OUR BUSINESS

Originally established in the 1940s by the late Dr Anton Rupert as a tobacco manufacturer, Remgro’s investment portfolio has evolved substantially and currently includes more than 30 investee companies. The Company is listed on the Johannesburg Securities Exchange (JSE) operated by the JSE Limited in South Africa under the “Industrials – Diversified Industrials” sector, with the share code “REM”.

Our interests consist mainly of investments in the following industries:

- FOOD, LIQUOR AND HOME CARE
- BANKING
- HEALTHCARE
- INSURANCE
- INDUSTRIAL
- INFRASTRUCTURE
- MEDIA AND SPORT
### Overview of Business

**Group Structure at 30 June 2014**

#### Remgro Limited (Principal Investments)

<table>
<thead>
<tr>
<th>Category</th>
<th>Company</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food, Liquor and Home Care</strong></td>
<td>Unilever South Africa</td>
<td>25.8%</td>
</tr>
<tr>
<td></td>
<td>Distell</td>
<td>31.0%</td>
</tr>
<tr>
<td></td>
<td>RCL Foods</td>
<td>77.7%</td>
</tr>
<tr>
<td><strong>Banking</strong></td>
<td>RMBH</td>
<td>27.9%</td>
</tr>
<tr>
<td></td>
<td>FirstRand</td>
<td>4.0%</td>
</tr>
<tr>
<td><strong>Healthcare</strong></td>
<td>Mediclinic</td>
<td>42.1%</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>RMI Holdings</td>
<td>30.3%</td>
</tr>
<tr>
<td><strong>Industrial</strong></td>
<td>Air Products South Africa</td>
<td>50.0%</td>
</tr>
<tr>
<td></td>
<td>Kagiso Tiso Holdings</td>
<td>34.7%</td>
</tr>
<tr>
<td></td>
<td>Total South Africa</td>
<td>24.9%</td>
</tr>
<tr>
<td></td>
<td>PGSi</td>
<td>37.7%</td>
</tr>
<tr>
<td></td>
<td>Wispeco</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>Grindrod</td>
<td>22.6%</td>
</tr>
<tr>
<td></td>
<td>CIV group</td>
<td>50.7%</td>
</tr>
<tr>
<td></td>
<td>SEACOM</td>
<td>25.0%</td>
</tr>
<tr>
<td><strong>Media and Sport</strong></td>
<td>Sabido</td>
<td>31.9%</td>
</tr>
<tr>
<td></td>
<td>Premier Team Holdings</td>
<td>50.0%</td>
</tr>
<tr>
<td></td>
<td>Stellenbosch Academy of Sport</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Other Investments</strong></td>
<td>Business Partners</td>
<td>42.7%</td>
</tr>
<tr>
<td><strong>Treasury and Management Services</strong></td>
<td>Remgro Finance Corporation</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Remgro Management Services</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Remgro International – Jersey</td>
<td>100%</td>
</tr>
</tbody>
</table>

Percentages represent the effective interests held. Annexures A and B in the Financial Report provide further information of subsidiary companies and investments.
Remgro’s founding history goes back to the forties of the previous century when the founder of the Group, Dr Anton Rupert, established in Johannesburg, South Africa, the tobacco company Voorbrand, forerunner of Rembrandt Group Limited (Rembrandt). Rembrandt was incorporated in 1948.

Rembrandt thus entered the South African cigarette and tobacco industry in 1948 and in the fifties expanded abroad through the establishment of various international partnerships.

Rembrandt’s interests in the wine and spirits industry also date back to the 1940s when Dr Rupert and Mr D W R Hertzog founded Distillers Corporation.

Rembrandt was listed on the JSE Limited South Africa in 1956.

In 1972, the overseas tobacco interests of Rembrandt were consolidated in Rothmans International, which was listed on the London Stock Exchange.

Since the 1970s Rembrandt expanded its interests outside tobacco, wine and spirits with investments in various other economic sectors in South Africa, amongst which were banking and financial services, mining, printing and packaging, medical services, engineering and food interests.

