

REINET INVESTMENTS S.C.A.

Annual Report at 31 March 2019

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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 (as defined on page 1) 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.

- Reinet's net asset value of € 4.8 billion reflects a compound return of 10 per cent per annum in euro terms, since March 2009, including dividends paid
 - The net asset value at 31 March 2019 reflects a decrease of € 297 million or 5.8 per cent from € 5 127 million at 31 March 2018
 - Net asset value per share at 31 March 2019: € 25.30 (31 March 2018: € 26.17)
 - Share buyback programme: 5.02 million shares repurchased as at 31 March 2019 for a consideration of € 68 million
 - Commitments totalling € 223 million in respect of new and existing investments made during the year, and a total of € 250 million funded during the year
 - Dividends from British American Tobacco during the year amounted to € 148 million
 - Reinet dividend of some € 35 million, or € 0.18 per share, paid during the year
 - Proposed Reinet dividend of € 0.19 per share payable after the 2019 annual general meeting
-

PERFORMANCE

NET ASSET VALUE

The net asset value ('NAV') of the Company comprises total assets less total liabilities, and equates to total equity under International Financial Reporting Standards. The decrease in the NAV of € 297 million during the year reflects the decrease in the fair value of certain investments, including British American Tobacco p.l.c. Offsetting these decreases in value are dividends received and receivable from British American Tobacco p.l.c. and increases in the estimated fair value of certain investments, including Pension Insurance Corporation Group Limited and derivative assets. The Company also funded the purchase of its own ordinary shares through two approved buyback programmes. Detail on the Company's NAV and details of movements in key investments can be found on pages 4 and 5 of this report.

The Company records its assets and liabilities in euro; the strengthening of sterling and the US dollar against the euro, offset by the weakening of the South African rand against the euro has resulted in an overall increase in the value of certain assets and liabilities in euro terms. Applying the current year-end exchange rates to the March 2018 assets and liabilities would have resulted in an increase in the March 2018 NAV of some € 168 million.

SHARE BUYBACK PROGRAMME

On 19 November 2018, the Company announced the commencement of a share buyback programme in respect of a maximum of 3.2 million ordinary shares for an aggregate maximum amount of € 55 million. The programme ran from November 2018 to January 2019 when 3.2 million ordinary shares were repurchased for a cost of € 42 million, plus transaction costs.

On 6 February 2019, the Company announced the commencement of a second share buyback programme in respect of a maximum of 5 million ordinary shares for an aggregate maximum amount of € 75 million closing on 31 May 2019. At 31 March 2019, 1.8 million ordinary shares have been repurchased for a cost of € 26 million, plus transaction costs.

All ordinary shares repurchased are held as treasury shares.

In accordance with IAS 32 paragraph 23, a liability of € 49 million has been recorded in respect of the maximum potential amount still to be paid in order to complete the current programme. Should the programme complete at current share price levels, the remaining consideration will be less than the liability provided for.

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 ordinary shares are listed on the Luxembourg Stock Exchange, Euronext Amsterdam and the Johannesburg Stock Exchange; the listing on the Johannesburg Stock Exchange is a secondary listing. The Company's ordinary 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'.

HIGHLIGHTS

PERFORMANCE
CONTINUED

NET ASSET VALUE PER SHARE

The NAV per share and the adjusted NAV per share are calculated by dividing the NAV and adjusted NAV respectively by the number of shares outstanding (excluding treasury shares) of 190 919 614. The adjusted NAV is calculated by reversing the liability in respect of future repurchases of shares of € 49 million. The adjusted NAV is considered relevant as it eliminates the timing difference between the additional liability recorded for future share repurchases and the actual number of shares repurchased as at 31 March 2019.

	31 March 2019	31 March 2018
Shares in issue	195 942 286	195 942 286
Treasury shares	(5 022 672)	–
Net shares	190 919 614	195 942 286
	€ m	€ m
NAV (see page 4)	4 830	5 127
Reversal of future share buyback liability	49	–
Adjusted NAV	4 879	5 127
NAV per share	€ 25.30	€ 26.17
Adjusted NAV per share	€ 25.56	€ 26.17

SHARE PRICE

The Company's share price as quoted on the Luxembourg Stock Exchange increased by 5.5 per cent in the year from € 14.40 at 31 March 2018 to € 15.20 at 31 March 2019, with the highest trade being at € 16.90 during the year. The total shareholder return since inception (taking into account the Initial Price and including dividends paid) is 8 per cent per annum. The growth in NAV, including dividends paid, reflects a 10 per cent compounded return since March 2009. The Company's ordinary shares are listed on the Luxembourg Stock Exchange, Euronext Amsterdam and the Johannesburg Stock Exchange; the listing on the Johannesburg Stock Exchange is a secondary listing.

DIVIDEND

The Company paid a dividend of € 0.18 per share in September 2018, a 9 per cent increase from € 0.165 per share in 2017. A dividend of € 0.19 per share is proposed for the current financial year, subject to approval by shareholders at the annual general meeting in August 2019.

MANAGEMENT REPORT

CHAIRMAN'S COMMENTARY

Dear Shareholder,

OVERVIEW

Since inception, Reinet has invested some € 2.4 billion and generated an 8 per cent annual return for its investors based on the listed share price, with the underlying net asset value increasing at a rate of 10 per cent per annum.

At the annual general meeting in August 2018, shareholders gave their approval for Reinet to buy back up to 20 per cent of its own shares. Reinet subsequently initiated two share buyback programmes. The first ran from November 2018 to January 2019 when 3.2 million ordinary shares were repurchased for a cost of € 42 million or € 13.11 per share. The second programme commenced in February 2019; this programme aims to repurchase up to 5 million shares for a maximum cost of € 75 million. As at 31 March 2019, 1.8 million ordinary shares had been repurchased for a cost of € 26 million or € 14.28 per share. The adjusted net asset value per share stands at € 25.56 on 31 March 2019.

At 31 March 2019, the Company's net asset value amounted to € 4.8 billion, a decrease of € 297 million or 5.8 per cent compared to a year ago. This predominantly reflects the decrease in the share price of British American Tobacco from £ 41.31 at 31 March 2018 to £ 31.94 at 31 March 2019 which had a negative impact of € 674 million. The Company also spent € 68 million as part of the share buyback programmes up to the end of March 2019. Offsetting these decreases is an increase in the value of Pension Corporation of € 175 million, dividends received and receivable of € 148 million from British American Tobacco, together with the positive impact of the strengthening of the US dollar and sterling against the euro during the year.

BUSINESS DEVELOPMENTS

In the year under review, Reinet made investment commitments of € 223 million and invested a total of € 250 million in new and existing portfolio assets. Investments made include a new investment in Grab Holdings, a Singapore based technology company offering ride-hailing transport services, food delivery and payment solutions in Southeast Asia, of € 43 million. Reinet also supported the launch of the Prescient China Equity fund with a € 44 million investment, together with further amounts invested in support of our existing relationships with € 56 million to the Trilantic funds, € 22 million to Snow Phipps' third fund and our related co-investments and € 57 million to RLG Real Estate Partners.

The investment in British American Tobacco represented some 52.2 per cent of Reinet's net asset value at 31 March 2019, compared to 62.4 per cent a year ago. British American Tobacco continued its strong underlying performance, with Reynolds American, Inc. now fully included for the first full year. However, the market still reflects uncertainty in respect of the impact of the changes the industry is going through and anticipated regulatory developments. We are confident that British American Tobacco remains an attractive long-term investment and that the current industry challenges will be appropriately managed.

The investment in Pension Corporation represented some 30.6 per cent of Reinet's net asset value at 31 March 2019, compared to 25.4 per cent a year ago. Pension Corporation continues to perform well, writing some £ 7.1 billion of new business in 2018 compared

to £ 3.7 billion in 2017, with its embedded value increasing from £ 2.9 billion to £ 3.6 billion, assets under management increasing from £ 25.7 billion to £ 31.4 billion and with a solvency ratio of 167 per cent at the end of 2018. The outlook remains positive for Pension Corporation as it is very well placed to compete for the ever-increasing pipeline of business coming to market in the UK. New business volume in 2019 to date has remained strong.

Last year I commented on our focus of investing to achieve long-term growth in net asset value in an increasingly more volatile global context. We will continue to invest in and support our portfolio of assets whilst looking to realise value from those smaller investments where the time and money spent is disproportionate to their ability to make a meaningful long-term impact on the net asset value.

Reinet remains committed to provide shareholders with an investment vehicle which will manage their funds in a conservative manner whilst aiming to achieve growth over the long-term. General rising risk levels and uncertainty require us to place great emphasis on long-term outcomes and on investing in and supporting our portfolio where further funding may be required to reach their full potential.

DIVIDEND

The Board of Directors of Reinet Investments Manager S.A. proposes a dividend of € 0.19 per share, payable in September 2019. This represents an increase of 5.6 per cent over the dividend paid last year.

CHANGES TO THE BOARD OF OVERSEERS

Following the retirement of Mr Denis Falck from the Board of Overseers at the 2018 annual general meeting, the shareholders approved the appointment of Mr Stuart Robertson with effect from 1 October 2018. Mr Robertson is a Chartered Accountant and a former partner at KPMG based in Zurich.

OUTLOOK

With rising debt levels, global uncertainty and political divisions in both the USA and Europe, finding good opportunities for investment can be a challenge and protecting the downside becomes more important.

In times of uncertainty, Reinet's approach is to maintain value for its shareholders over the long-term. Our focus will remain on businesses that we understand and business partners that we know and trust. In addition, the buyback programme allows Reinet to repurchase shares at prices substantially below the intrinsic value of the underlying assets.

Reinet's Directors, Overseers and employees have continued to provide valuable support over the year, I thank them all for their commitment to Reinet's future development.

Johann Rupert
Chairman

Reinet Investments Manager S.A.
Luxembourg, 21 May 2019

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 net asset value, the income statement and the 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.

NET ASSET VALUE

The net asset value ('NAV') at 31 March 2019 comprised:

	31 March 2019		31 March 2018	
	€ m	%	€ m	%
Listed investments				
British American Tobacco p.l.c.	2 523	52.2	3 198	62.4
Other listed investments	82	1.7	26	0.4
Unlisted investments				
Pension Insurance Corporation Group Limited	1 480	30.6	1 305	25.4
Private equity and related partnerships	772	16.0	736	14.4
Trilantic Capital Partners	216	4.5	180	3.5
Fund IV, Fund V, Fund VI, TEP, TEP II, related general partners and management companies				
36 South macro/volatility funds	32	0.7	40	0.8
Asian private equity companies and portfolio funds	243	5.0	177	3.5
Milestone China Opportunities funds, investment holdings and management company participation	82		129	
Prescient China funds and investment management company	110		48	
Grab Holdings Inc.	51		–	
Specialised investment funds	281	5.8	339	6.6
Vanterra C Change TEM and holding companies	23		24	
NanoDimension funds and co-investment opportunities	26		54	
Fountainhead Expert Fund	–		17	
Snow Phipps funds and co-investment opportunities	105		90	
Palm Lane Credit Opportunities Fund	–		85	
GAM Real Estate Finance Fund	37		53	
Other fund investments	90		16	
United States land development and mortgages	79	1.6	83	1.6
Diamond interests	46	1.0	39	0.8
Other investments	67	1.4	59	1.2
Total investments	5 049	104.5	5 446	106.2
Cash and liquid funds	360	7.5	322	6.3
Bank borrowings and derivatives				
Borrowings	(662)	(13.7)	(661)	(12.9)
Net derivative assets	135	2.8	52	1.0
Other liabilities				
Minority interest, fees payable and other liabilities, net of other assets	(52)	(1.1)	(32)	(0.6)
Net asset value	4 830	100.0	5 127	100.0

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 realised and unrealised value ⁽³⁾ in millions
Listed investments							
British American Tobacco p.l.c.	EUR	–	–	1 739	2 048	2 523	4 571
	GBP	–	–	1 418	1 695	2 172	3 867
Other listed investments	EUR	36	–	74	19	82	101
	USD	40	–	95	21	92	113
Unlisted investments							
Pension Insurance	EUR	633	–	663	–	1 480	1 480
Corporation Group Limited	GBP	545	–	545	–	1 274	1 274
Trilantic Capital Partners	EUR	602	278	327	385	216	601
Euro investment	EUR	87	20	67	118	51	169
US dollar investment ⁽⁴⁾	USD	578	290	298	326	185	511
36 South macro/volatility funds	EUR	93	–	93	12	32	44
Euro investment	EUR	88	–	88	12	28	40
US dollar investment	USD	6	–	6	–	5	5
Asian private equity companies and portfolio funds							
Milestone China Opportunities funds, investment holdings and management company participation	EUR	150	4	126	76	82	158
	USD	169	5	165	89	92	181
Prescient China funds and investment management company	EUR	73	–	68	–	110	110
	USD	82	–	82	–	123	123
Grab Holdings Inc.	EUR	45	–	43	–	51	51
	USD	50	–	50	–	57	57
Specialised investment funds							
Vanterra C Change TEM and holding companies	EUR	63	5	52	1	23	24
	USD	71	6	65	1	26	27
NanoDimension funds and co-investment opportunities	EUR	85	29	53	38	26	64
	Euro investment	EUR	4	–	4	1	4
	US dollar investment	USD	91	32	59	42	68
Fountainhead Expert Fund	EUR	18	–	15	13	–	13
	USD	20	–	20	15	–	15
Snow Phipps funds and co-investment opportunities	EUR	150	38	109	46	105	151
	USD	168	43	125	50	118	168
Palm Lane Credit Opportunities Fund	EUR	62	–	54	92	–	92
	USD	70	–	70	107	–	107
GAM Real Estate Finance Fund	EUR	116	35	54	55	37	92
	GBP	100	30	70	47	32	79
United States land development and mortgages	EUR	192	4	160	8	79	87
	USD	215	5	210	9	89	98
Diamond interests ⁽⁵⁾	EUR	76	2	116	84	46	130
	ZAR	1 230	40	1 190	1 229	754	1 983

(1) Calculated using year-end foreign exchange rates.

(2) Calculated using actual foreign exchange rates at transaction date.

(3) Total of realised proceeds and current fair value.

(4) The invested amount for Trilantic Capital Partners includes an initial payment of \$ 10 million.

(5) 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

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 € 2.4 billion and at 31 March 2019 has committed to provide further funding of € 430 million to its current investments. Details of the funding commitments outstanding are given in the table on page 22 of this report. New commitments during the year under review amounted to € 223 million, and a total of € 250 million was funded during the year.

LISTED INVESTMENTS



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.

Richard Burrows, Chairman of BAT and Nicandro Durante, Chief Executive of BAT, writing in its annual report for 2018 commented:

'Our 2018 results demonstrate not only that our combustible business is in good shape, but that our investment in a multi-category approach to our potentially reduced risk-product business is starting to pay off with encouraging results across all categories.

2018 reported revenue and profit from operations are up 25 per cent and 45 per cent respectively, and while this is of course due primarily to our first full year's inclusion of results from the US, we have nonetheless again exceeded our target of high single figure adjusted diluted constant currency EPS growth with an increase of 11.8 per cent.

While the business is continuing to perform well, it is impossible for us to ignore investor sentiment, which has been negatively impacted by the regulatory threats in the US and competitor dynamics in the potentially reduced-risk product categories. However, we are confident that our strategy of continuing to deliver shareholder returns today while investing in the future remains the right one.

FDA regulatory proposals have driven some uncertainty in the US operating environment, our long track record of success in the face of regulatory change and our strong portfolio of brands give us confidence that we will be able to manage these issues. We are additionally reassured by the fact that, in order to withstand judicial review, any regulation of menthol in cigarettes must be developed through a comprehensive rule-making process, be based on a thorough scientific review and consider all unintended consequences.

Our Chief Executive, Nicandro Durante, retires at the beginning of April 2019. During his eight years in the role he has grown the business substantially, delivering consistent and strong growth in both earnings and dividends.

We would like to welcome Jack Bowles, our current CEO Designate, to the role of Chief Executive effective 1 April 2019. The Board was delighted to have been able to appoint such an experienced and dynamic successor from within BAT.'

During the year under review, dividend income recorded from BAT amounted to € 148 million (£ 131 million), being BAT's second, third and fourth 2018 quarterly dividends, together with the first 2019 quarterly dividend of some € 40 million (£ 35 million) with a record date of 22 March 2019. The first 2019 quarterly dividend will be paid on 8 May 2019 and has been included in the NAV as at 31 March 2019, due to the record date falling in the financial year.

Reinet sold some 44 thousand BAT shares in the year under review for total proceeds of some € 1 million (£ 1 million) and thus holds 68.0 million shares in BAT, representing some 2.96 per cent of BAT's issued share capital. The value of Reinet's investment in BAT amounted to € 2 523 million at 31 March 2019 (31 March 2018: € 3 198 million), being some 52.2 per cent of Reinet's NAV. The BAT share price on the London Stock Exchange decreased from £ 41.31 at 31 March 2018 to £ 31.94 at 31 March 2019.

BRITISH AMERICAN TOBACCO P.L.C. CONTINUED

BAT continues to perform well with the first full year of results from Reynolds American, Inc. contributing to the strong financial results in the year. However, the market still has concerns in respect of the impact of changes in the industry and of regulatory developments. We are confident that BAT remains an attractive long-term investment and that the current industry challenges will be appropriately managed.

In its 2018 annual report, BAT reports that it performs a periodic reassessment of the risks faced as a consequence of the UK's decision to exit the EU (Brexit), including potential risks relating to increased costs of capital, transactional and translational foreign exchange rate exposures, supply chain continuity, taxation and changes in customs duty, and talent acquisition and retention.

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

OTHER LISTED INVESTMENTS

As at 31 March 2019 and 2018, other listed investments comprise the following:

	31 March 2019	31 March 2018
	€ m	€ m
SPDR Gold shares	25	23
Selecta Biosciences, Inc.	1	3
Soho China Limited	18	–
Li Ning Company Limited	26	–
Twist Bioscience Corporation	12	–
	82	26

During the year under review, Reinet received listed shares in Soho China Limited and Li Ning Company Limited following a distribution of assets from a Milestone related investment holding company.

In addition, following the initial public offering of Twist Bioscience Corporation in the year, Reinet reclassified its holding in Twist Bioscience Corporation from 'NanoDimension funds and co-investment opportunities' to listed investments. The value of the unlisted holding was € 4 million at 31 March 2018, with an additional € 4 million invested during the year at the time of the initial public offering of Twist Bioscience Corporation.

MANAGEMENT REPORT

BUSINESS OVERVIEW
CONTINUED**SPDR GOLD SHARES**

In 2015, 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 € 25 million as at 31 March 2019 (31 March 2018: € 23 million).

