

# REINET INVESTMENTS S.C.A.

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Interim Report at 30 September 2016

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**Cautionary statement regarding forward-looking statements**

*This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Words such as 'may', 'should', 'estimate', 'project', 'plan', 'believe', 'expect', 'anticipate', 'intend', 'potential', 'goal', 'strategy', 'target', 'will', 'seek' and similar expressions may identify forward-looking statements. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside Reinet's control. Reinet does not undertake to update, nor does it have any obligation to provide updates or to revise, any forward-looking statements.*

## HIGHLIGHTS

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**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.**

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- Net asset value at 30 September 2016: € 5 510 million, an increase of € 289 million from 31 March 2016
  - Growth in net asset value reflects a compound return of 16 per cent per annum, in euro terms, since March 2009, including dividends paid
  - Net asset value per share at 30 September 2016: € 28.12 (31 March 2016: € 26.65)
  - Commitments totalling € 207 million in respect of new and existing investments were made during the period, including € 179 million (£ 139 million) in respect of Pension Insurance Corporation Group Limited
  - Dividends received from British American Tobacco during the period amounted to € 127 million
  - Dividend of some € 32 million, or € 0.161 per share, paid during the period
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## PERFORMANCE

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### NET ASSET VALUE

The increase in the net asset value of € 289 million during the period is influenced by the receipt of dividends from British American Tobacco p.l.c. ("BAT"), movements in the estimated fair value of certain investments, including BAT, and decreases in the estimated fair value of loans payable. Offsetting these increases in net asset value is the decrease in the estimated fair value of the investments in United States land development and mortgages, an increase in the value of derivative liabilities associated with the collar financing and the effect of the weakening of sterling against the euro in the period.

The Company records its assets and liabilities in euro; the depreciation of other currencies against the euro has resulted in a decrease in the value of certain assets and liabilities in euro terms. Applying current period exchange rates to the March 2016 assets and liabilities would have resulted in a decrease in value of some € 365 million.

### SHARE PRICE

The Company's share price increased by 7 per cent in the period from € 17.31 at 31 March 2016 to € 18.51 at 30 September 2016, with the highest trade being at € 23.00 during the period. The share price reflects a total shareholder return of 15 per cent per annum compared to the Initial Price together with dividends paid. The Company's ordinary shares are listed on the Luxembourg Stock Exchange.

The price of depository receipts issued by Reinet Securities SA in respect of the Company's ordinary shares decreased from ZAR 31.74 at 31 March 2016 to ZAR 29.92 at 30 September 2016; the decrease of almost 6 per cent reflects in part the weakening of the euro against the South African rand in the period. These depository receipts are listed on the Johannesburg Stock Exchange.

### DIVIDEND

The Company paid a dividend of € 0.161 per share in September 2016, a 2.5 per cent increase from € 0.157 per share in 2015. The Company only declares an annual dividend.

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*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, the primary listing, and the depository receipts issued by Reinet Securities SA in respect of the Company's ordinary shares are listed on the Johannesburg Stock Exchange, the 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'.*

## MANAGEMENT REPORT

## BUSINESS OVERVIEW

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

## CONSOLIDATED NET ASSET VALUE

The consolidated net asset value ('NAV') at 30 September 2016 comprised:

	30 September 2016		31 March 2016	
	€ m	%	€ m	%
<b>Listed investments</b>				
British American Tobacco p.l.c.	3 874	70.3	3 512	67.3
SPDR Gold shares	26	0.5	24	0.5
Selecta Biosciences, Inc.	4	0.1	–	–
<b>Unlisted investments</b>				
Pension Insurance Corporation Group Limited	1 070	19.4	920	17.6
<b>Private equity and related partnerships</b>	711	12.9	671	12.8
Trilantic Capital Partners	161	2.9	143	2.7
Fund IV, Fund V, TEP, related general partners and management companies				
<b>Renshaw Bay and related investments</b>	169	3.0	178	3.4
Renshaw Bay advisory and investment management company	10		11	
JPS Credit Opportunities Fund	86		84	
Renshaw Bay Real Estate Finance Fund	73		83	
<b>36 South macro/volatility funds</b>	53	1.0	62	1.2
<b>Asian private equity and portfolio funds</b>	175	3.2	155	3.0
Milestone China Opportunities funds, investment holdings and management company participation	132		113	
Prescient China Balanced Fund and investment management company	43		42	
<b>Specialised private equity funds</b>	153	2.8	133	2.5
Vanterra Flex Investments	28		30	
Vanterra C Change TEM	22		23	
NanoDimension funds and co-investment opportunities	41		48	
Fountainhead Expert Fund	20		19	
Snow Phipps funds and co-investment opportunities	37		8	
Other fund investments	5		5	
<b>United States land development and mortgages</b>	149	2.7	164	3.1
<b>Diamond interests</b>	61	1.1	59	1.1
<b>Other investments</b>	60	1.1	66	1.3
<b>Total investments</b>	5 955	108.1	5 416	103.7
<b>Cash and liquid funds</b>	194	3.5	380	7.3
<b>Bank borrowings and derivatives</b>				
Borrowings	(381)	(6.9)	(417)	(8.0)
Net derivative assets/(liabilities)	(182)	(3.3)	(78)	(1.5)
<b>Other liabilities</b>				
Minority interest, fees payable and other liabilities, net of other assets	(76)	(1.4)	(80)	(1.5)
<b>Consolidated net asset value</b>	5 510	100.0	5 221	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 <sup>(1)</sup> in millions	Remaining committed amount <sup>(1)</sup> in millions	Invested amount <sup>(2)</sup> in millions	Realised proceeds <sup>(2)</sup> in millions	Current fair value <sup>(1)</sup> in millions	Total realised and unrealised value <sup>(3)</sup> in millions
<b>Listed investments</b>							
British American Tobacco p.l.c.	EUR	–	–	1 739	1 692	3 874	5 566
	GBP	–	–	1 418	1 383	3 355	4 738
SPDR Gold shares	EUR	22	–	22	–	26	26
	USD	25	–	25	–	29	29
Selecta Biosciences, Inc.	EUR	4	–	4	–	4	4
	USD	5	–	5	–	5	5
<b>Unlisted investments</b>							
Pension Insurance	EUR	622	–	656	–	1 070	1 070
Corporation Group Limited	GBP	539	–	539	–	927	927
Trilantic Capital Partners	EUR	331	108	228	261	161	422
Euro investment	EUR	86	20	66	110	69	179
US dollar investment <sup>(4)</sup>	USD	275	99	186	190	104	294
<b>Renshaw Bay and related investments</b>							
Renshaw Bay advisory and investment management company	EUR	29	2	29	–	10	10
	GBP	25	1	24	–	9	9
JPS Credit Opportunities Fund	EUR	62	–	54	–	86	86
	USD	70	–	70	–	97	97
Renshaw Bay Real Estate Finance Fund	EUR	115	34	84	15	73	88
	GBP	100	30	70	12	63	75
<b>36 South macro/volatility funds</b>	EUR	<b>88</b>	<b>–</b>	<b>88</b>	<b>6</b>	<b>53</b>	<b>59</b>
<b>Asian private equity and portfolio funds</b>							
Milestone China Opportunities funds, investment holdings and management company participation	EUR	150	8	124	16	132	148
	USD	169	9	160	20	148	168
Prescient China Balanced Fund and investment management company	EUR	29	–	25	–	43	43
	USD	32	–	32	–	48	48
<b>Specialised private equity funds</b>							
Vanterra Flex Investments	EUR	93	35	49	23	28	51
	USD	104	40	64	27	31	58
Vanterra C Change TEM	EUR	58	5	43	1	22	23
	USD	65	6	59	1	25	26
NanoDimension funds and co-investment opportunities	EUR	54	9	41	1	41	42
	EUR	4	–	4	1	5	6
Euro investment	EUR	4	–	4	1	5	6
US dollar investment	USD	56	10	46	–	41	41
Fountainhead Expert Fund	EUR	36	18	15	–	20	20
	USD	40	20	20	–	23	23
Snow Phipps funds and co-investment opportunities	EUR	116	78	37	4	37	41
	USD	130	88	42	5	42	47
United States land development and mortgages	EUR	184	4	155	–	149	149
	USD	207	4	203	–	168	168
Diamond interests <sup>(5)</sup>	EUR	80	2	116	62	61	123
	ZAR	1 230	40	1 190	868	940	1 808

