 990 | 22 | 3 103 | 4 115 |
| Dividend paid | – | – | (30) | (30) |
| Profit attributable to the shareholders | – | – | 992 | 992 |
| Balance at 31 March 2015 | 990 | 22 | 4 065 | 5 077 |
| **Dividend paid** | **–** | **–** | **(31)** | **(31)** |
| **Profit attributable to the shareholders** | **–** | **–** | **175** | **175** |
| **Balance at 31 March 2016** | **990** | **22** | **4 209** | **5 221** |

The notes on pages 44 to 64 are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

| | Year ended 31 March 2016 € m | Year ended 31 March 2015 € m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Dividend received from Reinet Fund S.C.A., F.I.S. | **34** | 40 |
| Operating expenses | **(2)** | (3) |
| **Net cash from operating activities** | **32** | 37 |
| | | |
| **Cash flow from financing activities** | | |
| Paid to affiliated undertakings | **–** | (7) |
| Dividend paid | **(31)** | (30) |
| **Net cash used in financing activities** | **(31)** | (37) |
| | | |
| **Net increase in cash and cash equivalents** | **1** | – |
| Cash and cash equivalents at beginning of the year | **–** | – |
| **Cash and cash equivalents at end of the year** | **1** | – |

The notes on pages 44 to 64 are an integral part of these consolidated financial statements.

# CONSOLIDATED FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

### 1.1 STATUS

Reinet Investments S.C.A. (the 'Company') is established in Luxembourg as a partnership limited by shares *(société en commandite par actions)* and is governed by the Luxembourg law on Securitisation. The Company's registered office is at 35, boulevard Prince Henri, L-1724 Luxembourg.

The Company is managed by Reinet Investments Manager S.A. (the 'General Partner'), a limited liability company established in Luxembourg, which also owns 1 000 management shares in the Company. The General Partner is liable for any obligations of the Company that cannot be met out of the assets of the Company. The General Partner's registered office is at 35, boulevard Prince Henri, L-1724 Luxembourg.

The Company owns the entire ordinary share capital of Reinet Fund S.C.A., F.I.S. ('Reinet Fund'), a specialised investment fund established as a partnership limited by shares *(société en commandite par actions)* under the laws of Luxembourg. References to Reinet Fund include all underlying subsidiaries.

Reinet Fund is managed by Reinet Fund Manager S.A. (the 'Fund Manager'), a limited liability company established in Luxembourg, which also owns 1 000 management shares in Reinet Fund. The Fund Manager is the general partner in Reinet Fund and is liable for any obligations of Reinet Fund that cannot be met out of the assets of Reinet Fund. The Fund Manager's registered office is at 35, boulevard Prince Henri, L-1724 Luxembourg.

Reinet Fund's objective is to generate significant long-term capital growth. It aims to achieve this objective by investing over time in a diversified portfolio of securities. Reinet Fund may also seek partners with whom it may co-invest. Reinet Fund is advised by Reinet Investment Advisors Limited (the 'Investment Advisor') under the terms of the investment advisory agreement (the 'Investment Advisory Agreement').

### 1.2 SECURITIES LISTINGS AND TRADING

The Company's shares are listed and traded on the Luxembourg Stock Exchange. In addition, Reinet Securities SA, acting on behalf of the Company, has issued depository receipts in respect of the Company's shares ('DRs'), which are traded on the Johannesburg Stock Exchange ('JSE'). DRs trade in the ratio of 10 DRs to each Company share.

### 1.3 APPROVAL OF THESE FINANCIAL STATEMENTS

These consolidated financial statements have been approved for submission to the annual general meeting of shareholders by the Board of Overseers on 9 May 2016, and by the Board of Directors of the General Partner on 17 May 2016.

## 2. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company applies International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU'). As part of its ongoing programme, the International Accounting Standards Board ('IASB') has issued new or revised IFRS during the period covered by these financial statements.

***(a) New standards and amended standards adopted in the year:***
There were no new standards, interpretations and amendments to existing standards that were effective for the year beginning 1 April 2015 that had a significant effect on the consolidated financial statements of the Company.

***(b) New standards, amendments and interpretations issued but not effective for the year beginning 1 April 2015 and not early adopted:***
Certain new accounting standards issued by the IASB and new interpretations issued by the International Financial Reporting Interpretations Committee are not yet effective and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements insofar as they relate to the Company's ongoing activities are set out below. These policies have been consistently applied to both periods presented, unless otherwise stated.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### 3.1 BASIS OF PREPARATION

The financial statements are prepared in accordance with IFRS as issued by the IASB and adopted by the EU.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6.

### 3.2 INVESTMENT ENTITY AND SUBSIDIARIES

**3.2.1 Investment entity**

The Company adopted IFRS 10 as at 31 March 2014, which requires that investment entities measure their subsidiaries at fair value through profit or loss. The General Partner considered all the facts and circumstances when assessing whether the Company qualifies as an investment entity under IFRS 10, such as, but not limited to, its objective of long-term capital appreciation (as reflected in the Company's prospectus, published on 10 October 2008), and its classification of financial assets at fair value through profit or loss.

IFRS 10 determines that an investment entity is defined as an entity which meets the following conditions:

(a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;

(b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

(c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

In assessing whether the Company meets the definition of an investment entity as set out in IFRS 10, the General Partner considered whether the Company has the following typical characteristics, while noting that the absence of any one or more of these characteristics does not necessarily disqualify an entity from being classified as an investment entity:

(a) it has more than one investment;

(b) it has more than one investor;

(c) it has investors that are not related parties of the entity; and

(d) it has ownership interests in the form of equity or similar interests.

The Company has multiple investors and owns the entire ordinary share capital of Reinet Fund. The Company is exposed to variable returns from changes in the fair value of Reinet Fund's net assets.

Although the Company does not have multiple investments, the General Partner believes that the Company can be classified as an investment entity due to the fact that it was formed to give its shareholders exposure to the underlying assets held by Reinet Fund. In that respect it is to be noted that an investment entity may hold a portfolio of investments directly or indirectly, for example by holding a single investment in another investment entity that itself holds several investments. The Company's investments are all held through Reinet Fund.

The Fund Manager further deems Reinet Fund to meet the definition of an investment entity.

Where applicable, the notes to the consolidated financial statements give information at the level of Reinet Fund and its subsidiaries.

**3.2.2 Subsidiaries**
Subsidiaries are all entities over which the Company has control. The Company controls an entity when it 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.

The Company controls Reinet Fund through its 100 per cent holding of the ordinary shares of Reinet Fund. The Company and Reinet Fund operate as an integrated structure whereby the Company currently invests solely into Reinet Fund. No subscriptions or redemptions were made during the year. As at 31 March 2016 and 31 March 2015 there were no capital commitment obligations and no amounts due to Reinet Fund for unsettled purchases.

The change in fair value of Reinet Fund is included in the statement of comprehensive income in 'Net change in the fair value of financial assets at fair value through profit or loss'.

## 3.3 FOREIGN CURRENCY TRANSLATION

**3.3.1 Functional and presentation currency**
The performance of the Company is measured and reported to the investors in euro. The General Partner considers the euro as the currency which is most appropriate for the representation of the Company's results. The financial statements are presented in euro. The euro is the Company's functional and presentation currency.

**3.3.2 Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance sheet date.

Where assets and liabilities are denominated in a currency other than the functional currency of the entity that holds such assets and liabilities, foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents, if any, are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within 'Net change in the fair value of financial assets at fair value through profit or loss'.

## 3.4 SEGMENT REPORTING

The Company's only segment is considered its investment in Reinet Fund. Segments within Reinet Fund are reported in a manner consistent with the internal reporting provided by the Fund Manager in respect of Reinet Fund. The Fund Manager is the chief operating decision maker and is responsible for allocating resources and assessing performance of the segments.

CONSOLIDATED FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 3.5 NON-IFRS DISCLOSURES

In the reporting of financial information, the Company uses certain measures that are not required under IFRS.

Due to the secondary listing of the Company on the JSE, the Company is required to present 'headline' earnings per share and diluted 'headline' earnings per share, as alternative measures of earnings per share, calculated in accordance with Circular 2/2013 'Headline Earnings' issued by the South African Institute of Chartered Accountants. This is presented on page 60.

## 3.6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### 3.6.1 Classification

The Company classifies its investment in Reinet Fund as a financial asset held at fair value through profit or loss within the following sub-category: *Financial assets and liabilities designated at fair value through profit or loss at inception.* Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's investment strategy.

Current assets are those which are expected to fall due, be receivable or realised within 12 months from the balance sheet date. Non-current assets are those where no realisation is currently expected within a 12-month time period from the balance sheet date.

### 3.6.2 Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets held at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership. Where the Company is in the process of restructuring the ownership of an asset, amounts which are to be sold to third parties and where a signed contract of sale exists, are included as assets held for sale.

Subsequent to initial recognition, financial assets held at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets held at fair value through profit or loss category are presented in the statement of comprehensive income within 'Net change in the fair value of financial assets at fair value through profit or loss' in the period in which they arise.

Dividend income from financial assets held at fair value through profit or loss is recognised in the statement of comprehensive income when the Company's right to receive payments is established.

### 3.6.3 Fair value estimation

The net asset value of Reinet Fund is determined by the Fund Manager. The Company's policy requires the Fund Manager to evaluate the information about Reinet Fund's financial assets and liabilities on a fair value basis together with other related financial information. The General Partner considers the net asset value of Reinet Fund as determined by the Fund Manager, according to the principles outlined in the next paragraph, to be the best estimate of fair value.

In calculating the fair value of the assets and liabilities held by Reinet Fund, the fair value of financial assets traded in active markets (such as publicly traded securities) are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the closing bid price. The fair value of financial assets that are not traded in an active market is determined by the Fund Manager using valuation techniques in accordance with International Private Equity and Venture Capital Association guidelines. The Fund Manager uses a variety of valuation methods in each case considered to be most appropriate to the assets concerned. Where necessary, valuations are obtained by the Fund Manager from third-party experts to support the valuations being used in the financial statements. Valuation techniques used include the use of comparable recent arm's-length transactions, reference to other instruments that have substantially the same characteristics, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. For recent investments in unquoted investments, cost may be considered to be the best estimate of fair value (in accordance with the most recent International Private Equity and Venture Capital Association guidelines), for a limited period after the date of the transaction and in the absence of any indications to the contrary.