Further information on GLD is available at www.spdrgoldshares.com

**SELECTA BIOSCIENCES, INC.**

Selecta Biosciences, Inc. ('Selecta'), is a clinical-stage biopharmaceutical company using proprietary synthetic vaccine particle technology to discover and develop targeted therapies that are designed to modulate the immune system to effectively and safely treat rare and serious diseases.

Selecta is also a portfolio company of NanoDimension funds, pre and post the initial public offering.

In June 2016, Reinet invested € 4 million in Selecta acquiring 350 000 shares in its initial public offering on the Nasdaq. In January 2019, Reinet invested an additional € 0.5 million in Selecta acquiring 365 000 shares.

Reinet holds 715 000 shares with a market value of € 1 million as at 31 March 2019 (31 March 2018: € 3 million). The decrease in market value is due to the decrease in the share price during the year.

Further information on Selecta is available at www.selectabio.com

**SOHO CHINA LIMITED**

In August 2018, Reinet received 47 million shares of Soho China Limited ('Soho'), with a value of € 16 million following a distribution of assets from a Milestone related investment holding company.

Soho is a Chinese office developer focused on developing and leasing properties in the central business districts of Beijing and Shanghai. Soho developments are known for their modern architecture, with designs from architects such as Zaha Hadid and Japanese architect Kengo Kuma. The company has developed over five million square metres of commercial properties. Soho 3Q, a growing offering within Soho, is a flexible office co-working environment, with over 30 000 seats in 31 centres.

Reinet holds 47 million shares with a market value of € 18 million as at 31 March 2019.

Further information on Soho is available at www.sohochina.com



LI NING COMPANY LIMITED

In August 2018, Reinet received some 34 million shares of Li Ning Company Limited ('Li Ning'), with a value of € 31 million following a distribution of assets from a Milestone related investment holding company.

Li Ning is one of the leading sports brand companies in China, mainly providing sporting goods including footwear, apparel, equipment and accessories for professional and leisure purposes primarily under the Li Ning brand. Headquartered in Beijing, the group has brand marketing, research and development, design, manufacturing, distribution and retail capabilities. It has established an extensive supply chain management system and a retail distribution network in China.

During the year under review, Reinet sold some 15.4 million shares for proceeds of € 19 million realising a gain of € 4 million.

Reinet holds some 18.4 million shares with a market value of € 26 million as at 31 March 2019.

Further information on Li Ning is available at www.lining.com



TWIST BIOSCIENCE CORPORATION

During the year under review, Reinet acquired some 357 143 shares in Twist Bioscience Corporation ('Twist'). The shares were acquired at the time of the initial public offering at a price of € 12 per share (\$ 14 per share), for a total of € 4 million (\$ 5 million). Prior to this, in 2017, Reinet acquired some 235 354 shares in Twist for € 4 million (\$ 5 million) as a result of a NanoDimension co-investment opportunity.

Twist is involved in the fields of medicine, agriculture, industrial chemicals and data storage, by using synthetic DNA tools, and has created a revolutionary silicon-based DNA synthesis platform that offers precision at a scale otherwise unavailable.

As at 31 March 2019, Reinet holds some 592 497 shares in Twist with a market value of € 12 million.

Further information on Twist is available at www.twistbioscience.com

MANAGEMENT REPORT

BUSINESS OVERVIEW CONTINUED

UNLISTED INVESTMENTS

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 reports and valuations provided by third-party experts. Valuation methodologies applied include the NAV of investment funds, discounted cash flow models and comparable valuation multiples, as appropriate. The third-party valuation reports and key assumptions used within these reports are reviewed by the external auditors.



PENSION INSURANCE CORPORATION GROUP LIMITED

Pension Insurance Corporation Group Limited's ('Pension Corporation') wholly-owned subsidiary, Pension Insurance Corporation plc ('Pension Insurance Corporation'), is a specialist insurer of UK 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 provides secure and stable retirement income for its policyholders through market-leading customer service, comprehensive risk management and excellence in asset and liability management.

In 2018, Pension Insurance Corporation wrote new pension business with premiums of £ 7.1 billion as a result of 30 new business transactions completed during the year, up from £ 3.7 billion in 2017 which represented 20 transactions. New business transactions in 2018 include BHS (£ 800 million of liabilities), Siemens (£ 1.3 billion of liabilities) and Rentokil (£ 1.5 billion of liabilities). The new business activity was supported by internal capital resources and £ 350 million of debt raised in September 2018.

At 31 December 2018, Pension Insurance Corporation held £ 31.4 billion in assets (31 December 2017: £ 25.7 billion) and had insured more than 192 000 pension fund members (31 December 2017: 151 000). Clients include FTSE 100 companies, multinationals and the public sector.

PENSION INSURANCE CORPORATION GROUP LIMITED CONTINUED

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

In what was the 10th anniversary year of our first transaction, signed in the summer of 2008, Pension Corporation completed a record £ 7.1 billion of new business premiums.

The overall value of the business, as measured under Market Consistent Embedded Value ('MCEV') methodology, was £ 3 638 million (2017: £ 2 932 million) at year-end, an increase of 24 per cent in the year. The Group's IFRS profit before tax was £ 477 million (2017: £ 383 million), an increase of 25 per cent in the year. The investment portfolio was £ 31.4 billion (2017: £ 25.7 billion), reflecting strong new business flows, payments to existing policyholders and market movements. Finally, the solvency ratio of the Group's main subsidiary, Pension Insurance Corporation, was 167 per cent at 31 December 2018, particularly pleasing given the amount of new business we wrote.

New business levels were partly backed with a record £ 2.5 billion invested in secure long-term assets on a private basis, such as social housing, renewable energy and the university sector. We also reinsured £ 5.6 billion of longevity risk, a record amount, and our pool of highly rated reinsurance counterparties now stands at eleven. In total, Pension Insurance Corporation has now reinsured 74 per cent of total longevity risk (2017: 73 per cent).

Our purpose is straightforward to define: it is to pay the pensions of our current and future policyholders. Our business has therefore been built on an absolute focus on our policyholders and the standard of customer service they receive, so we were delighted to win another award for this from the Institute of Customer Service. We were also proud to be named an 'Outstanding Employer of the Year'.

In the current period, Reinet acquired additional shares from other Pension Corporation shareholders for an amount of £ 6.3 million. As a result, Reinet owns 43.72 per cent of Pension Corporation, up from 43.45 per cent at 31 March 2018.

Reinet's investment in Pension Corporation is carried at an estimated fair value of € 1 480 million at 31 March 2019 (31 March 2018: € 1 305 million). This value takes into account Pension Corporation's audited embedded value at 31 December 2018 of £ 3.6 billion (31 December 2017: £ 2.9 billion), valuation multiples drawn from industry data and a discount of 10 per cent which takes into account the illiquid nature of Reinet's investment.

The increase in estimated fair value over the year is due to the increase in Pension Corporation's embedded value which reflects primarily new business written in the year together with the strengthening of sterling against the euro in the year. This is offset by an 11 per cent decrease in comparable company valuation multiples derived from public information of listed peer-group companies in the UK insurance sector.

Pension Insurance Corporation continues to pursue new business opportunities with over £ 1.6 billion of liabilities insured to date in 2019 and a strong pipeline of new business opportunities.

Pension Insurance Corporation has considered the risks associated with the UK leaving the EU ('Brexit') and the potential impact that this may have on its business model and policyholders. This includes scenario assessments to assess whether appropriate controls are in place to ensure that contractual relationships with various stakeholders continue to operate as intended post Brexit – including the ability to pay policyholders, relationships with banking and reinsurance counterparties and legislation around data security. Scenarios have also been performed considering potential macro-economic impacts to ensure that adequate controls are in place to mitigate the potential balance sheet impacts of market movements in a worst-case Brexit scenario on its solvency and liquidity position.

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

MANAGEMENT REPORT

BUSINESS OVERVIEW CONTINUED

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 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 composed of Trilantic North America and Trilantic Europe, two separate and independent private equity investment advisors focused on making controlling and significant minority interest investments in companies in their respective geographies. Trilantic North America primarily targets investments in the business services, consumer and energy sectors, and currently manages five funds. Trilantic Europe primarily targets investments in the industrials, consumer and leisure, telecommunication, media and technology, business services and healthcare sectors, and currently manages two funds.

Reinet and its minority partner invest in certain of the Trilantic general partnerships and management companies (together 'Trilantic Management'). Reinet and its minority partner, through Reinet TCP Holdings Limited, invest in two of the current funds under Trilantic's management. Reinet also directly invests in four additional funds under Trilantic's management. The terms of investment applicable to Reinet's investment in the Trilantic funds 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.

Reinet TCP Holdings Limited invests in Trilantic Capital Partners IV L.P. and Trilantic Capital Partners IV (Europe) L.P., these funds are in the process of realising value from underlying investments. In the year under review, distributions of some € 4 million were received (31 March 2018: € 21 million).

Reinet invests in Trilantic Capital Partners V (North America) L.P. and Trilantic Energy Partners (North America) L.P., which both completed their investment period in June 2018 with Reinet making capital contributions of some € 8 million and receiving distributions of some € 32 million in the year under review. 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.

During the year under review, Reinet also committed € 15 million (\$ 17 million) to Trilantic Energy Partners II (North America) L.P. ('TEP II') and its general partner, and € 86 million (\$ 96 million) to Trilantic Capital Partners VI (North America) L.P. ('Fund VI') and its general partner. TEP II completed its fund raising in 2018 with total commitments of € 389 million (\$ 437 million), Fund VI currently has commitments of € 2.3 billion (\$ 2.5 billion) and expects to close its fund raising in mid 2019. Reinet's commitments amount to € 39 million (\$ 44 million) and € 228 million (\$ 256 million) respectively.

TRILANTIC CAPITAL PARTNERS CONTINUED

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

'On 14 December 2018, we held subsequent closings with total capital commitments of \$ 2.5 billion for Fund VI North America and \$ 437 million for TEP II North America. On 3 December 2018, the LP Advisory Committee of Fund VI North America approved a six-month extension period for the fund. We are working with a discreet handful of investors, which have completed most, if not all, of their due diligence. Fund VI North America has closed on three investments to date and TEP II North America has closed on two investments to date. We appreciate the strong support received from our existing investors and welcome our new investors to the Trilantic North America family.

The US economy expanded by 2.9 per cent in 2018, after having posted growth rates of 2.2 per cent and 1.6 per cent in 2017 and 2016, respectively. We are not convinced that the US economy can sustain accelerated growth for a third year in a row in 2019, but we do believe that it will stay above 2 per cent. Important economic indicators are showing, among other things, strong consumer confidence, a reasonable expectation of job creation and wage growth, better labour force participation and moderate inflation.

In April 2019, we celebrate our 10th anniversary as an independent firm having closed our management buy-out transaction from Lehman Brothers.

In conclusion, patience and flexibility remain essential in our deployment of capital, whether in new transactions or follow-on capital for existing portfolio companies. Over the past year and half, we have been 'net sellers' and 'cautious buyers' (with 10 significant realisations against five new portfolio investments), but we believe the pendulum has begun to swing back closer to neutrality. This bodes well for our substantial dry powder, but we will continue adhering to our investment discipline, which we believe has been critical in protecting capital, enhancing value and maximising risk-adjusted returns.'

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

'2018 began with very strong GDP growth of 3 per cent in the EU. The year ended with full year actual growth of 0.8 per cent with member states such as Germany and Italy delivering around zero growth in Q4 2018. There are a number of factors to which the slowdown has been attributed. Policy change in the US caused a slowdown in global trade while political changes in Italy and Germany and unrest in France reduced investment appetite. Trilantic Europe anticipates EU GDP will continue to grow at a modest pace of around 1 per cent in 2019. Given a continued improvement in employment rates across the EU, combined with low wage pressure, the EU macroeconomic backdrop is, while unexciting, relatively sound.

The defining events in 2019 that will set the tone for European growth are the forthcoming elections of the EU delegates and presidents who will potentially shape a more divisive or cohesive set of economic policies. Against this European macroeconomic backdrop Trilantic Europe's portfolio, highly diversified by sector as well as geography, has performed well during 2018 and is forecasting further growth in 2019 based on the specific themes and attributes of each portfolio company. While providing support to our portfolio companies in the execution of their growth plans, Trilantic Europe will also continue its 15-year consistent top-down strategy of searching for value across the five sectors and geographies we cover.'

Reinet's investment in Trilantic Management and the above funds is carried at the estimated fair value of € 216 million at 31 March 2019 (31 March 2018: € 180 million) of which € 4 million (31 March 2018: € 7 million) is attributable to the minority partner. The estimated fair value is based on audited valuation data provided by Trilantic Management at 31 December 2018 adjusted for changes in the value of listed investments included in the portfolios. The increase in the estimated fair value is due to net capital contributions of € 29 million, the strengthening of the US dollar against the euro and increases in estimated fair values of underlying investments.

During the year under review, gains of € 11 million were realised and carried interest of € 16 million was received.

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

MANAGEMENT REPORT

BUSINESS OVERVIEW
CONTINUED**36 SOUTH 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 Lesedi Fund; a positive-carry, long-volatility strategy with a primary focus of generating yield in 'normal markets', whilst retaining the potential to deliver larger positive returns in extreme market events. The fund invests in options that are expected to result in a positive return if the spot price remains the same, if volatility increases, and/or if there is a favourable movement of the price of the underlying asset. The current low interest and low volatility environment provides multiple opportunities for the fund to invest in such positions globally in equities, currencies, commodities and interest rates and in both bullish and bearish positions.

The Kohinoor Core Fund; a global macro/long volatility strategy which aims to achieve significant returns with commensurate risk over a medium- to long-term investment period. It is designed to generate performance in a variety of market environments as the fund managers have extensive experience in identifying mis-valued assets whilst maintaining a mix of bullish and bearish positions. The fund invests up to 95 per cent in options and is a more concentrated version of the highly successful Kohinoor Series Funds.

Richard Haworth, Chief Executive Officer of 36 South, commented:

'36 South is a world recognised leader in the management of funds which look to outperform in times of extreme systemic events and the accompanying volatility.

Last year we saw sporadic outbreaks of idiosyncratic volatility in asset markets. However they lacked the persistence and contagion normally associated with systemic events so any performance was not substantially realised. The price of volatility assets in general remains low, primary drivers being low interest rates and the willingness of Central Banks to inject liquidity into the markets at the first sign of stress.

Relatively becalmed markets and low volatility lead to disappointing fund performances. However, notwithstanding this, the firm received significant new inflows as investors become increasingly nervous of the fragility of the financial markets.

36 South is looking to consolidate its position as a leader in this space and believes that it is well positioned to grow its AUM inorganically as investors become increasingly aware of the need to diversify their portfolio and have funds like ours in their mix as not only a diversifier but as a tail hedge. If crises are inevitable it is only a matter of time before global volatility has a regime change which should significantly organically grow the AUM as well.'

The investment in the funds is carried at the estimated fair value of € 26 million, based on unaudited financial information received from the fund manager as at 31 March 2019 (31 March 2018: € 34 million). The estimated fair value of the investment in the fund management and distribution companies amounted to € 6 million (31 March 2018: € 6 million). The investments in total have an estimated fair value of € 32 million (31 March 2018: € 40 million). The change in valuation reflects the movement in the value of the underlying investments held by the funds.

Further information on 36 South is available at www.36south.com



ASIAN PRIVATE EQUITY COMPANIES 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; biopharmaceutical 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:

'During 2018 and the first quarter of 2019, Milestone continued working closely with our portfolio companies to drive operational excellence and help with various strategic initiatives. Among our active portfolio companies, one leading e-commerce platform for beauty products completed a restructuring and fundraising based on a significantly higher company valuation than that in previous investment rounds when Milestone made its investment, one oncology-focused biotech company was successfully dual-listed on the NASDAQ in addition to the Taipei Exchange's Mainboard, and one big data service provider and one leading online education company completed new rounds of financing. Moreover, we also strived to achieve liquidity and realise returns for our investors. We had a partial realisation from our investment in a leading Chinese sportswear company by selling shares through the open market on the Hong Kong Stock Exchange and received total proceeds that covered our investment cost in the company while preserving great upside value in our remaining stake.

2018 was a turbulent year in terms of global geopolitics, US-China relations, China internal economic challenges, as well as the Chinese domestic capital markets. While the Chinese economy struggled to find ways to transition from low-cost manufacturing, export-oriented economy, to innovation-based, consumption-led economy, the government continued its effort to crack down on corruption, tightened lending standards, and efforts to cool real estate prices and overseas investments. All these efforts led to lowered confidence levels and lowered investments and capital expenditure from both the public and private sectors. The domestic capital markets declined further for the year, with the Shanghai Composite Index declining 25.5 per cent and the Shenzhen Composite Index declining 33.9 per cent. The domestic stock market has wiped out \$ 4.0 trillion of wealth since it reached the peak in 2015. For the full year 2018, the government reported a GDP growth of 6.6 per cent, the slowest pace since 2009. However, the absolute amount of GDP growth in dollar terms was the largest in China's history, reaching \$ 1.2 trillion, or the equivalent of adding a Mexico, the 15th largest economy in the world. We believe the current uncertain environment and adjustments in the Chinese economy are healthy and will lay the foundation for the next stage of development.'

The investment in Milestone is held at the estimated fair value of € 82 million (31 March 2018: € 129 million) based on audited financial information provided by Milestone Capital at 31 December 2018 adjusted for movements in listed investments and cash movements up to 31 March 2019.

The change in estimated fair value reflects capital repayments of € 47 million, offset by capital contributions, the strengthening of the US dollar against the euro and increases in the value of listed investments. The capital repayments were made in the form of a distribution of existing holdings of shares in Soho and Li Ning with fair values of € 16 million and € 31 million respectively, these shares are now included in 'Other listed investments' and are shown on page 7.

Further information on Milestone Capital and Milestone funds is available at www.mcmchina.com

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PRESCIENT 预知投资咨询(上海)有限公司

Prescient China funds and investment management company

Reinet invests in the Prescient China Balanced Fund, the Prescient China Equity Fund and the management company.

Prescient China Balanced Fund invests in equities, bonds, cash and derivatives with the objective of generating inflation-beating returns at acceptable risk levels. It invests principally in instruments listed on the Shanghai and Shenzhen Stock Exchanges.

The Prescient China Equity Fund was launched in October 2018. The fund uses a systematic, quantitative approach to seek long-term capital growth by investing primarily in China 'A' shares listed on the Shanghai and Shenzhen Stock Exchanges by virtue of Prescient's Qualified Foreign Institutional Investor status granted by the China Securities Regulatory Commission.