(1) Calculated using period 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

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### BUSINESS OVERVIEW CONTINUED

Major items impacting the NAV, significant changes in carrying value and new investments during the period under review are described below.

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### LISTED INVESTMENTS

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#### 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.

Reinet received dividends from BAT during the period under review amounting to € 127 million (£ 103 million), being BAT's final 2015 dividend and interim 2016 dividend.

Reinet holds 68.1 million shares in BAT, representing some 3.7 per cent of BAT's issued share capital. The value of Reinet's investment in BAT amounted to € 3 874 million at 30 September 2016, being 70 per cent of Reinet's NAV (31 March 2016: € 3 512 million). The BAT share price on the London Stock Exchange increased from £ 40.90 at 31 March 2016 to £ 49.30 at 30 September 2016, with a marked increase following the UK's referendum in June 2016. This increase in value is offset to some extent by the weakening of sterling against the euro during the period.

*Further information on BAT is available at [www.bat.com/annualreport](http://www.bat.com/annualreport).*

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#### SELECTA BIOSCIENCES, INC.

In June 2016, Reinet invested € 4 million in Selecta Biosciences, Inc. ("Selecta") acquiring 350 000 shares in its initial public offering on the NASDAQ.

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.

*Further information on Selecta is available at [www.selectabio.com](http://www.selectabio.com).*

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### UNLISTED INVESTMENTS

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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 billion and at 30 September 2016 committed to provide further funding of € 302 million to its current investments. Details of the funding commitments outstanding are given in the table on page 9 of this report. The increase in commitments during the period under review amounted to € 207 million, and a total of € 251 million was funded during the period.

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

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## PENSION INSURANCE CORPORATION GROUP LIMITED

Pension Insurance Corporation Group Limited's ('Pension Corporation') wholly-owned subsidiary, Pension Insurance Corporation plc ('Pension Insurance Corporation') is one of the UK's leading providers of risk management solutions to defined benefit pension funds. Pension Insurance Corporation provides tailored pension insurance buyouts and buy-ins to the trustees and sponsors of UK defined benefit pension funds. Pension Insurance Corporation brings safety and security to scheme members' benefits through innovative, bespoke insurance solutions, which include deferred premiums and the use of company assets as part payment.

In June 2016, Pension Corporation raised £ 250 million in additional capital; of this amount Reinet subscribed for an amount of € 179 million (£ 139 million).

In the first six months of the 2016 calendar year, Pension Insurance Corporation wrote new pension insurance business with premiums of £ 918 million compared to £ 702 million in the same period last year. New business prospects remain within expectations for the rest of the year. The result of the UK's referendum in June 2016 has resulted in sharp falls in interest rates and increased currency and equity market volatility. Pension Insurance Corporation has been operating under the Solvency II framework of governance since 1 January 2016 and has effectively dealt with the volatility caused by the UK's referendum. Of interest, as part of Pension Insurance Corporation's investment programme, an investment of £ 100 million was made in debt secured on the Thames Tideway Tunnel; this investment has a maturity profile of almost 50 years.

Reinet's investment in Pension Corporation is carried at an estimated fair value of € 1 070 million at 30 September 2016 (31 March 2016: € 920 million); this value takes into account Pension Corporation's estimated embedded value at 30 June 2016 of £ 2.5 billion (31 December 2015: £ 1.9 billion) and valuation multiples drawn from industry data.

The change in estimated fair value is due to the increase in Pension Corporation's estimated embedded value which reflects new business written by Pension Insurance Corporation and the effect of changing economic variables, together with the capital increase in the half year ended 30 June 2016; offset by decreases in comparable valuation multiples being applied by the market in valuing listed companies in the UK insurance sector. These comparable market multiples are 6 per cent lower than those applied at 31 March 2016, reflecting the market movements relative to embedded value of the sector during the period which includes the effect of the market movement following the UK's referendum in June 2016. The estimated fair value is further reduced by the weakening of sterling against the euro during the period.