## 3.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

## 3.8 RECEIVABLES

Receivables are carried at fair value.

## 3.9 ACCRUED EXPENSES

Accrued expenses are recognised at fair value.

## 3.10 TAXATION

The Company is registered in Luxembourg and is subject to corporate tax as determined by Luxembourg law.

Reinet Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such tax on income or gains is recorded within the fair value of the Company's investment in Reinet Fund.

## 4. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **31 March 2016 € m** | 31 March 2015 € m |
|---|---|---|
| **Financial assets held at fair value through profit or loss:** | | |
| – Unlisted investments – Reinet Fund | **5 221** | 5 078 |
| **Total financial assets at fair value through profit or loss** | **5 221** | 5 078 |
| Net changes in fair value on financial assets at fair value through profit or loss: | | |
| – Realised | **–** | – |
| – Unrealised | **143** | 955 |
| **Total** | **143** | 955 |

The investment held is in Reinet Fund, which is considered to be a related party of the Company. Also refer to note 13 for related party disclosures.

The following table presents the movement of the investments held by Reinet Fund for the year ended 31 March 2016:

| **Assets held at fair value through profit or loss** | **Opening balance 1 April 2015 € m** | **Purchases/ (repayments) € m** | **Sale proceeds € m** | **Realised gains or (losses) in the year € m** | **Movement in unrealised gains or (losses) in the year[1] € m** | **Closing balance 31 March 2016 € m** |
|---|---|---|---|---|---|---|
| **Listed investments** | | | | | | |
| British American Tobacco p.l.c. ('BAT') | 3 579 | **–** | **(307)** | **178** | **62** | **3 512** |
| – shares sold during the year[2] | 301 | **–** | **(307)** | **178** | **(172)** | **–** |
| – shares held at year-end | 3 278 | **–** | **–** | **–** | **234** | **3 512** |
| SPDR Gold Shares ('GLD') | – | **22** | **–** | **–** | **2** | **24** |
| **Unlisted investments** | | | | | | |
| Pension Insurance Corporation Group Limited ('Pension Corporation') | 907 | **–** | **–** | **–** | **13** | **920** |
| Trilantic Capital Partners private equity funds and related management companies | 231 | **13** | **(99)** | **75** | **(77)** | **143** |
| Renshaw Bay and related investments | 223 | **24** | **(40)** | **(7)** | **(22)** | **178** |
| 36 South macro/volatility funds | 77 | **–** | **–** | **–** | **(15)** | **62** |
| Asian private equity and portfolio funds[3] | 164 | **11** | **(8)** | **3** | **(15)** | **155** |
| Specialised private equity funds[3] | 183 | **(16)** | **(3)** | **2** | **(33)** | **133** |
| United States land development and mortgages | 207 | **16** | **–** | **–** | **(59)** | **164** |
| Diamond interests | 92 | **(12)** | **–** | **–** | **(21)** | **59** |
| Other investments | 11 | **58** | **–** | **–** | **(3)** | **66** |
| | 5 674 | **116** | **(457)** | **251** | **(168)** | **5 416** |
| Cash and liquid funds | 76 | | | | | **379** |
| Other assets and liabilities | (672) | | | | | **(574)** |
| **Total** | 5 078 | | | | | **5 221** |

*(1) Unrealised gains or (losses) in the year includes accrued interest income from investments.*
*(2) The reversal of the unrealised gain on shares sold represents the unrealised gain as at 1 April 2015 on the 6.25 million BAT shares sold during the year ended 31 March 2016.*
*(3) The investment in GEMS is now included in 'Specialised private equity funds'.*

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The following table presents the movement of the investments held by Reinet Fund for the year ended 31 March 2015:

| Assets held at fair value through profit or loss | Opening balance 1 April 2014 € m | Purchases/ (repayments) € m | Sale proceeds € m | Realised gains or (losses) in the year € m | Movement in unrealised gains or (losses) in the year[(1)] € m | Closing balance 31 March 2015 € m |
|---|---|---|---|---|---|---|
| **Listed investments** | | | | | | |
| BAT | 2 997 | – | – | – | 582 | 3 579 |
| **Unlisted investments** | | | | | | – |
| Pension Corporation | 548 | 94 | – | – | 265 | 907 |
| Trilantic Capital Partners private equity funds and related management companies | 210 | 16 | (27) | 18 | 14 | 231 |
| Renshaw Bay and related investments | 128 | 54 | – | – | 41 | 223 |
| 36 South macro/volatility funds | 72 | (1) | – | – | 6 | 77 |
| Asian private equity and portfolio funds[(2)] | 96 | 31 | – | – | 37 | 164 |
| Specialised private equity funds[(2) (3)] | 149 | 1 | (9) | 2 | 40 | 183 |
| United States land development and mortgages | 134 | 19 | – | – | 54 | 207 |
| Diamond interests | 76 | (6) | – | – | 22 | 92 |
| Other investments | 10 | 8 | – | – | (7) | 11 |
| | 4 420 | 216 | (36) | 20 | 1 054 | 5 674 |
| Cash and liquid funds | 223 | | | | | 76 |
| Other assets and liabilities | (520) | | | | | (672) |
| **Total** | 4 123 | | | | | 5 078 |

*(1) Unrealised gains or (losses) in the year includes accrued interest income from investments.*
*(2) The investment in GEMS is now included in 'Specialised private equity funds'.*
*(3) During the year under review, Vanterra Flex Investments L.P. distributed a part of its minority holding in United States land development and mortgages to Reinet Fund; the value of this distributed interest amounted to € 5 million.*

## 5. FINANCIAL RISKS

### 5.1 FINANCIAL RISK FACTORS

The Company has a sole investment in Reinet Fund, therefore the General Partner of the Company relies on the risk management procedures performed by the Fund Manager, and thus the risk management disclosures set out below are at the level of Reinet Fund.

The Company, through its investment in Reinet Fund, is exposed to a variety of financial risks including market risk (ie currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Fund Manager seeks to maximise the returns derived for the level of risk to which Reinet Fund is exposed and seeks to minimise potential adverse effects on financial performance. Reinet Fund's investment policy allows it to use derivative financial instruments to both moderate and create certain risk exposures. All investments present a risk of loss of capital. The management of these risks is carried out by the Fund Manager.

Reinet Fund will use different methods to measure and manage the various types of risk to which it is exposed; these methods are explained on the following pages. There have been no changes in the methods used in the year under review.

### 5.1.1 Market risk

**Reinet Fund – Financial assets and liabilities subject to market risks**

| 31 March 2016 | Total<br>€ m | Price risk<br>€ m | Foreign exchange risk<br>€ m | Interest rate risk<br>€ m |
|---|---|---|---|---|
| **Assets** | | | | |
| Listed equity securities | **3 536** | **3 536** | **3 536** | **–** |
| Unlisted equity securities and funds | **1 684** | **1 684** | **1 545** | **–** |
| Loans and interest receivable | **196** | **–** | **188** | **196** |
| | **5 416** | **5 220** | **5 269** | **196** |
| Derivative financial instruments | **2** | **–** | **2** | **–** |
| Cash and cash equivalents | **379** | **–** | **372** | **–** |
| **Total assets** | **5 797** | **5 220** | **5 643** | **196** |
| | | | | |
| **Liabilities** | | | | |
| Derivative financial instruments | **(80)** | **(80)** | **(80)** | **(80)** |
| Borrowings | **(417)** | **–** | **(417)** | **(417)** |
| | **(497)** | **(80)** | **(497)** | **(497)** |
| Other assets and liabilities | **(79)** | **–** | **(26)** | **–** |
| **Total liabilities** | **(576)** | **(80)** | **(523)** | **(497)** |
| **Total investment in Reinet Fund** | **5 221** | | | |

| 31 March 2015 | Total<br>€ m | Price risk<br>€ m | Foreign exchange risk<br>€ m | Interest rate risk<br>€ m |
|---|---|---|---|---|
| **Assets** | | | | |
| Listed equity securities | 3 579 | 3 579 | 3 579 | – |
| Unlisted equity securities and funds | 1 852 | 1 852 | 1 655 | – |
| Loans and interest receivable | 243 | – | 234 | 243 |
| | 5 674 | 5 431 | 5 468 | 243 |
| Cash and cash equivalents | 76 | – | 71 | – |
| **Total assets** | 5 750 | 5 431 | 5 539 | 243 |
| | | | | |
| **Liabilities** | | | | |
| Derivative financial instruments | (32) | (26) | (32) | (26) |
| Funding from minority partners | (5) | – | (5) | (5) |
| Borrowings | (474) | – | (474) | (474) |
| | (511) | (26) | (511) | (505) |
| Other assets and liabilities | (161) | – | (41) | – |
| **Total liabilities** | (672) | (26) | (552) | (505) |
| **Total investment in Reinet Fund** | 5 078 | | | |

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

***5.1.1.1 Price risk***

Reinet Fund is exposed to price risk. This arises from the investments held by Reinet Fund for which prices in the future are uncertain. The fair value of listed securities is dependent upon stock exchange movements which are determined by the market's expectations reflecting interest rates, sentiment, volatility, currency and other factors both specific to each investment and those affecting the market as a whole. Investments in venture capital and start-up projects will also tend to have higher price volatility than more mature investments.

Where non-monetary financial instruments are denominated in currencies other than the euro, the price initially expressed in foreign currency and then converted into euro will also fluctuate because of changes in foreign exchange rates. Note 5.1.1.2 'Foreign exchange risk' sets out how this component of price risk is managed and measured.

Reinet Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments. It is expected that this diversification policy will be implemented on a measured basis, over a period of time.

At 31 March 2016, Reinet Fund's exposure to price risk in respect of long-term assets and liabilities was as follows:

| | **31 March 2016 € m** | 31 March 2015 € m |
|---|---|---|
| **Listed equity securities** | | |
| – BAT | **3 512** | 3 579 |
| – GLD | **24** | – |
| **Unlisted equity securities and funds** | | |
| – Pension Corporation | **920** | 907 |
| – Others | **764** | 945 |
| | **5 220** | 5 431 |
| Derivative financial liabilities | **(80)** | (26) |
| **Total exposure to price risk** | **5 140** | 5 405 |

During the years ended 31 March 2016 and 31 March 2015, Reinet Fund's exposure to various industry sectors was principally in respect of its indirect investments held in BAT and Pension Corporation. This represented some 85 per cent of the net asset value of Reinet Fund as at 31 March 2016 (31 March 2015: 88 per cent).

