

# STATEMENT OF RESPONSIBILITY

BY THE BOARD OF DIRECTORS

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

The annual financial statements are prepared, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act, on the going concern basis and incorporate full and responsible disclosure. The annual financial statements are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates.

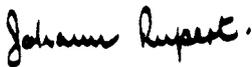
The directors are satisfied that the information contained in the financial statements fairly represents the results of operations for the year and the financial position of the Group at year-end. The accuracy of the other information included in the Annual Report was considered by the directors and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

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

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

The financial statements were audited by independent auditors, PricewaterhouseCoopers Inc., to whom unrestricted access was given to all financial records and related information. The directors are further of the opinion that all statements that were made to the auditors during the course of the audit were valid and relevant. The auditor's report is presented on page 48.

Signed on behalf of the Board of Directors.



**Johann Rupert**  
*Chairman*



**Thys Visser**  
*Chief Executive Officer*

Stellenbosch  
18 June 2007

## STATEMENT BY THE COMPANY SECRETARY

I, Mariza Lubbe, being the Company Secretary of Remgro Limited, hereby certify that all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.



**Mariza Lubbe**  
*Secretary*

Stellenbosch  
18 June 2007

# REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF REMGRO LIMITED

We have audited the annual financial statements and group annual financial statements of Remgro Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 March 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 49 to 101.

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## **OPINION**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as of 31 March 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

*PricewaterhouseCoopers Inc.*

**PRICEWATERHOUSECOOPERS** 

*Director: N H Döman*

*Registered Auditor*

Cape Town  
18 June 2007

# REPORT OF THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2007

Dear Shareholder

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

## NATURE OF ACTIVITIES

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

The Group's interests consist mainly of investments in tobacco products, banking and financial services, printing and packaging, motor components, medical services, mining, petroleum products, food, wine and spirits and various other trade mark products.

## RESULTS

Year ended 31 March:	2007	2006
Headline earnings – Excluding non-recurring portion of BEE costs (R million)	6 853	5 464
– per share (cents)	1 445.4	1 130.9
– diluted (cents)	1 401.3	1 106.1
Headline earnings (R million)	6 853	5 084
– per share (cents)	1 445.4	1 052.3
– diluted (cents)	1 401.3	1 027.7
Earnings – net profit for the year (R million)	6 942	8 202
– per share (cents)	1 464.2	1 697.6
– diluted (cents)	1 418.5	1 671.3
Dividends (R million)*	2 102	3 735
– ordinary – per share (cents)	434.00	361.00
– special – per share (cents)		400.00

\* A final dividend of 281 cents (2006: 228 cents) per share was declared after the year-end and was therefore not provided for in the annual financial statements. No STC is payable on these dividends.

## INVESTMENTS

The most important changes during the year under review were as follows:

### RAINBOW CHICKEN LIMITED (RAINBOW)

During March 2007 Remgro made an offer by way of a scheme of arrangement to acquire the entire issued share capital of Rainbow not already owned by Remgro. The initial offer was for a cash consideration of R16.00 per Rainbow share or 9 Remgro ordinary shares for every 100 shares held in Rainbow, or a combination of the aforementioned. On 5 June 2007 Rainbow shareholders voted against the scheme of arrangement.

An alternative offer, consisting of a cash consideration of R16.00 per Rainbow share or 8.1 Remgro ordinary shares for every 100 shares held in Rainbow, or a combination thereof, became effective on 6 June 2007. The last day to trade in order to participate in the alternative offer will be 22 June 2007.

Since 6 June 2007, to date hereof, Remgro has acquired 7 841 819 Rainbow shares in the open market at R16.00 per share for a total amount of R126.0 million.

# REPORT OF THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2007

## **KAGISO TRUST INVESTMENTS (PTY) LIMITED (KTI) AND THE KAGISO INFRASTRUCTURE EMPOWERMENT FUND (KIEF)**

Remgro entered into agreements with KTI and KIEF, in terms of which it committed funds amounting to R350 million to KIEF. The fund has a target size of R650 million and aims to invest in infrastructure projects, including roads, airports, power and telecommunication installations, railway systems, ports and water and social infrastructure. By 31 March 2007 R4.7 million of the R350 million committed was invested.

## **RMB HOLDINGS LIMITED (RMBH)**

During the year under review, Remgro acquired a further 6 836 847 RMBH shares at an average price of R28.88 for a total amount of R197.5 million. On 31 March 2007, Remgro's interest in RMBH was 23.7% (2006: 23.1%).

## **BUSINESS PARTNERS LIMITED (BUSINESS PARTNERS)**

During January 2007 Remgro acquired a further 7 070 699 Business Partners shares for a total amount of R42.2 million. On 31 March 2007, Remgro's interest in Business Partners was 21.3% (2006: 17.8%).

Due to the increase in shareholding, Business Partners was reclassified as an investment in an associated company with effect from 31 March 2007, while previously it was accounted for under "Investments – Other". During the year under review only dividend income from Business Partners amounting to R5.2 million was accounted for. As from 1 April 2007 Business Partners will be equity accounted according to the equity method.

## **GENCOR LIMITED (GENCOR)**

On 14 March 2006, Gencor was placed under voluntary liquidation and a liquidation dividend of R0.20 per share was declared. During May 2006 Remgro received R7.6 million.