The separation of local and overseas interests was effected in 1988 with the founding of Compagnie Financière Richemont AG (Richemont) – a Swiss-listed luxury goods group that included brands such as Cartier, Dunhill and Mont Blanc which then also acquired a share in Rothmans International.

During 1993, Rembrandt co-founded South Africa’s first cellular telephony company Vodacom, which was eventually disposed of in 2006 by VenFin Limited (VenFin). In 1995, Rembrandt and Richemont consolidated their respective tobacco interests in Rothmans International, at the time the world’s fourth largest cigarette manufacturer, which was then delisted, and then in 1999 merged these interests with those of British American Tobacco Plc (BAT), the world’s second largest cigarette producer. Since then the investment in BAT was held through a joint holding company in which Rembrandt (now Remgro) and Richemont held 33 1/3% and 66 2/3% respectively. Following the above restructuring, Rembrandt became a pure investment holding company.

The restructuring of Rembrandt was advanced a step further in September 2000 when the South African holding structure, consisting of four listed companies, was collapsed into two listed companies, namely Remgro and VenFin. Following the restructuring, Remgro represented Rembrandt’s established tobacco, financial services, mining and industrial interests, while the telecommunication and technology interests were housed in VenFin.

During November 2008, Remgro unbundled its investment in BAT to its shareholders by way of an interim dividend in specie amounting to a total amount of R55.2 billion. Following the BAT unbundling the Group’s remaining interests consisted mainly of investments in banking and financial services, printing and packaging, motor components, glass products, medical services, mining, petroleum products, food, wine and spirits and various other trade mark products.

At 30 June 2014, the value of the unbundled BAT shares has increased to R130.0 billion.

During November 2009, Remgro and VenFin merged again, adding media and technology interests to the Group’s investments.
HOW THE INVESTMENTS ARE MANAGED

Remgro only has an interest in two operating subsidiaries, i.e. RCL Foods (listed) and Wispeco (unlisted). Due to its philosophy of decentralised management, both of these companies have autonomous boards of directors and management structures and Remgro only exerts its influence through non-executive representation on the boards of these companies.

Remgro’s other investments comprise both listed and unlisted companies that are not controlled by Remgro and which are mostly associated companies and joint ventures due to the significant influence or joint control exercised by Remgro through its board representation in those investee companies. Where Remgro does not have board representation such investments are treated as portfolio investments.

Remgro manages its investments on a decentralised basis and its involvement is concentrated mainly on the provision of support rather than on being involved in the day-to-day management of business units of investees. The Remgro Limited Board considers it in the best interest of all the parties concerned to respect the decentralised business model and the fact that these businesses are conducted in separate legal entities. The support provided to the investee companies can either be in the form of strategic, financial and managerial support, or the unlocking of value by means of creating the environment for possible deal-making.

It should be stressed that the above management philosophy is applied to all investee companies, irrespective of the level of control that can be exercised.

Shareholder agreements are in place for Remgro’s associates and joint ventures where there are also other major shareholders involved. These agreements protect its rights as shareholder and minimise risk. In terms of these agreements Remgro has decision-making involvement for a defined list of material matters of the businesses of these entities, such as the appointment/removal of directors, capital structure, business strategy, large capital expenditure and mergers, acquisitions and disposals.

As a shareholder of the investee companies, Remgro also exercises its shareholder rights to ensure as far as possible that the entities concerned adhere to its requirements in respect of matters such as governance, internal controls, financial management, risk management, legal compliance, safety, health and environmental management, internal audit, ethics management, information management, stakeholder relationships and sustainability.

OWNERSHIP STRUCTURE

Remgro’s issued share capital consists of two classes of shares, as follows:

<table>
<thead>
<tr>
<th>ORDINARY SHARES OF NO PAR VALUE</th>
<th>B ORDINARY SHARES OF NO PAR VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Listed on the JSE</strong></td>
<td><strong>Unlisted</strong></td>
</tr>
<tr>
<td>481 106 370 ordinary shares of no par value</td>
<td>35 506 352 B ordinary shares of no par value</td>
</tr>
<tr>
<td>Each ordinary share has one vote</td>
<td>Each B ordinary share has ten votes</td>
</tr>
</tbody>
</table>

All of the unlisted B ordinary shares are held by Rembrandt Trust Proprietary Limited (Rembrandt Trust), a company incorporated in South Africa which is the holding vehicle for Rupert family interests in Remgro. As at 30 June 2014, the unlisted B ordinary shares were entitled to 42.61% (2013: 42.64%) of the total votes of shareholders of the Company.