*Further information on Pension Corporation is available at [www.pensioncorporation.com](http://www.pensioncorporation.com).*

## MANAGEMENT REPORT

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### BUSINESS OVERVIEW CONTINUED

#### PRIVATE EQUITY AND RELATED PARTNERSHIPS

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## TRILANTIC CAPITAL PARTNERS

### TRILANTIC CAPITAL PARTNERS

Trilantic Capital Partners ('Trilantic') is a global private equity firm focused on making controlling and significant minority interest investments in companies in North America and Western Europe. Trilantic employs flexible transaction structures and has a strong heritage of partnering with family-owned businesses and providing growth capital to management teams. Trilantic primarily targets investments in the consumer, energy, industrials, technology, media and telecommunications, healthcare, financial and business services sectors, and currently manages six private equity funds with aggregate capital commitments of \$ 7.6 billion.

Reinet and its minority partners invest in the Trilantic general partnerships and management companies (together 'Trilantic Management') and four of the six current funds under Trilantic's management.

Trilantic Capital Partners IV L.P. and Trilantic Capital Partners IV (Europe) L.P. are in the process of realising value from underlying investments. In the period under review, capital contributions of € 2 million were made and combined distributions of some € 8 million were received of which € 4 million (30 September 2015: € 2 million) was in respect of carried interest.

Trilantic Capital Partners V (North America) L.P., Trilantic Energy Partners (North America) L.P., and their respective general partners continue to build their portfolios with Reinet making capital contributions of some € 17 million in the period under review. Underlying investments are still considered to be at an early stage, however increases in value are being reported.

Reinet's and its minority partners' investment in Trilantic Management and the above funds is carried at the estimated fair value of € 161 million at 30 September 2016 (31 March 2016: € 143 million) of which € 9 million (31 March 2016: € 10 million) is attributable to minority partners. The estimated fair value is based on unaudited valuation data provided by Trilantic Management at 30 June 2016 adjusted for changes in the value of listed investments included in the portfolios. The increase in the estimated fair value is due to capital contributions of € 19 million together with increases in the estimated fair value of underlying investments, offset by distributions received.

*Further information on Trilantic is available at [www.trilantic.com](http://www.trilantic.com).*

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## RENSHAWBAY

### RENSHAW BAY AND RELATED INVESTMENTS

#### **Renshaw Bay Real Estate Finance Fund**

The Renshaw Bay Real Estate Finance Fund ("REFF") was created to take advantage of opportunities resulting from a funding gap between the expected demand for commercial real estate finance and its availability from banks, other traditional lenders and equity investors. Its real estate strategy focuses on the origination of commercial real estate loans primarily in Western Europe, and with a focus on the UK. The result of the UK's referendum in June 2016 initially impacted UK property prices, however over the past few months it appears that transaction activity is back to pre-referendum levels and the weakness of sterling has resulted in an increase in demand for commercial office space with rental income remaining stable. Management of REFF has completed a stress analysis of the fund and concluded that due to the benefits from its loan, property type and geographic diversity, they remain comfortable with the positioning of the portfolio.

The investment is carried at the estimated fair value of € 73 million at 30 September 2016 (31 March 2016: € 83 million) based on unaudited valuation data provided by the fund manager at 30 June 2016. The decrease in estimated fair value is due to capital repayments received from early repaid loans together with the weakening of sterling against the euro in the period.



### ASIAN PRIVATE EQUITY AND PORTFOLIO FUNDS

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

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

During the period under review Milestone benefited from the increase in value of several of its underlying listed investments, in particular Li Ning Company Limited.

The investment in Milestone is held at the estimated fair value of € 132 million (31 March 2016: € 113 million) based on audited financial information provided by Milestone Capital at 30 June 2016 adjusted for movements in listed investments and cash movements up to 30 September 2016. The change in estimated fair value reflects capital contributed in the period together with increases in the value of underlying listed and unlisted investments.

*Further information on Milestone Capital and Milestone funds may be found at [www.mcmchina.com](http://www.mcmchina.com).*

## SNOW PHIPPS

### SPECIALISED PRIVATE EQUITY FUNDS

#### **Snow Phipps funds and co-investment opportunities**

Snow Phipps is a private equity firm which targets investments in market-leading companies in the industrials, services and consumer sectors primarily headquartered in North America.

In 2011, Reinet committed to invest up to \$ 10 million (€ 9 million) in Snow Phipps II, L.P. In the year ended 31 March 2016, Reinet made a commitment of \$ 100 million (€ 89 million) to Snow Phipps III, L.P. the successor fund to Snow Phipps II, L.P. In addition, in the current period Reinet committed \$ 20 million (€ 18 million) to two co-investment opportunities.

Reinet's investment in the two funds and associated co-investments is carried at an estimated fair value of € 37 million at 30 September 2016 (31 March 2016: € 8 million), the increase in value being mainly due to additional capital invested in the period.

*Further information on Snow Phipps is available at [www.snowphipps.com](http://www.snowphipps.com).*

## MANAGEMENT REPORT

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### BUSINESS OVERVIEW CONTINUED

#### UNITED STATES LAND DEVELOPMENT AND MORTGAGES

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

In addition, Reinet has invested in residential golf communities, owning the land for sale to future homeowners together with infrastructure assets.

The investment is carried at the estimated fair value of € 149 million (31 March 2016: € 164 million), of which € 2 million is attributable to minority partners (31 March 2016: € 2 million).

The current valuation is based on unaudited financial statements as at 30 June 2016 adjusted for cash movements up to 30 September 2016. The decrease in the valuation reflects more conservative estimates of land values and rates of lot sales, together with increases in running costs of the golf club communities.

*Further information on Arendale, which holds the residential golf community assets, may be found at [www.arendale.com](http://www.arendale.com).*

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Further information on Reinet's investments may be found in the Reinet 2016 annual report which is available at [www.reinet.com](http://www.reinet.com).

## COMMITTED FUNDS

Funding commitments are entered into in various currencies including sterling, US dollar and South African rand and are converted into euro using 30 September 2016 exchanges rates.

The table below summarises Reinet's outstanding investment commitments at 30 September 2016.