## **SAGE GROUP LIMITED (SAGE)**

As previously reported, Remgro sold its 17.9% interest in Sage to Momentum Group Limited during the previous financial year for R114 million, or R1.75 per Sage share, comprising of an initial payment of R1.42 per share and a potential subsequent payment of up to R0.33 per share. The initial payment received in September 2005 amounted to R92 million.

During the year under review, Remgro received a further R6 million, or R0.09 per Sage share, as partial payment of the potential subsequent payment that was still subject to certain tax disputes being resolved.

On 8 June 2007 Remgro received R17 million, or R0.27 per Sage share, as final distribution following the successful resolution of the tax disputes referred to above.

## **MEDI-CLINIC CORPORATION LIMITED (MEDI-CLINIC)**

During December 2006 Remgro acquired a further 140 000 Medi-Clinic shares for an amount of R3.3 million. On 31 March 2007, Remgro's interest in Medi-Clinic was 47.6% (2006: 48.0%).

## **REPURCHASE OF REMGRO SHARES**

During the year under review, a wholly owned subsidiary company of Remgro acquired a further 7 174 384 Remgro ordinary shares at an average price of R143.71 for a total amount of R1 031.0 million. At 31 March 2007, 8 554 019 Remgro ordinary shares (1.9%) were held as treasury shares. No derivative transactions, which may have led to the repurchase of Remgro shares, were entered into during the year under review.

The Remgro Share Trust purchased 563 000 Remgro ordinary shares during the year under review at an average price of R132.68 for a total amount of R74.7 million, while 262 016 shares were delivered to participants against payment of the subscription price.

## **SUBSEQUENT TO THE YEAR-END**

## **PG GROUP OF COMPANIES (PG)**

Remgro has acquired, subject to certain conditions precedent, a 25% interest in PG for R700 million. The transaction is not expected to have a material impact on Remgro's profits in the short term.

PG is the largest automotive and building glass corporation in Africa with a successful history of more than 100 years. PG Glass and Shatterprufe are recognised as two of the strongest brand names in Southern Africa and are synonymous with automotive and building glass throughout the region. PG is also a major exporter of automotive glass to Europe and the United States of America. PG operates a wide spread of manufacturing, wholesale and retail operations in both the automotive and building markets. A new state-of-the-art float glass line (R800 million investment) that will increase capacity by 80% and make South Africa a net exporter of float glass, has been commissioned during April 2007. In addition, PG has recently invested significantly in its automotive manufacturing facilities. It is ideally positioned to participate in the ongoing growth of the building and automotive sectors.

#### **TSB SUGAR HOLDINGS (PTY) LIMITED (TSB SUGAR)**

On 31 January 2007 Tsb Sugar entered into an agreement to sell certain sugarcane farms in the Nkomazi region to land claimants in terms of a land reform transaction for an amount of R285 million. The effective date of the transaction is 1 April 2007.

The farms and biological agricultural assets will be rented from the new owners and a joint management company will be responsible for the management of each of the farms. Tsb Sugar and the new owners each has a 50% interest in the management companies.

#### **CASH RESOURCES AND APPLICATION**

The Company's cash resources at 31 March 2007 are as follows:

	Local R million	Offshore R million	Total R million
Per consolidated balance sheet	1 867	3 137	5 004
Less: Cash from other operating subsidiaries	(647)	–	(647)
Cash at the centre	1 220	3 137	4 357
Attributable share of R&R's cash	–	2 151	2 151
<b>Available cash</b>	<b>1 220</b>	<b>5 288</b>	<b>6 508</b>

The final ordinary dividend per share has been increased by 23.2% to 281 cents. Total ordinary dividends per share in respect of the financial year to 31 March 2007 have therefore increased by 20.2% from 361 cents to 434 cents.

The total distribution to shareholders in respect of the financial year is as follows:

	2007 R million	2006 R million
(Based on total issued shares at time of payment)		
Ordinary		
– Interim	741	694
– Final	1 361	1 104
	<b>2 102</b>	1 798
Special	–	1 937
<b>Total</b>	<b>2 102</b>	<b>3 735</b>

The Board is of the opinion that, after the above distribution to shareholders, the Group will have sufficient cash resources to pursue investment opportunities and to continue its share repurchase programme.

#### **GROUP FINANCIAL REVIEW**

##### **COMPARISON WITH PRIOR YEAR**

During the previous financial year various investee companies in the Group concluded black economic empowerment (BEE) transactions. The accounting treatment of these transactions resulted in non-recurring charges of R379.7 million against headline earnings for the year ended 31 March 2006. Due to the material effect that the accounting treatment of these transactions had on Remgro's results, headline earnings per share, and its year-on-year comparison, are also presented excluding the non-recurring portion of BEE costs.

Since 1 January 2006, Medi-Clinic is accounted for as an associated company, whilst previously it was consolidated. Certain income statement items are therefore not directly comparable with those of the previous financial year.

# REPORT OF THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2007

## BALANCE SHEET

The analysis of "Equity" and of "Source of headline earnings" below reflects the divisions into which the interests have been classified. Each division represents the main business sector of the investments classified under it. No adjustment has been made where companies are active mainly in one sector but also have interests in other sectors.