The table below summarises the sensitivity of Reinet Fund's assets to price movements as at 31 March 2016 and 31 March 2015.

The analysis is based on the assumption that prices would increase or decrease by 10 per cent with all other variables held constant. The 10 per cent change is based on a reasonable possible change in the fair value of the investments held as at 31 March 2016.

| **Effect of a 10 per cent increase in prices** | **31 March 2016 € m** | 31 March 2015 € m |
|---|---|---|
| Effect on equity securities and funds | **522** | 543 |
| Effect on derivative financial liabilities | **(55)** | (32) |
| Effect on net assets | **467** | 511 |

| **Effect of a 10 per cent decrease in prices** | **31 March 2016 € m** | 31 March 2015 € m |
|---|---|---|
| Effect on equity securities and funds | **(522)** | (543) |
| Effect on derivative financial liabilities | **43** | 25 |
| Effect on net assets | **(479)** | (518) |

The above analysis indicates that a 10 per cent increase or decrease in the value of the BAT shares underlying the derivative financial instruments will have a significant impact on the value of the derivative liability (please refer to note 5.1.3 for a detailed description of the derivative). The fair value of the derivative liability will generally move in the opposite direction to the movement in the underlying BAT shares.

*5.1.1.2 Foreign exchange risk*

Reinet Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the euro, primarily the US dollar, sterling and South African rand. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. The Fund Manager, however, monitors the exposure on all foreign currency denominated assets and liabilities, and hence, the table below has been analysed between monetary and non-monetary items to meet the requirements of IFRS 7.

Reinet Fund's policy is currently to minimise its exposure to monetary foreign exchange movements on liquid funds by holding such liquid funds in euro and sterling where there are corresponding sterling liabilities. That policy may change to reflect the Fund Manager's view as to the likely development of foreign exchange rates in the medium-term or to take account of requirements for funds for investment purposes in currencies other than the euro. Where appropriate, Reinet Fund may enter into foreign exchange hedging transactions. During the year, Reinet Fund entered into a forward exchange contract to sell ZAR 550 million. The exposure to the South African rand and sterling has also been partially hedged by borrowings in these currencies.

When the Fund Manager formulates a view on the future direction of foreign exchange rates and the potential impact on Reinet Fund, the Fund Manager factors that into its resource allocation decisions. While Reinet Fund may have direct exposure to foreign exchange rate changes on the price of non-euro denominated securities, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which it invests, most notably BAT and Pension Corporation. For that reason, the sensitivity analysis will not necessarily indicate the total effect on Reinet Fund's net assets of future movements in foreign exchange rates.

Reinet Fund has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Where appropriate, borrowings in foreign currencies may be used as a natural hedge of foreign currency assets. Currency exposure arising from the net assets of the foreign operations is managed where considered necessary through borrowings denominated in the relevant foreign currencies.

The table below summarises Reinet Fund's assets and liabilities by currency.

| **Concentration of assets and liabilities by currency** | **GBP** | | **EUR** | | **USD** | | **ZAR** | |
|---|---|---|---|---|---|---|---|---|
| | **2016 € m** | 2015 € m | **2016 € m** | 2015 € m | **2016 € m** | 2015 € m | **2016 € m** | 2015 € m |
| **Assets** | | | | | | | | |
| Monetary assets | **339** | 66 | **7** | 5 | **33** | 5 | **–** | – |
| Non-monetary assets | **4 557** | 4 580 | **149** | 206 | **652** | 795 | **60** | 93 |
| **Liabilities** | | | | | | | | |
| Monetary liabilities | **(391)** | (440) | **(53)** | (120) | **(26)** | (46) | **(26)** | (34) |
| Non-monetary liabilities | **(80)** | (26) | **–** | (6) | **–** | – | **–** | – |

The Fund Manager monitors Reinet Fund's foreign exchange exposure on a weekly basis and the Board of the Fund Manager reviews it at each meeting.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The table below summarises the sensitivity of Reinet Fund's assets and liabilities to changes in foreign exchange movements at 31 March 2016 and 31 March 2015. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 10 per cent to the euro, with all other variables held constant. This increase or decrease in the net assets attributable to shareholders arises mainly from a change in the fair value of UK equities, notably the investments held in BAT and Pension Corporation, and other investments denominated in US dollar that are classified as financial assets held at fair value through profit or loss.

| **Movement in each currency against euro** | **31 March 2016 Increase or decrease € m** | 31 March 2015 Increase or decrease € m |
|---|---|---|
| **Sterling** | | |
| Monetary | **5** | 38 |
| Non-monetary | **450** | 456 |
| **US dollar** | | |
| Monetary | **1** | 4 |
| Non-monetary | **65** | 80 |

Applying current year exchange rates to the March 2015 assets and liabilities would have resulted in a decrease in value of some € 404 million, of which some € 360 million relates to the weakening of the sterling against the euro and some € 44 million relates to the weakening of the US dollar against the euro.

***5.1.1.3 Interest rate risk***

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. Reinet Fund holds fixed interest loans and has long-term borrowings that expose it to fair value interest rate risk.

As at 31 March 2016, Reinet Fund held financial assets with fixed interest rates amounting to € 156 million (31 March 2015: € 171 million) and with variable interest rates amounting to € 40 million (31 March 2015: € 72 million).

In respect of financial assets with variable interest rates, a movement in interest rates of 100 basis points, with all other variables held constant, would result in an impact on operating results of € 1 million at 31 March 2016 (31 March 2015: € 1 million).

Borrowings at variable rates expose Reinet Fund to cash flow interest rate risk, this is partly offset by cash and financial assets held at variable rates. Borrowings at variable rates amounted to € 26 million at 31 March 2016 (31 March 2015: € 34 million).

In respect of borrowings with variable interest rates, a movement in interest rates of 100 basis points, with all other variables held constant, would result in an impact on operating results of € 0.3 million at 31 March 2016 (31 March 2015: € 0.3 million).

Changes in interest rates affect the fair value of fixed interest financial assets and liabilities. A change in interest rates of 100 basis points would increase/decrease the fair value by € 5 million at 31 March 2016 (31 March 2015: € 9 million).

Reinet Fund may also be indirectly affected by the impact of interest rate changes on the earnings of its investments and the impact on the investment valuations that use interest rates as an input in the valuation model. The sensitivity analysis may not indicate the total effect on the movement in these interest rates.

The Fund Manager monitors Reinet Fund's overall interest rate sensitivity on a regular basis.

**5.1.2 Credit risk**

Reinet Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due.

The main credit risk to which Reinet Fund is exposed arises from bank deposits, bonds, loans to third parties and borrowings where Reinet Fund's assets are pledged in favour of a third party. Reinet Fund is also exposed to counterparty credit risk on other receivable balances.

Reinet Fund's policy to manage this risk is to place funds only with banks which have strong credit ratings.

The analysis below summarises the credit quality of Reinet Fund's bank deposits.

| | **31 March 2016** | | 31 March 2015 | |
|---|---|---|---|---|
| **Banks by rating category (Moody's)** | **€ m** | **%** | € m | % |
| Aa2 | **125** | **32** | – | – |
| Aa3 | **127** | **34** | 52 | 68 |
| Baa1 | **127** | **34** | – | – |
| Baa2 | **–** | **–** | 24 | 32 |
| **Total** | **379** | **100** | 76 | 100 |

In addition, Reinet Fund has the following investments and receivables that are exposed to credit risk:

| | **31 March 2016** | | 31 March 2015 | |
|---|---|---|---|---|
| | **€ m** | **%** | € m | % |
| Loans to private equity interests at fair value | **196** | **99** | 243 | 100 |
| Derivative assets | **2** | **1** | – | – |
| **Total** | **198** | **100** | 243 | 100 |

Investments in loans are reviewed periodically and revalued where necessary. The loans are neither rated nor listed.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

**5.1.3 Liquidity risk**

Liquidity risk is the risk that Reinet Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Fund Manager monitors Reinet Fund's liquidity position on a daily basis.

In March 2011, a loan of ZAR 443.4 million was obtained from Rand Merchant Bank in South Africa. The loan is repayable in March 2018 but can be prepaid at any time without penalty from own resources at Reinet Fund's option.

In February 2012, a loan of £ 300 million was obtained from Deutsche Bank, London. The loan is for a five-year period and secured by a pledge over a part of Reinet Fund's holding of BAT shares. In conjunction with the loan, a collar transaction was entered into with Deutsche Bank. The collar involved purchasing a put option and selling a call option over BAT shares. The put option has an exercise price set at a level which will ensure the provision of funds to repay the borrowing. The net outstanding premium of € 11 million at 31 March 2016 (31 March 2015: € 5 million) in respect of the collar is also due to Deutsche Bank.

Reinet Fund has put in place additional borrowing facilities which will permit it to draw down the equivalent of up to £ 300 million in a combination of currencies to fund further investment commitments. As at 31 March 2016 Reinet Fund had not drawn down on these facilities.

As at 31 March 2016, 35 per cent of Reinet Fund's invested assets are not actively traded on a stock exchange. Reinet Fund's listed investment in BAT is considered readily realisable as its shares are traded with significant daily volumes on the London Stock Exchange.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The table below shows the contractual undiscounted cash flows in respect of borrowings and interest thereon.

| Payments due in year ended | 31 March 2016 € m | 31 March 2017 € m | 31 March 2018 € m |
|---|---|---|---|
| **As at 31 March 2016** | | | |
| Borrowings ZAR 443.4 million | – | **2** | **28** |
| Borrowings GBP 300 million | – | **396** | – |
| As at 31 March 2015 | | | |
| Borrowings ZAR 443.4 million | 3 | 3 | 37 |
| Borrowings GBP 300 million | 20 | 434 | – |

As at 31 March 2016, Reinet Fund has a derivative financial liability in the amount of € 80 million in respect of the collar financing transaction with Deutsche Bank. Reinet Fund sold a call over 13.7 million BAT shares with an average strike price of £ 37.88. As the BAT share price increases the value of the derivative liability increases, however the BAT shares can only be called on maturity in 2017 at which time Reinet Fund would have the option to settle in BAT shares or in cash.