Both funds are managed by a subsidiary of Prescient Limited, a South African-listed fund manager, with the team based in Shanghai.

Liang Du, Portfolio Manager of Prescient China, commented:

'Over the past financial year the Prescient China Balanced Fund was down 1.7 per cent in US dollar terms compared to the Chinese market falling by 5.5 per cent. The Chinese market was tumultuous over the past year, with the market falling by almost 30 per cent towards the end of 2018 before recovering strongly in the first quarter of 2019. For most of 2018, fears of an escalating trade war between China and the US, a slowing economy, as well as a massive shadow banking clampdown resulted in the equity market turning very negative, bringing valuations near historic lows in China. Although hard economic numbers have failed to improve (yet) in the first quarter of 2019, a relaxation of shadow banking limits, a recovering property market, an increase in the MSCI index inclusion factor and a general improvement in sentiment all contributed to a very strong first quarter. Our own models are currently bullish on the Chinese market, with cheap valuations, positive sentiment as well as supportive policies, the Balanced Fund is currently overweight in Chinese equities.

We also launched the Prescient China Equity Fund at the end of October 2018 during the turmoil. The Equity Fund has had a great start rising by 28 per cent since its launch. The Chinese market is of course not without its risks, should the economy slow meaningfully from here, or the global economy go into a recession, we will adjust our positioning accordingly.'

In October 2018, Reinet invested € 44 million (\$ 50 million) in the Prescient China Equity Fund.

Reinet's total investment is carried at an estimated fair value of € 110 million based on unaudited financial information provided by the fund manager at 31 March 2019 (31 March 2018: € 48 million). The increase in estimated fair value over the year under review is the result of the additional investment, together with increases in the value of underlying listed investments and the strengthening of the US dollar against the euro in the year.

Further information on Prescient China is available at www.prescient.co.za

**Grab Holdings Inc.**

Grab Holdings Inc. ('Grab'), is one of the most frequently used mobile platforms in Southeast Asia. Grab provides access to safe and affordable transport, food and package delivery, mobile payments and financial services. Grab currently offers services in Singapore, Indonesia, the Philippines, Malaysia, Thailand, Vietnam, Myanmar and Cambodia.

In July 2018, Reinet invested € 43 million (\$ 50 million) in Grab. As at 31 March 2019, the investment in Grab is held at the estimated fair value of € 51 million, calculated based on multiples drawn from industry data.

Further information on Grab is available at www.grab.com



SPECIALISED INVESTMENT FUNDS

Vanterra C Change TEM and holding companies

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.

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

The investment is carried at the estimated fair value of € 23 million at 31 March 2019, based on audited financial information as at 31 December 2018, adjusted for cash movements and changes in prices of listed investments (31 March 2018: € 24 million).

Further information on Vanterra C Change TEM is available at www.temcapital.com



NanoDimension funds and co-investment opportunities

Reinet is a limited partner in NanoDimension I, II and III limited partnerships. The focus of each fund is to invest in and support the establishment, technology development and scale up, growth and commercialisation of companies leveraging the advancement of new atomic and molecular structures. Product applications range from molecular diagnostics, immuno-oncology, immuno-tolerance, organs on chip, DNA synthesis and energy storage.

Aymeric Sallin, Founder of NanoDimension Management Ltd, commented:

'2018 was a transformative year for the three NanoDimension funds. For NanoDimension I there were some important events that took place as we work towards winding up in the next two years. NanoDimension II increased in value from \$ 100 million to \$ 219 million, with over \$ 120 million in realised value giving us the opportunity to return almost the entire capital called. A major driver was ARMO which completed one of the most successful IPOs of 2018. The 14 remaining companies have exciting potential. NanoDimension III has successfully raised approximately \$ 350 million and is off to a solid start with seven investments made. We have also extended our operation in Europe based on the campus of EPFL, Switzerland.

'Twist had a successful IPO on 31 October 2018, and we believe Click, Inscripta, and Orca are on exciting trajectories. These companies have tremendous potential and illustrate our mission at NanoDimension to invest in companies developing transformational technologies in, and at the convergence of physical sciences and life sciences. Advancements in semiconductors, lasers, microfluidics, computation, and data analysis are enabling a better understanding of biology, more personalised manufacturing to help realise the potential of personalised medicine, and true point-of-care diagnostics.'

Reinet's co-investment in Twist has been reclassified as a listed investment following the initial public offering in October 2018.

During the current year, Reinet sold its remaining unlisted co-investment for € 20 million (\$ 22 million), realising a gain of € 5 million (\$ 6 million) in the year and an overall loss of € 3 million (\$ 4 million).

At 31 March 2019, the estimated fair value of Reinet's investment in the three funds amounted to € 26 million (31 March 2018: € 32 million for the three funds). The estimated fair value is based on audited valuation data received from the fund manager as at 31 December 2018. The decrease in estimated fair value reflects capital distributions received of € 17 million, offset by capital contributions made, increases in the value of underlying investments and the strengthening of the US dollar against the euro in the year.

Further information on NanoDimension is available at www.nanodimension.com

MANAGEMENT REPORT

BUSINESS OVERVIEW
CONTINUED**Fountainhead Expert Fund**

The Fountainhead Expert Fund was liquidated in December 2018 with proceeds of € 13 million (\$ 15 million) being received by Reinet.

The original investment in the fund was € 15 million (\$ 20 million). At 31 March 2018, the estimated fair value of the investment was € 17 million (\$ 21 million); the decrease in value reflects decreases in the value of underlying investments during the period up to the liquidation date.

SNOW PHIPPS

Snow Phipps funds and co-investment opportunities

Snow Phipps Group ('Snow Phipps') is a private equity firm focused on lower middle-market control investments. Snow Phipps seeks to invest \$ 50 million to \$ 150 million of equity in market-leading companies primarily headquartered in North America with enterprise values between \$ 100 million and \$ 500 million. Snow Phipps implements a strategy of creating long-term capital appreciation through active operational management of its portfolio companies. By utilising its engaged operational approach, Snow Phipps is able to execute transactions involving corporate carve-outs, generational and management change, and add-on acquisition strategies. Snow Phipps primarily targets investments in the industrial, consumer and business services sectors, and currently manages three private equity funds with aggregate capital commitments of \$ 2.4 billion.

Reinet invests as a limited partner in Snow Phipps II, L.P., Snow Phipps III, L.P. and in five co-investment opportunities alongside Snow Phipps III, L.P.

Ian K. Snow, CEO and Partner of Snow Phipps, commented:

'Since our founding in 2005, Snow Phipps has consistently followed the same operationally focused strategy of investing in lower middle-market companies with attractive organic and acquisition-driven growth dynamics and defensible market positions. In our latest fund, Snow Phipps III, L.P., we continue with our successful approach of partnering with dedicated senior executives (our Operating Partners) and strong management teams to deliver highly attractive returns for investors.

In 2018, we continued to execute this investment strategy in Snow Phipps III, despite a highly competitive and highly priced deal-making environment. We completed one new platform investment as well as five strategic and complementary add-on acquisitions. In September 2018, Snow Phipps III acquired BlackHawk Industrial, a leading distributor of metalworking and industrial MRO products serving over 6 000 customers in North America. We also had a successful exit in the fund in 2018, selling Winchester Interconnect to Aptiv PLC, and we have returned over \$ 245 million to Snow Phipps III investors. In addition, for Snow Phipps II, L.P., we completed one add-on acquisition during 2018, and we returned more than \$ 35 million from one investment. In 2018, we deployed over \$ 120 million in Snow Phipps II and Snow Phipps III equity commitments combined. We continue to build value in the current Snow Phipps portfolio.'

During the year under review, an investment (held both through Snow Phipps III, L.P. and as a co-investment) was sold for € 47 million (\$ 54 million), realising a gain of € 31 million (\$ 35 million).

Reinet's investment in the two funds and associated co-investments is carried at an estimated fair value of € 105 million at 31 March 2019 (31 March 2018: € 90 million). The increase in the estimated fair value being due to additional capital contributed of € 26 million (\$ 29 million) invested in two new co-investment opportunities alongside the funds, an increase in the estimated fair value of underlying investments and the strengthening of the US dollar against the euro in the year, offset by the distribution noted above.

Further information on Snow Phipps is available at www.snowphipps.com

J.P.Morgan

Asset Management



Palm Lane Credit Opportunities Fund

The Palm Lane Credit Opportunity Fund was liquidated in the year under review with proceeds of € 92 million (\$ 107 million) being received by Reinet.

The original investment in the fund was € 54 million (\$ 70 million). At 31 March 2018, the estimated fair value of the investment was € 85 million (\$ 105 million); the increase in value reflects increases in the value of underlying investments during the period up to the liquidation date.

Reinet realised an overall gain of € 32 million (\$ 37 million) in respect of this investment.

GAM Real Estate Finance Fund

The GAM 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 investment strategy focuses on the origination of commercial real estate loans primarily in Western Europe, and with primary focus on the UK. At December 2018, REFF held nine investments.

Andrew Gordon and Martin Farinola, Investment Directors GAM, commented:

'The Real Estate Finance Fund invested in a diversified portfolio of 25 self-originated, private loans secured by commercial and residential real estate in the UK, Ireland and Belgium. The fund's investment objectives are to generate an attractive dividend yield while protecting against a material, downward adjustment in real estate values. The fund continued to pay dividends at or above the target rate during 2018 and, as at the end of 2018, 16 investments had been fully realised. One further investment has been fully realised following the year-end.

UK real estate values have remained relatively stable in spite of the slowing UK economy. Uncertainty around the outcome of the Brexit negotiations will continue to weigh on the UK economy, however the real estate market has shown some strong, albeit isolated, areas of growth.'

The investment is carried at the estimated fair value of € 37 million at 31 March 2019 (31 March 2018: € 53 million) based on audited valuation data provided by the fund manager at 31 December 2018.

The decrease in estimated fair value is mainly due to repayments of capital in the year, mostly owing to early settlement of loans, offset by the strengthening of sterling against the euro.

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CONTINUED**Other fund investments**

This includes small, specialist funds investing in private equity businesses, property and start-up ventures.

Other fund investments are valued in total at their estimated fair value of € 90 million at 31 March 2019 based on valuation statements received from the fund managers (31 March 2018: € 16 million).

Included in this section is a limited partner investment in RLG Real Estate Partners L.P. ('RLG'), a property fund which is managed by a subsidiary of Compagnie Financière Richemont SA. RLG invests in and develops real estate properties, including luxury brand retail developments situated in prime locations throughout the world.

Reinet's investment in RLG is carried at an estimated fair value of € 81 million at 31 March 2019 (31 March 2018: € 6 million). The movement in value is due to additional capital invested in the period of € 57 million, together with an increase in the underlying property value of € 18 million.

UNITED STATES LAND DEVELOPMENT AND MORTGAGES

Reinet has invested 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 previously invested in residential golf communities, owning the land for sale to future homeowners together with infrastructure assets. These assets were held by Arendale Holdings Corp.

Bill Lanius, Chief Executive Officer of Arendale Holdings Corp., commented:

'The United States land development and mortgages business is invested in numerous properties in the US, with a geographical concentration in the south-eastern region. Investments are held in two distinct portfolios. The 'Legacy' portfolio primarily consists of residential communities located in growth-oriented suburban areas. Those home sites are developed by the company and typically marketed to production homebuilders. The 'Arendale' portfolio includes golf course communities where the purchase of real estate and club memberships are discretionary, lifestyle decisions of individual customers, as well as other residential communities.

The golf course-related real estate assets did not perform to the budgets prepared at the time the investments were made, and required more capital than anticipated. In February 2019, the sale of the largest such holding (Silver Sun Partners) was successfully completed.'

The investment is carried at the estimated fair value of € 79 million as at 31 March 2019 (31 March 2018: € 83 million).

The current valuation is based on audited financial statements as at 31 December 2018 adjusted for cash movements up to 31 March 2019. The decrease in the estimated fair value reflects repayments received during the year, offset by the strengthening of the US dollar against the euro during the year.

The investment in Silver Sun Partners (residential golf communities and adjacent land held for sale to future homeowners) was sold in a single transaction in the current year; the estimated fair value of the investment had however been written down to zero by Reinet in previous years.

Further information on Arendale is available at www.arendale.com



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 at Jagersfontein in South Africa. Developments in extraction technology since Jagersfontein was first mined, now allow the waste tailings to be reprocessed to recover gemstones. In addition, Reinet has an interest in a separate project, which has acquired rights to mine 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.

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

'The South African rand has remained volatile during the past year which potentially plays a major factor in the revenue and profitability of the diamond business but is hedged to some degree. The rough diamond market overall has experienced some price stability, however we have continued to see high attendance and strong demand at sale tenders held both in South Africa and Antwerp.'

'During the last quarter Jagersfontein completed the construction phase and commenced with commissioning of a new section of the plant which is estimated to add some 30 per cent capacity to the volume of material that can be treated. This plant is designed to enable the processing of lower grade material more profitably.'

'Rooipoort continued to recover a higher than expected amount of carats in the current operational area. However, on average the USD/ct achieved remained lower than the projected average due to the lack of high quality diamonds that were recovered. The highlight find and sale of the year was a 40.44ct fancy intense yellow diamond.'

In total, these projects are carried at their estimated fair value of € 46 million at 31 March 2019 (31 March 2018: € 39 million) based on discounted cash flow projections. The increase in estimated fair value mainly reflects the impact of a re-evaluation of the remaining life of each project, known as 'life of mine', offset by repayment of loans and interest in the year amounting to € 3 million, and the weakening of the South African rand against the euro in the year.

Reinet has borrowed ZAR 443 million to fund its investments in these projects and entered into a forward exchange contract to sell ZAR 230 million (31 March 2018: ZAR 230 million) in order to mitigate currency risk.

OTHER INVESTMENTS

Other investments are carried at their estimated fair value of € 67 million at 31 March 2019 (31 March 2018: € 59 million). The increase in the estimated fair value of other investments relates mostly to additional capital invested and the strengthening of sterling and the US dollar against the euro in the year.

There were no other significant changes in value 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 € 223 million less the cancellation of unused commitments of € 18 million, the largest commitments are detailed below.

Reinet increased its commitment to Trilantic Capital Partners in respect of Fund VI and TEP II by a total of € 101 million (\$ 113 million) during the year.

Commitments of € 45 million (\$ 50 million) were made to each of the Prescient China Equity Fund and Grab Holdings Inc. Both were fully funded in the year.

Reinet committed to invest € 15 million (\$ 17 million) in co-investments related to Snow Phipps III, L.P.

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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 2019 exchange rates.

The table below summarises Reinet's outstanding investment commitments at 31 March 2019.

	31 March 2018 ⁽¹⁾ € m	Exchange rate effects ⁽²⁾ € m	Committed during the year ⁽³⁾ € m	Funded during the year ⁽³⁾ € m	31 March 2019 ⁽³⁾ € m	31 March 2019 %
Selecta	–	–	1	(1)	–	–
Twist	–	–	4	(4)	–	–
Pension Corporation	1	–	6	(7)	–	–
Private equity and related partnerships						
Trilantic Capital Partners						
Fund IV, Fund V, Fund VI, TEP, TEP II, related general partners and management companies ⁽⁴⁾	212	19	101	(56)	276	64.2
Asian private equity companies and portfolio funds						
Milestone China Opportunities funds, investment holdings and management company participation	6	1	–	(3)	4	0.9
Prescient China funds and investment management company	–	–	45	(45)	–	–
Grab Holdings Inc.	–	–	45	(45)	–	–
Specialised investment funds						
Vanterra C Change TEM and holding companies	5	–	–	–	5	1.2
NanoDimension funds and co-investment opportunities	32	3	–	(6)	29	6.7
Fountainhead Expert Fund ⁽⁵⁾	16	2	(18)	–	–	–
Snow Phipps funds and co-investment opportunities	41	4	15	(22)	38	8.8
GAM Real Estate Finance Fund	34	1	–	–	35	8.1
Other fund investments ⁽⁶⁾	89	–	1	(57)	33	7.7
United States land development and mortgages	2	1	–	2	5	1.2
Diamond interests	3	(1)	–	–	2	0.5
Other investments	4	–	5	(6)	3	0.7
	445	30	205	(250)	430	100.0

(1) Commitments calculated using 31 March 2018 exchange rates.

(2) Reflects exchange rate movements between 31 March 2018 and 31 March 2019.

(3) Amounts calculated using 31 March 2019 exchange rates, which may differ from actual exchange rates on the transaction date.

(4) Commitments noted represent only Reinet's share of the investments at 31 March 2019, additional commitments payable by minority partner amount to € 3 million in respect of Trilantic.

(5) Remaining commitments of € 18 million cancelled.

(6) Includes remaining commitment of € 32 million to RLG Real Estate Partners L.P.

CASH AND LIQUID FUNDS

Reinet holds cash on deposit principally in European-based banks and in liquidity funds holding highly rated short-term commercial paper.

Reinet's liquidity is measured by its ability to meet potential cash requirements, including unfunded commitments on investments and the repayment of borrowings, and at 31 March 2019 can be summarised as follows:

Cash and liquid funds	€ 360 m
Undrawn borrowing facility	€ 290 m
Cash required for unfunded commitments (refer to table on previous page)	(€ 430 m)
Cash required to meet ZAR borrowing obligations	(€ 27 m)

The undrawn borrowing facility comprises a revolving facility with Bank of America, N.A. of € 290 million (£ 250 million) (see below).

Medium-term bank borrowings of € 635 million will be settled by the exercise of put options over BAT shares or the proceeds of the sale of BAT shares, or may be rolled over or replaced by other borrowings or settled by available cash.

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

BANK BORROWINGS AND DERIVATIVES

BORROWINGS

In December 2016, Reinet entered into borrowing facilities with Bank of America, N.A., which permit it to drawdown the equivalent of up to £ 250 million in a combination of currencies to fund further investment commitments. At 31 March 2019, these facilities had not been drawn upon (31 March 2018: € nil).

During early 2017, Reinet entered into a £ 500 million, medium-term financing arrangement with Merrill Lynch International, which runs to 2022. At 31 March 2019, the estimated fair value of the borrowing was € 581 million (£ 500 million) (31 March 2018: € 561 million (£ 493 million)). The £ 500 million financing transaction includes the purchase by Reinet of put options over approximately 15.5 million BAT shares for a premium of some € 92 million (£ 79 million) payable over the life of the transaction (the 'Premium Loan'). At 31 March 2019, the Premium Loan is carried as a liability at an estimated fair value of € 54 million (£ 46 million) (31 March 2018: € 70 million (£ 61 million)). Some 4.4 million BAT shares have also been pledged to collateralise the Premium Loan and future interest payments. As part of the medium-term financing arrangement and Premium Loan a portion of BAT shares are on loan to Merrill Lynch International. The Company retains the economic benefit of all shares on loan.