	31 March 2016 <sup>(1)</sup> € m	Exchange rate effects <sup>(2)</sup> € m	Committed during the period <sup>(3)</sup> € m	Funded during the period <sup>(3)</sup> € m	30 September 2016 <sup>(3)</sup> € m	30 September 2016 %
<b>Selecta Biosciences, Inc.</b>	–	–	4	(4)	–	–
<b>Pension Insurance Corporation Group Limited<sup>(4)</sup></b>	–	–	179	(179)	–	–
<b>Private equity and related partnerships</b>						
<b>Trilantic Capital Partners</b>						
Fund IV, Fund V, TEP, related general partners and management companies <sup>(5)</sup>	120	2	–	(19)	103	34.1
<b>Renshaw Bay and related investments</b>						
Renshaw Bay advisory and investment management company	2	–	–	–	2	0.7
JPS Credit Opportunities Fund	–	–	–	–	–	–
Renshaw Bay Real Estate Finance Fund	45	(4)	–	(7)	34	11.3
<b>36 South macro/volatility funds</b>	–	–	–	–	–	–
<b>Asian private equity and portfolio funds</b>						
Milestone China Opportunities funds, investment holdings and management company participation	10	–	–	(2)	8	2.6
Prescient China Balanced Fund and investment management company	–	–	–	–	–	–
<b>Specialised private equity funds</b>						
Vanterra Flex Investments	35	–	–	–	35	11.6
Vanterra C Change TEM	5	–	–	–	5	1.7
NanoDimension funds and co-investment opportunities	12	–	–	(3)	9	3.0
Fountainhead Expert Fund	18	–	–	–	18	5.9
Snow Phipps funds and co-investment opportunities	89	–	18	(29)	78	25.8
Other fund investments	1	–	–	–	1	0.3
<b>United States land development and mortgages<sup>(5)</sup></b>	5	–	4	(5)	4	1.3
<b>Diamond interests</b>	2	–	–	–	2	0.7
<b>Other investments</b>	4	–	2	(3)	3	1.0
	348	(2)	207	(251)	302	100.0

(1) Commitments calculated using 31 March 2016 exchange rates.

(2) Reflects exchange rate movements between 31 March 2016 and 30 September 2016.

(3) Amounts calculated using 30 September 2016 exchange rates, except for Pension Insurance Corporation Group Limited.

(4) The amount paid to Pension Insurance Corporation Group Limited in the period amounts to € 179 million using the actual exchange rate at the date of payment.

(5) Commitments noted represent only Reinet's share of the investments at 30 September 2016, additional commitments payable by minority partners amount to € 5 million in respect of Trilantic and € nil in respect of United States land development and mortgages.

## MANAGEMENT REPORT

### BUSINESS OVERVIEW CONTINUED

#### CASH AND LIQUID FUNDS

Reinet holds cash on deposit principally in European-based banks.

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

Cash at bank	€ 194 m
Cash required for unfunded commitments (refer to table on previous page)	(€ 302 m)
Cash required to meet ZAR borrowing obligations (refer to note below)	(€ 29 m)

Existing bank borrowings of € 352 million under the medium-term collar financing arrangements noted below will be settled either by the delivery of BAT shares pursuant to the put and call options in place, by existing liquid funds or the proceeds of the sale of BAT shares, or may be rolled over or replaced by other borrowings.

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

The previously undrawn borrowing facilities comprised a facility with Bank of America Merrill Lynch of £ 150 million and a facility with Morgan Stanley Bank N.A. of £ 150 million, in total £ 300 million (€ 346 million). These facilities expired at 30 September 2016. Reinet is in the process of renewing or replacing these with alternative arrangements.

#### BANK BORROWINGS AND DERIVATIVES

##### BORROWINGS

In February 2012, in order to meet its ongoing commitments, Reinet entered into a £ 300 million, medium-term collar financing arrangement. At 30 September 2016, the estimated fair value of the borrowing was € 347 million (31 March 2016: € 380 million). The decrease in estimated fair value reflects the weakening of sterling against the euro, offset by a decrease in interest rates during the period. The collar financing arrangement involves the purchase by Reinet of put options and the sale by Reinet of call options over 13.7 million BAT shares. The remaining unpaid net option premium is payable over the period to 2017 and is carried as a liability at its estimated fair value of € 5 million as at 30 September 2016 (31 March 2016: € 11 million). Some 1 million BAT shares have also been pledged to guarantee the balance of the net option premium and a portion of the interest payments.

Reinet has also borrowed ZAR 443 million to fund its investments in South African projects. At 30 September 2016, the estimated fair value of the borrowing was € 29 million (31 March 2016: € 26 million), the increase reflects the strengthening of the South African rand against the euro in the period.

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

Put and call options in respect of the aforementioned £ 300 million medium-term collar financing arrangement are carried at their respective fair values at the balance sheet date. The net derivative liability is carried at its estimated fair value of € 183 million at 30 September 2016 (31 March 2016: € 80 million). The increase in the value of the liability is due to the increase in the BAT share price of over £ 9 per share in the period. These options expire or alternatively will be settled before 31 March 2017.

Reinet has entered into a forward exchange contract to sell ZAR 480 million (31 March 2016: ZAR 550 million). Outstanding contracts amounting in total to ZAR 550 million were settled on 30 September 2016 realising a loss of € 4 million. New forward exchange contracts to sell ZAR 480 million in one year's time were entered into on the same date. The derivative asset in respect of the forward exchange contract is carried at its estimated fair value of € 1 million at 30 September 2016 (31 March 2016: € 2 million).

Refer to page 51 of the Reinet 2016 annual report 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 € 15 million (31 March 2016: € 15 million) and is in respect of minority partners' 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 € 21 million in respect of the management fee payable at 30 September 2016 (31 March 2016: € 22 million) a provision for deferred taxes of € 11 million (31 March 2016: € 10 million) relating to gains arising from the investments in Trilantic and withholding and corporate taxes of € 21 million (31 March 2016: € 18 million) relating to the investment in United States land development and mortgages. Accruals and other payables amount to some € 8 million (31 March 2016: € 10 million).

No provision has been made in respect of a performance fee as at 30 September 2016 (31 March 2016: € 5 million) 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 Reinet Investment Advisors Limited.