### 5.2 CAPITAL RISK MANAGEMENT

The Company's principal objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of its investment activities.

Capital is comprised of share capital, share premium, non-distributable reserves and retained earnings.

Reinet Fund is required to maintain its net asset value (capital) in excess of € 1 billion in respect of its borrowing from a bank. Reinet Fund is not subject to any other externally imposed capital requirements other than any minimum capital requirement imposed by applicable laws and regulations (currently a minimum capital of € 1 250 000 is required by law).

During the year, Reinet Fund complied with the above requirement and reported a net asset value of € 5 221 million as at 31 March 2016 (31 March 2015: € 5 078 million).

During the year under review, a dividend of some € 31 million (31 March 2015: € 30 million) was paid to shareholders, there have been no other changes in capital in the year other than profits generated in the ordinary course of business.

### 5.3 FAIR VALUE ESTIMATION

The Company and Reinet Fund have established a control framework with respect to the measurement of fair values. This includes a valuation role that is responsible for co-ordinating all significant fair value measurements, including level 3 fair values, and reports directly to the Chief Financial Officer ('CFO').

Where necessary, independent external valuation experts may be engaged to assist in the assessment of the fair value of those investments where market observable data is limited.

A review is carried out on a quarterly basis of all fair values based on latest available financial information. The CFO reviews significant unobservable inputs and valuation adjustments.

Consideration is also given to the classification of each investment into the fair value hierarchy to reflect the level of judgement involved in estimating fair values. Where a transfer between levels is required in the reporting period, the transfer is deemed to have occurred at the beginning of the reporting period.

All investment valuations, including significant valuation issues are reported to the Board of Overseers and the Board of the Fund Manager and General Partner on a quarterly basis.

In accordance with IFRS 13 the Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the assets that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses, within the fair value hierarchy, the Company's financial assets and liabilities measured at fair value at 31 March 2016 and 31 March 2015:

| | **Level 1 € m** | **Level 2 € m** | **Level 3 € m** | **Total € m** |
|---|---|---|---|---|
| **31 March 2016** | | | | |
| **Assets** | | | | |
| Financial assets designated at fair value through profit or loss: | | | | |
| – Investment in Reinet Fund | – | – | **5 221** | **5 221** |
| **Total financial assets** | – | – | **5 221** | **5 221** |
| 31 March 2015 | | | | |
| **Assets** | | | | |
| Financial assets designated at fair value through profit or loss: | | | | |
| – Investment in Reinet Fund | – | – | 5 078 | 5 078 |
| **Total financial assets** | – | – | 5 078 | 5 078 |

The Company had no transfers between level 2 and level 3 during the year.

The following table presents the movement in level 3 investments for the Company for the years ended 31 March 2016 and 31 March 2015:

| | **31 March 2016 € m** | 31 March 2015 € m |
|---|---|---|
| Opening balance | **5 078** | 4 123 |
| Gains and losses recognised in profit or loss | **143** | 955 |
| **Closing balance** | **5 221** | 5 078 |

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The following tables analyse, within the fair value hierarchy, Reinet Fund's financial assets and liabilities measured at fair value at 31 March 2016 and 31 March 2015:

| | Level 1<br>€ m | Level 2<br>€ m | Level 3<br>€ m | Total<br>€ m |
|---|---|---|---|---|
| **31 March 2016** | | | | |
| **Assets** | | | | |
| Financial assets designated at fair value through profit or loss: | | | | |
| – Equity securities and funds | **3 536** | **198** | **1 486** | **5 220** |
| – Loans | **–** | **–** | **196** | **196** |
| Derivative financial instruments | **–** | **2** | **–** | **2** |
| **Total financial assets** | **3 536** | **200** | **1 682** | **5 418** |
| | | | | |
| **Liabilities** | | | | |
| Derivative financial instruments | **–** | **(80)** | **–** | **(80)** |
| Borrowings | **–** | **(417)** | **–** | **(417)** |
| **Total financial liabilities** | **–** | **(497)** | **–** | **(497)** |
| | | | | |
| **Net financial assets** | | | | **4 921** |
| Non-financial assets/(liabilities) | | | | **300** |
| **Reinet Fund net asset value** | | | | **5 221** |

| | Level 1<br>€ m | Level 2<br>€ m | Level 3<br>€ m | Total<br>€ m |
|---|---|---|---|---|
| 31 March 2015 | | | | |
| **Assets** | | | | |
| Financial assets designated at fair value through profit or loss: | | | | |
| – Equity securities and funds | 3 579 | 229 | 1 623 | 5 431 |
| – Loans | – | – | 243 | 243 |
| **Total financial assets** | 3 579 | 229 | 1 866 | 5 674 |
| | | | | |
| **Liabilities** | | | | |
| Derivative financial instruments | – | (32) | – | (32) |
| Borrowings | – | (474) | – | (474) |
| **Total financial liabilities** | – | (506) | – | (506) |
| | | | | |
| **Net financial assets** | | | | 5 168 |
| Non-financial assets/(liabilities) | | | | (90) |
| **Reinet Fund net asset value** | | | | 5 078 |

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. Reinet Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, as well as open-ended funds are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include the Company's investment in Reinet Fund, which in turn includes investments in unlisted equities, private equity funds and loans. As observable prices are not available for these investments, Reinet Fund has used fair values obtained from audited and unaudited financial statements provided by fund managers, valuations obtained from third-party experts using appropriate valuation methods and discounted cash flow analyses to derive fair values.

As noted in 5.1.1.1 Reinet Fund holds shares in BAT. BAT shares are listed on the London Stock Exchange and movements in the share price could have a significant effect on the value of Reinet Fund.

**Sensitivity of level 3 investments**

Level 3 valuations are reviewed on a regular basis by the Board of Overseers, who consider the appropriateness of the valuation models used, as well as the results using various valuation techniques generally recognised as standard within the fund industry.

Unobservable inputs and the resulting estimated fair values are based on the best information available at each reporting date. Changes in fair values due to updated inputs and new information will be recorded in the period in which they occur. Given the nature of the investments and their underlying risks and uncertainties there is a wide range of potential outcomes in respect of these estimated fair values which may vary significantly from the fair value figures presented.

The following table summarises for each of Reinet Fund's significant level 3 investments the valuation methodology used and any significant unobservable inputs used in calculating the value of the investment as of 31 March 2016. The table is not intended to be all-inclusive, but rather provides information which Reinet Fund regards as significant in respect of unobservable inputs and their sensitivity to reasonable change.

| Unlisted investments | Fair value at 31 March 2016 € m | Primary valuation technique | Unobservable inputs | Range (weighted average) | Reasonable possible change +/- (absolute value)(1) € m |
|---|---|---|---|---|---|
| Pension Corporation | 920 | Market comparable companies(2) | Market multiples | 0.90 - 1.10 (1.00) | +92/-92 |
| | | | Discount | 5% - 15% (10%) | +51/-51 |
| Trilantic Capital Partners private equity funds and related | 140 | Net asset value(3) | n/a | n/a | n/a |
| management companies | 3 | Discounted cash flow | Discount rate | n/a | Not material |
| Renshaw Bay and related investments | 83 | Net asset value(3) | n/a | n/a | n/a |
| | 11 | Discounted cash flow | n/a | n/a | Not material |
| 36 South macro/volatility funds | 8 | Discounted cash flow | n/a | n/a | Not material |
| Asian private equity and portfolio funds | 114 | Net asset value(3) | n/a | n/a | n/a |
| Specialised private equity funds | 84 | Net asset value(3) | n/a | n/a | n/a |
| | 30 | Recent financing round | Discount rate | n/a | Not material |
| United States land development and mortgages | 164 | Discounted cash flow(4) | Discount rate | 10% - 30% (16.6%) | +10/-8 |
| Diamond interests including receivables from third parties | 59 | Discounted cash flow(5) | Discount rate | 15.8% - 22.2% (19%) | Not material |
| Other investments | 66 | Net asset value(3) | n/a | n/a | n/a |
| **Total** | **1 682** | | | | |

*(1) The reasonable possible change is calculated based on the range of unobservable inputs indicated in the table and is only an indication of the sensitivity of such inputs. A larger change in value could arise as a result of other factors which may occur after the reporting date.*

*(2) This investment has been reviewed by third-party valuation experts and a peer group of comparable companies determined. The market multiples for the peer group were considered and used as a basis in calculating the fair value of the investment. A discount of 10 per cent was applied to recognise in part the lack of liquidity in the unlisted shares (previously 20 per cent), the change in discount reflects the increased maturity of Pension Corporation. A movement of 5 per cent has been applied for calculating the reasonable possible change, as this is deemed as a reasonable market movement by management.*

*(3) Reinet Fund has relied upon the latest available net asset value data provided by investment/fund managers. No sensitivity analysis has been performed on the underlying data. The underlying data could be affected by changes in timing, prices, foreign exchange rates and other market variables which may only be determined by the manager of each underlying investment.*

*(4) Included in this investment are US land lots and properties which have been valued at 31 December 2015 by an independent real estate appraiser and a discounted cash flow approach. Mortgage loans receivable and mortgages payable have been valued using a discounted cash flow approach. Discount rates in the range of 10 per cent to 30 per cent have been applied in determining the fair values of the mortgages based on the level of risk and estimated timing of repayment. Changes in land values would also affect the value of the investment.*

*(5) Reinet Fund has relied upon cash flows provided by local management as at 31 March 2016. These cash flows could be affected by a range of variables including changes in diamond prices, foreign exchange rates, inflation, processing capacity and many other variables which can best be determined by management of the underlying entities. The discounted cash flow used by Reinet Fund in determining the fair value applies discounts in the range of 15.8 per cent and 22.2 per cent to take account of the risks and variables described above.*

CONSOLIDATED FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### 6.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The General Partner, must make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

***Fair value of unquoted investments***

The Company holds an investment in Reinet Fund. The value of Reinet Fund is determined by the Fund Manager who applies various valuation techniques in valuing the underlying assets. The General Partner considers the net asset value of Reinet Fund as determined by the Fund Manager to be the fair value.