	2007		2006	
	R million	R per share	R million	R per share
<i>Equity employed</i>				
Attributable to equity holders	45 672	96.69	37 494	78.14
<i>Employment of equity</i>				
Tobacco interests	20 124	42.60	14 055	29.29
Financial services	8 593	18.19	7 105	14.81
Industrial interests	9 546	20.21	8 320	17.34
Mining interests	5 677	12.02	3 678	7.66
Corporate finance and other interests	1 732	3.67	4 336	9.04
	45 672	96.69	37 494	78.14

## INCOME STATEMENT

	2007		2006	
	R million	%	R million	%
<i>Source of headline earnings</i>				
Tobacco interests	2 964	43	2 369	47
Financial services	1 529	22	1 147	22
Industrial interests	1 924	29	1 184	23
Mining interests	155	2	288	6
Corporate finance and other interests	281	4	96	2
	6 853	100	5 084	100

	2007	2006
	R million	R million
<i>Composition of headline earnings</i>		
Subsidiary companies and joint ventures	888	1 061
Profits	900	1 088
Losses	(12)	(27)
Associated companies	5 965	4 023
Profits	5 965	4 048
Losses	–	(25)
	6 853	5 084

## COMPANY NET PROFIT AND APPROPRIATION

	2007	2006
	R million	R million
The Company's own distributable reserves at the beginning of the year amounted to	2 779	7 986
Net profit for the year	3 356	4 188
Shares cancelled	–	(4 535)
Dividend No 12 of 228.00c per share paid in August 2006 (August 2005: 198.00c)	(1 104)	(1 034)
Special dividend of 400.00c per share paid in August 2006 (August 2005: 600.00c)	(1 937)	(3 132)
Dividend No 13 of 153.00c per share paid in January 2007 (January 2006: 133.00c)	(741)	(694)
The Company's own distributable reserves carried forward to the following year amounted to	2 353	2 779

**SHARE SCHEME**

During the year the trustees of the Remgro Share Scheme offered ordinary shares to participants as follows:

<b>Date</b>	<b>Offer price (Rand)</b>	<b>Number of shares offered</b>	<b>Number of shares accepted as at 31 March 2007</b>
02/05/2006	132.60	562	562
02/06/2006	133.00	323	323
26/06/2006	135.00	563 227	563 227
03/07/2006	135.01	4 279	4 279
15/08/2006	137.80	1 308	1 308
		569 699	569 699

The current position of the Remgro Share Scheme is as follows:

	<b>Average offer price (Rand)</b>	<b>Number of shares</b>
<b>Ordinary shares due to participants</b>		
Previous financial year	59.24	3 093 691
Offered and accepted in current financial year	135.02	569 699
Shares paid for and delivered	49.52	(262 016)
Resignations and other		(4 380)
Total at 31 March 2007	72.65	3 396 994

Refer to note 26 to the annual financial statements for full details on the Remgro Share Scheme.

**PRINCIPAL SHAREHOLDER**

Rembrandt Trust (Pty) Limited (Rembrandt Trust) holds all the issued unlisted B ordinary shares of the Company and is entitled to 44.84% (2006: 44.42%) of the total votes.

An analysis of the shareholders appears on pages 103 and 104.

**SUBSIDIARY COMPANIES AND INVESTMENTS**

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

**DIRECTORS**

The names of the directors appear on pages 10 and 11.

In terms of the provision of the Articles of Association, Messrs P E Beyers, W E Bührmann, P K Harris, J Malherbe, M M Morobe, D Prins, M H Visser and Miss M Ramos retire from the Board by rotation. These directors are eligible and offer themselves for re-election.

Mr J F Mouton retired as a director on 11 October 2006 and the Board of Directors' wishes to thank him for his contribution.

Mr J Malherbe was appointed as a non-executive director on 11 October 2006. Miss M Ramos and Mr M M Morobe were appointed on 26 March 2007 and 18 June 2007 respectively as independent non-executive directors.

# REPORT OF THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2007

## DIRECTORS' INTERESTS

At 31 March 2007 the aggregate of the direct and indirect interests of the directors in the issued ordinary share capital of the Company amounted to 0.88% (2006: 0.80%).

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

An analysis of directors' interests in the issued capital of the Company appears on page 105.

## DIRECTORS' EMOLUMENTS

The Board recommends that directors' fees for services rendered as directors during the past financial year be fixed at R1 846 000 (2006: R1 870 000) in total.

## ACQUISITION OF SHARES OF THE COMPANY

It is recommended that a general authority be granted to the Board to acquire, should circumstances warrant it, the Company's own shares and to approve the acquisition of shares in the Company by any of its subsidiaries, subject to the provisions of the Companies Act 61 of 1973, as amended ("the Companies Act"), and the Listings Requirements of the JSE Limited ("the Listings Requirements"). It is further recommended that a general authority be granted to the Board to enable the Board to, subject to the provisions of the Companies Act and the Listings Requirements, enter into derivative transactions which may or will lead to the Company being required to purchase its own shares.

Special resolutions to grant this general authority are incorporated in the notice of the annual general meeting that appears on page 106.