## CONSOLIDATED INCOME STATEMENT

The consolidated income statement set out below differs from the format used in the IFRS reporting on page 16 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.

	Six-month period ended 30 September 2016		Six-month period ended 30 September 2015	
	€ m	€ m	€ m	€ m
<b>Income</b>				
BAT dividends	127		149	
Interest and other investment income	16		15	
Realised gains on investments	4		73	
Realised (loss)/gains on foreign exchange contracts	(4)		1	
Carried interest earned on investments	4	147	2	240
<b>Expenses</b>				
Management fee	(23)		(23)	
Operating expenses, foreign exchange and transaction-related costs	(3)		(3)	
Interest expense	(6)		(6)	
Tax (expense)/income	(4)	(36)	2	(30)
<b>Realised investment income, net of expenses</b>		<b>111</b>		<b>210</b>
<b>Fair value adjustments</b>				
BAT – unrealised gain on shares held	362		85	
Other investments	(68)		(260)	
Derivative instruments	(104)		(6)	
Borrowings	31	221	15	(166)
		<b>332</b>		<b>44</b>
<b>Effect of exchange rate changes on cash balances</b>		<b>(11)</b>		<b>(2)</b>
Net profit		<b>321</b>		<b>42</b>
Minority interest		–		(4)
<b>Profit attributable to the shareholders of the Company</b>		<b>321</b>		<b>38</b>

### INCOME

Dividends received from BAT decreased from € 149 million (£ 110 million) during the period to September 2015 to € 127 million (£ 103 million) during the period under review. The decrease is due to the reduction in the number of BAT shares held following the sales in February and March 2016 together with the weakening of the sterling/euro exchange rate at the time of the dividend payments, offset by an increase of £ 0.06 in the total dividend per BAT share. The dividends received from BAT during the period represent the final 2015 dividend paid in May 2016, as well as the interim 2016 dividend paid in September 2016.

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

Total realised gains on investments of € 4 million was in respect of investments realised by the Trilantic funds.

Carried interest of € 4 million was attributable to Reinet in respect of investments realised by the Trilantic funds.

### EXPENSES

A performance fee may be payable for the year ended 31 March 2017 if certain conditions are met. The performance fee is calculated as 10 per cent of the Cumulative Total Shareholder Return as defined in the Company's prospectus, published on 10 October 2008, including dividends paid, over the period since completion of the rights issue in December 2008 up to 31 March 2017, less the sum of all performance fees paid in respect of previous periods. The provision for the performance fee accrued in respect of the six-month period ended 30 September 2016 amounts to € nil (30 September 2015: € nil).

The management fee for the period ended 30 September 2016 amounts to € 23 million (30 September 2015: € 23 million). Operating expenses of € 3 million include € 1 million in respect of charges from Reinet Investments Manager S.A. (the 'General Partner') and other expenses, including legal and other fees, which amounted to € 2 million.

## MANAGEMENT REPORT

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### BUSINESS OVERVIEW CONTINUED

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

The net tax expense of € 4 million includes corporate and withholding taxes payable in respect of gains realised on Trilantic investments, together with an increase in the deferred tax provision related to unrealised gains, expected distributions and accrued interest in respect of the Trilantic funds and other US investments.

#### FAIR VALUE ADJUSTMENTS

The investment in 68.1 million BAT shares increased in value by € 362 million during the period under review. Of this, € 660 million was attributable to the increase in value of the underlying BAT shares in sterling terms offset by € 298 million due to the weakening of sterling against the euro during the period under review.

The unrealised fair value adjustment of € 68 million in respect of other investments includes a decrease in the estimated fair value of the investment in Pension Corporation of € 29 million, primarily due to the application of market multiples (refer to page 5 for a full description of the overall movement of Pension Corporation during the period), a decrease in the estimated fair value in respect of the Trilantic funds of € 1 million, a decrease in the estimated fair value of the investment in United States land development and mortgages of € 30 million, an increase in the estimated fair value of the investment in Diamond interests of € 5 million, together with decreases of € 13 million in respect of the estimated fair value of certain other investments (see detailed analysis on page 20). The above amounts include the negative effect of changes in foreign exchange rates due to the depreciation of other currencies against the euro in the period under review.

The estimated fair value of the collar financing derivative liability increased by € 103 million during the period, reflecting the increase in the price of the BAT shares underlying the put and call options. The estimated fair value of the derivative asset in respect of the forward exchange contracts decreased by € 1 million; the contracts were settled on 30 September 2016 resulting in a loss of € 4 million.

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 loss of € 3 million arose in respect of the South African rand borrowing due to the strengthening of the South African rand during the period. An unrealised gain of € 34 million arose in respect of the sterling borrowing. Of this, a gain of € 33 million is due to the weakening of sterling against the euro during the period.

#### MINORITY INTEREST

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

#### PROFIT FOR THE PERIOD

Net realised income for the period amounted to € 111 million (30 September 2015: € 210 million). Net profit attributable to shareholders, taking into account unrealised fair value adjustments, was € 321 million (30 September 2015: € 38 million).

#### DIVIDEND

A cash dividend of € 0.161 per share totalling some € 32 million was paid in September 2016, following approval at the annual general meeting on 30 August 2016. No interim dividend is proposed in respect of the six months ended 30 September 2016.

This interim financial report should be read in conjunction with the annual report for the year ended 31 March 2016, which includes a description of the principal risks and uncertainties the Company and its subsidiaries face. This description is equally applicable for the remaining six months of the current financial year.

## 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, to the best of its knowledge:

1. The unaudited interim 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. 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, and, together with the annual report, includes a description of the principal risks and uncertainties that they face.

The unaudited interim consolidated financial statements for the six-month period ended 30 September 2016 on pages 15 to 26 of this report were approved by the Board of the General Partner and signed on its behalf by Wilhelm van Zyl and Diane Longden.