The fair value of investments not quoted in an active market may be determined by the Fund Manager using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Fund Manager exercises judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Fund Manager may value positions using its own models, which are based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily earnings multiples and discounted cash flows. The models used to determine fair values are validated and periodically reviewed by personnel independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples, adjusted for lack of marketability and control premiums. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

Models use observable data to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes 'observable' requires significant judgement by the Fund Manager. The Fund Manager considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

***Taxation***

Subsidiaries of Reinet Fund are subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. Reinet Fund recognises liabilities for anticipated tax payments using estimates of the amount of taxes due. Where the final outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

### 6.2 CRITICAL JUDGEMENTS

***Functional currency***

The General Partner considers the euro to be the currency that most appropriately represents the economic effect of the underlying transactions, events and conditions. The euro is the currency in which Reinet Fund measures its performance and reports its results.

***Investment entity***

The Company has multiple investors and owns the entire ordinary share capital of Reinet Fund. The Company is exposed to variable returns from changes in the fair value of Reinet Fund's net assets.

Although the Company does not have multiple investments, the General Partner believes that the Company can be classified as an investment entity due to the fact that it was formed to give its shareholders exposure to the underlying assets held by Reinet Fund. In that respect it is to be noted that an investment entity may hold a portfolio of investments directly or indirectly, for example by holding a single investment in another investment entity that itself holds several investments. The Company's investments are all held through Reinet Fund.

The Fund Manager further deems Reinet Fund to meet the definition of an investment entity.

## 7. SEGMENT INFORMATION

Due to the Company's sole investment in Reinet Fund, the General Partner of the Company relies on the segment analysis performed by the Fund Manager.

The Fund Manager makes the strategic resource allocations on behalf of Reinet Fund according to its investment portfolio as disclosed in note 4.

## 8. SHARE CAPITAL

| Ordinary share capital | **31 March 2016 € m** | 31 March 2015 € m |
|---|---|---|
| **Issued capital** | | |
| 195 941 286 ordinary shares issued and fully paid | **220** | 220 |

The ordinary shares confer on the shareholder the entitlement to participate in and to vote at meetings of shareholders, with each share carrying the right to one vote. Each share also entitles each shareholder to receive a proportionate share of any dividend that the Company may declare and a proportionate share of the net assets of the Company on liquidation. The liability of shareholders is limited to the amount of their investment in the Company.

The relevant movements in the capital are shown on the statement of changes in equity.

The ordinary shares are listed on the Luxembourg Stock Exchange.

| Management share capital | **31 March 2016 € 000's** | 31 March 2015 € 000's |
|---|---|---|
| **Issued capital** | | |
| 1 000 shares issued and fully paid | **1** | 1 |

The management shares are held by the General Partner and confer the same rights with regard to voting, dividends and the distribution of assets on liquidation as the ordinary shares. In addition, as the holder of management shares, the General Partner has broad powers to manage the Company and has unlimited liability for any obligations of the Company that cannot be met from the assets of the Company.

## 9. NON-DISTRIBUTABLE RESERVE

The legal reserve amounting to € 22 million at 31 March 2016 and 2015 is not available for distribution.

## 10. AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

The amount payable includes the fee payable to the General Partner of € 0.6 million and € 0.1 million due to Reinet Fund at 31 March 2016 (31 March 2015: € 0.8 million and € 0.2 million).

## 11. TAX EXPENSE

Under the current laws of Luxembourg, the Company pays corporation tax on profits at rates enacted in Luxembourg. The General Partner does not expect significant taxes to be payable for the current year or in the near future, due to the structure of the Company, dividends declared by the Company being tax deductible, and given that the Company has assessed operating losses available to it at the year-end.

## 12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders by the weighted average number of shares in issue during the year.

| | **Realised € m** | **Unrealised € m** | **31 March 2016 € m** | 31 March 2015 € m |
|---|---|---|---|---|
| Profit for the year | **32** | **143** | **175** | 992 |
| Weighted average number of ordinary shares in issue (millions of shares) | **195.9** | **195.9** | **195.9** | 195.9 |
| Earnings per share from profit for the year – basic and diluted (€ per share) | **0.16** | **0.73** | **0.89** | 5.06 |

The Company has not issued any shares or other instruments that are considered to have dilutive potential. There were no movements in the year ended 31 March 2016.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The presentation of headline earnings per share, as an alternative measure of earnings per share, is mandated under the JSE Listings Requirements. It is calculated in accordance with Circular 2/2013 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

| **Headline earnings per share:** | **31 March 2016** | 31 March 2015 |
|---|---|---|
| Unadjusted earnings per share | **€ 0.89** | € 5.06 |
| Headline earnings per share | **€ 0.89** | € 5.06 |

### 13. RELATED PARTY TRANSACTIONS

The Company has a number of relationships and transactions with related parties, as defined in IAS 24, *Related party transactions,* all of which are undertaken in the normal course of business.

Parties identified as related parties are:

#### FORMER PARENT COMPANY – COMPAGNIE FINANCIÈRE RICHEMONT SA ('CFR SA')

The Company has identified CFR SA, a public company incorporated in Switzerland, as a related party. Mr Rupert is the Chairman of CFR SA.

Although the management of the Company is quite distinct from CFR SA, a number of executives who have management responsibilities for the Company are also employed by a subsidiary of CFR SA.

#### SIGNIFICANT SHAREHOLDERS

Mr Rupert, Chairman of the General Partner and the Fund Manager, is a trustee of the Anton Rupert Trust.

The group of parties regarded as being affiliated to the Anton Rupert Trust includes entities and persons which are not necessarily closely connected with persons discharging managerial responsibilities within the Company, as defined in Article 1 paragraph 13 of the Law on Market Abuse. As a consequence, share dealings by such parties are not disclosed as dealings by connected parties in terms of the Law on Market Abuse.

Details of shareholdings by the Anton Rupert Trust and parties affiliated with it including certain beneficiaries, together with Mr Rupert in his personal capacity, are as follows:

| | 31 March 2015 | Acquired during the year | Sold during the year | **31 March 2016** |
|---|---|---|---|---|
| Number of shares | 48 527 856 | 315 828 | – | **48 843 684** |

| | 31 March 2014 | Acquired during the year | Sold during the year | 31 March 2015 |
|---|---|---|---|---|
| Number of shares | 48 434 776 | 93 080 | – | 48 527 856 |

On 16 December 2013, the Public Investment Corporation notified the Company that it held 14.61 per cent of the shares and voting rights in the Company. The Public Investment Corporation previously held 15.49 per cent of the shares.

On 2 February 2011, Allan Gray Limited notified the Company that accounts under its management held the equivalent of 5.01 per cent of the shares and voting rights in the Company in the form of DRs.

Old Mutual Investment Group (Pty) Ltd informed the Company that as from 27 April 2016 its holding on behalf of its clients exceeded the equivalent of 3 per cent of the shares and voting rights in the Company.

The Company has not been notified of any other holdings in excess of 3 per cent of its issued capital.

## MANAGEMENT AND ADVISORY COMPANIES

The Company is a partnership limited by shares *(société en commandite par actions)* which is managed by the General Partner. The Company reimburses the General Partner for its expenses incurred in the ordinary course of business, including but not limited to the remuneration of its staff, taxes, rentals and any other disbursements, and pays an annual administration fee equal to 10 per cent of such expenses.

The Company's wholly-owned subsidiary, Reinet Fund, is managed by the Fund Manager. Reinet Fund reimburses the Fund Manager for its expenses incurred in the ordinary course of business including but not limited to the remuneration of its staff, taxes, rentals and any other disbursements, and pays an annual administration fee equal to 10 per cent of such expenses. Any such amounts payable to the Fund Manager are deductible from any management fees payable to the Investment Advisor.

The Investment Advisor owns 963 540 shares of the Company as at 31 March 2016 (31 March 2015: 995 850). These shares have been acquired to hedge share appreciation rights and related awards to key executives of the General Partner, the Fund Manager and the Investment Advisor.

Under the terms of the Investment Advisory Agreement dated 9 October 2008, as amended on 24 May 2010 and 10 November 2011, between Reinet Fund and the Investment Advisor, Reinet Fund pays both management fees and performance fees to the Investment Advisor.

The management fee is payable to the Investment Advisor at a rate of 1 per cent per annum on the net asset value of Reinet Fund, excluding cash and interests in funds managed by third parties. It is calculated semi-annually based on the closing of the net asset value at the end of the previous six-month period.

The management fee in respect of cash is calculated at a rate of one-quarter of 1 per cent per annum. No management fee is payable in respect of funds managed by third parties except where the fee payable to the third party has been negotiated to a level below 1 per cent per annum and below the level payable by other investors in a fund. In such circumstances, the difference between the fee payable to the third-party manager and 1 per cent is payable to the Investment Advisor.

Investments as a limited partner in funds under the management of a management company in which Reinet Fund is an investor are not treated as being managed by third parties; the management fee is payable at 1 per cent per annum to the Investment Advisor. However, such a fee payable to the Investment Advisor is reduced by any management fee paid by Reinet Fund to the management company, net of income received by Reinet Fund on its investment in the management company in terms of its share of the management fees earned by (but not carried interest attributable to) the management company.

| **Management fee payable** | **31 March 2016 € m** | 31 March 2015 € m |
|---|---|---|
| Investment Advisor | **43** | 31 |
| Fund Manager | **3** | 8 |
| Total management fee | **46** | 39 |

The performance fee in any period is calculated as 10 per cent of the Cumulative Total Shareholder Return at the end of the Performance Measurement Period (both terms being defined in the Company's prospectus, published on 10 October 2008), adjusted for all dividends and returns of capital to the Company shareholders, less the sum of all performance fees paid in previous Performance Measurement Periods.

A performance fee of € 78 million was paid in May 2015, reflecting the appreciation in the Company's Cumulative Total Shareholder Return over the period to 31 March 2015. A performance fee will only be payable in respect of the current financial year if the Cumulative Total Shareholder Return exceeds that at 31 March 2015. In order for a performance fee to be payable at 31 March 2016 the volume weighted average closing price of the Company's share on the Luxembourg Stock Exchange over the last 20 trading days of the current financial year needs to exceed € 19.515.

The performance fee payable at 31 March 2016 amounts to € 5 million (31 March 2015: € 78 million), based on the volume weighted average price in March 2016 of € 19.7954.

The General Partner, the Fund Manager and the Investment Advisor are controlled by Rupert family interests.

# CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### BOARDS OF THE GENERAL PARTNER AND THE FUND MANAGER

Members of the Boards of Directors of the General Partner and the Fund Manager are considered to be related parties. Details of the Boards of Directors are set out in the corporate governance report on pages 29 to 30 of this annual report.

### KEY SHAREHOLDINGS

Aggregate shareholdings of directors of the General Partner and the Fund Manager (excluding Mr Rupert – see page 60).

| | 31 March 2015 | Acquired during the year | Sold during the year | **31 March 2016** |
|---|---|---|---|---|
| Number of shares | 1 215 751 | – | – | **1 215 751** |

| | 31 March 2014 | Acquired during the year | Sold during the year | 31 March 2015 |
|---|---|---|---|---|
| Number of shares | 1 206 881[2] | 27 893[1] | (19 023)[1] | 1 215 751 |

*(1) These shares represent the holdings of directors who were appointed and/or resigned from the Board during the year.*
*(2) Restated to record an increase of 170 shares.*

### BOARD OF OVERSEERS

Members of the Board of Overseers are considered to be related parties.

Fees of € 50 000 per Board member were paid to the Board of Overseers in respect of the year ended 31 March 2016, such fees are split equally between the Company and Reinet Fund (31 March 2015: € 50 000).

| **Aggregate shareholdings of the members of the Board of Overseers** | 31 March 2015 | Acquired during the year | Sold during the year | **31 March 2016** |
|---|---|---|---|---|
| Number of shares | 44 307 | – | – | **44 307** |

| | 31 March 2014 | Acquired during the year | Sold during the year | 31 March 2015 |
|---|---|---|---|---|
| Number of shares | 44 307 | – | – | 44 307 |

### OTHER RELATED PARTIES

Reinet has also identified Remgro Limited, a public company incorporated in South Africa, as a related party. Mr Rupert is the Non-Executive Chairman of Remgro Limited.

## TRANSACTIONS AND BALANCES WITH RELATED PARTIES

**Compagnie Financière Richemont SA, Remgro Limited or significant shareholders**

There were no fees paid during the year and no balances payable to or receivable from CFR SA, Remgro Limited or significant shareholders at 31 March 2016.

| Reinet Investments Manager S.A. | 31 March 2016 € m | 31 March 2015 € m |
|---|---|---|
| – Expenses charged by the General Partner to the Company during the year | **0.9** | 1.1 |
| – Administration fee for the year | **0.1** | 0.1 |
| – Balance payable by the Company to the General Partner | **0.6** | 0.8 |

| Reinet Fund S.C.A., F.I.S. | 31 March 2016 € m | 31 March 2015 € m |
|---|---|---|
| – Balance payable by the Company to Reinet Fund | **0.1** | 0.2 |

| Reinet Fund Manager S.A. | 31 March 2016 € m | 31 March 2015 € m |
|---|---|---|
| – Expenses charged to Reinet Fund during the year | **3.0** | 7.9 |
| – Administration fee for the year | **0.3** | – |
| – Balance payable by Reinet Fund to the Fund Manager | **1.0** | 1.3 |

| Reinet Investment Advisors Limited | 31 March 2016 € m | 31 March 2015 € m |
|---|---|---|
| – Management fee charged during the year | **42.7** | 30.9 |
| – Performance fee charged during the year | **5.4** | 78.5 |
| – Balance payable by Reinet Fund to the Investment Advisor | **26.8** | 95.9 |

There are no commitments between the Company and its related parties as at 31 March 2016.

## 14. AUDIT AND OTHER FEES PAID TO PRICEWATERHOUSECOOPERS

Fees for the year ended 31 March 2016 billed and unbilled by PricewaterhouseCoopers Société coopérative Luxembourg and other member firms of the PricewaterhouseCoopers network, which relate to the audit of the Company accounts, amounted to € 0.1 million (31 March 2015: € 0.1 million). Such fees are presented under 'Operating expenses' in the statement of comprehensive income.

Audit fees relating to Reinet Fund and its principal subsidiaries as shown in note 19 amounted to € 0.3 million for the year ended 31 March 2016 (31 March 2015: € 0.3 million).

## 15. CAPITAL COMMITMENTS

At 31 March 2016, the Company had no capital commitments, however its wholly-owned subsidiary Reinet Fund had committed to invest a further € 348 million (31 March 2015: € 405 million) in unlisted investments. See table on page 22. This amount relates to Reinet Fund's own investment commitment. Where Reinet Fund co-invests with minority partners the amount does not include the partners' commitment.

CONSOLIDATED FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## 16. CONTINGENT LIABILITIES

A subsidiary of Reinet Fund has pledged a total of 14.7 million BAT shares in respect of its borrowing from Deutsche Bank.

Reinet Fund has provided guarantees amounting to ZAR 25 million in respect of financial obligations related to the purchase of certain South African assets.

## 17. DIVIDEND

A dividend of € 0.157 per share totalling some € 31 million was paid in September 2015, following approval at the annual general meeting on 25 August 2015.

The proposed cash dividend payable to shareholders of € 0.161 per share, being some € 32 million in total, will be payable on 9 September 2016, once approved by the shareholders at the annual general meeting to be held on 30 August 2016.

## 18. SUBSEQUENT EVENTS

Reinet Fund, through a wholly-owned subsidiary, received a final dividend of some € 88 million (£ 70 million) from its investment in BAT. The dividend was approved by the shareholders of BAT on 27 April 2016 and paid on 5 May 2016.

During April and May 2016, Reinet Fund made payments in the amount of € 22 million in respect of its commitments shown in note 15.

In May 2016 Pension Corporation announced its intention to raise capital of £ 250 million (€ 315 million). Reinet Fund has committed to invest up to an additional £ 140 million (€ 177 million).

## 19. INVESTMENTS HELD IN SUBSIDIARIES AND AFFILIATES

The principal companies held by Reinet Fund are as follows:

| Investments area | Company | Domicile | Percentage held |
|---|---|---|---|
| BAT | Reinet Jersey Holdings Limited | Jersey, Channel Islands | 100% |
| Pension Corporation | Reinet PC Investments (Jersey) Limited | Jersey, Channel Islands | 100% |
| Trilantic Capital Partners | Reinet TCP Holdings Limited | Jersey, Channel Islands | 90% |
| | RSF S.A. | Luxembourg | 100% |
| | Reinet TCP Fund V NECI Limited | Jersey, Channel Islands | 100% |
| Renshaw Bay and related investments | Renshaw Bay Limited | Guernsey, Channel Islands | 43% |
| 36 South macro/volatility funds | Reinet 36 South Investments Limited | Jersey, Channel Islands | 100% |
| Asian private equity and portfolio funds | Reinet Columbus Limited | Jersey, Channel Islands | 100% |
| Specialised private equity funds | Reinet Columbus Limited | Jersey, Channel Islands | 100% |
| | Reinet Flex Holdings Limited | Jersey, Channel Islands | 100% |
| | Reinet TEM Holdings Limited | Jersey, Channel Islands | 100% |
| United States land development and mortgages | RSF II Limited | Jersey, Channel Islands | 92% |
| | Reinet Stokes Holdings S.A. | Luxembourg | 100% |
| | RPH Limited | Jersey, Channel Islands | 100% |
| | RPH 2 Limited | Jersey, Channel Islands | 100% |
| Diamond interests | Reinet Jagersfontein Holdings S.à r.l. | Luxembourg | 100% |
| | Reinet Rooipoort Holdings S.à r.l. | Luxembourg | 100% |
| Other investments | Reinet Columbus Limited | Jersey, Channel Islands | 100% |
| | Reinet Securities SA | Switzerland | 100% |
| | Reinet SPG Limited | Jersey, Channel Islands | 100% |
| | Mosmart International S.A. | Luxembourg | 49% |
| | Reinet S.à r.l. | Luxembourg | 100% |
| | RB SF Holding (Guernsey) Limited | Guernsey, Channel Islands | 82% |

# AUDIT REPORT

To the Shareholders of Reinet Investments S.C.A.

**Report on the consolidated financial statements**
We have audited the accompanying consolidated financial statements of Reinet Investments S.C.A. (the 'Company') and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 March 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

**Responsibility of Reinet Investments Manager S.A. (the 'General Partner')**
The General Partner is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the General Partner determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Responsibility of the 'Réviseur d'entreprises agréé'**
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the 'Commission de Surveillance du Secteur Financier'. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the 'Réviseur d'entreprises agréé', including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 'Réviseur d'entreprises agréé' considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 the General Partner, as well as evaluating the overall presentation of the consolidated 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 financial statements give a true and fair view of the consolidated financial position of the Group as of 31 March 2016, and of its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Report on other legal and regulatory requirements**
The management report, including the corporate governance statement, which is the responsibility of the General Partner is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

**PricewaterhouseCoopers, Société coopérative**
Luxembourg, 25 May 2016

Represented by

**François Mousel**

# COMPANY FINANCIAL STATEMENTS

## BALANCE SHEET

as at 31 March 2016

| | Notes | **31 March 2016 € 000's** | 31 March 2015 € 000's |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | | | |
| **Financial assets** | | | |
| Shares in affiliated undertakings | 3 | **1 929 289** | 1 929 289 |
| **Current assets** | | | |
| Cash at bank and in hand | | **739** | 34 |
| **Prepayments and accrued income** | | **45** | 47 |
| **Total assets** | | **1 930 073** | 1 929 370 |
| **LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Subscribed capital | 4 | **220 103** | 220 103 |
| Share premium and similar premiums | 5 | **770 310** | 770 310 |
| Reserves | | | |
| – legal reserve | 6 | **22 100** | 22 100 |
| Profit brought forward | 7 | **884 713** | 877 951 |
| Result for the financial year | | **31 807** | 37 525 |
| | | **1 929 033** | 1 927 989 |
| **Provisions** | | | |
| Other provisions | | **186** | 293 |
| **Non-subordinated debts** | | | |
| Amounts owed to affiliated undertakings | | | |
| – becoming due and payable after less than one year | 8 | **834** | 1 058 |
| Other creditors | | | |
| – becoming due and payable after less than one year | | **20** | 30 |
| | | **854** | 1 088 |
| **Total liabilities** | | **1 930 073** | 1 929 370 |

The accompanying notes form an integral part of these financial statements.

# PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2016

| | **Year ended 31 March 2016 € 000's** | Year ended 31 March 2015 € 000's |
|---|---|---|
| **Charges** | | |
| Other operating charges | **2 194** | 2 419 |
| Value adjustments and fair value adjustments on financial current assets/loss on disposal of transferable securities | **–** | 53 |
| Tax on profit | **3** | 3 |
| Profit for the financial year | **31 807** | 37 525 |
| **Total charges** | **34 004** | 40 000 |
| **Income** | | |
| Value adjustments and fair value adjustments on financial current assets/loss on disposal of transferable securities | **4** | – |
| Dividend received from Reinet Fund | **34 000** | 40 000 |
| **Total income** | **34 004** | 40 000 |

The accompanying notes form an integral part of these financial statements.

# COMPANY FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Reinet Investments S.C.A. (the 'Company'), incorporated on 5 March 1979, is a partnership limited by shares *(société en commandite par actions)* and is governed by the Luxembourg law on securitisation. The Company's registered office is at 35, boulevard Prince Henri, L-1724, Luxembourg. The Company owns the entire ordinary issued capital of Reinet Fund S.C.A., F.I.S. ('Reinet Fund'), a partnership limited by shares established in Luxembourg.

The Company was formerly known as Richemont S.A. and was a subsidiary of Compagnie Financière Richemont SA ('CFR SA'), a Swiss company with significant luxury goods interests. The Company is managed by Reinet Investments Manager S.A. (the 'General Partner'), a limited liability company established in Luxembourg, which also owns 1 000 management shares in the Company. The General Partner has unlimited liability for any obligations of the Company that cannot be met from the assets of the Company. The General Partner's registered office is at 35, boulevard Prince Henri, L-1724, Luxembourg.

The Company's financial year starts on 1 April and ends on 31 March of each year.

The Company has also prepared consolidated financial statements which will be made available at the Company's head office as required by Luxembourg law.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention, as well as with generally accepted accounting principles in Luxembourg.

Accounting policies and valuation rules are, besides the ones laid down by the amended law of 19 December 2002 (as amended), determined and applied by the General Partner.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period in which the assumptions changed. The General Partner believes that the underlying assumptions are appropriate and that the financial statements therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 2.2 FORMATION EXPENSES

The formation expenses of the Company are directly charged to the profit and loss account of the year in which they are incurred.

### 2.3 FINANCIAL ASSETS

Shares in affiliated undertakings held as fixed assets are valued at purchase price including the expenses incidental thereto. In case of permanent impairment in value in the opinion of the General Partner, value adjustments are made in respect of fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reason for which the value adjustments were made have ceased to apply.

### 2.4 DEBTORS AND CREDITORS

Debtors and creditors are valued at their nominal value. The debtors are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reason for which the value adjustments were made have ceased to apply.

### 2.5 FOREIGN CURRENCY TRANSLATION

Transactions expressed in currencies other than euro are translated into euro at the exchange rate effective at the time of the transaction.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange gains and losses are recorded in the profit and loss account of the year.

Fixed assets expressed in currencies other than euro are translated into euro at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain at historic exchange rates.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange gains and losses are thus recorded in the profit and loss account. The realised exchange gains are recorded in the profit and loss account at the moment of their realisation.

### 2.6 PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income includes expenditure incurred in the financial year relating to a subsequent year.

### 2.7 PROVISIONS

Provisions are created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount at the date on which they will arise.

## 3. SHARES IN AFFILIATED UNDERTAKINGS

| | **31 March 2016 € 000's** | 31 March 2015 € 000's |
|---|---|---|
| Book value – opening and closing balance | **1 929 289** | 1 929 289 |

The Company holds the entire share capital of Reinet Fund, whose functional currency is the euro. At 31 March 2016, the net asset value of Reinet Fund was € 5 221 million (31 March 2015: € 5 078 million) and it recorded a profit for the year of € 177 million (31 March 2015: € 995 million).

## 4. SUBSCRIBED CAPITAL

| | **31 March 2016 € 000's** | 31 March 2015 € 000's |
|---|---|---|
| **Ordinary shares** | | |
| The subscribed capital at 31 March 2016 amounts to € 220 102 100 (31 March 2015: € 220 102 100) and is divided into 195 941 286 ordinary shares (31 March 2015: 195 941 286), fully paid with no par value | **220 102** | 220 102 |
| **Total ordinary share capital** | **220 102** | 220 102 |
| | | |
| **Management shares** | | |
| The subscribed capital at 31 March 2016 amounts to € 1 000 (31 March 2015: € 1 000) and is divided into 1 000 ordinary shares with no par value | **1** | 1 |
| **Total management share capital** | **1** | 1 |
| **Total capital** | **220 103** | 220 103 |

The ordinary shares confer on the shareholder the entitlement to participate in and to vote at meetings of shareholders, with each share carrying the right to one vote. Each share also entitles each shareholder to receive a proportionate share of any dividend that the Company may declare and a proportionate share of the net assets of the Company on liquidation. The liability of ordinary shareholders is limited to the amount of their investment in the Company.

The management shares are held by the General Partner and confer the same rights with regard to voting, dividends and the distribution of assets on liquidation as the ordinary shares. In addition, as the holder of the management shares, the General Partner has broad powers to manage the Company and has unlimited liability for any obligations of the Company that cannot be met from the assets of the Company.

## 5. SHARE PREMIUM AND SIMILAR PREMIUMS

The share premium relates to a reserve amounting to € 770 310 129 (31 March 2015: € 770 310 129), available for distribution subject to the approval of the shareholders.

## 6. LEGAL RESERVE

In accordance with Luxembourg law, the Company allocated annually a minimum of 5 per cent of its net profit to the legal reserve, which now equals 10 per cent of the subscribed capital.

The legal reserve amounting to € 22 100 000 (31 March 2015: € 22 100 000) is not available for distribution.

# COMPANY FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

### 7. PROFIT BROUGHT FORWARD

| | 31 March 2016 € 000's | 31 March 2015 € 000's |
|---|---|---|
| **Opening balance** | **877 951** | 910 102 |
| Dividend paid | **(30 763)** | (29 980) |
| | **847 188** | 880 122 |
| Result for the prior year | **37 525** | (2 171) |
| **Balance at the end of the year** | **884 713** | 877 951 |

### 8. AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

| | 31 March 2016 € 000's | 31 March 2015 € 000's |
|---|---|---|
| Becoming due and payable after less than one year | **834** | 1 058 |

### 9. EMOLUMENTS GRANTED TO MEMBERS OF THE ADMINISTRATIVE, MANAGERIAL AND SUPERVISORY BODIES

| | Year ended 31 March 2016 € 000's | Year ended 31 March 2015 € 000's |
|---|---|---|
| General Partner | **951** | 1 189 |
| Board of Overseers | **94** | 95 |
| | **1 045** | 1 284 |

### 10. RELATED PARTY TRANSACTIONS
During the financial year under review all transactions with related parties have been conducted on an arm's-length basis.

### 11. CONTINGENT LIABILITIES
At 31 March 2016, the Company has no contingent liabilities.

### 12. TAXATION
The Company is subject to tax as determined by Luxembourg law.

### 13. SUBSEQUENT EVENTS
There have been no events subsequent to 31 March 2016 which would have any material impact on these financial statements.

# PROPOSED APPROPRIATION OF RETAINED EARNINGS

as at 31 March 2016

| | € 000's |
|---|---|
| **Available retained earnings** | |
| Profit and loss brought forward | 915 476 |
| Dividend paid | (30 763) |
| | 884 713 |
| Net profit for the financial year | 31 807 |
| **Balance at the end of the year** | 916 520 |

## PROPOSED APPROPRIATION

The proposed ordinary dividend payable to the Company's shareholders of € 0.161 per share, being some € 32 million in total, will be payable on 9 September 2016, once approved by the shareholders at the annual general meeting to be held on 30 August 2016.

The available retained earnings remaining after deduction of the dividend amount will be carried forward to the following year.

**Reinet Investments Manager S.A.**
General Partner
Luxembourg, 17 May 2016

# COMPANY FINANCIAL STATEMENTS

## AUDIT REPORT

To the Shareholders of Reinet Investments S.C.A.

**Report on the financial statements**

We have audited the accompanying financial statements of Reinet Investments S.C.A., which comprise the balance sheet as at 31 March 2016, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

**Responsibility of Reinet Investments Manager S.A. (the 'General Partner')**

The General Partner is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Responsibility of the 'Réviseur d'entreprises agréé'**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the 'Commission de Surveillance du Secteur Financier'. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 judgement of the 'Réviseur d'entreprises agréé', 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 'Réviseur d'entreprises agréé' 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 the General Partner, 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 financial statements give a true and fair view of the financial position of Reinet Investments S.C.A. as of 31 March 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

**Report on other legal and regulatory requirements**

The management report, including the corporate governance statement, which is the responsibility of the General Partner is consistent with the financial statements and includes the information required by the law with respect to the corporate governance statement.

**PricewaterhouseCoopers, Société coopérative**
Luxembourg, 25 May 2016

Represented by

**François Mousel**

# NOTICE OF ANNUAL GENERAL MEETING

**Notice of the annual general meeting of shareholders of Reinet Investments S.C.A. to be held on 30 August 2016.**

Shareholders are invited to attend the annual general meeting of shareholders of the Company in person or by proxy.

As provided for in the Statutes of the Company, the annual general meeting will take place on: Tuesday, 30 August 2016 at 2:00 pm at Hotel Le Royal, 12, boulevard Royal, L-2449 Luxembourg.

## AGENDA

**Business reports for the accounting year ended 31 March 2016**

1. To consider the report of the General Partner to the shareholders; the report of the Board of Overseers; and the reports by the approved statutory auditor of the Company in respect of the statutory financial statements of the Company and in respect of the consolidated financial statements for the accounting year ended 31 March 2016.

**Financial statements**

2. To approve the statutory financial statements of the Company for the accounting year ended 31 March 2016.
3. To approve the consolidated financial statements of the Company for the accounting year ended 31 March 2016.

**Appropriations**

4. At 31 March 2016, the retained earnings available for distribution amounted to € 916 519 812. The General Partner proposes that a cash dividend of € 0.161 per share be paid. This represents a total dividend of € 31 546 708. The General Partner proposes that the remaining available retained earnings of the Company at 31 March 2016 after payment of the dividend be carried forward to the following business year.