An analysis of major shareholders appears on pages 120 and 121.
INVESTMENT PHILOSOPHY

Remgro invests in businesses that can deliver superior earnings and dividend growth over the long term. This involves the acquisition of meaningful interests in companies in order to have significant influence. Sound management is an important investment criterion. Remgro focuses on the Southern African market but international opportunities will be considered with reputable partners. Remgro forges strategic alliances on a partnership basis and endeavours to add value where possible. The purpose is to ensure superior returns to shareholders by way of sustainable dividend and capital growth.

Remgro’s investment strategy

1. Emphasis on investments that will make a significant contribution to Remgro’s earnings
2. Significant influence and board representation are integral
3. Preference for unlisted investments
4. Investments in listed entities where Remgro can identify value over the long term
5. Focus on South African investments and other African countries through investee companies
6. Will consider investments in other continents on an opportunistic basis
7. Future sector focus:
   - Financial services
   - Food, liquor and home care
   - Healthcare
   - Infrastructure
   - Media

Investment criteria (inter alia)

1. Prevailing culture and ethics of the Board and management team
2. Expected return on investment greater than Remgro’s Weighted Average Cost of Capital
3. Environmental footprint of the enterprise
4. Viability of products and services and their life cycles
5. Social responsibility awareness of the enterprise
UNDERSTANDING THE BUSINESS OF AN INVESTMENT HOLDING COMPANY

GENERAL

The business of an investment holding company differs substantially from that of an operating company. In the latter case products and/or services are being sold at a certain gross profit margin, thereby creating revenue and cash inflows for the entity concerned. Strong cash flows and shareholder value are accordingly created by increasing revenue, as well as by limiting expenditure and optimising operational efficiencies, thus increasing the net profit from which dividends can be paid to shareholders.

In the case of an investment holding company no products and/or services are being sold. This, together with the specific accounting treatment that is required for different classes of investments in terms of International Financial Reporting Standards, has the effect that the net profit of an investment holding company is not always a fair reflection of its underlying cash flows and financial soundness. Similarly, the variance in net profit between reporting periods will not always be a good indication of the trend in dividends to be paid to shareholders. The value and performance of the underlying investments, rather than the activities at holding company level, will thus to a large extent determine the value created by investment holding companies for their shareholders.

In the section below we aim to provide more information on the following:

- How we make our money; and
- Distributions to shareholders.

HOW WE MAKE OUR MONEY

In order to understand how Remgro makes its money, one first needs to understand its reported results.

Remgro’s statutory reported net profit consists primarily of the following:

- Consolidated results of its operating subsidiaries, i.e. RCL Foods, Wispeco and TSB (directly until 31 December 2013, thereafter indirectly through RCL Foods);
- Equity accounted results of its investments in associates and joint ventures, e.g. FirstRand, RMBH, RMI and Mediclinic, the four biggest contributors towards net profit;
- Profits realised on the sale/distribution of investments;
- Dividends received from investee companies not classified as subsidiaries, associates and joint ventures, e.g. the Milestone China Funds;
- Interest received on cash on hand;
- Net corporate costs, including remuneration and other benefits paid to employees; and
- Taxation.

As is evident from the above, the dividends received from operating subsidiaries, associates and joint ventures are not included in Remgro’s reported net profit. Furthermore, any profits realised on the sale/distribution of investments are also excluded from reported headline earnings.