**Wilhelm van Zyl**  
Chief Executive Officer

**Diane Longden**  
Chief Financial Officer

**Reinet Investments Manager S.A.**  
General Partner  
Acting on behalf of the Company  
10 November 2016

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2016

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## CONSOLIDATED BALANCE SHEET

	Notes	30 September 2016 € m	31 March 2016 € m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	4, 5	5 511	5 221
<b>Current assets</b>			
Cash and cash equivalents		–	1
<b>Total assets</b>		<b>5 511</b>	<b>5 222</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		220	220
Share premium		770	770
Non-distributable reserve		22	22
Retained earnings		4 498	4 209
<b>Total equity</b>		<b>5 510</b>	<b>5 221</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts to affiliated undertakings – becoming due and payable after less than one year		1	1
<b>Total liabilities</b>		<b>1</b>	<b>1</b>
<b>Total equity and liabilities</b>		<b>5 511</b>	<b>5 222</b>
<b>Net asset value per share</b>		<b>€ 28.12</b>	<b>€ 26.65</b>

The notes on pages 19 to 26 are an integral part of these interim consolidated financial statements.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six-month period ended 30 September 2016 € m	Six-month period ended 30 September 2015 € m
<b>Income</b>			
Dividend received from Reinet Fund S.C.A., F.I.S.		32	34
Net change in the fair value of financial assets at fair value through profit or loss	4	290	5
<b>Total income</b>		<b>322</b>	<b>39</b>
<b>Expenses</b>			
Operating expenses		1	1
<b>Total expenses</b>		<b>1</b>	<b>1</b>
<b>Profit for the period</b>		<b>321</b>	<b>38</b>
<b>Earnings per share from profit for the period</b>			
– basic and diluted	7	€ 1.64	€ 0.19

The notes on pages 19 to 26 are an integral part of these interim consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the shareholders			Total € m
	Equity holders' capital € m	Non- distributable reserve € m	Retained earnings € m	
Balance at 31 March 2015	990	22	4 065	5 077
Dividend paid	–	–	(31)	(31)
Profit attributable to the shareholders for the six-month period ended 30 September 2015	–	–	38	38
Balance at 30 September 2015 – unaudited	990	22	4 072	5 084
Profit attributable to the shareholders for the six-month period ended 31 March 2016	–	–	137	137
Balance at 31 March 2016	990	22	4 209	5 221
<b>Dividend paid</b>	–	–	<b>(32)</b>	<b>(32)</b>
<b>Profit attributable to the shareholders for the six-month period ended 30 September 2016</b>	–	–	<b>321</b>	<b>321</b>
<b>Balance at 30 September 2016 – unaudited</b>	<b>990</b>	<b>22</b>	<b>4 498</b>	<b>5 510</b>

The notes on pages 19 to 26 are an integral part of these interim consolidated financial statements.

## UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED CASH FLOW STATEMENT

	Six-month period ended 30 September 2016 € m	Six-month period ended 30 September 2015 € m
<b>Cash flows from operating activities</b>		
Dividend received from Reinet Fund S.C.A., F.I.S.	32	34
Operating expenses	(1)	(1)
<b>Net cash from operating activities</b>	<b>31</b>	<b>33</b>
<b>Cash flow from financing activities</b>		
Paid to affiliated undertakings	–	(1)
Dividend paid	(32)	(31)
<b>Net cash used in financing activities</b>	<b>(32)</b>	<b>(32)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1)</b>	<b>1</b>
Cash and cash equivalents at beginning of the period	1	–
<b>Cash and cash equivalents at end of the period</b>	<b>–</b>	<b>1</b>

The notes on pages 19 to 26 are an integral part of these interim consolidated financial statements.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

### 1.1 STATUS

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

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

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

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

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

### 1.3 APPROVAL OF THESE FINANCIAL STATEMENTS

These interim consolidated financial statements have been approved for submission to the General Partner by the Board of Overseers on 7 November 2016, and by the Board of Directors of the General Partner on 10 November 2016.

## 2. BASIS OF PREPARATION

These interim consolidated financial statements have not been audited.

The Company applies International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU'). As a result, subsidiaries are consolidated in the fair value of Reinet Fund, which is disclosed as a single line item in the consolidated balance sheet and throughout the interim consolidated financial statements as 'financial assets held at fair value through profit or loss'.

This interim financial information for the six-month period ended 30 September 2016 has been prepared in accordance with IAS 34, *Interim Financial Reporting*. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2016, which have been prepared in accordance with IFRS as adopted by the EU.

## 3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended 31 March 2016.

There are currently no new standards, amendments to standards or interpretations which are mandatory for the financial year beginning 1 April 2016 that will have a material effect on the Company's financial position.

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

## UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

	30 September 2016 € m	31 March 2016 € m
<b>Financial assets held at fair value through profit or loss:</b>		
– Unlisted investments – Reinet Fund	5 511	5 221
<b>Total financial assets at fair value through profit or loss</b>	<b>5 511</b>	<b>5 221</b>
	<b>Six-month period ended 30 September 2016 € m</b>	<b>Six-month period ended 30 September 2015 € m</b>
Net change in the fair value of financial assets at fair value through profit or loss:		
– Realised	–	–
– Unrealised	290	5
<b>Total</b>	<b>290</b>	<b>5</b>

The investment held is in Reinet Fund, which is considered to be a related party of the Company. Also refer to note 8 for related party disclosures.

The following table presents the movement of the investments held by Reinet Fund for the period ended 30 September 2016:

	Opening balance 1 April 2016 € m	Purchases/ (repayments) € m	Sale proceeds € m	Realised gains or (losses) in the period € m	Movement in unrealised gains or (losses) in the period <sup>(1)</sup> € m	Closing balance 30 September 2016 € m
<b>Assets held at fair value through profit or loss</b>						
<b>Listed investments</b>						
British American Tobacco p.l.c. ('BAT')	3 512	–	–	–	362	3 874
SPDR Gold Shares ('GLD')	24	–	–	–	2	26
Selecta Biosciences, Inc.	–	4	–	–	–	4
<b>Unlisted investments</b>						
Pension Insurance Corporation Group Limited ('Pension Corporation')	920	179	–	–	(29)	1 070
Trilantic Capital Partners	143	19	(4)	4	(1)	161
Renshaw Bay and related investments	178	(5)	–	–	(4)	169
36 South macro/volatility funds	62	(1)	–	–	(8)	53
Asian private equity and portfolio funds	155	2	–	–	18	175
Specialised private equity funds	133	32	–	–	(12)	153
United States land development and mortgages	164	5	–	–	(20)	149
Diamond interests	59	(3)	–	–	5	61
Other investments	66	3	–	–	(9)	60
	5 416	235	(4)	4	304	5 955
Cash and liquid funds	379					194
Other assets and liabilities	(574)					(638)
<b>Total</b>	<b>5 221</b>					<b>5 511</b>

(1) Unrealised gains/(losses) in the period includes accrued interest income from investments.