Reinet has also borrowed ZAR 443 million to fund its investments in South African projects. At 31 March 2019, the estimated fair value of the borrowing was € 27 million (31 March 2018: € 30 million);

the decrease in the estimated fair value is due to the weakening of the South African rand against the euro during the year. This loan matures in March 2020.

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

As part of the aforementioned £ 500 million medium-term financing arrangement, Reinet purchased put options which provide protection should the value of the BAT shares used to secure the borrowings fall below a certain amount. Proceeds received as a result of the put options being exercised could be used to repay the amounts borrowed in full. The put options are carried at their estimated fair value of € 136 million at 31 March 2019 (31 March 2018: € 54 million). The increase in the carrying value of the put options reflects the decrease in value of the underlying BAT shares and the strengthening of sterling against the euro in the year, offset by the decrease in the time to maturity. The cost of the put options is considered as part of the overall cost of financing and is included in the fair value adjustment on outstanding contracts in the income statement on page 24.

In the year under review, Reinet settled outstanding forward exchange contracts amounting to ZAR 230 million realising a loss of € 0.4 million. Reinet then entered into a new forward exchange contract to sell ZAR 230 million (31 March 2018: ZAR 230 million), which is carried at its estimated fair value of € 1 million (liability) at 31 March 2019 (31 March 2018: € 2 million (liability)). The change in value reflects the weakening of the South African rand against the euro in the year.

Refer to page 54 for a description of Reinet's policy on foreign exchange exposure.

OTHER LIABILITIES

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

The minority interest liability amounts to € 6 million (31 March 2018: € 7 million) and is in respect of a minority partner's share in the gains and losses not yet distributed to them arising from the estimated fair value movement of investments in which they have interests.

Fees payable and other liabilities comprise principally an accrual of € 49 million being the maximum amount outstanding in respect of the current share buyback programme, an accrual of € 19 million in respect of the half-yearly management fee payable as at 31 March 2019 (31 March 2018: € 23 million), a provision for deferred taxes of € 7 million (31 March 2018: € 11 million) relating to realised and unrealised gains arising from the investments in Trilantic and Snow Phipps, and withholding and corporate taxes of € 11 million (31 March 2018: € 28 million) relating to the investment in United States land development and mortgages. Accruals, other payables and other receivables net to € nil (31 March 2018: € 1 million).

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No provision has been made in respect of a performance fee as at 31 March 2019 (31 March 2018: € nil) as the conditions required to pay a fee had not been met at that date.

The performance fee (if applicable) and management fee are payable to the Investment Advisor.

Amounts payable are offset by other assets which comprise the BAT dividend receivable of € 40 million (31 March 2018: € 38 million) with a record date of 22 March 2019.

INCOME STATEMENT

The income statement set out below differs from the format used in the IFRS reporting on page 44 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 2019		Year ended 31 March 2018	
	€ m	€ m	€ m	€ m
Income				
BAT dividends	148		208	
Interest and other investment income	30		52	
Realised gain on sale of BAT shares	1		–	
Realised gains/(losses) on investments	74		(11)	
Realised loss on foreign exchange contracts	–		(1)	
Carried interest earned on investments	16		14	
Total income		269		262
Expenses				
Management fee	(43)		(51)	
Operating expenses, foreign exchange and transaction-related costs	(9)		(6)	
Interest expense	(8)		(10)	
Tax income/(expense)	16		(24)	
Total expenses		(44)		(91)
Realised investment income, net of expenses		225		171
Fair value adjustments				
BAT – unrealised loss on shares held	(673)		(1 051)	
– reversal of unrealised gain on shares sold ⁽¹⁾	(1)		–	
Other investments	224		9	
Derivative instruments – fair value adjustment on outstanding contracts	83		26	
Borrowings – unrealised gains on outstanding loans	(18)		34	
Total fair value adjustments		(385)		(982)
		(160)		(811)
Effect of exchange rate changes on cash balances		15		(32)
Net loss		(145)		(843)
Minority interest		–		–
Loss attributable to the shareholders of the Company		(145)		(843)

(1) The reversal of the unrealised gain on shares sold represents the unrealised gain as at 1 April 2018 on the BAT shares sold during the year ended 31 March 2019.

INCOME

Dividend income from BAT during the period amounted to € 148 million (£ 130 million) (31 March 2018: € 208 million (£ 180 million)). The movement is mainly due to BAT paying quarterly dividends in 2018 rather than interim and final dividends as in previous years. The dividends received from BAT during the year represent the second, third and fourth 2018 quarterly dividend paid and the first 2019 quarterly dividend declared in March 2019 and paid in May 2019.

Interest income is earned on bank deposits, investments and loans made to underlying investments. Included in other investment income are the foreign exchange movements on fees payable, other liabilities and other assets of € 8 million (loss) (31 March 2018: € 11 million (gain)).

Realised gains on investments of € 74 million were mainly in respect of realised gains of € 4 million on Li Ning, € 11 million on Trilantic, € 16 million on Milestone, € 12 million on NanoDimension, € 31 million on Snow Phipps, € 32 million on Palm Lane Credit Opportunity Fund, offset by realised losses of € 32 million on other investments.

Losses of € 0.4 million were realised on the settlement of the euro/South African rand foreign exchange contracts during the year.

Carried interest of € 16 million was attributable to Reinet in respect of investments realised by the Trilantic funds.

EXPENSES

The management fee for the year ended 31 March 2019 amounts to € 43 million (31 March 2018: € 51 million).

No performance fee is payable for the year ended 31 March 2019 (31 March 2018: € nil) as the conditions required to pay a fee had not been met at that date. 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 (the 'Company Prospectus'), including dividends paid, over the period since completion of the rights issue in December 2008 up to 31 March 2019, less the sum of all performance fees paid in respect of previous periods.

Operating expenses of € 9 million include € 1 million in respect of charges from Reinet Investments Manager S.A. (the 'General Partner'), € 3 million in respect of transaction fees, and other expenses, including legal and other fees, which amounted to € 5 million.

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

The net tax income of € 16 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, Snow Phipps and other US investments.

FAIR VALUE ADJUSTMENTS

The investment in 68.0 million BAT shares decreased in value by € 673 million during the year under review. Of this, € 741 million was attributable to the decrease in value of the underlying BAT shares in sterling terms offset by € 68 million due to the strengthening of sterling against the euro during the year under review.

The unrealised fair value adjustment of € 307 million in respect of other investments includes an increase in the estimated fair value of the investment in Pension Corporation of € 168 million, other listed investments of € 14 million, Trilantic funds of € 7 million, Prescient China funds and investment management company of € 20 million, United States land development and mortgages of € 6 million, Diamond interests of € 10 million and certain other investments (see detailed analysis on page 50). The above amounts include the effect of changes in foreign exchange rates due to the strengthening of sterling and the US dollar against the euro and the weakening of the South African rand against the euro in the year under review.

The put options increased in value by € 82 million reflecting, in part, the decrease in value of BAT shares in the year and the strengthening of sterling against the euro. The estimated fair value of the forward exchange contracts liability decreased by € 1 million, reflecting the weakening of the South African rand against the euro.

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 € 3 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 loss of € 21 million arose in respect of the sterling borrowing, mainly due to the strengthening of sterling against the euro.

MINORITY INTEREST

The minority interest expense arises in respect of the minority partner's shares in the earnings of Reinet TCP Holdings Limited.

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CASH FLOW STATEMENT

The summarised cash flow statement set out below differs from the format used in the IFRS reporting on page 46 and is presented to provide investors with a more comprehensive picture of the movement in cash and liquid funds.

	Year ended 31 March 2019		Year ended 31 March 2018	
	€ m	€ m	€ m	€ m
Investing activities				
Purchase of investments, net of repayments	(217)		(58)	
Proceeds from sales of investments	255		88	
Net cash and liquid funds generated by/(used in) investing activities		38		30
Financing activities				
Dividend paid	(35)		(32)	
Payment for settlement of derivative contracts	–		(1)	
Cost of share buyback programmes	(68)		–	
Movements in bank borrowings	(18)		(117)	
Net cash and liquid funds (used in)/generated by financing activities		(121)		(150)
Operating activities				
Dividends received	146		170	
Carried interest earned on investments	16		14	
Interest expense	(8)		(10)	
Operating and related expenses	(40)		(42)	
Taxation paid	(8)		(18)	
Net cash and liquid funds generated by operating activities		106		114
Net cash inflow/(outflow)		23		(6)
Opening cash and liquid funds position		322		360
Effects of exchange rate changes on cash balances		15		(32)
Closing cash and liquid funds position⁽¹⁾		360		322

(1) Includes cash and liquid funds held in the Company, Reinet Fund and its subsidiaries.

INVESTING ACTIVITIES

Investments totalling € 217 million were made during the year, including Pension Corporation, Trilantic, Snow Phipps, Prescient China Equity Fund, Grab and RLG Real Estate Partners. Amounts invested were partially offset by repayments in respect of loans and interest received from Jagersfontein and Rooipoort, and distributions from Trilantic, Snow Phipps, Fountainhead Expert Fund, Palm Lane Credit Opportunities Fund and other investments.

Proceeds from the sale of investments include € 2 million from the sale of BAT shares, and proceeds from sale of investments in Li Ning, Trilantic, Milestone, NanoDimension and co-investment opportunities, Snow Phipps, Fountainhead Expert Fund, Palm Lane Credit Opportunities Fund and other investments.

FINANCING ACTIVITIES

A dividend of some € 35 million was paid to shareholders in September 2018 (September 2017: € 32 million).

€ 0.4 million was paid in respect of the settlement of euro/South African rand foreign exchange contracts during the year.

In addition, Reinet paid out € 68 million in respect of the share buyback programmes in the year.

OPERATING ACTIVITIES

Dividends received from BAT during the year ended amounted to € 146 million (£ 129 million) (31 March 2018: € 170 million (£ 147 million)). The dividends received from BAT during the year represent the first, second, third and fourth 2018 quarterly dividends paid.

Carried interest of € 16 million was received in respect of the investment in Trilantic.

Interest of € 6 million was paid in respect of the sterling-denominated loans and € 2 million in respect of the South African rand-denominated loan in the year.

No performance fee was payable for the year ending 31 March 2018 and no performance fee is payable in respect of the current year.

Net US tax payments of € 8 million were paid in the year under review. This amount includes taxes withheld by US paying agents in respect of gains and carried interest received, together with estimated taxes paid on gains and income which will be taxable in the US.

Cash and liquid funds increased by € 38 million over the year to € 360 million as the amounts received in respect of dividends and distributions from investments exceeded amounts repaid in respect of bank borrowings and derivative liabilities, amounts invested in new investments, payment of the dividend, the cost of share buyback programmes, management 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 consolidated financial statements on page 51 of this report.

There is currently uncertainty surrounding the implications of the UK's exit from the EU ('Brexit'). While Reinet does not trade with the UK, it does hold investments in BAT and Pension Corporation.

Both of these companies have evaluated the impact of Brexit and taken steps to ensure they are as prepared as possible for Brexit. See commentary on pages 7 and 11. Reinet will continue to monitor the impact of Brexit on the carrying value of these companies.

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 is required to comply 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 listing and trading on the Luxembourg Stock Exchange and Euronext Amsterdam, and with a secondary listing on the Johannesburg 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 Company and its controlled affiliates have taken the steps they considered necessary to be and remain compliant with FATCA.

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Under FATCA, the Company or its affiliates may be required to report to the US Internal Revenue Service ('IRS'), directly or through their respective tax authority co-operating with the IRS, information about financial transactions made by US taxpayers and other specified entities or individuals, and could be required to impose withholding, documentation and reporting requirements on such transactions. Full implementation of FATCA is being 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, 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.

OPERATIONAL RISKS

The Company does not have any operations of its own. All operations are carried out by Reinet Fund.

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 € 0.18 per share totalling some € 35 million was paid in September 2018, following approval at the annual general meeting on 28 August 2018.

The General Partner has proposed a cash dividend of € 0.19 per share subject to shareholder approval at the annual general meeting, which is scheduled to take place in Luxembourg on Tuesday, 27 August 2019.

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 the Company's shares. 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 20 per cent in the hands of holders unless those holders are otherwise exempt from the tax. Non-resident holders will be required to fill in the appropriate SARS declaration form, if they wish to be exempted from the tax. This ruling from SARS was renewed for a further five years on 8 March 2018.

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

The last day to trade the Company's shares cum-dividend in Europe will be Wednesday, 28 August 2019 and in South Africa, Tuesday, 27 August 2019. The Company's shares will trade ex-dividend from Thursday, 29 August 2019 in Europe and from Wednesday, 28 August 2019 in South Africa. The record date for the Company's shares in Europe and in South Africa will be Friday, 30 August 2019.

The dividend on the Company's shares in Europe will be paid on Wednesday, 4 September 2019 and is payable in euro.

The dividend on the Company's shares in South Africa will be paid in South African rand on Wednesday, 4 September 2019. Further details regarding the dividend payable to South African holders may be found in a separate announcement dated 21 May 2019 on the Johannesburg Stock Exchange News Service ('SENS').

MANAGEMENT REPORT

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 with a listing on the Luxembourg Stock Exchange and Euronext Amsterdam and a secondary listing on the Johannesburg Stock Exchange. Notably, the Company is subject to the X Principles of Corporate Governance of the Luxembourg Stock Exchange (the 'X Principles') in so far as applicable to the Company. The Company complies with all principles and recommendations set out in the fourth version of the X Principles to the extent they are applicable to it.

The Company's corporate governance principles are described in the Company 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 Company Prospectus and the Corporate Governance Charter (together with the policies and procedures described therein) adequately establish the framework of corporate governance within which Reinet operates.

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. Following the separation and subsequent restructuring steps, the Company effectively retained part of Richemont's former interests in 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 the Fund Manager are owned and controlled by Rupert family interests.

During the year ended 31 March 2019, the Board of Directors of the General Partner met four times. All directors attended all 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 and is the Managing Partner of Compagnie Financière Rupert.

Mr Rupert holds honorary doctorates in Law, Economics and in Commerce and is the Chancellor of Stellenbosch University. 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, Pension Insurance Corporation Group Limited, Milestone Capital Investment Holdings Limited and is also a director of the Investment Advisor and of various subsidiaries of Reinet Fund.

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CORPORATE GOVERNANCE
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ALAN GRIEVE

Non-Executive Director*British & Swiss, 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 the international auditing firms now known as PricewaterhouseCoopers and 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 plc, 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 a 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 2013. He also serves as a director on boards of a number of companies, including Remgro Limited (appointed Deputy Chairman in November 2014) and Pension Insurance Corporation Group Limited.

FORMER MEMBER OF THE BOARD OF
DIRECTORS

Mr Michotte was appointed to the Board of Directors in August 2008 and resigned from the Board of Directors in May 2018.

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. He joined Richemont in January 1996 and has until December 2017 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.

He is a member of the Capital Markets and Technology Association's Advisory Board, an independent association established in Switzerland and of the Dutch Association of Corporate Litigation.

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 of 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 annual general meeting of shareholders on the results of the mandate entrusted to it, making such recommendations as it considers appropriate.

Every second year the Board of Overseers conducts a self-assessment of its role, accountability, composition and effectiveness.

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. The functions of the Board of Overseers include notably:

- Monitoring the financial reporting process;
- 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;
- Monitoring the statutory audit of the Company and Reinet Fund;
- Reviewing and monitoring the independence of the approved statutory auditor and approving permissible non-audit services as required;
- Monitoring the effectiveness of internal control and risk management procedures; and
- Assessing the quality of the internal audit of the Company and Reinet Fund.

During the year under review, the Board of Overseers met physically on four occasions and in addition, four meetings were held by conference call. All the members attended all of the meetings and conference calls. Subsequent to the year-end, the Board of Overseers met on 6 May 2019 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.

Mr Yves Prussen is the chairman of the Board of Overseers.

The members of the Board of Overseers are:

YVES PRUSSEN

Chairman

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.

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.

STUART ROBERTSON

British & Swiss, born 1955

Mr Robertson was appointed to the Board of Overseers in October 2018.

Mr Robertson is a member of the Institute of Chartered Accountants of Scotland and EXPERTsuisse. He has 31 years' experience with KPMG auditing financial institutions and also advising them in areas of risk and regulation, transformation, and M&A. He served on both the executive committee and the board of directors of KPMG Switzerland for 12 years. He also served as the KPMG Global Financial Services Deal Advisory leader for 11 years. He retired from KPMG at the end of September 2018 and was voted on to the board of EFG International AG effective from 1 October 2018.

MANAGEMENT REPORT

CORPORATE GOVERNANCE CONTINUED

STUART ROWLANDS

British & Luxembourgier, born 1952

Mr Rowlands was appointed to the Board of Overseers in August 2016.

Mr Rowlands was the Head of Financial Risk at the European Investment Bank ('EIB'), the development bank of the European Union, based in Luxembourg, until his retirement on 30 June 2018. He joined the EIB in 1988 and worked in various senior roles involving internal audit, credit risk, infrastructure funding and project finance. Previously, Mr Rowlands was with PricewaterhouseCoopers Luxembourg and during this time spent two years with the European Court of Auditors, also based in Luxembourg. Mr Rowlands is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Internal Auditors and an INSEAD – certified independent director. His expertise lies in financial and credit risk management, internal audit and corporate governance.

FORMER MEMBER OF THE BOARD OF OVERSEERS

Mr Falck was appointed to the Board of Overseers in September 2009. He did not stand for re-election at the annual general meeting in August 2018.

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 annual general meeting of shareholders by a simple majority of the votes cast. The annual 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).

An annual compensation of € 50 000 per annum for each of the members of the Board of Overseers was approved at the annual general meeting of shareholders held on 28 August 2018.

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 14 to the consolidated financial statements on page 65 of this report.

As noted previously, 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 persons discharging managerial responsibilities are disclosed on the Company's website and information relating to such transactions is published in a manner that ensures the effective dissemination of information to the public.

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 2019.

At 31 March 2019, the Company owed € 0.9 million to the General Partner and Reinet Fund owed € 2.4 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 2019, the Company paid € 1.2 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 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.

The management fee for the year under review amounted to € 43 million, of which € 4 million is paid to the Fund Manager.

As detailed in the Company 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 Company's shares 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 Company's shares 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.

No performance fee is payable as of 31 March 2019 and 31 March 2018.