**Granting of discharge of liability to the General Partner and Board of Overseers**

5. To grant discharge of liability to the General Partner and all the members of the Board of Overseers of the Company who have been in office during the accounting year ended 31 March 2016 for the performance of their duties.

**Board of Overseers**

6. To re-elect Mr D Falck, Mr J Li and Mr Y Prussen as members of the Board of Overseers for the year ending at the next annual general meeting.
7. To elect a new member of the Board of Overseers for the year ending at the next annual general meeting.[1]
8. To fix the remuneration of each member of the Board of Overseers at € 50 000 per annum, such fees to be split equally between the Company and Reinet Fund S.C.A., F.I.S.

*The official notice convening the annual general meeting will be published in the Luxemburger Wort, le Mémorial and the Financial Times and distributed by the Registrar through the usual channels in accordance with Luxembourg law and may differ from this notice in respect to the definitive proposals.*

*(1) The name of the proposed member will be included in the official notice convening the annual general meeting.*

# NOTICE OF ANNUAL GENERAL MEETING
## CONTINUED

The statutory financial statements of the Company and the consolidated financial statements for the accounting year ended 31 March 2016, together with the reports of the approved statutory auditor, of the Board of Overseers and of the General Partner and any draft resolutions, are available at the registered office of the Company and on the Company's website: www.reinet.com.

The annual general meeting will be validly constituted to resolve on the matters raised in the agenda regardless of the number of shares represented at the meeting; resolutions to be considered at the meeting are approved by a simple majority of the votes cast. The meeting will be held in English.

Shareholders who together hold at least 5 per cent of the share capital may place items on the agenda of the meeting and submit draft resolutions for all the items on the agenda. Any such request must reach the Company no later than 8 August 2016.

Every shareholder who attends the meeting shall have the right to ask questions related to the items on the agenda of the annual general meeting.

Shareholders wishing to attend the meeting or who wish to appoint a proxy to represent them at the meeting must notify the Registrar, European Fund Administration S.A., 2, rue d'Alsace, L-1122 Luxembourg no later than 23 August 2016. The Registrar will draw up a list of shareholders and proxy holders authorised to attend the meeting.

Registration forms to request admission to the meeting or to appoint a proxy to attend the meeting may be obtained from the Registrar or downloaded from the Company's website: www.reinet.com.

The meeting may be attended by all persons (or their proxy) who were shareholders of record of the Company at midnight on 16 August 2016 Luxembourg time.

Shareholders who hold their shares with a bank or other financial intermediary and who wish to attend the meeting in person or appoint a proxy must also instruct their bank or financial intermediary with whom the shares are on deposit to send a certificate (the 'Shareholding Certificate') to European Fund Administration S.A. to be received no later than 23 August 2016 indicating clearly the precise identity of the shareholder and confirming the number of shares being held by the shareholder as at midnight on 16 August 2016 Luxembourg time.

Shareholders may appoint a proxy, who need not be a shareholder, as their representative at the meeting. Forms of proxy are provided on the registration forms for admission to the meeting. The signed proxy must be sent by mail, telefax or email to either the Company or the European Fund Administration S.A. (register.bi@efa.eu). Shareholders and proxy holders should present suitable identification to the entrance control on the day of the meeting.

Proxy voting instructions may be given to the Chairman of the meeting; these must be received by the Company duly completed and signed by 23 August 2016. A Shareholding Certificate in respect of the shares must be provided to the Company or to European Fund Administration S.A. by that date by mail, telefax, or email (register.bi@efa.eu). Failure to provide the Shareholding Certificate will invalidate the proxy voting instructions. Unless proxies given to the Chairman of the meeting include explicit instructions as to the contrary, voting rights will be exercised in support of the proposals of the General Partner.

Registration forms for admission to the meeting and Shareholding Certificates must be delivered to European Fund Administration S.A. on 23 August 2016 at the latest. No admission cards will be issued after that day and shareholders or proxy holders not registered to attend the meeting will not be allowed to participate.

Reinet Investments Manager S.A.

General Partner
For and on behalf of
REINET INVESTMENTS S.C.A.
Luxembourg, 17 May 2016

# EXCHANGE RATES AND SHARE PRICES

## EXCHANGE RATES AGAINST THE EURO

| | **Year ended 31 March 2016** | Year ended 31 March 2015 |
|---|---|---|
| **Average for the year** | | |
| Sterling | **0.7333** | 0.7845 |
| US dollar | **1.1046** | 1.2612 |
| Swiss franc | **1.0740** | 1.1739 |
| South African rand | **15.2217** | 13.9772 |
| **Closing – as at the end of the year** | | |
| Sterling | **0.7926** | 0.7242 |
| US dollar | **1.1380** | 1.0731 |
| Swiss franc | **1.0946** | 1.0438 |
| South African rand | **16.8075** | 13.0229 |

## SHARE INFORMATION

### PRIMARY LISTING

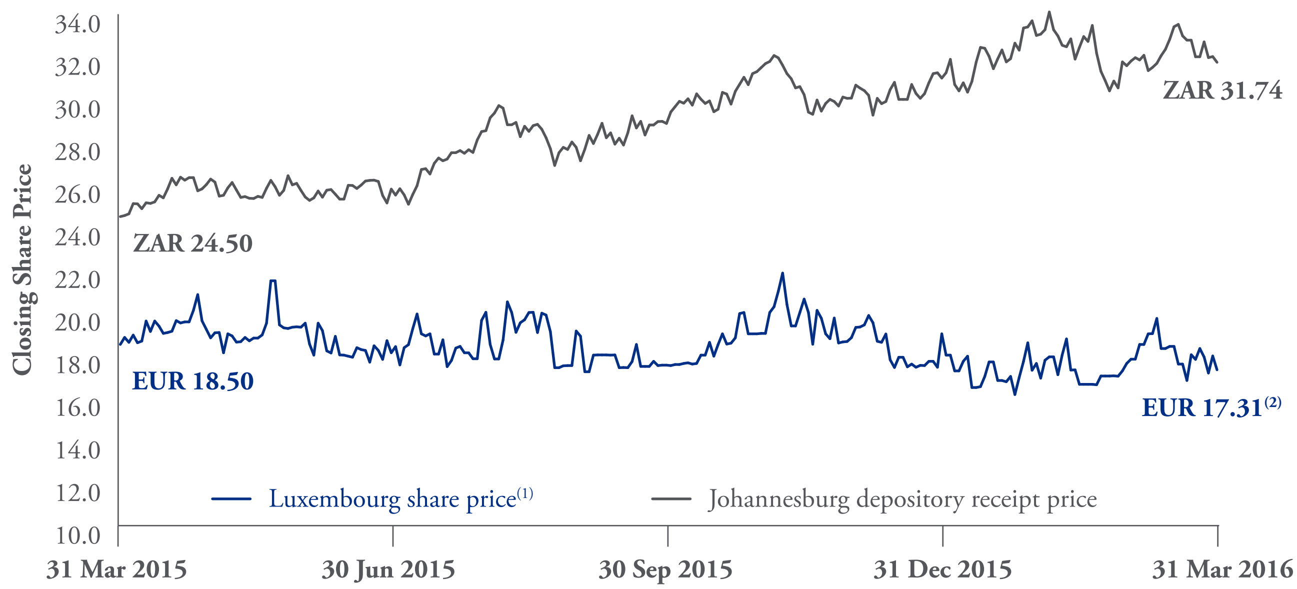
Reinet Investments S.C.A. shares are listed on the Luxembourg Stock Exchange with the ISIN number LU0383812293 (symbol 'ReinetInvest'). Thomson Reuters code REIT.LU. Reinet Investments S.C.A. shares are included in the 'LuxX' index of the principal shares traded on the Luxembourg Stock Exchange.

### SECONDARY LISTING

The depository receipts issued by Reinet Securities SA in respect of the Reinet Investments S.C.A. shares are traded on the Johannesburg Stock Exchange under the ISIN number CH0045793657 (symbol 'REI'). Thomson Reuters code REIJ.J. One depository receipt issued by Reinet Securities SA represents one-tenth of one ordinary share in Reinet Investments S.C.A.

As at 31 March 2016 and 31 March 2015 there were 195 942 286 shares in issue.

### DAILY CLOSING PRICES FROM 31 MARCH 2015 TO 31 MARCH 2016(1)




*(1) The EUR:ZAR exchange rate was 1:13.0229 on 31 March 2015 and 1:16.8075 on 31 March 2016.*

*(2) Represents the closing price of depository receipts issued by Reinet Securities SA in respect of Reinet Investments S.C.A. on the Johannesburg Stock Exchange (listed under the symbol 'REI'). One depository receipt represents one-tenth of one ordinary share in Reinet Investments S.C.A.*

*(3) Represents the closing share price of Reinet Investments S.C.A. on the Luxembourg Stock Exchange (listed under the symbol 'ReinetInvest').*

Source: Bloomberg

# STATUTORY INFORMATION

Reinet Investments S.C.A.

## REGISTERED OFFICE

REINET INVESTMENTS S.C.A.
35, boulevard Prince Henri
L-1724 Luxembourg
Grand Duchy of Luxembourg
Telephone: +352 22 42 10

Company Secretary: Mr S Grundmann

## REGISTERED NUMBER

REINET INVESTMENTS S.C.A.
Registre de commerce et des sociétés, Luxembourg B 16.576

## GENERAL PARTNER

REINET INVESTMENTS MANAGER S.A.
35, boulevard Prince Henri
L-1724 Luxembourg
Grand Duchy of Luxembourg
Telephone: +352 22 42 10

Company Secretary: Mr S Grundmann

## CUSTODIAN

BANQUE DE LUXEMBOURG S.A.
14, boulevard Royal
L-2449 Luxembourg
Grand Duchy of Luxembourg

## REGISTRAR AND PAYING AGENT

EUROPEAN FUND ADMINISTRATION S.A.
2, rue d'Alsace
P.O. Box 1725
L-1017 Luxembourg
Grand Duchy of Luxembourg

## RÉVISEUR D'ENTREPRISES AGRÉÉ

PRICEWATERHOUSECOOPERS SOCIÉTÉ COOPÉRATIVE
2, rue Gerhard Mercator
L-2182 Luxembourg
Grand Duchy of Luxembourg

## FURTHER INFORMATION

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