The following table presents the movement of the investments held by Reinet Fund for the period ended 30 September 2015:

Assets held at fair value through profit or loss	Opening balance 1 April 2015 € m	Purchases/ (repayments) € m	Sale proceeds € m	Realised gains or (losses) in the period € m	Movement in unrealised gains or (losses) in the period <sup>(1)</sup> € m	Closing balance 30 September 2015 € m
<b>Listed investments</b>						
BAT	3 579	–	–	–	85	3 664
GLD	–	22	–	–	–	22
<b>Unlisted investments</b>						
Pension Corporation	907	–	–	–	(92)	815
Trilantic Capital Partners	231	(4)	(90)	68	(31)	174
Renshaw Bay and related investments	223	(2)	–	–	(23)	198
36 South macro/volatility funds	77	–	–	–	(3)	74
Asian private equity and portfolio funds <sup>(2)</sup>	164	2	(8)	3	(31)	130
Specialised private equity funds <sup>(2)</sup>	183	(20)	(3)	2	(25)	137
United States land development and mortgages	207	5	–	–	(23)	189
Diamond interests	92	(7)	–	–	(20)	65
Other investments	11	49	–	–	(2)	58
	<u>5 674</u>	<u>45</u>	<u>(101)</u>	<u>73</u>	<u>(165)</u>	<u>5 526</u>
Cash and liquid funds	76					127
Other assets and liabilities	(672)					(570)
<b>Total</b>	<u>5 078</u>					<u>5 083</u>

(1) Unrealised gains/(losses) in the period includes accrued interest income from investments.

(2) The investment in GEMS is now included in 'Specialised private equity funds'.

## 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.

The interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the annual consolidated financial statements as at 31 March 2016.

There have been no changes in risk management policies since the year-end which impact the financial risks disclosed in the annual consolidated financial statements of the Company as at 31 March 2016.

## UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS CONTINUED

## 5.2 FAIR VALUE ESTIMATION

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 following table analyses, within the fair value hierarchy, the Company's financial assets and liabilities measured at fair value at 30 September 2016 and 31 March 2016:

	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
<b>30 September 2016</b>				
<b>Assets</b>				
Financial assets designated at fair value through profit or loss:				
– Investment in Reinet Fund	–	–	5 511	5 511
<b>Total financial assets</b>	–	–	5 511	5 511
<b>31 March 2016</b>				
<b>Assets</b>				
Financial assets designated at fair value through profit or loss:				
– Investment in Reinet Fund	–	–	5 221	5 221
<b>Total financial assets</b>	–	–	5 221	5 221

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

The following table presents the movement in level 3 investments for the Company for the periods ended 30 September 2016 and 30 September 2015:

	30 September 2016 € m	30 September 2015 € m
Opening balance	5 221	5 078
Gains and losses recognised in profit or loss	290	5
<b>Closing balance</b>	<b>5 511</b>	<b>5 083</b>



The following tables analyse, within the fair value hierarchy, Reinet Fund's financial assets and liabilities measured at fair value at 30 September 2016 and 31 March 2016:

	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
<b>30 September 2016</b>				
<b>Assets</b>				
Financial assets designated at fair value through profit or loss:				
– Equity securities and funds	3 904	194	1 673	5 771
– Loans	–	–	184	184
Derivative financial instruments	–	1	–	1
<b>Total financial assets</b>	<b>3 904</b>	<b>195</b>	<b>1 857</b>	<b>5 956</b>
<b>Liabilities</b>				
Derivative financial instruments	–	(183)	–	(183)
Borrowings	–	(381)	–	(381)
<b>Total financial liabilities</b>	<b>–</b>	<b>(564)</b>	<b>–</b>	<b>(564)</b>
<b>Net financial assets</b>				<b>5 392</b>
<b>Non-financial assets/(liabilities)</b>				<b>119</b>
<b>Reinet Fund net asset value</b>				<b>5 511</b>
<b>31 March 2016</b>				
<b>Assets</b>				
Financial assets designated at fair value through profit or loss:				
– Equity securities and funds	3 536	198	1 486	5 220
– Loans	–	–	196	196
Derivative financial instruments	–	2	–	2
<b>Total financial assets</b>	<b>3 536</b>	<b>200</b>	<b>1 682</b>	<b>5 418</b>
<b>Liabilities</b>				
Derivative financial instruments	–	(80)	–	(80)
Borrowings	–	(417)	–	(417)
<b>Total financial liabilities</b>	<b>–</b>	<b>(497)</b>	<b>–</b>	<b>(497)</b>
<b>Net financial assets</b>				<b>4 921</b>
<b>Non-financial assets/(liabilities)</b>				<b>300</b>
<b>Reinet Fund net asset value</b>				<b>5 221</b>

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 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.

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

#### Sensitivity of level 3 investments

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

## UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 30 September 2016. The table is not intended to be all-inclusive, but rather provides information which Reinet Fund regards as significant in respect of unobservable inputs and their sensitivity to reasonable change.

Unlisted investments	Fair value at 30 September 2016 € m	Primary valuation technique	Unobservable inputs	Range (weighted average)	Reasonable possible change +/- (absolute value) <sup>(1)</sup> € m
Pension Corporation	1 070	Market comparable companies <sup>(2)</sup>	Market multiples	0.85 – 1.03 (0.94)	+107/-107
			Discount	5% – 15% (10%)	+59/-59
Trilantic Capital Partners	159	Net asset value <sup>(3)</sup>	n/a	n/a	n/a
	2	Discounted cash flow	Discount rate	n/a	Not material
Renshaw Bay and related investments	73	Net asset value <sup>(3)</sup>	n/a	n/a	n/a
	10	Discounted cash flow	n/a	n/a	Not material
36 South macro/volatility funds	7	Discounted cash flow	n/a	n/a	Not material
Asian private equity and portfolio funds	133	Net asset value <sup>(3)</sup>	n/a	n/a	n/a
Specialised private equity funds	113	Net asset value <sup>(3)</sup>	n/a	n/a	n/a
	20	Recent financing round	Discount rate	n/a	Not material
United States land development and mortgages	149	Discounted cash flow <sup>(4)</sup>	Discount rate	8% – 30% (20.5%)	+6/-6
Diamond interests including receivables from third parties	61	Discounted cash flow <sup>(5)</sup>	Discount rate	16.2% – 22.6% (19.4%)	Not material
Other investments	60	Net asset value <sup>(3)</sup>	n/a	n/a	n/a
<b>Total</b>	<b>1 857</b>				

(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.