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 Company 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 2019, the Company had 195 941 286 ordinary registered shares and 1 000 management registered shares of no par value in issue.

At 31 March 2019, the Company held 5 022 672 ordinary shares as treasury shares. The voting and dividend rights attached to treasury shares are suspended. Therefore, the total number of voting rights at 31 March 2019 was 190 919 614.

SIGNIFICANT SHAREHOLDERS

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

Following a restructuring of the Rupert family interests in December 2017, the Anton Rupert Trust, the Anton Rupert Descendants Trust and affiliated parties hold some 48.8 million Company shares representing 24.93 per cent of the Company's issued share capital.

The group of parties regarded as being affiliated to the Anton Rupert Trust and the Anton Rupert Descendants 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 EU Regulation 596/2014 on Market Abuse (the 'Market Abuse Regulation'). As a consequence, share dealings by such entities or persons 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

MANAGEMENT REPORT

CORPORATE GOVERNANCE CONTINUED

exceeded the equivalent of 3 per cent of the shares and voting rights in the Company.

On 16 August 2018, Prudential Investment Managers notified the Company that accounts under its management held the equivalent of 3.8 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 them at the meeting.

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 an annual 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 an annual 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 shareholders of each class of shares 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 28 August 2018. Out of a total of 195 941 286 ordinary shares and 1 000 management shares in issue, a total of 143 602 839 ordinary shares (some 73.29 per cent of the total) and all the 1 000 management shares were represented. 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.

The rights of a shareholder to participate in an annual general meeting and to vote in respect of their shares shall be determined with respect to the shares held by that shareholder on the 14th day prior to the annual 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 their intention to participate in the annual 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 2019 annual general meeting of shareholders is given on pages 80 to 82 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 Boards of Directors of the General Partner and the Fund Manager, as well as the Board of Overseers.

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

Responsibility for management of investment risk and treasury risk is borne by the Board of Directors 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 Directors 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 51 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, the Commission de Surveillance du Secteur Financier ('CSSF'), Euronext Amsterdam and the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, 'AFM'). 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 applicable laws and regulations (including EU Regulation No 596/2014 on Market Abuse) and the specific guidelines laid down by the Luxembourg Stock Exchange, the CSSF, Euronext Amsterdam and the AFM.

The annual report is distributed to all parties who have requested a copy. 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 (www.reinet.com). A copy of the Statutes of the Company 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.

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

AUDITORS

The statutory and consolidated financial statements of the Company for the accounting year ended 31 March 2019 were audited by PricewaterhouseCoopers, Société coopérative, approved statutory auditors, Luxembourg.

SUSTAINABILITY

The Company's approach to sustainability matters and its report on corporate social responsibility for the accounting year ended 31 March 2019 is included in the Sustainability Report appended to the management report on page 37.

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 listed on the Luxembourg Stock Exchange, Euronext Amsterdam and the Johannesburg Stock Exchange; the listing on the Johannesburg Stock Exchange is a secondary listing.

At 31 March 2019, the Company had 195 941 286 ordinary shares and 1 000 management shares of no par value in issue.

At 31 March 2019, the Company held 5 022 672 ordinary shares as treasury shares. The voting and dividend rights attached to treasury share are suspended. Therefore, the total number of voting rights at 31 March 2019 was 190 919 614.

The ordinary shares confer on the shareholder the entitlement to participate in and, except for the treasury shares, to vote at meetings of shareholders, with each share carrying the right to one vote. Each share, except for the treasury shares, 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 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 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 out of the assets of the Company. The management shares are not listed.

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 the shareholder, whether directly and/or indirectly, including those that are deemed to be controlled by the shareholder 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.

MANAGEMENT REPORT

CORPORATE GOVERNANCE CONTINUED

SIGNIFICANT SHAREHOLDINGS

The details of significant shareholders within the meaning of the Transparency Law are given on page 33 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 the holder of the 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 946 060 ordinary shares of the Company as at 31 March 2019 (31 March 2018: 952 901). 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, except for the treasury shares. The voting and dividend rights attached to the treasury shares are suspended. The rights of a shareholder to participate in a general meeting and to vote in respect of their 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, 50 per cent of shareholders of each class of shares is required to be present or represented. 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.

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 page 32 of this report.

SUSTAINABILITY REPORT

The business philosophy of Reinet Investments S.C.A. (the ‘Company’) and its subsidiary Reinet Fund S.C.A., F.I.S. (‘Reinet Fund’) (together with the Company, ‘Reinet’) is to find and invest in assets that offer long-term growth potential. Having a long-term investment philosophy allows Reinet on the one hand to identify investments which are able to invest and build value for the long term and are supporting broad economic growth and on the other hand to meet the needs of all stakeholders, such as shareholders, employees, business partners and local communities.

Reinet considers it 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 and supported.

Investors such as Reinet have a role to play by seeking out companies that act responsibly and avoiding those that do not. Reinet’s investment criteria reflect these concerns; Reinet looks for responsible management in businesses which take account of their stakeholders’ interests, treat their employees fairly and respect the environment.

Reinet Fund’s corporate governance reflects this. Its general partner Reinet Fund Manager S.A. (the ‘Fund Manager’) is organised to support and reinforce the Company’s policy, understanding that its primary fiduciary duty is to invest to deliver strong returns over the long term, rather than to deploy short-term investment strategies designed to generate short-term results. The Fund Manager’s board has demonstrated commitment to a long-term investment philosophy.

We are proud to release our first Sustainability Report this year, in line with the Sustainability Accounting Standards Board (‘SASB’) Standards, a voluntary external framework. We hope this provides our stakeholders with a clear understanding of our sustainability journey to date, and we welcome feedback to help inform future reporting.

About this report

This year, the Company is producing its first Sustainability Report, which has been prepared in accordance with the X Principles of Corporate Governance of the Luxembourg Stock Exchange (the ‘X Principles’).

The X Principles do not apply to regulated funds and are thus not applicable to Reinet Fund. Notwithstanding the latter, the Company has, for the purposes of this Sustainability Report established for the year ending 2019, taken the stance to implement the requirements of the X Principles pertaining to sustainability on a look-through basis.

To identify material topics on which to report, the Company used the SASB Standards. For the Asset Management and Custody Activities Industry, which is the closest comparative category for Reinet, SASB has identified the following sustainability topics as material: Transparent Information and Fair Advice for Customers, Employee Diversity & Inclusion, Incorporation of Environmental, Social and Governance Factors in Investment Management and Advisory, Business Ethics, and Systemic Risk Management. This Sustainability Report outlines the Company’s response to each of the accounting metrics identified by SASB in relation to these material topics.

About Reinet

The Company is a securitisation vehicle incorporated under the laws of Luxembourg. It is listed on the Luxembourg Stock Exchange, Euronext Amsterdam and the Johannesburg Stock Exchange; the listing on the Johannesburg Stock Exchange is a secondary listing. Reinet Fund is a wholly-owned subsidiary of the Company and is a closed-ended, specialised investment fund. Reinet Fund is also the investment vehicle for all of the investment assets held within the structure.

Listed or regulated investments currently represent in excess of 90 per cent of the net asset value of Reinet Fund (‘NAV’), whilst unregulated assets represent less than 10 per cent of the NAV.

The investment in British American Tobacco (‘BAT’) is Reinet’s single largest investment. The investment in BAT shares provides Reinet with the capacity to fund new opportunities, either from dividend incomes, through borrowing or through the realisation of part of the investment and ensures that there is liquidity available during times of market distress, and to promote long-term performance.

A significant investment is also held in Pension Insurance Corporation Group Limited (‘Pension Corporation’), a UK-based insurance company specialising in securing the liabilities of defined benefit pension schemes.

Together, these two investments represent approximately 83 per cent of the NAV.

Reinet also invests in funds managed by third parties. These include funds managed by Trilantic Capital Partners, Snow Phipps Group, Milestone Capital, Prescient Investment Management China, NanoDimension and Vanterra Capital.

MANAGEMENT REPORT

SUSTAINABILITY REPORT
CONTINUED**Reinet Fund – Total assets under management:**

31 March 2019	Total € m
Assets	
Listed equity securities	2 605
Unlisted equity securities and funds	2 359
Loans and interest receivable	85
	5 049
Derivative financial instruments	136
Cash and cash equivalents	355
Total assets	5 540

Overview of Sustainability

Reinet seeks, through a range of investment opportunities, 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 € 2.4 billion.

Reinet's strategy is to invest in, work with or create partnerships with businesses that share similar goals and values. It values the fact that, for example, BAT has an open dialogue with stakeholders at local, regional and global levels on key sustainability issues affecting its industry.

Other investments, such as 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. In some cases – notably the investments in Jagersfontein, Rooipoort and Vanterra C Change TEM – Reinet is making an investment in projects which it expects will have positive, direct benefits for communities and the environment.

Corporate Governance

The Company is a listed securitisation vehicle incorporated as a *société en commandite par actions* (partnership limited by shares). As a partnership limited by shares, the Company is managed by its general partner and as such it has no board of directors, executive management or employees. Consequently, aspects of corporate governance which relate, amongst others, to the composition, organisation and proceedings of the board of directors and executive management, the establishment of board committees, the determination of a remuneration policy and related processes of a listed company established in Luxembourg are not directly applicable to the Company.

The Company is managed by its general partner Reinet Investments Manager S.A. (the 'General Partner'). Responsibility for corporate social responsibility ('CSR') obligations and reporting relating to the Company lies with the board of directors of the General Partner. Reinet Fund is managed by its general partner, the Fund Manager, the latter being responsible for all the investment decisions of Reinet Fund. Reinet Fund has no CSR reporting obligations. While there is no specific CSR committee at either entity, non-financial risks are considered as part of the risk management process by the boards of

directors of the General Partner and the Fund Manager (see section on Incorporation of ESG Factors below).

SASB Material Sustainability Topics & Accounting Metrics**Transparent Information & Fair Advice for Customers**

The Company's customers are deemed to be its shareholders. To ensure that shareholders are provided with timely and comprehensible information relating to the Company, the General Partner has defined a **Shareholder Communication Policy**. This policy creates a framework for communication of transparent and relevant information to enable all shareholders to exercise their rights.

The Company's annual report is the principal source of financial and business information for shareholders. The annual report is distributed to all parties who have requested a copy. Electronic notification that such reports have been published on the Company's website is available on request. In addition, the Company prepares a half yearly report, supplemented by quarterly updates to provide further insight into the investment activities and performance over the relevant reporting period. The Company also dedicates a specific section of its website to its shareholders, including all information required by laws and regulations.

Reinet aims to conduct business in a manner that avoids complaints. A **Complaints Management Policy** is in place to ensure that complaints are handled properly and promptly, while meeting the complainant's interests, in line with applicable regulation issued by the Commission de Surveillance du Secteur Financier ('CSSF'). The complaints handling procedure is available on the Company's website.

Incorporation of Environmental, Social, and Governance ('ESG') Factors in Investment Management & Advisory

Reinet will focus on incorporating ESG factors in its investment process, consistent with its view that the integration of ESG issues is vital for an organisation to maintain long-term value for all its stakeholders. Prior to the acquisition of new assets, Reinet Fund follows a **Due Diligence Policy** which covers a review of, amongst others, employment practices of the target company, anti-corruption policies and enforcement, environmental reports or audits, and checks for compliance with all relevant environmental laws.

The outcome of the due diligence analysis will be considered in assessing whether or not to proceed with an investment opportunity.

Where important areas have been identified, the analysis also applies in the regular monitoring of investee entities, with quarterly reporting made on the trend of each business where relevant.

Reinet's major investments BAT and Pension Corporation operate in highly-regulated industries and/or markets. Pension Corporation is regulated by the Financial Conduct Authority and Prudential Regulation Authority in the UK. These companies have integrated ESG practices and are publicly reporting on relevant topics.

Certain funds in which Reinet invests have also incorporated ESG factors evaluating the ESG risks and opportunities associated with investments through pre-acquisition due diligence and ongoing monitoring of portfolio companies.

Reinet Fund has not adopted a formal proxy voting policy.

Business Ethics

There have been no legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice or other related financial industry laws or regulations in the reporting year. As a result, no monetary losses were recorded in respect of these matters.

To address the risk of insider trading and to comply with applicable laws and regulations, the Company has adopted a **Code of Conduct**. This restricts persons connected with the Company, Reinet Fund, the General Partner, the Fund Manager together with Reinet Investment Advisors Limited (the 'Investment Advisor'), from trading in shares issued by the Company and derivatives thereof (the 'Reinet securities') when in possession of any price-sensitive information.

Specific approval to buy or sell Reinet securities is required from designated officers of the General Partner. Transactions by members of the board of directors of the General Partner, the board of directors of the Fund Manager and the Board of Overseers are published on the Company's website, in a manner that ensures the effective dissemination of the information to the public and through storage on the regulatory filing mechanism operated by the Luxembourg Stock Exchange.

The Code of Conduct also imposes restrictions on dealings by persons connected with the Company, Reinet Fund, the General Partner, the Fund Manager and the Investment Advisor in assets in which Reinet Fund has invested, or may consider investing in.

Reinet has also adopted a **Conflict of Interest Policy** in line with applicable laws and regulations, which aims to ensure that the Company shall make decisions in the Company's interest without any conflicts of interest.

As the Company has no employees, there is no formal whistle blowing policy. For money laundering and terrorist financing matters, a reporting procedure has been put in place by the Fund Manager.

Omissions from SASB

Owing to the structure of the Company, some topics identified by SASB as material to the Asset Management and Custody Activities Industry are not applicable to the Company.

Accounting metrics

Employee Diversity and Inclusion

As a securitisation vehicle incorporated as a partnership limited by shares and managed by a general partner, the Company does not have any operations or staff of its own. Therefore, the Company has no executive management, non-executive management, professionals or other employees. This means that considerations of employee diversity and inclusion do not apply to the Company.

Systemic Risk Management

Reinet Fund is a closed-ended fund, meaning that it is not required to buy back its shares on request. The Company is listed on the Luxembourg Stock Exchange, Euronext Amsterdam and the Johannesburg Stock Exchange; the listing on the Johannesburg Stock Exchange is a secondary listing. This means that the SASB Standards on liquidity and redemption risk management are not relevant.

Activity metrics

Total Assets under Custody and Supervision

As required under applicable laws and regulations, the Company has entrusted the custody of its assets to a credit institution established in Luxembourg (Banque de Luxembourg). The target investments are held by Reinet Fund, which is a regulated specialised investment fund. Banque de Luxembourg is in charge of the supervision of Reinet Fund's assets.

MANAGEMENT REPORT

APPROVAL

The General Partner, acting on behalf of the Company, represented by Wilhelm van Zyl, its Chief Executive Officer and Diane Longden, its Chief Financial Officer, confirms that:

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 2019 on pages 43 to 67 and the Company financial statements on pages 71 to 76 of this report were approved for submission to the annual general meeting of shareholders by the Board of Directors 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

Luxembourg, 14 May 2019

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 2019 and the financial statements prepared for such period.

The consolidated and statutory 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 consolidated and statutory financial statements of the Company are presented on pages 68 and 78 of this report, respectively.

We refer to those consolidated and statutory 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 previously, 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 consolidated and statutory 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.

Luxembourg, 6 May 2019

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 2019 € m	31 March 2018 € m
ASSETS			
Non-current assets			
Financial assets held at fair value through profit or loss	4, 5	4 875	5 129
Current assets			
Cash and cash equivalents		5	–
Total assets		4 880	5 129
EQUITY			
Equity attributable to owners of the parent			
Share capital	8	220	220
Share premium		770	770
Treasury shares	8	(117)	–
Non-distributable reserves	9	22	22
Retained earnings		3 935	4 115
Total equity		4 830	5 127
LIABILITIES			
Current liabilities			
Amounts owed to affiliated undertakings			
– becoming due and payable after less than one year	10	1	2
Other current liabilities	11	49	–
Total liabilities		50	2
Total equity and liabilities		4 880	5 129
Net asset value per share (€ per share) (based on 190.9 million shares (31 March 2018: 195.9 million shares))		25.30	26.17

The notes on pages 47 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2019 € m	Year ended 31 March 2018 € m
Income			
Dividend received from Reinet Fund S.C.A., F.I.S.		39	35
Net change in the fair value of financial assets at fair value through profit or loss	4	(180)	(875)
Total income		(141)	(840)
Expenses			
Operating expenses		4	3
Total expenses		4	3
Loss for the year		(145)	(843)
Earnings per share from profit for the year (€ per share)			
– basic and diluted	13	(0.74)	(4.30)

The notes on pages 47 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the shareholders				Total € m
	Equity holders' capital € m	Treasury shares € m	Non- distributable reserve € m	Retained earnings € m	
Balance at 31 March 2017	990	–	22	4 990	6 002
Dividend paid	–	–	–	(32)	(32)
Loss attributable to the shareholders	–	–	–	(843)	(843)
Balance at 31 March 2018	990	–	22	4 115	5 127
Dividend paid	–	–	–	(35)	(35)
Repurchased shares	–	(117)	–	–	(117)
Loss attributable to the shareholders	–	–	–	(145)	(145)
Balance at 31 March 2019	990	(117)	22	3 935	4 830

The notes on pages 47 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 March 2019 € m	Year ended 31 March 2018 € m
Cash flows from operating activities		
Dividend received from Reinet Fund S.C.A., F.I.S.	39	35
Operating expenses	(5)	(3)
Net cash from operating activities	34	32
Cash flows from financing activities		
Repayment of capital by Reinet Fund S.C.A., F.I.S.	74	–
Repurchased shares	(68)	–
Dividend paid	(35)	(32)
Net cash used in financing activities	(29)	(32)
Net movement in cash and cash equivalents	5	–
Cash and cash equivalents at beginning of the year	–	–
Cash and cash equivalents at end of the year	5	–

The notes on pages 47 to 67 are an integral part of these 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's registered office is at 35, boulevard Prince Henri, L-1724 Luxembourg.

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 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 ordinary shares are listed and traded on the Luxembourg Stock Exchange, Euronext Amsterdam and the Johannesburg Stock Exchange; the listing on the Johannesburg Stock Exchange is a secondary listing.

1.3 APPROVAL OF THESE FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Overseers on 6 May 2019, and by the Board of Directors of the General Partner on 14 May 2019 for submission to the annual general meeting of shareholders.

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: IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

IFRS 9 has been applied retrospectively by the Company and did not result in a change to the classification or measurement of financial instruments as outlined in note 3.6. The Company's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There were no other new standards, interpretations and amendments to existing standards that were effective for the year beginning 1 April 2018 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 2018 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, which requires that investment entities measure their subsidiaries at fair value through profit or loss.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 2019 and 31 March 2018 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 investment in Reinet Fund is considered to be its only segment. 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.