## SPECIAL RESOLUTIONS

No special resolutions have been passed by the Company's major subsidiaries, the nature of which might be significant in respect of the state of affairs of the Group.

## DIVIDEND DECLARATION

### DIVIDEND NO 14

A final dividend of 281 cents (2006: 228 cents) per share was declared in respect of both the ordinary shares of one cent each and the unlisted B ordinary shares of ten cents each, for the financial year ended 31 March 2007.

## PAYMENT

The final dividend is payable to shareholders of the Company registered at the close of business on Friday, 17 August 2007.

Shareholders may not dematerialise or rematerialise their holdings of ordinary shares between Monday, 13 August 2007, and Friday, 17 August 2007, both days inclusive.

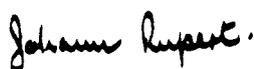
## SECRETARY

The name and address of the Company Secretary appears on page 102.

## APPROVAL

The annual financial statements set out on pages 49 to 101 have been approved by the Board.

Signed on behalf of the Board of Directors.



**Johann Rupert**  
Chairman



**Thys Visser**  
Chief Executive Officer

Stellenbosch  
18 June 2007

The annual financial statements are prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS), the requirements of the South African Companies Act, Act 61 of 1973, as amended, and the Listings Requirements of the JSE Limited.

These financial statements incorporate accounting policies that have been consistently applied to both years presented. During the year under review various new accounting standards, interpretations and amendments to IFRS became effective. The adoption of these new accounting standards, interpretations and amendments to IFRS had no impact on the results of either the current or prior years.

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

The most critical judgement exercised relates to the classification of investments as *associated companies* rather than investments *available-for-sale*. There are some investments over which Remgro is believed to have significant influence although it has an interest of less than 20% in these companies. However, as Remgro has board representation and is one of the major shareholders of these companies, its influence over their financial and operating policies is significant. Those investments are accordingly accounted for as associated companies using the equity method. The fair value of associated companies is set out in note 6 to the annual financial statements.

Other less significant estimates and assumptions relate to the determination of the useful lives of assets, impairment of goodwill, the valuation of unlisted investments and the assumptions used in calculating retirement benefit obligations and share-based payments, as well as the tax rates for the provision of deferred tax on fair value adjustments of investments. Details of these estimates and assumptions are set out in the relevant notes to the annual financial statements.

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

**(I) CONSOLIDATION, PROPORTIONATE CONSOLIDATION AND EQUITY ACCOUNTING**

**Consolidation – subsidiary companies**

All entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations, are included in the consolidated financial statements in the accepted manner. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination, irrespective of the extent of minority interests, are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is accounted for directly in the income statement. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from or to the date on which effective control was acquired or ceased.

Intergroup transactions, balances and unrealised gains are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

The accounting policies of subsidiaries conform to the policies adopted by the Group. Accounting policies between various industries have been aligned to the extent that it is material and appropriate for the specific industry.

Special purpose entities are consolidated when the substance of the relationship between the Group and the special purpose entity indicates that the Group effectively controls the entity.

## **Consolidation – The Remgro Share Trust**

The Remgro Share Trust has been consolidated as it is effectively controlled by the Company.

## **Proportionate consolidation – joint ventures**

All jointly controlled ventures are accounted for according to the proportionate consolidation method. In terms of this method the attributable share of assets, liabilities, income, expenditure and cash flow is included in the consolidated financial statements.

## **Equity accounting – associated companies**

Entities that are neither subsidiaries nor joint ventures, but in which a long-term interest is held and over whose financial and operating policies a significant influence can be exercised, are accounted for according to the equity method as associated companies. The results of associated companies, acquired or disposed of, are included in the consolidated income statement from the date on which effective significant influence begins or until it ceases. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's share of retained income is transferred to non-distributable reserves. The Group's share of other movements in the reserves of associated companies is accounted for as changes in consolidated non-distributable reserves. The carrying value of the Group's associated companies includes goodwill (net of any accumulated impairment losses) identified at acquisition. When the Group's share of losses in an associated company equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Dilutionary and anti-dilutionary effects of equity transactions by associated companies that Remgro is not party to, are accounted for directly against reserves.

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

## **Separate financial statements**

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

## **(ii) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION**

**Land and buildings, machinery, equipment, office equipment and vehicles** – are stated at historical cost less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

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

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

### (III) BIOLOGICAL AGRICULTURAL ASSETS

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

**Sugarcane** – Roots are valued at the current establishment and replacement cost and the value is proportionally reduced over the estimated useful life of the roots. Standing cane is valued at its best-estimated recoverable value less harvesting, transport, agricultural levies and other over-the-weighbridge costs.

**Citrus** – Orchards are valued at the current establishment and replacement cost adjusted for maturity levels and the value is proportionally reduced over the estimated useful life of the orchards. Citrus fruit is valued at the best-estimated recoverable values less harvesting, transport and agricultural levies.

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

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

Sugarcane and citrus are reported in the balance sheet as non-current assets, while breeding stock is reported as current assets.