(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 30 June 2016 by an independent real estate appraiser and on a discounted cash flow approach. Mortgage loans receivable and mortgages payable have been valued using a discounted cash flow approach. Discount rates in the range of 8 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 30 September 2016. These cash flows could be affected by a range of variables including changes in diamond prices, foreign exchange rates, inflation, processing capacity and many other variables which can best be determined by management of the underlying entities. The discounted cash flow used by Reinet Fund in determining the fair value applies discounts in the range of 16.2 per cent and 22.6 per cent to take account of the risks and variables described above.

## 6. 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.

## 7. EARNINGS PER SHARE

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

	Realised € m	Unrealised € m	30 September 2016 € m	30 September 2015 € m
Profit for the period	31	290	321	38
Weighted average number of shares in issue (millions of shares)	195.9	195.9	195.9	195.9
Earnings per share from profit for the period – basic and diluted (€ per share)	€ 0.16	€ 1.48	€ 1.64	€ 0.19

The Company has not issued any shares or other instruments that are considered to have dilutive potential. There were no movements in the period ended 30 September 2016.

The presentation of headline earnings per share, as an alternative measure of earnings per share, is mandated under the JSE Listings Requirements. It is calculated in accordance with Circular 2/2013 ‘Headline Earnings’, as issued by the South African Institute of Chartered Accountants.

	30 September 2016	30 September 2015
<b>Headline earnings per share</b>		
Unadjusted earnings per share	€ 1.64	€ 0.19
Headline earnings per share	€ 1.64	€ 0.19

## 8. RELATED PARTY TRANSACTIONS

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

Parties identified as related parties are:

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

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

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

### SIGNIFICANT SHAREHOLDERS

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

The group of parties regarded as being affiliated to the Anton Rupert Trust includes entities and persons which are not necessarily closely connected with persons discharging managerial responsibilities within the Company, as defined in Article 3 paragraph 26 of the EU Regulation No. 596/2016 on market abuse (the ‘Market Abuse Regulation’). As a consequence, share dealings by such parties are not disclosed as dealings by connected parties in terms of the Market Abuse Regulation.

The Anton Rupert Trust and parties affiliated with it, including certain beneficiaries, together with Mr Rupert in his personal capacity, own 48 843 684 shares (24.93 per cent) of the Company as at 30 September 2016 (31 March 2016: 48 843 684 (24.93 per cent)).

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

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

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

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

### MANAGEMENT AND ADVISORY COMPANIES

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

## UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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. Any such amounts payable to the Fund Manager are deductible from any management fees payable to the Investment Advisor.

The Investment Advisor owns 963 540 shares of the Company as at 30 September 2016 (31 March 2016: 963 540). 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.

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

A performance fee of € 5 million was paid in May 2016, reflecting the appreciation in the Company's Cumulative Total Shareholder Return over the period to 31 March 2016. A performance fee will only be payable in respect of the current financial year if the Cumulative Total Shareholder Return exceeds that at 31 March 2016. In order for a performance fee to be payable at 31 March 2017 the volume weighted average closing price of the Company's share on the Luxembourg Stock Exchange over the last 20 trading days of the current financial year needs to exceed € 19.634. The Company's share price at 30 September 2016 was € 18.51 and therefore no provision has been made in respect of any performance fee which may become payable at 31 March 2017.

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

#### OTHER RELATED PARTIES

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

There were no fees paid during the period and no balances payable to or receivable from CFR SA, Remgro Limited or significant shareholders at 30 September 2016.

#### 9. CAPITAL COMMITMENTS

At 30 September 2016, the Company had no capital commitments, however its wholly-owned subsidiary Reinet Fund had committed to invest a further € 302 million (31 March 2016: € 348 million) in unlisted investments. See table on page 9. This amount relates to Reinet Fund's own investment commitment. Where Reinet Fund co-invests with minority partners the amount does not include the partners' commitment.

#### 10. CONTINGENT LIABILITIES

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

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

#### 11. DIVIDEND

A dividend of € 0.161 per share totalling some € 32 million was paid in September 2016, following approval at the annual general meeting on 30 August 2016.

#### 12. SUBSEQUENT EVENTS

There have been no events subsequent to 30 September 2016, which would have any material impact on these interim consolidated financial statements.

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## EXCHANGE RATES AND SHARE INFORMATION

### EXCHANGE RATES AGAINST THE EURO

	Six months to 30 September 2016	Six months to 30 September 2015
<b>Average for the period</b>		
Sterling	0.8190	0.7201
US dollar	1.1228	1.1097
Swiss franc	1.0927	1.0576
South African rand	16.3161	13.9292
	At 30 September 2016	At 31 March 2016
<b>Closing – at the end of the period</b>		
Sterling	0.8661	0.7926
US dollar	1.1241	1.1380
Swiss franc	1.0920	1.0946
South African rand	15.4296	16.8075

### SHARE INFORMATION

#### PRIMARY LISTING

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

#### SECONDARY LISTING

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

At 30 September 2016 and 31 March 2016 there were 195 942 286 shares in issue.

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## STATUTORY INFORMATION

Reinet Investments S.C.A.

### REGISTERED OFFICE

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Grand Duchy of Luxembourg  
Telephone: +352 22 42 10

Company Secretary: Mr S Grundmann

### REGISTERED NUMBER

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Registre de commerce et des sociétés, Luxembourg B 16.576

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Telephone: +352 22 42 10

Company Secretary: Mr S Grundmann

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### REGISTRAR AND PAYING AGENT

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