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 Johannesburg Stock Exchange, 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 4/2018 'Headline Earnings' issued by the South African Institute of Chartered Accountants. This is presented on page 63.

3.6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

3.6.1 Classification

The Company classifies its investments based on both the Company's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The investment in Reinet Fund is managed and performance is evaluated on a fair value basis. The Company is primarily focussed on fair value information and uses that information to assess the financial asset's performance and to make decisions. Consequently, this investment is measured at fair value through profit or loss.

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 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 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 TREASURY SHARES

Treasury shares are recorded at acquisition price on the trade date. Transaction costs are expensed as incurred in the statement of comprehensive income. A liability is recorded for unpaid amounts under any ongoing share buyback programme.

3.11 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.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

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

	31 March 2019 € m	31 March 2018 € m
Financial assets held at fair value through profit or loss:		
– Unlisted investments – Reinet Fund	4 875	5 129
Total financial assets at fair value through profit or loss	4 875	5 129
Net changes in fair value on financial assets at fair value through profit or loss:		
– Repayment of capital received	(74)	–
– Unrealised	(180)	(875)
Total	(254)	(875)

The investment held is in Reinet Fund, which is considered to be a related party of the Company. Also refer to note 14 for related party disclosures.

The following table presents the movement of the investments held by Reinet Fund for the year ended 31 March 2019:

	Opening balance 1 April 2018 € 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 2019 € m
Assets held at fair value through profit or loss						
Listed investments						
British American Tobacco p.l.c. ('BAT')	3 198	–	(2)	1	(674)	2 523
– shares held at year-end	3 196	–	–	–	(673)	2 523
– shares sold during the year	2	–	(2)	1	(1)	–
Other listed investments	26	57	(19)	4	14	82
Unlisted investments						
Pension Insurance Corporation Group Limited ('Pension Corporation')	1 305	7	–	–	168	1 480
Trilantic Capital Partners	180	54	(36)	11	7	216
36 South macro/volatility funds	40	(1)	–	–	(7)	32
Asian private equity companies and portfolio funds	177	40	(8)	16	18	243
Specialised investment funds	339	65	(188)	72	(7)	281
United States land development and mortgages	83	(10)	–	–	6	79
Diamond interests	39	(3)	–	–	10	46
Other investments	59	8	(2)	(29)	31	67
	5 446	217	(255)	75	(434)	5 049
Cash and liquid funds	322					355
Other assets and liabilities	(639)					(529)
Total	5 129					4 875

(1) Unrealised gains or (losses) in the year includes accrued interest income from investments.

The following table presents the movement of the investments held by Reinet Fund for the year ended 31 March 2018:

	Opening balance 1 April 2017 € 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 2018 € m
Assets held at fair value through profit or loss						
Listed investments						
BAT	4 249	–	–	–	(1 051)	3 198
Other listed investments	31	–	–	–	(5)	26
Unlisted investments						
Pension Corporation	1 175	–	–	–	130	1 305
Trilantic Capital Partners	202	30	(67)	31	(16)	180
36 South macro/volatility funds	49	5	(5)	(10)	1	40
Asian private equity companies and portfolio funds	182	1	(3)	1	(4)	177
Specialised investment funds	347	26	(1)	–	(33)	339
United States land development and mortgages	154	1	–	–	(72)	83
Diamond interests	56	(10)	–	–	(7)	39
Other investments	64	5	(12)	(33)	35	59
	6 509	58	(88)	(11)	(1 022)	5 446
Cash and liquid funds	360					322
Other assets and liabilities	(865)					(639)
Total	6 004					5 129

(1) Unrealised gains or (losses) in the year includes accrued interest income from investments.

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 risks 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.

There is currently uncertainty surrounding the implications of the UK's exit from the EU ('Brexit'). While Reinet Fund does not trade with the UK, it does hold investments in BAT and Pension Corporation. Both of these companies have evaluated the impact of Brexit and taken steps to ensure they are as prepared as possible for Brexit. See commentary on pages 7 and 11. The Fund Manager will continue to monitor the impact of Brexit on the carrying value of these companies.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5.1.1 Market risk

Reinet Fund – Financial assets and liabilities subject to market risks

	Total € m	Price risk € m	Foreign exchange risk € m	Interest rate risk € m
31 March 2019				
Assets				
Listed equity securities	2 605	2 605	2 605	–
Unlisted equity securities and funds	2 359	2 359	2 200	–
Loans and interest receivable	85	–	79	85
	5 049	4 964	4 884	85
Derivative financial instruments	136	136	136	136
Cash and cash equivalents	355	167	347	–
Total assets	5 540	5 267	5 367	221
Liabilities				
Derivative financial instruments	(1)	(1)	(1)	–
Borrowings	(662)	–	(662)	(662)
	(663)	(1)	(663)	(662)
Other assets and liabilities	(2)	–	(2)	–
Total liabilities	(665)	(1)	(665)	(662)
Total investment in Reinet Fund	4 875			
	Total € m	Price risk € m	Foreign exchange risk € m	Interest rate risk € m
31 March 2018				
Assets				
Listed equity securities	3 224	3 224	3 224	–
Unlisted equity securities and funds	2 112	2 112	2 019	–
Loans and interest receivable	110	–	104	110
	5 446	5 336	5 347	110
Derivative financial instruments	54	54	54	54
Cash and cash equivalents	322	157	304	–
Total assets	5 822	5 547	5 705	164
Liabilities				
Derivative financial instruments	(2)	(2)	(2)	–
Borrowings	(661)	–	(661)	(661)
	(663)	(2)	(663)	(661)
Other assets and liabilities	(30)	–	(30)	–
Total liabilities	(693)	(2)	(693)	(661)
Total investment in Reinet Fund	5 129			

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 the 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 2019, Reinet Fund's exposure to price risk in respect of long-term assets and liabilities was as follows:

	31 March 2019	31 March 2018
	€ m	€ m
Listed equity securities		
– BAT	2 523	3 198
– Other listed investments	82	26
Unlisted equity securities and funds		
– Pension Corporation	1 480	1 305
– Others	879	807
	4 964	5 336
Derivative financial assets	136	54
Total exposure to price risk	5 100	5 390

During the years ended 31 March 2019 and 31 March 2018, 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 83 per cent of the net asset value of Reinet Fund as at 31 March 2019 (31 March 2018: 88 per cent).

The table below summarises the sensitivity of Reinet Fund's assets to price movements as at 31 March 2019 and 31 March 2018.

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 2019.

	31 March 2019	31 March 2018
	€ m	€ m
Effect of a 10 per cent increase in prices		
Effect on equity securities and funds	496	534
Effect on derivative financial instruments	(26)	(15)
Effect on net assets	470	519
Effect of a 10 per cent decrease in prices		
Effect on equity securities and funds	(496)	(534)
Effect on derivative financial instruments	30	22
Effect on net assets	(466)	(512)

The analysis above 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 asset (please refer to note 5.1.3 for a detailed description of the derivative). The fair value of the derivative asset will generally move in the opposite direction to the movement in the underlying BAT shares.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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, US dollar and sterling where there are corresponding US dollar and 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 230 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	
	2019 € m	2018 € m	2019 € m	2018 € m	2019 € m	2018 € m	2019 € m	2018 € m
Assets								
Monetary assets	149	177	8	18	198	127	–	–
Non-monetary assets	4 196	4 627	165	99	776	733	48	41
Liabilities								
Monetary liabilities	(635)	(631)	–	–	(2)	(30)	(27)	(30)
Non-monetary liabilities	–	–	–	–	–	–	(1)	(2)

Management of the Fund Manager monitors Reinet Fund's foreign exchange exposure in respect of monetary assets on a weekly basis and the Board of Directors of the Fund Manager reviews it at each meeting.

The table below summarises the sensitivity of Reinet Fund's assets and liabilities to changes in foreign exchange movements at 31 March 2019 and 31 March 2018. 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.

	31 March 2019	31 March 2018
	Increase or decrease	Increase or decrease
Movement in each currency against euro	€ m	€ m
Sterling		
Monetary	49	45
Non-monetary	420	463
US dollar		
Monetary	20	10
Non-monetary	78	73

Applying current year exchange rates to the 31 March 2018 assets and liabilities would have resulted in an increase in value of some € 168 million, mainly due to the strengthening of sterling and the US dollar, offset by the weakening of the South African rand 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 2019, Reinet Fund held financial assets with fixed interest rates amounting to € 57 million (31 March 2018: € 90 million) and with variable interest rates amounting to € 28 million (31 March 2018: € 20 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 € 0.3 million at 31 March 2019 (31 March 2018: € 0.2 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 € 27 million at 31 March 2019 (31 March 2018: € 30 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 2019 (31 March 2018: € 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 € 16 million at 31 March 2019 (31 March 2018: € 21 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss.

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 cash and liquid funds.

Banks by rating category (Moody's)	31 March 2019		31 March 2018	
	€ m	%	€ m	%
Aaa	167	47	–	–
Aa2	122	34	102	32
Aa3	66	19	63	19
A3	–	–	157	49
Total	355	100	322	100

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

	31 March 2019		31 March 2018	
	€ m	%	€ m	%
Loans to private equity interests at fair value	85	38	110	67
Derivative instruments	136	62	54	33
Total	221	100	164	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 was originally repayable in March 2018 but has been extended to March 2020 on the same terms.

In February 2017, a loan of £ 500 million was obtained from Merrill Lynch International. 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 put option transaction was entered into with Merrill Lynch International. The net outstanding premium of € 54 million (£ 46 million) at 31 March 2019 in respect of the put option transaction is also due to Merrill Lynch International.

Reinet Fund has secured additional borrowing facilities which will permit it to draw the equivalent of up to £ 250 million in a combination of currencies to fund further investment commitments. As at 31 March 2019, Reinet Fund has not drawn any amount under these facilities.

As at 31 March 2019, 51 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.

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

	31 March 2019 € m	31 March 2020 € m	31 March 2021 € m	31 March 2022 € m
Payments due at 31 March 2019				
Borrowings ZAR 443.4 million	–	27	–	–
Borrowings GBP 579 million	–	25	25	612
Payments due at 31 March 2018				
Borrowings ZAR 443.4 million	3	30	–	–
Borrowings GBP 579 million	25	25	25	612

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, retained earnings and treasury shares as applicable.

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 € 4 875 million as at 31 March 2019 (31 March 2018: € 5 129 million).

During the year under review, a dividend of some € 35 million (31 March 2018: € 32 million) was paid to shareholders and 5 million ordinary shares were repurchased at a cost of some € 68 million, see note 8. 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 Directors 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.

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The determination of what constitutes 'observable' requires significant judgement. The Company 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.

The following table analyses, within the fair value hierarchy, the Company's financial assets and liabilities measured at fair value at 31 March 2019 and 31 March 2018:

	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
31 March 2019				
Assets				
Financial assets designated at fair value through profit or loss:				
– Investment in Reinet Fund	–	–	4 875	4 875
Total financial assets	–	–	4 875	4 875
31 March 2018				
Assets				
Financial assets designated at fair value through profit or loss:				
– Investment in Reinet Fund	–	–	5 129	5 129
Total financial assets	–	–	5 129	5 129

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 2019 and 31 March 2018:

	31 March 2019 € m	31 March 2018 € m
Opening balance	5 129	6 004
Repayment of capital	(74)	–
Gains and losses recognised in profit or loss	(180)	(875)
Closing balance	4 875	5 129

The following tables analyse, within the fair value hierarchy, Reinet Fund's financial assets and liabilities measured at fair value at 31 March 2019 and 31 March 2018:

	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
31 March 2019				
Assets				
Financial assets designated at fair value through profit or loss:				
– Equity securities and funds	2 605	135	2 224	4 964
– Loans	–	–	85	85
Derivative financial instruments	–	136	–	136
Total financial assets	2 605	271	2 309	5 185
Liabilities				
Derivative financial instruments	–	(1)	–	(1)
Borrowings	–	(662)	–	(662)
Total financial liabilities	–	(663)	–	(663)
Net financial assets				4 522
Non-financial assets/(liabilities)				353
Reinet Fund net asset value				4 875
31 March 2018				
Assets				
Financial assets designated at fair value through profit or loss:				
– Equity securities and funds	3 224	183	1 929	5 336
– Loans	–	–	110	110
Derivative financial instruments	–	54	–	54
Total financial assets	3 224	237	2 039	5 500
Liabilities				
Derivative financial instruments	–	(2)	–	(2)
Borrowings	–	(661)	–	(661)
Total financial liabilities	–	(663)	–	(663)
Net financial assets				4 837
Non-financial assets/(liabilities)				292
Reinet Fund net asset value				5 129

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.

CONSOLIDATED FINANCIAL STATEMENTS

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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 table below 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 at 31 March 2019. 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.

	Fair value at 31 March 2019 € m	Primary valuation technique	Unobservable inputs	Range (weighted average)	Reasonable possible change +/- (absolute value) ⁽¹⁾ € m
Unlisted investments					
Pension Corporation	1 480	Market comparable companies ⁽²⁾	Market multiples Discount	0.98 – 0.80 (0.89) 5% – 15% (10%)	-148/+148 +82/-82
Trilantic Capital Partners	216	Net asset value ⁽³⁾	n/a	n/a	n/a
36 South macro/volatility funds	6	Discounted cash flow	n/a	n/a	Not material
Asian private equity companies and portfolio funds	82 52	Net asset value ⁽³⁾ Market approach	n/a Market multiples	n/a n/a	n/a Not material
Specialised investment funds	281	Net asset value ⁽³⁾	n/a	n/a	n/a
United States land development and mortgages	79	Discounted cash flow ⁽⁴⁾	Discount rate	10% – 30% (16.8%)	+11/-9
Diamond interests including receivables from third parties	46	Discounted cash flow ⁽⁵⁾	Discount rate	15.8% – 23.4% (19.6%)	Not material
Other investments	17 14 36	Net asset value ⁽³⁾ Market approach Recent financing round	n/a Market multiples Discount rate	n/a n/a n/a	n/a Not material Not material
Total	2 309				

(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) The market multiples for the peer group were considered and used as a basis in calculating the estimated 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. A movement of 5 per cent has been applied for calculating the reasonable possible change for this factor, as this is deemed as a reasonable market movement by management. This investment has also been reviewed by a third-party valuation expert.

(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 as no significant unobservable input has been identified at the level of Reinet Fund.

(4) Included in this investment are US land lots and properties which have been valued at 31 December 2018 on a discounted cash flow approach. Mortgage loans receivable and mortgages payable have also 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 2019. 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 to 23.4 per cent to take account of the risks and variables described above.

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 the 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.

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8. SHARE CAPITAL

	31 March 2019 € m	31 March 2018 € m
Ordinary share capital		
Issued capital		
195 941 286 (31 March 2018: 195 941 286) ordinary shares issued, fully paid with no par value	220	220

The ordinary shares (excluding the treasury shares, the voting and dividend rights attached to which are suspended) 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 and traded on the Luxembourg Stock Exchange, on Euronext Amsterdam and on the Johannesburg Stock Exchange; the listing on the Johannesburg Stock Exchange is a secondary listing.

	31 March 2019 € 000's	31 March 2018 € 000's
Management share capital		
Issued capital		
1 000 (31 March 2018: 1 000) shares issued, fully paid with no par value	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.

Treasury shares

Treasury shares are recorded at cost, representing the price paid on the acquisition date.

On 19 November 2018, the Company announced the commencement of a share buyback programme in respect of a maximum of 3.2 million ordinary shares for an aggregate maximum amount of € 55 million. The programme ran from November 2018 to January 2019 when 3.2 million ordinary shares were repurchased for a cost of € 42 million, plus transaction costs.

On 6 February 2019, the Company announced the commencement of a second share buyback programme in respect of a maximum of 5 million ordinary shares for an aggregate maximum amount of € 75 million closing on 31 May 2019. At 31 March 2019, 1.8 million ordinary shares have been repurchased for a cost of € 26 million, plus transaction costs.

All ordinary shares repurchased are held as treasury shares.

In accordance with IAS 32 paragraph 23, a liability of € 49 million has been recorded in respect of the maximum potential amount still to be paid in order to complete the current programme. Should the programme complete at current share price levels, the remaining consideration will be less than the liability provided for, see note 11.

A further 1.0 million ordinary shares have been acquired at a cost of € 15.3 million up to 10 May 2019.

	Number of shares	Cost € m
Opening balance	–	–
Repurchased shares		
1 st buyback programme	3 200 000	42
2 nd buyback programme	1 822 672	26
Total treasury shares held at 31 March 2019	5 022 672	68
Additional provision for purchase of remaining shares under 2 nd buyback programme	3 177 328	49
Total potential treasury shares	8 200 000	117

9. NON-DISTRIBUTABLE RESERVE

The legal reserve amounting to € 22 million at 31 March 2019 and 2018 is not available for distribution.

10. AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

The amount payable includes the fee payable to the General Partner of € 0.9 million and € 0.1 million due to Reinet Fund at 31 March 2019 (31 March 2018: € 0.9 million and € 1.2 million).

11. OTHER CURRENT LIABILITIES

An accrual has been created to recognise the non-discretionary commitment of € 49 million in respect of the second share buyback programme, see note 8. The Company received repayments of capital from Reinet Fund post year-end which will be used to settle this liability.

12. 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.

13. 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 outstanding during the year after adjustment for treasury shares held.

	31 March 2019	31 March 2018
€ millions		
Loss for the year	(145)	(843)
Millions of shares		
Shares outstanding at beginning of year	195.9	195.9
Effect of repurchased shares	(1.0)	–
Weighted average number of ordinary shares in issue	194.9	195.9
€ per share		
Earnings per share – basic and diluted	(0.74)	(4.30)

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 2019.

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 4/2018 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

	31 March 2019	31 March 2018
Headline earnings per share – € per share		
Unadjusted earnings per share	(0.74)	(4.30)
Headline earnings per share	(0.74)	(4.30)

14. 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.

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

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

SIGNIFICANT SHAREHOLDERS

The Anton Rupert Trust, the Anton Rupert Descendants Trust and affiliated parties hold some 48.8 million Company shares representing 24.93 per cent of the Company's issued share capital.

The group of parties regarded as being affiliated to the Anton Rupert Trust and the Anton Rupert Descendants 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 EU Regulation No 596/2014 on Market Abuse (the 'Market Abuse Regulation'). As a consequence, share dealings by such entities or persons are not disclosed as dealings by connected parties in terms of the Market Abuse Regulation.

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 946 060 shares of the Company as at 31 March 2019 (31 March 2018: 952 901). 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 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.