### (IV) INVESTMENT PROPERTIES

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

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

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

## (v) INTANGIBLE ASSETS

**Goodwill** – On the acquisition of an investment, fair values at the date of acquisition are attributed to the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is the difference between the cost of the investments and the fair value of attributable net assets of the subsidiaries, joint ventures and associated companies at the acquisition dates. Goodwill is reported in the balance sheet as non-current assets and is carried at cost less accumulated impairment losses.

Goodwill attributable to associated companies is included in the carrying value of these companies and is consequently reported under “Investments – Associated companies”.

**Trade marks** – The cost of developing and establishing trade marks is expensed as incurred. Consequently, the value thereof is not reflected in the annual financial statements. The cost of purchased trade marks is written off on a straight-line basis over their expected useful lives, subject to an annual impairment test.

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

Trade marks and capitalised development costs with infinite lives are not amortised, but are subject to an annual impairment test. Any impairment is accounted for in income.

## (vi) FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

There are Group companies that are parties to derivative financial instruments that reduce exposure to financial risks. These instruments mainly comprise forward contracts. Certain Group companies apply hedge accounting. Gains and losses arising from cash flow hedges are recognised directly in equity, while those arising from fair value hedges are recognised in the income statement in the period in which they arise. Group companies that do not apply hedge accounting, recognise changes in the fair value of these and other derivative instruments in the income statement in the period in which they arise.

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

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

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

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

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

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

## (VIII) INVENTORIES

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

## (IX) TAXATION

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

Secondary taxation on companies is provided for in respect of dividend payments, net of dividends received or receivable and is recognised as a taxation charge for the year.

## (X) FOREIGN CURRENCIES

### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, i.e. its functional currency. Remgro Group's company and consolidated functional and presentation currency is rand and all amounts, unless otherwise indicated, are stated in millions.

### Transactions and balances

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

### Group entities

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

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

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

**(XI) IMPAIRMENT OF ASSETS**

**Impairment – subsidiaries, joint ventures and associates**

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

**Investment property and property, plant and equipment**

Where these assets are identified as being impaired, that is when the recoverable amount has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. Such written-off amounts are accounted for in the income statement.

**Financial instruments carried at amortised cost**

The Group assesses whether there is objective evidence that a financial asset is impaired at each balance sheet date. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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

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

**Financial assets carried at fair value**

At each balance sheet date the Group assesses whether there is objective evidence of possible impairment of financial assets carried at fair value. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement.

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

**Goodwill**

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

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

## (XII) PROVISIONS

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

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

## (XIII) EMPLOYEE BENEFITS

### Post-retirement benefits

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

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

Past-service costs are immediately expensed, unless the changes to the pension plan are conditional on the employees remaining in service for a specified vesting period, in which case the past-service costs are amortised on a straight-line basis over the vesting period.

The net surplus or deficit of the benefit obligation is the difference between the present value of the funded obligations and the fair value of the plan assets. If the cumulated unrecognised actuarial gains and losses at the end of the previous reporting period exceed the greater of ten percent of the defined benefit obligation or defined benefit plan's assets, that excess is recognised in future periods over the expected average remaining working lives of the participating employees.

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

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

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

**Equity compensation plans**

The Remgro Group operates various equity settled share-based compensation plans. All share offers granted after 7 November 2002 that have not vested by 1 January 2005 are accounted for as share-based payment transactions. The fair value of share offers is determined on the grant date and is accounted for as an employee services expense over the vesting period of the offer, with a corresponding increase in equity, based on the Group's estimate of the number of shares that will eventually vest. Fair value is determined using a binomial model. The expected contract life used in the model has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

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

**Short-term benefits**

Employee entitlements to leave are recognised when they accrue to employees involved. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

**(xiv) CASH AND CASH EQUIVALENTS**

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

**(xv) REVENUE RECOGNITION**

The sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred. Revenue arising from services is recognised when the service is rendered. Sales comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities and are disclosed net of value added tax, returns, rebates and discounts.

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

**(xvi) TREASURY SHARES**

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

**(xvii) CURRENT/NON-CURRENT DISTINCTION**

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

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

## (xviii) NEW ACCOUNTING POLICIES AND INTERPRETATIONS

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 31 March 2007, but not yet effective on that date. The standards that are applicable to the Group, but that were not implemented early, are the following:

### • IFRS 7: Financial Instruments – Disclosures

*(effective date – financial periods commencing on/after 1 January 2007)*

This standard significantly impacts on the disclosure requirements regarding financial instruments. It focuses on the disclosure of entity specific risks, as well as the measures management implemented to address those risks. IFRS 7 does not impact the measurement of financial instruments.

### • IFRS 8: Operating Segments

*(effective date – financial periods commencing on/after 1 January 2009)*

IFRS 8 replaces IAS 14: Segment Reporting. It redefines “operating segment” and prescribes various disclosures. This standard only affects disclosure and will not impact the Group’s results.

### • IFRIC 9: Reassessment of Embedded Derivatives

*(effective date – financial periods commencing on/after 1 June 2006)*

IAS 39 requires an entity, when it first becomes a party to a contract, to assess whether any embedded derivatives contained in the contract are required to be separated from the host contract and accounted for as derivatives. This interpretation addresses whether such an assessment is only to be made when the entity first becomes a party to the contract, or whether the assessment should be reconsidered throughout the life of the contract.

An entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative only when the entity first becomes a party to the contract. No reassessment shall take place, unless the terms of the contracts change to the extent that they vary the cash flows resulting from the instrument.

### • IFRIC 10: Interim Financial Reporting and Impairment

*(effective date – financial periods commencing on/after 1 November 2006)*

An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

### • IFRIC 11: IFRS 2 – Group and Treasury Share Transactions

*(effective date – financial periods commencing on/after 1 March 2007, applied retrospectively in accordance with the transitional provisions of IFRS 2)*

This interpretation clarifies two issues:

- The distinction between equity and cash settled share-based payment transactions in instances where the equity instruments used for settlement are either obtained from a third party or are treasury shares; and
- share-based payment arrangements that involve two or more entities within the same group, e.g. employees of a subsidiary are granted rights to equity instruments of its parent as consideration for the services provided to the subsidiary.

**Issue 1**

If an entity provides its own equity instruments as settlement for goods and services obtained, the transaction is treated as equity settled, regardless of the source from which it obtained the equity instruments.

**Issue 2**

If the parent grants the right to receive the parent's equity instruments to the subsidiary's employees, and on consolidation the scheme is accounted for as equity settled, the subsidiary shall account for it as an equity settled share-based payment transaction.

If the subsidiary grants the right to receive the parent's equity instruments to its employees, the scheme is accounted for as a cash settled share-based payment transaction.

✦ **IFRIC 12: Service Concession Arrangements**

*(effective date – financial periods commencing on/after 1 January 2008)*

In some countries, governments have introduced contractual service arrangements to attract private sector participation in the development, financing, operation and maintenance of such infrastructure. The interpretation sets out the appropriate accounting treatment for the divergent aspects resulting from these arrangements. The Group is not party to such arrangements, therefore the interpretation is not applicable.

✦ **Amendment to IAS 1: Presentation of financial statements (Objectives, policies and processes for managing capital)**

*(effective date – financial periods commencing on/after 1 January 2007)*

The amendment requires disclosures that will enable users to evaluate the Group's objectives, policies and processes for managing capital. This includes, amongst others, a description of what an entity manages as capital (including quantitative data), the nature of externally imposed capital requirements (if applicable) and how it is meeting its objectives for managing capital. The disclosures should be based on information used by key management in making decisions.

The application of the standards, interpretations and amendments to IFRS mentioned above in future financial reporting periods is not expected to have a significant effect on the Group's financial results, financial position and cash flow.

# BALANCE SHEETS

AT 31 MARCH 2007

<i>R million</i>	Notes	CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	2	2 442	2 318	–	–
Biological agricultural assets	3	91	95	–	–
Investment properties	4	32	31	–	–
Goodwill and trade marks	5	413	352	–	–
Investments – Associated companies	6	33 033	26 098	–	–
– Other	7	6 245	4 136	–	–
Retirement benefits	14	10	–	–	–
Loans		5	6	–	–
Deferred taxation	21	124	90	–	–
		42 395	33 126	–	–
<b>Current assets</b>		7 466	8 210	2 372	2 795
Inventories	8	754	620	–	–
Biological agricultural assets	3	269	242	–	–
Debtors and short-term loans	9	1 220	878	2 372	2 795
Derivative instruments	29	16	46	–	–
Taxation		14	67	–	–
Assets held for sale	10	189	–	–	–
Cash and cash equivalents	11	5 004	6 357	–	–
<b>Total assets</b>		49 861	41 336	2 372	2 795
<b>EQUITY AND LIABILITIES</b>					
<b>Issued capital</b>	12	8	8	8	8
<b>Reserves</b>	13	47 161	37 898	2 353	2 779
<b>Treasury shares</b>	12	(1 497)	(412)	–	–
<b>Shareholders' equity</b>		45 672	37 494	2 361	2 787
<b>Minority interest</b>		755	596	–	–
<b>Total equity</b>		46 427	38 090	2 361	2 787
<b>Non-current liabilities</b>		1 580	1 144	–	–
Retirement benefits	14	214	185	–	–
Long-term loans	15	161	169	–	–
Deferred taxation	21	1 205	790	–	–
<b>Current liabilities</b>		1 854	2 102	11	8
Trade and other payables		1 441	1 458	11	8
Short-term loans	16	234	101	–	–
Provisions	17	48	41	–	–
Derivative instruments	29	27	29	–	–
Taxation		104	473	–	–
<b>Total equity and liabilities</b>		49 861	41 336	2 372	2 795

# INCOME STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

<i>R million</i>	Notes	CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
Sales		7 877	9 802		
Inventory expenses		(4 781)	(4 919)		
Personnel costs	24	(1 306)	(2 603)		
Depreciation	18	(223)	(293)		
Other net operating expenses	18	(551)	(771)	(2)	(3)
Trading profit		1 016	1 216	(2)	(3)
Dividends received	20	156	410	3 358	4 191
Interest received	18	334	341		
Finance costs		(30)	(29)		
Negative goodwill		44	–		
Net impairment of investments, assets and goodwill		–	3		
Profit on redemption and sale of investments	18	7	3 162		
Consolidated profit before tax		1 527	5 103	3 356	4 188
Taxation	21	(403)	(857)		
Consolidated profit after tax		1 124	4 246	3 356	4 188
Share of after-tax profit of associated companies	22	6 003	4 354		
<b>Net profit for the year</b>		<b>7 127</b>	<b>8 600</b>	<b>3 356</b>	<b>4 188</b>
<b>Attributable to:</b>					
Equity holders		6 942	8 202	3 356	4 188
Minority interest		185	398		
		<b>7 127</b>	<b>8 600</b>	<b>3 356</b>	<b>4 188</b>