Being an investment holding company, however, and contrary to the treatment in terms of accounting standards, the best approximation of Remgro’s profit at holding company level (“at the centre”) should, in our view, thus comprise the following:

- Dividends received from investee companies;
- Interest received on cash on hand;
- Profit/loss on the realisation of investments;
- Net corporate costs, including remuneration and other benefits paid to employees;
- Taxation paid; and
- Foreign exchange movements on foreign cash.

The net result of the above approximates cash generated at the centre in order to make new investments and/or pay dividends to shareholders.

Given its nature as an investment holding company and the substantial amount of cash held, cash management and the control of treasury risks are regarded as very important. This includes the management of movements in foreign exchange rates and this area is covered in more detail in the Chief Financial Officer’s Report on page 26. Also refer to page 30 for a detailed analysis of “cash movement at the centre” for the year under review.

Remgro further measures its performance in terms of the increase in its intrinsic net asset value. This measures the growth in the underlying value of the various investee companies. Refer to the Chief Executive Officer’s Report on page 21 for a detailed analysis of Remgro’s intrinsic net asset value.

DISTRIBUTIONS TO SHAREHOLDERS

Dividends to shareholders are funded from dividend income and interest received at the centre.

In terms of normal dividends to shareholders, it is the Company’s objective to provide shareholders with a consistent annual dividend flow which at least protects them against inflation, throughout the economic cycles.

As in the past, in special circumstances, the Company will consider other distributions in the form of special dividends or the unbundling of investments to shareholders.
Managing with a view to maximising value creation and sustainable growth

1. We focus on the creation of shareholder value and sustainable growth by investing in businesses that can deliver superior earnings and dividend growth over the long term.

2. This objective is underpinned by Remgro’s investment philosophy and strategy and also its understanding of all risks and opportunities associated with the Group’s investment portfolio.

3. These risks and opportunities are continuously measured against the risk appetite and risk-bearing capacity determined by the Board.

Doing business ethically

1. By always considering the impact of the Company’s strategy on the commercial sustainability of the Company, the indirect impacts on the society in which it operates, as well as the environment, results in being a responsible corporate citizen and investor;

2. Leadership based on ethical foundations results in a culture of ethical and moral behaviour and compliance with laws, rules, codes and standards; and

3. Thereby positioning ourselves as an investment partner of choice.
PRINCIPAL INTEGRATED RISKS

Remgro’s three principal risks are summarised below. A more comprehensive analysis of our risk management process is provided in the Risk Management Report, while our main financial risks, including those relating to the global economy and currencies are disclosed in the Chief Financial Officer’s Report.

<table>
<thead>
<tr>
<th>RISK</th>
<th>CONTEXT</th>
</tr>
</thead>
<tbody>
<tr>
<td>The destruction of value due to poor management of existing investments, including management at investee company level.</td>
<td>The successful management of investments is dependent upon a proper understanding of the businesses of the investee companies and also on identifying the appropriate Remgro executives that will represent it on the boards of the investee companies.</td>
</tr>
<tr>
<td>The loss of value or opportunity to create value due to inefficient or ineffective identification or acquisition of new investments or the disinvestment from existing investments.</td>
<td>Sound investment evaluation processes and qualified personnel need to be in place in order to prevent poor investment/disinvestment decisions being taken. The assessment of new senior appointments and succession planning is thus pivotal to the success of the Company.</td>
</tr>
<tr>
<td>Increased country risk due to labour unrest, the increasing current account and budget deficits and the resultant threat of lower sovereign credit ratings.</td>
<td>The boards of investee companies are increasingly directing focus to addressing pressing issues such as, foreign currency risk, labour instability, legislation and regulatory aspects and increased crime, by means of strategic and/or control processes.</td>
</tr>
</tbody>
</table>

PRINCIPAL INTEGRATED SUSTAINABILITY DRIVERS

The following aspects are considered fundamental to the sustainability of growth and wealth creation:

1. Remgro’s size and influence enables it to acquire significant stakes in entities that are big enough to have a material effect on Remgro’s results.
2. A strong statement of financial position enables Remgro to make new investments or to increase its stake in well-performing investments, or fund growth opportunities by means of shareholder loans.
3. The ability to add value to investee companies by means of skilled and experienced executives.