	31 March 2019	31 March 2018
	€ m	€ m
Management fee payable		
Investment Advisor	39	48
Fund Manager	4	3
Total management fee	43	51

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.

No performance fee was payable for the year ended 31 March 2019. A performance fee would only be payable in respect of the current financial year if the Cumulative Total Shareholder Return exceeded that at 31 March 2018. The Company's Cumulative Total Shareholder Return at 31 March 2019 did not exceed that at 31 March 2018 and hence no performance fee is payable for the current year.

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

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 and 30 of this annual report.

Aggregate shareholdings of directors of the General Partner and the Fund Manager (excluding Mr Rupert, see page 63).

	31 March 2018	Acquired during the year	Sold/disposed during the year	31 March 2019
Number of shares	1 366 966	130 000	(1 129 306) ⁽¹⁾	367 660

(1) These shares also include the holdings of a member of the Board of Directors who resigned during the year.

	31 March 2017	Acquired during the year	Sold/disposed during the year	31 March 2018
Number of shares	1 366 422	7 905	(7 361)	1 366 966

BOARD OF OVERSEERS

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

Fees of up to € 50 000 per member were paid to the Board of Overseers in respect of the year ended 31 March 2019, such fees are split equally between the Company and Reinet Fund (31 March 2018: € 50 000).

Aggregate shareholdings of the members of the Board of Overseers.

	31 March 2018	Acquired during the year	Sold during the year	31 March 2019
Number of shares	44 310	–	(44 310) ⁽¹⁾	–

(1) These shares represent the holdings of a member of the Board of Overseers who retired during the year.

	31 March 2017	Acquired during the year	Sold during the year	31 March 2018
Number of shares	44 307	3	–	44 310

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Compagnie Financière Richemont SA or significant shareholders

There were no fees paid during the year and no balances payable to or receivable from CFR SA or significant shareholders at 31 March 2019.

In March 2019, Reinet Fund committed up to € 95 million to RLG Real Estate Partners L.P, a property fund managed by a subsidiary of CFR SA. As at 31 March 2019, Reinet Fund had paid some € 63 million to the fund, resulting in an unpaid commitment of € 32 million. No fees or other expenses have been paid to the fund manager and the estimated fair value of the investment is € 81 million.

	31 March 2019 € m	31 March 2018 € m
Reinet Investments Manager S.A.		
– Expenses charged by the General Partner to the Company during the year	1.1	0.8
– Administration fee for the year	0.1	0.1
– Balance payable by the Company to the General Partner	0.9	1.2

	31 March 2019 € m	31 March 2018 € m
Reinet Fund S.C.A., F.I.S.		
– Balance payable by the Company to Reinet Fund	0.1	1.2

	31 March 2019 € m	31 March 2018 € m
Reinet Fund Manager S.A.		
– Expenses charged to Reinet Fund during the year	3.6	2.7
– Administration fee for the year	0.4	0.3
– Balance payable by Reinet Fund to the Fund Manager	2.4	1.6

	31 March 2019 € m	31 March 2018 € m
Reinet Investment Advisors Limited		
– Management fee charged during the year	43.4	50.7
– Performance fee charged during the year	–	–
– Balance payable by Reinet Fund to the Investment Advisor	19.0	23.1

There are no commitments between the Company and its related parties as at 31 March 2019, other than to RLG Real Estate Partners L.P., as noted above.

**15. AUDIT AND OTHER FEES PAID TO
PRICEWATERHOUSECOOPERS**

Fees for the year ended 31 March 2019 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 2018: € 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 20 amounted to € 0.3 million for the year ended 31 March 2019 (31 March 2018: € 0.3 million).

Fees relating to non-audit services during the year are considered to be insignificant.

16. CAPITAL COMMITMENTS

At 31 March 2019, the Company had no capital commitments, however its wholly-owned subsidiary Reinet Fund had committed to invest a further € 430 million (31 March 2018: € 445 million) in unlisted investments, see table on page 22. This amount relates to Reinet Fund's own investment commitments. Where Reinet Fund co-invests with minority partners the amount does not include the partners' commitment.

17. CONTINGENT LIABILITIES

A subsidiary of Reinet Fund has pledged a total of 19.9 million BAT shares in respect of its borrowing from Bank of America, N.A. and Merrill Lynch International.

Reinet Fund has provided guarantees to third parties amounting to ZAR 24 million in respect of financial obligations related to the purchase of certain South African assets.

18. DIVIDEND

A dividend of € 0.18 per share totalling some € 35 million was paid in September 2018, following approval at the annual general meeting on 28 August 2018.

The proposed cash dividend payable to shareholders of € 0.19 per share will be payable on 4 September 2019, once approved by the shareholders at the annual general meeting to be held on 27 August 2019.

19. SUBSEQUENT EVENTS

Reinet Fund, through a wholly-owned subsidiary, received an interim dividend of some € 40 million (£ 35 million) from its

investment in BAT. The interim dividend was declared by the directors of BAT with a record date of 22 March 2019 and paid on 8 May 2019. This dividend is included in Reinet Fund's financial results as at 31 March 2019.

A further 1.0 million ordinary shares have been acquired at a cost of € 15.3 million up to 10 May 2019.

During April and May 2019, Reinet Fund made payments in the amount of € 0.3 million in respect of its commitments shown in note 16.

20. INVESTMENTS HELD IN SUBSIDIARIES AND AFFILIATES

The principal companies held by Reinet Fund are as follows:

Investments	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	94%
	RSF S.A.	Luxembourg	100%
	Reinet TCP Fund V NECI Limited	Jersey, Channel Islands	100%
	Reinet New TCP NECI GP Limited	Jersey, Channel Islands	100%
	Reinet New TCP LP Limited	Jersey, Channel Islands	100%
	Reinet 36 South Investments Limited	Jersey, Channel Islands	100%
36 South macro/volatility funds			
Asian private equity companies and portfolio funds	Reinet Columbus Limited	Jersey, Channel Islands	100%
Specialised investment funds	Reinet Columbus Limited	Jersey, Channel Islands	100%
	Reinet Flex Holdings Limited	Jersey, Channel Islands	100%
	Reinet SPG 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	100%
	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 Flex Holdings Limited	Jersey, Channel Islands	100%
	Reinet S.à r.l.	Luxembourg	100%

CONSOLIDATED FINANCIAL STATEMENTS

AUDIT REPORT

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Reinet Investments S.C.A. and its subsidiaries ('Reinet') as at 31 March 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Our opinion is consistent with our additional report to the Board of Overseers.

What we have audited

Reinet's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 March 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession ('Law of 23 July 2016') and with International Standards on Auditing ('ISAs') as adopted for Luxembourg by the 'Commission de Surveillance du Secteur Financier' ('CSSF'). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the 'Responsibilities of the 'Réviseur d'entreprises agréé' for the audit of the consolidated financial statements' section of our report.

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

We are independent of Reinet in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code') as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to Reinet, in the period from 1 April 2018 to 31 March 2019, are disclosed in the consolidated financial statements in note 15 on page 66.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud). These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Existence of investments

All unlisted investments are held by Reinet Fund S.C.A., F.I.S. ('Reinet Fund').

We focused on the existence of unlisted investments as a key audit matter because (1) of their importance; and (2) of the complexity of their holding structure.

- (1) As described on page 60 of the consolidated financial statements, unlisted investments represent a significant amount of Reinet's investments (€ 2 309 million and 47.80 per cent of the net asset value).
- (2) The investments are diverse in their nature (regulated company active in the insurance sector, diamond interests, real estate interests, private equity funds and related partnerships, private startup businesses, etc.) and are generally held by Reinet Fund through intermediate holding companies and comprise various financial instruments (common equity, preferred equity, debt/loan instruments with ad hoc features, etc.), which means that the exact determination of ownership in each instrument and in each target investment is complex.

How our audit addressed the key audit matter

Our procedures over the existence of unlisted investments included, but were not limited to the following:

- we gained an understanding of the internal control environment surrounding authorisation, completeness and accuracy of investment transactions and the reconciliation of investment holdings at year-end;
- we gained an understanding of the approach and controls of the custodian bank in order to fulfil its legal duties;
- we tested, on a sample basis, the operating effectiveness of the quarterly investment confirmations performed by Reinet Fund Manager S.A. (the 'Fund Manager' of Reinet Fund);
- on a sample basis, we obtained and reviewed minutes of the relevant board meetings approving new investments as well as all executed agreements in order to ensure that the recording of transactions is in accordance with the detailed terms and conditions of the legal agreements;
- on a sample basis, we obtained, reviewed and reconciled independent ownership confirmations obtained directly from relevant sources with the accounting records;

- we obtained and reviewed the custody confirmation provided by the custodian bank and reconciled it with the accounting records; and
- we verified the reconciliation between the accounting records and the detailed investment holding statements of Reinet Fund at year-end.

Key audit matter

Valuation of Level 3 investments

We focused on the valuation of level 3 investments as a key audit matter because (1) of their importance and (2) of the significant degree of judgement involved.

- (1) As disclosed on page 60 of the consolidated financial statements as at 31 March 2019, Reinet held level 3 investments of € 2 309 million, representing 47.8 per cent of its net asset value.
- (2) The valuation of level 3 investments is complex and requires the application of significant judgements by the Fund Manager. Both the determination of the most appropriate valuation methodology (market multiples, recent transaction prices, discounted cash flow approach, net asset value approach, current value approach, or a mix of various approaches) and of the significant unobservable inputs (discount rates, valuation premium/discount, peer group determination, revenue/cash flow projections, etc.) applied in determining the valuation of level 3 investments are highly subjective. Inappropriate judgements may have a material impact on the net asset value of Reinet.

How our audit addressed the key audit matter

Our procedures over the valuation of level 3 investments included, but were not limited to the following:

- we obtained an understanding of the Fund Manager's processes and controls around the fair valuation of level 3 investments;
- we assessed the compliance of the valuation policies for all level 3 investments with IFRS;
- we reviewed, on a sample basis, the documentation of the Fund Manager's back-testing analysis;
- we obtained the valuation reports produced by the external valuation experts to support the valuations applied by Reinet and we performed an assessment of the competence and objectivity of the external valuation experts;
- we reconciled the external valuation experts' reports with the accounting records and the portfolio holding statements and we reviewed the reports on a sample basis;
- we assessed the appropriateness of the valuation methodologies applied by the Fund Manager as well as the reasonableness of the key assumptions and valuation model inputs used – if necessary by using our own internal valuation specialists and/or by using the work of approved auditors in the countries in which the target investments are located;
- we specifically challenged the significant unobservable inputs used in the level 3 valuations (including peer group selection) and assessed their consistency over multiple accounting periods; and
- we reconciled the impact of both realised and unrealised valuation movements with the net change in the fair value of financial assets at fair value through profit or loss.

Other information

Reinet Investments Manager S.A. (the 'General Partner') is responsible for the other information. The other information comprises the information stated in the annual report including the management report and the corporate governance statement but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the General Partner and those charged with governance for the consolidated financial statements

The General Partner is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS 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.

In preparing the consolidated financial statements, the General Partner is responsible for assessing Reinet's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the General Partner either intends to liquidate Reinet or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Reinet's financial reporting process.

Responsibilities of the 'Réviseur d'entreprises agréé' for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

AUDIT REPORT CONTINUED

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Reinet's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner;
- conclude on the appropriateness of the General Partner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Reinet's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause Reinet to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within Reinet to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of Reinet's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement is included in the management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as 'Réviseur d'entreprises agréé' of Reinet by the general meeting of the shareholders in 2008 for the period ending 31 March 2009; the duration of our uninterrupted engagement, including previous renewals and reappointments, is therefore 11 years.

Other matter

The corporate governance statement includes, when applicable, the information required by Article 68ter Paragraph (1) Letters a), b), e), f) and g) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

PricewaterhouseCoopers, Société coopérative

Luxembourg, 17 May 2019

Represented by

François Mousel

*PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443,
L-1014 Luxembourg
T: +352 494848 1, F: +352 494848 2900, www.pwc.lu*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 – TVA LU25482518*

COMPANY FINANCIAL STATEMENTS

BALANCE SHEET

as at 31 March 2019

	Notes	31 March 2019 € 000's	31 March 2018 € 000's
ASSETS			
Fixed assets			
Financial assets			
Shares in affiliated undertakings	3	1 855 289	1 929 289
Own shares	4	67 991	–
		1 923 280	1 929 289
Current assets			
Cash at bank and in hand		5 258	10
Prepayments			
		99	72
Total assets		1 928 637	1 929 371
CAPITAL, RESERVES AND LIABILITIES			
Capital and reserves			
Subscribed capital	5	220 103	220 103
Share premium account	6	702 319	770 310
Reserves			
– legal reserve	7	22 100	22 100
– reserve for own shares	8	67 991	–
Profit or loss brought forward	9	878 965	882 109
Profit or loss for the financial year		35 801	32 125
		1 927 279	1 926 747
Provisions			
Other provisions		243	181
Creditors			
Amounts owed to affiliated undertakings			
– becoming due and payable within one year	10	988	2 412
Other creditors			
– becoming due and payable within one year		127	31
		1 115	2 443
Total capital, reserves and liabilities		1 928 637	1 929 371

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

COMPANY FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2019

	Notes	Year ended 31 March 2019 € 000's	Year ended 31 March 2018 € 000's
Income			
Dividend received from Reinet Fund	13	39 000	35 000
Total income		39 000	35 000
Charges			
Other operating expenses	11, 12	2 712	2 865
Value adjustments in respect of current assets		482	3
Tax on profit	14	5	7
Total charges		3 199	2 875
Profit for the financial year		35 801	32 125

The accompanying notes form an integral part of these 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.

The Law of 18 December 2015, amending the Law of 19 December 2002 on the Register of Commerce and Companies and the accounting and annual accounts of undertakings, and the Grand-Ducal Regulation as of the same date, have revised the layout of the balance sheet and profit and loss account.

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 and the Company's own shares held as fixed assets are valued at purchase price. 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 reasons for which the value adjustments were made have ceased to apply.

In accordance with Luxembourg law, in case of acquisition of own shares, an amount equal to the carrying amount is recorded in a non-distributable reserve for own shares.

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 (i) the lower or at the higher of the value converted at the historical exchange rate or (ii) 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

Prepayments include expenditure incurred in the financial year but relating to a subsequent financial 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.

COMPANY FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3. SHARES IN AFFILIATED UNDERTAKINGS

	31 March 2019 € 000's	31 March 2018 € 000's
Book value – opening balance	1 929 289	1 929 289
Capital repaid in the year	(74 000)	–
Book value – closing balance	1 855 289	1 929 289

The Company holds the entire share capital of Reinet Fund, whose functional currency is the euro. During the year under review Reinet Fund repaid capital of € 74 million to allow the Company to repurchase its own shares. At 31 March 2019, the net asset value of Reinet Fund was € 4 875 million (31 March 2018: € 5 129 million) and it recorded a loss for the year of € 141 million (31 March 2018: loss of € 840 million).

4. OWN SHARES

Own shares are recorded at cost, representing the price paid on the acquisition date.

On 19 November 2018, the Company announced the commencement of a share buyback programme in respect of a maximum of 3.2 million ordinary shares for an aggregate maximum amount of € 55 million. The programme ran from November 2018 to January 2019 when 3.2 million ordinary shares were repurchased for a cost of € 42 million, plus transaction costs.

On 6 February 2019, the Company announced the commencement of a second share buyback programme in respect of a maximum of 5 million ordinary shares for an aggregate maximum amount of € 75 million closing on 31 May 2019. At 31 March 2019, 1.8 million ordinary shares have been repurchased for a cost of € 26 million, plus transaction costs.

	Number of shares	Cost € 000's
Repurchased shares		
1 st buyback programme	3 200 000	41 964
2 nd buyback programme	1 822 672	26 027
Own shares held at 31 March 2019	5 022 672	67 991

5. SUBSCRIBED CAPITAL

	31 March 2019 € 000's	31 March 2018 € 000's
Ordinary shares		
The subscribed capital at 31 March 2019 amounts to € 220 102 100 (31 March 2018: € 220 102 100) and is divided into 195 941 286 ordinary shares (31 March 2018: 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 2019 amounts to € 1 000 (31 March 2018: € 1 000) and is divided into 1 000 management shares with no par value	1	1
Total management share capital	1	1
Total capital	220 103	220 103

The ordinary shares, excluding the voting and dividend rights attached to treasury shares which are suspended, 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.

6. SHARE PREMIUM ACCOUNT

The share premium relates to a reserve amounting to € 702 318 909 (31 March 2018: € 770 310 129), available for distribution subject to the approval of the shareholders. An amount of € 67 991 220 was transferred to the reserve for own shares during the year as shares were repurchased, see note 8.

7. 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 2018: € 22 100 000) is not available for distribution.

8. RESERVE FOR OWN SHARES

The Company repurchased 5 022 672 own shares for an amount of € 67 991 220. In accordance with Luxembourg law, the Company has created a non-distributable reserve for the same amount.

9. PROFIT OR LOSS BROUGHT FORWARD

	31 March 2019 € 000's	31 March 2018 € 000's
Opening balance	882 109	884 973
Dividend paid	(35 269)	(32 330)
	846 840	852 643
Result for the prior year	32 125	29 466
Balance at the end of the year	878 965	882 109

10. AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

	31 March 2019 € 000's	31 March 2018 € 000's
Becoming due and payable after less than one year	988	2 412

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

	Year ended 31 March 2019 € 000's	Year ended 31 March 2018 € 000's
General Partner	1 202	908
Board of Overseers	98	96
	1 300	1 004

COMPANY FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED**12. AUDIT AND OTHER FEES PAID TO PRICEWATERHOUSECOOPERS**

Fees for the year ended 31 March 2019 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 2018: € 0.1 million). Such fees are presented under 'Other operating expenses' in the profit and loss account.

Fees relating to non-audit services during the year are considered to be insignificant.

13. RELATED PARTY TRANSACTIONS

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

A dividend of € 39 million was received from Reinet Fund in the year (31 March 2018: € 35 million).

Capital repayments of € 74 million were received from Reinet Fund in the year (31 March 2018: € nil).

14. TAXATION

The Company is subject to tax as determined by Luxembourg law, which takes into account profit for the financial year and dividends paid to shareholders in the current year.

15. CONTINGENT LIABILITIES

On 6 February 2019, the Company announced the commencement of a second share buyback programme starting on 11 February 2019 and ending on 31 May 2019, in respect of a maximum of 5 million ordinary shares for an aggregate maximum amount of € 75 million.

At 31 March 2019, 1.8 million ordinary shares have been repurchased for a cost of € 26 million, plus transaction costs. The Company therefore has a liability to purchase up to an additional 3.2 million ordinary shares for a maximum cost of € 49 million.

A further 1.0 million ordinary shares have been acquired at a cost of € 15.3 million up to 10 May 2019.

16. SUBSEQUENT EVENTS

There have been no events subsequent to 31 March 2019 which would have any material impact on these financial statements.

PROPOSED APPROPRIATION OF RETAINED EARNINGS

as at 31 March 2019

	€ 000's
Available retained earnings	
Profit and loss brought forward	914 234
Dividend paid	(35 269)
	878 965
Net profit for the financial year	35 801
Balance at the end of the year	914 766

PROPOSED APPROPRIATION

The proposed ordinary dividend payable to the Company's shareholders of € 0.19 per share will be payable on 4 September 2019, once approved by the shareholders at the annual general meeting to be held on 27 August 2019.

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, 14 May 2019

COMPANY FINANCIAL STATEMENTS

AUDIT REPORT

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

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Reinet Investments S.C.A. (the 'Company') as at 31 March 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Our opinion is consistent with our additional report to the audit committee or equivalent.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 March 2019;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession ('Law of 23 July 2016') and with International Standards on Auditing ('ISAs') as adopted for Luxembourg by the 'Commission de Surveillance du Secteur Financier' ('CSSF'). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the 'Responsibilities of the 'Réviseur d'entreprises agréé' for the audit of the financial statements' section of our report.

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code') as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of EU Regulation No 537/2014.

The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended are disclosed in note 15 to the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud). These matters were addressed in the context of our audit

of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

Reinet Investments Manager S.A. (the 'General Partner') is responsible for the other information. The other information comprises the information stated in the annual report including the management report and the corporate governance statement but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the General Partner and those charged with governance for the financial statements

The General Partner is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation 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.

In preparing the financial statements, the General Partner is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the General Partner either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the 'Réviseur d'entreprises agréé' for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner;
- conclude on the appropriateness of the General Partner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" of the Company by the general meeting of the shareholders on 1 May 2008 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 11 years.

Other matters

The Corporate Governance Statement includes, when applicable, the information required by Article 68ter Paragraph (1) Letters a), b), e), f) and g) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

PricewaterhouseCoopers, Société coopérative

Luxembourg, 17 May 2019

Represented by

François Mousel

*PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443,
L-1014 Luxembourg
T : +352 494848 1, F : +352 494848 2900, www.pwc.lu*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 – TVA LU25482518*

COMPANY FINANCIAL STATEMENTS

NOTICE OF ANNUAL GENERAL MEETING

Notice of the annual general meeting of shareholders of Reinet Investments S.C.A. to be held on 27 August 2019.

Shareholders are invited to attend the annual general meeting of shareholders of Reinet Investments S.C.A. (the 'Company') in person or by proxy.

The annual general meeting will take place on: Tuesday, 27 August 2019 at 2:00 pm at Hotel Le Royal, 12, boulevard Royal, L-2449 Luxembourg.

AGENDA**Business reports for the accounting year ended 31 March 2019**

1. To consider the report of the General Partner to the shareholders; the report of the Board of Overseers; and the reports of 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 2019.

Financial statements

2. To approve the statutory financial statements of the Company for the accounting year ended 31 March 2019.
3. To approve the consolidated financial statements of the Company for the accounting year ended 31 March 2019.

Appropriations

4. At 31 March 2019, the retained earnings available for distribution amounted to € 914 765 502. The General Partner proposes that a cash dividend of € 0.19 per share be paid. The General Partner proposes that the remaining available retained earnings of the Company at 31 March 2019 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 2019 for the performance of their duties.

Board of Overseers

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

Authorisation to acquire ordinary shares

8. At the Annual General Meeting held on 28 August 2018, shareholders authorised the Company to acquire ordinary shares within the limits approved at that meeting for a period up to the date of the Annual General Meeting to be held in 2019, subject to such period being no longer than 13 months from the date of the authorisation.

Pursuant to Article 9 of the Company's Articles of Association and relevant Luxembourg law, the General Partner proposes that a new authorisation be granted to the Company to acquire ordinary shares, directly or indirectly (through subsidiaries or otherwise, such as through an intermediary or agent) for a period up to the date of the next Annual General Meeting, subject to such period being no longer than 13 months from the date of this authorisation.

The General Partner proposes that the Company be authorised to acquire, in accordance with applicable laws and regulations, ordinary shares up to 20 per cent of the Company's issued ordinary share capital which at the date of authorisation, 27 August 2019, is 195 941 286 ordinary shares, for valuable consideration, by all means, on any one or combination of the Luxembourg Stock Exchange, Euronext Amsterdam or the Johannesburg Stock Exchange, at a price no more than an amount equal to 110 per cent of the reference price of the ordinary shares on the relevant exchange and not less than one euro cent; the reference price being the weighted average price for the market value for such ordinary shares for the five days of trading immediately prior to the acquisition of such shares.

The General Partner will at all times retain full discretion with regards to the acquisition of the shares of the Company. This includes whether to and when to initiate any acquisition process and to determine the quantum and terms and conditions of any such planned acquisition of ordinary shares of the Company (subject to the limits set out above), having regard to, inter alia, available liquidity in order to fulfil any purchase and other obligations of the Company and the anticipated acquisition price per share relative to the estimated net asset value per share of the Company at that time.

The official notice convening the annual general meeting will be published in the Luxemburger Wort, the Financial Times, RESA the Luxembourg online legal publication platform, on the website of the Company and of the Luxembourg Stock Exchange and sent to all shareholders recorded in the register of shareholders of the Company by registered letter and distributed by the Registrar through the usual channels in accordance with Luxembourg law and may differ from this notice in respect of the definitive proposals.

The present notice, the statutory financial statements and the consolidated financial statements of the Company for the accounting year ended 31 March 2019, 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 by email (register.bi@efa.eu) no later than 5 August 2019.

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.

Instructions for attendance and voting

Persons entitled to participate in and vote at the meeting are all persons (or their proxy) who were shareholders of record of the Company at midnight on 13 August 2019 Luxembourg time (the 'Record Date').

(i) Instructions for holders of shares whose ownership is directly recorded in the Company's shareholders' register

Shareholders whose ownership is directly recorded in their own name in the Company's shareholders' register who wish 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 20 August 2019. 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

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 European Fund Administration S.A. (register.bi@efa.eu).

Proxy voting instructions may be given to the Chairman of the meeting; these must be received by the Company duly completed and signed by 20 August 2019. 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 must be delivered to European Fund Administration S.A. on 20 August 2019 at the latest. No admission cards will be issued after that day.

(ii) Instructions for shareholders whose shares are held in the European clearing systems (Euroclear Nederland, Euroclear Bank, Clearstream) and are traded on Euronext Amsterdam or the Luxembourg Stock Exchange

Shareholders whose ownership is indirectly recorded through a European clearing system (Euroclear Nederland, Euroclear Bank, Clearstream) whose shares are traded on Euronext Amsterdam or the Luxembourg Stock Exchange ('European Shareholders') and who wish to attend the meeting may register via the E-voting platform ('EVO') administered by ING Bank ('ING') at <https://ing.evo-platform.com/reinet> or via their own intermediary, in any event no later than 20 August 2019. After registration on the EVO platform, the shareholder's information provided will be verified with the information held by the shareholder's intermediary as at the Record Date. When the intermediary has confirmed the information, the registration will be accepted. Duly registered shareholders will be provided by ING with an attendance card and details on how to gain access to the meeting by email.

European Shareholders who wish to be represented at the meeting by a chosen proxy can register their proxy via the EVO platform or via their own intermediary. After confirmation by the intermediary of the shareholder's information as at the Record Date, shareholders who have duly registered their proxy will be provided by ING with an attendance card with proxy registration by email.

Alternatively to the registration process described above, European Shareholders who wish to attend the meeting or to be represented at the meeting by a chosen proxy may send in a legally valid written registration form or proxy instrument to ING at the address below, in any event no later than 20 August 2019. A registration form to request admission to the meeting or to appoint a proxy is available as of today at www.reinet.com. European Shareholders 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 ING at the address below to be received no later than 20 August 2019 indicating clearly the precise identity of the shareholder and confirming the number of shares being held by the shareholder as at the Record Date. After completion of this registration process, shareholders will be provided by ING by email with an attendance card and details on how to gain access to the meeting or an attendance card with proxy registration, as relevant.

European Shareholders who wish to grant a proxy and issue voting instructions prior to the meeting can do this via the EVO platform or via their intermediary in any event no later than 20 August 2019. After confirmation by the intermediary of the shareholder's information as at the Record Date, the voting instructions will be accepted. Alternatively to issuing voting instructions as described above, European Shareholders may

COMPANY FINANCIAL STATEMENTS

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

grant a proxy and issue voting instructions in writing by sending in a legally valid written proxy instrument to ING at the address below, in any event no later than 20 August 2019. A written proxy voting form is available as of today at www.reinet.com. Proxy voting instructions may be given to the Chairman of the meeting. A Shareholding Certificate in respect of the shares must be provided to ING at the address below to be received no later than 20 August 2019 indicating clearly the precise identity of the shareholder and confirming the number of shares being held by the shareholder as at the Record Date. Failure to provide the Shareholding Certificate will invalidate the proxy voting instructions. A person designated by the Company will collect all voting instructions and submit them at the meeting. 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.

The EVO platform is available from the publication date of this convocation until seven days before the meeting. This means that shareholders can use the EVO platform from 26 July 2019 to 20 August 2019, 17:00 CEST. The EVO platform will close on 20 August 2019, 17:00 CEST, but shareholders can still view any instructions they have given.

ING address:

ING Bank N.V.
Attn. Robert Peerenboom
Issuer Services, Location code TRC 02.039
Foppingadreef 7, 1102 BD Amsterdam
The Netherlands
E-mail address ING: Iss.pas@ing.com

(i) Instructions for shareholders whose shares are held in South Africa through Central Securities Depository Participants ('CSDP') and brokers and are traded on the Johannesburg Stock Exchange

Shareholders whose ownership is indirectly recorded through CSDPs and brokers whose shares are traded on the Johannesburg Stock Exchange ('South African Shareholders') and who wish to attend the meeting, either in person or by proxy, must advise their broker or CSDP in accordance with the mandate with their broker or CSDP, and their broker or CSDP will issue the necessary letter of representation to the shareholder to allow the shareholder or its/his/her proxy holder to attend and vote at the meeting.

The broker or CSDP of South African Shareholders should contact South African Shareholders to ascertain how they wish to cast their vote at the meeting and should thereafter cast the votes in accordance with the South African Shareholders' instructions. If South African Shareholders have not been contacted by their broker or CSDP, it is advisable for them to contact their broker or CSDP and furnish it with their voting instructions.

If a broker or CSDP does not obtain voting instructions from a South African Shareholder, it will be obliged to vote in accordance

with the instructions contained in the custody agreement concluded between the South African Shareholder and its/his/her broker or CSDP. South African Shareholders must not complete the proxy voting form available at www.reinet.com.

Requests for letters of representation and voting instructions must be submitted by brokers and CSDPs to Strate no later than 12:30 pm (South African time) on 19 August 2019 so that they may be collated and verified by Strate prior to the meeting. South African Shareholders should therefore submit their requests for a letter of representation or voting instructions to their broker or CSDP within the time period required by their broker or CSDP or as stipulated in the custody agreement concluded between South African Shareholders and their broker or CSDP.

(ii) Admittance to the meeting

Registration for admission to the meeting will take place from one hour prior to commencement of the meeting. Shareholders or their proxy holders shall hand in the attendance card at the registration desk, will need to sign the attendance list of the meeting and may be requested to provide proof of identity before and during the meeting. A proxy holder shall also be requested to hand in a copy/original of their proxy instrument at the registration desk.

Shareholders or proxy holders not registered to attend the meeting will not be allowed to participate.

Personal data processing

Shareholders are informed that the Company, as controller, processes the personal data of the shareholders and proxyholders (name, address, contact details, shareholding) in the context of the meeting in accordance with applicable data protection laws. The Company processes such personal data in order to comply with the legal obligation of holding such meeting. Such personal data will be used for the purposes of analysing and administering the attendance and voting process in connection with the meeting and will be accessed by entities assisting in the administration of the voting process such as the Registrar, ING and South African entities processing personal data of the South African Shareholders on behalf of the Company. Shareholders and proxyholders may notably request access to and rectification of the personal data processed by the Company by contacting the Company Secretary Mr Swen Grundmann, 35 boulevard Prince Henri, L-1724 Luxembourg, tel: +352 22 42 10, email: data-protection@reinet.com.

Reinet Investments Manager S.A.

General Partner
For and on behalf of
REINET INVESTMENTS S.C.A.
Luxembourg, 14 May 2019

EXCHANGE RATES AND SHARE INFORMATION

EXCHANGE RATES AGAINST THE EURO

	Year ended 31 March 2019	Year ended 31 March 2018
Average for the year		
Sterling	0.8819	0.8823
US dollar	1.1581	1.1708
Swiss franc	1.1470	1.1358
South African rand	15.9065	15.1882
Closing – as at the end of the year		
Sterling	0.8609	0.8791
US dollar	1.1218	1.2323
Swiss franc	1.1164	1.1750
South African rand	16.2632	14.5837

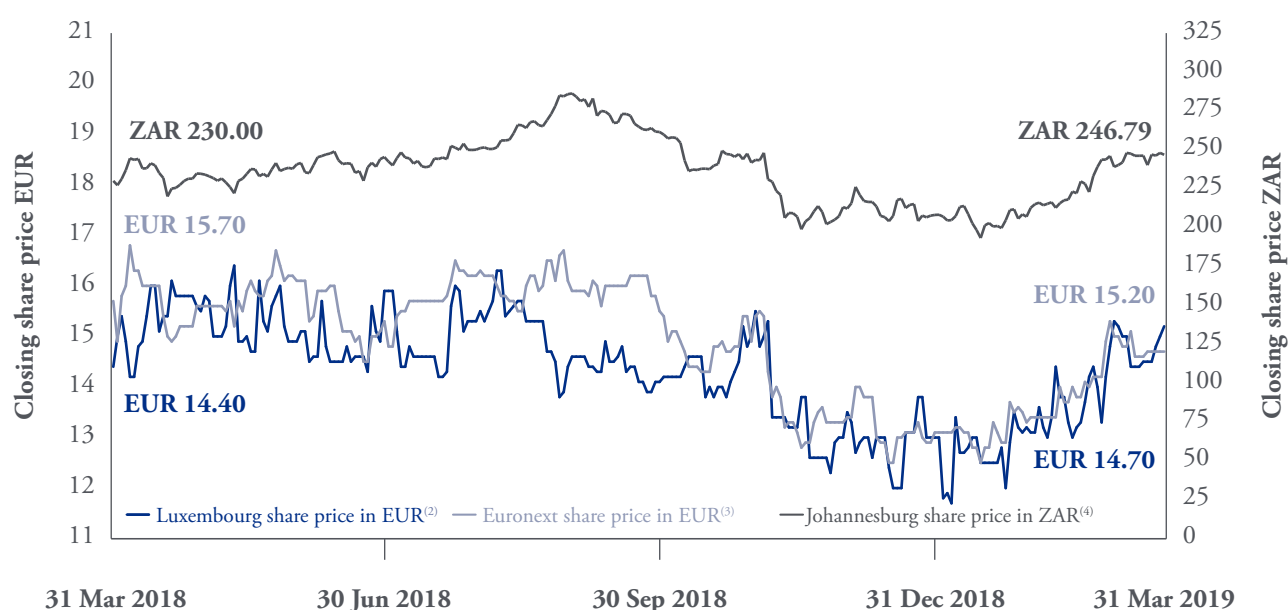
SHARE INFORMATION

Reinet Investments S.C.A. (the 'Company') ordinary shares are listed and traded on the Luxembourg Stock Exchange (symbol 'REINI', Thomson Reuters code REIT.LU), on Euronext Amsterdam (symbol 'REINA', Thomson Reuters code REINA.AS) and on the Johannesburg Stock Exchange (symbol 'RNI', Thomson Reuters code RNIJ.J) with the ISIN number LU0383812293; the listing on the Johannesburg Stock Exchange is a secondary listing. The Company's ordinary shares are included in the 'LuxX' index of the principal shares traded on the Luxembourg Stock Exchange.

As at 31 March 2019 and 31 March 2018 there were 195 942 286 shares in issue.

As at 31 March 2019, 5 022 672 ordinary shares were held as treasury shares. The voting and dividend rights attached to the treasury shares are suspended.

DAILY CLOSING PRICES FROM 31 MARCH 2018 TO 31 MARCH 2019⁽¹⁾



(1) The EUR:ZAR exchange rate was 1:14.5837 on 31 March 2018 and 1:16.2632 on 31 March 2019.

(2) Represents the closing share price of the Company on the Luxembourg Stock Exchange (listed under the symbol 'REINI').

(3) Represents the closing share price of the Company on Euronext Amsterdam (listed under the symbol 'REINA').

(4) Represents the closing share price of the Company on the Johannesburg Stock Exchange (listed under the symbol 'RNI').

Source: Thomson Reuters.

STATUTORY INFORMATION

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
Telefax: +352 48 65 61 8002

EURONEXT AMSTERDAM LISTING AGENT AND DUTCH PAYING AGENT

ING BANK N.V.
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

JOHANNESBURG STOCK EXCHANGE SPONSOR

RAND MERCHANT BANK
(A division of FirstRand Bank Limited)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2146
Republic of South Africa

RÉVISEUR D'ENTREPRISES AGRÉÉ

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

FURTHER INFORMATION

Website: www.reinet.com
Email: info@reinet.com

DATA PROTECTION

The Company acting through the General Partner collects, processes and stores personal data in relation to the shareholders in compliance with EU Regulation No 2016/679 of 27 April 2016 (the 'General Data Protection Regulation') as well as any complementing or other law or regulation relating to the protection of personal data applicable to the Company. In this respect, the Company acts as data controller. All the information in relation to the processing of the shareholders' personal data carried out by the Company is detailed in a data protection information notice available on the Company's website: www.reinet.com/investor-relations/data-protection. Changes may occur in the way the Company processes personal data in relation to the shareholders. In case these changes oblige the Company to update the data protection information notice, the Company will bring this to the shareholders' attention and may do so by any available means such as by email, announcement on the Company's website or otherwise. For any data protection inquiries, the shareholders may contact the Company at the following address: 35, boulevard Prince Henri, L-1724 Luxembourg or by email at: data-protection@reinet.com.

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