## EARNINGS PER SHARE

		Cents	Cents
– Basic	1	1 464.2	1 697.6
– Diluted		1 418.5	1 671.3

## ASSOCIATED COMPANIES

	R million	R million
<b>Share of after-tax profit of associated companies</b>		
Profit before taking into account impairments, capital and non-recurring items	5 995	4 428
Net impairment of investments, assets and goodwill	(12)	(157)
Profit on the sale of investments	249	681
Restructuring costs	(237)	(280)
Non-recurring portion of BEE costs	–	(380)
Other capital and non-recurring items	8	62
	<b>6 003</b>	<b>4 354</b>

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2007

<i>R million</i>	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								CONSOLIDATED
	Issued capital	Equity reserves	Other non-distributable reserves	Fair value reserves	Retained earnings	Treasury shares	Share-holders' equity	Minority interest	Total equity
<b>2007</b>									
<b>Balances at 1 April</b>	8	14 026	997	3 160	19 715	(412)	37 494	596	38 090
Total income accounted for		3 594	910	1 843	7 476		13 823	185	14 008
Exchange rate adjustments		3 594	907		534		5 035		5 035
Net fair value adjustments for the year			3	1 843			1 846		1 846
Net income directly accounted for in equity		3 594	910	1 843	534		6 881		6 881
Net profit for the year					6 942		6 942	185	7 127
Dividends paid					(3 748)		(3 748)	(65)	(3 813)
Capital invested by minorities								30	30
Transfer between reserves and other movements		(7)	17		(5)		5	6	11
Change in reserves of associated companies		(824)					(824)		(824)
Transfer of retained income of associated companies		3 366			(3 366)		-		-
Purchase of shares by wholly owned subsidiary (treasury shares)						(1 031)	(1 031)		(1 031)
Net (purchase)/delivery of shares by The Remgro Share Trust						(54)	(54)		(54)
Long-term share incentive scheme reserve			7				7	3	10
<b>Balances at 31 March</b>	8	20 155	1 931	5 003	20 072	(1 497)	45 672	755	46 427
<b>2006</b>									
<b>Balances at 1 April</b>	8	15 076	1 091	1 261	19 608	(2 552)	34 492	2 011	36 503
Total income accounted for		(1 035)	(213)	1 903	8 055		8 710	398	9 108
Exchange rate adjustments		(1 035)	(213)		(147)		(1 395)		(1 395)
Net fair value adjustments for the year				1 903			1 903		1 903
Net income directly accounted for in equity		(1 035)	(213)	1 903	(147)		508		508
Net profit for the year					8 202		8 202	398	8 600
Dividends paid					(4 525)		(4 525)	(151)	(4 676)
Capital invested by minorities								17	17
Transfer between reserves and other movements		(2 024)	159	(4)	1 848		(21)	(264)	(285)
Change in reserves of associated companies		(242)					(242)		(242)
Transfer of retained income of associated companies		897			(897)		-		-
Purchase of shares by wholly owned subsidiary (treasury shares)						(977)	(977)		(977)
Medi-Clinic*		1 354	(16)		(1 338)		-	(1 418)	(1 418)
Net (purchase)/delivery of shares by The Remgro Share Trust						92	92		92
Long-term share incentive scheme reserve			(24)				(24)	3	(21)
Cancellation of treasury shares					(3 036)	3 025	(11)		(11)
<b>Balances at 31 March</b>	8	14 026	997	3 160	19 715	(412)	37 494	596	38 090

\* Since 1 January 2006, Medi-Clinic has been accounted for as an associated company, while it was consolidated previously.

<i>R million</i>	THE COMPANY	
	2007	2006
Balances at 1 April	2 787	7 994
Issued capital	8	8
Retained earnings	2 779	7 986
Shares cancelled	-	(4 535)
Net profit for the year	3 356	4 188
Dividends paid	(3 782)	(4 860)
<b>Balances at 31 March</b>	<b>2 361</b>	<b>2 787</b>

# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

<i>R million</i>	Notes	CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
<b>Cash flows – operating activities</b>					
Consolidated profit before taxation		1 527	5 103	3 356	4 188
Adjustments	23.1	309	(3 588)	(3 358)	(4 191)
Consolidated profit/(loss) before working capital changes					
Working capital changes	23.2	1 836	1 515	(2)	(3)
		(170)	(41)	2	(2)
Cash generated/(utilised) from operations					
Cash flow generated from returns on investments		1 666	1 474	–	(5)
		3 070	4 229	3 358	4 191
Interest received		334	341	–	–
Dividends received	23.3	2 736	3 888	3 358	4 191
Finance cost		(30)	(29)	–	–
Taxation paid	23.4	(676)	(369)	–	–
Cash available from operating activities					
Dividends paid	23.5	4 030	5 305	3 358	4 186
		(3 813)	(4 676)	(3 782)	(4 860)
Cash inflow/(outflow) from operating activities					
		217	629	(424)	(674)
<b>Cash flows – investing activities</b>					
Net investments to maintain operations					
		(109)	(54)	–	–
Replacement of property, plant and equipment					
		(124)	(83)	–	–
Proceeds on disposal of property, plant and equipment					
		15	29	–	–
Investments to expand operations					
		(673)	(1 362)	–	–
Additions to – property, plant and equipment and other assets					
		(410)	(607)	–	–
– investments and loans					
		(249)	(609)	–	–
Business acquired					
		(14)	(146)	–	–
Proceeds from disposal of investments and loans					
		260	6 585	–	–
Medi-Clinic's cash transferred to associated company					
		–	(879)	–	–
Purchase of treasury shares					
		(1 203)	(926)	–	–
Net cash generated/(utilised) before financing activities					
		(1 508)	3 993	(424)	(674)
<b>Cash flows – financing activities</b>					
(Increase)/decrease in loans					
		40	93	424	5 209
Issue of new shares by subsidiary companies					
		12	10	–	–
Capital contributed by minorities of subsidiary company					
		18	7	–	–
Shares cancelled					
		–	(11)	–	(4 535)
Net increase/(decrease) in cash and cash equivalents					
		(1 438)	4 092	–	–
Cash and cash equivalents at the beginning of the year					
		6 339	2 247	–	–
Cash and cash equivalents at the end of the year					
		4 901	6 339	–	–
Cash and cash equivalents – per balance sheet					
		5 004	6 357		
Bank overdraft					
		(103)	(18)		

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	2007 R million	2006 R million
<b>1. EARNINGS</b>		
<b>HEADLINE EARNINGS RECONCILIATION</b>		
Net profit for the year attributable to equity holders	6 942	8 202
Plus/(minus) – portion attributable to equity holders:		
– Negative goodwill	(44)	–
– Net impairment of investments, assets and goodwill	12	157
– Profit on redemption and sale of investments	(256)	(3 475)
– Restructuring costs	221	279
– Other capital and non-recurring items	(10)	(67)
– Net surplus, after tax on disposal of property, plant and equipment	(12)	(12)
<b>Headline earnings</b>	<b>6 853</b>	<b>5 084</b>
Non-recurring portion of BEE costs added back	–	380
<b>Headline earnings – Excluding non-recurring portion of BEE costs</b>	<b>6 853</b>	<b>5 464</b>
<b>EARNINGS PER SHARE</b>	<b>Cents</b>	<b>Cents</b>
<b>Headline earnings per share</b>		
– Basic	1 445.4	1 052.3
– Diluted	1 401.3	1 027.7
<b>Headline earnings per share – Excluding non-recurring portion of BEE costs</b>		
– Basic	1 445.4	1 130.9
– Diluted	1 401.3	1 106.1
<b>Earnings per share</b>		
– Basic	1 464.2	1 697.6
– Diluted	1 418.5	1 671.3

## Earnings per share

In determining earnings per share and headline earnings per share the weighted number of shares in issue, being 474 123 689 (2006: 483 154 691), was taken into account after deduction of treasury shares as well as shares held in The Remgro Share Trust and certain associated companies.

## Diluted earnings per share

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

Because the scheme shares have to be accounted for as treasury shares, the delivery thereof to participants will be regarded as an issue of shares. As the market value (fair value) of the shares at date of delivery will differ from the offer value, the number of shares represented by the difference will be regarded as an issue of ordinary shares for no consideration. These imputed shares total 1 672 153 (2006: 1 352 255) and have been added to the weighted number of shares to determine the dilutive effect.

Some subsidiary and associated companies have similar management incentive schemes as well as other instruments that can dilute these companies' earnings in the future. To calculate Remgro's diluted earnings per share, R186 million (2006: R105 million) and R193 million (2006: R105 million) were offset against headline earnings and earnings respectively to account for the potential diluted effect.

## 2. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings R million</i>	<i>Machinery and equipment R million</i>	<i>Vehicles R million</i>	<i>Office equipment R million</i>	<i>Total R million</i>
<b>Carrying value at 1 April 2005</b>	2 289	1 521	104	81	3 995
Cost	2 673	3 123	244	225	6 265
Accumulated depreciation	(384)	(1 602)	(140)	(144)	(2 270)
Additions	245	361	43	40	689
Disposals	(17)	(5)	(7)	–	(29)
Depreciation	(31)	(214)	(23)	(25)	(293)
Businesses acquired	126	29	102	18	275
Businesses disposed	–	(1)	–	(1)	(2)
Medi-Clinic*	(1 730)	(481)	–	(100)	(2 311)
Other	(8)	2	–	–	(6)
<b>Carrying value at 31 March 2006</b>	874	1 212	219	13	2 318
Cost	1 267	2 312	376	39	3 994
Accumulated depreciation	(393)	(1 100)	(157)	(26)	(1 676)
Additions	102	300	78	22	502
Disposals	(5)	(4)	(6)	–	(15)
Depreciation	(27)	(167)	(26)	(3)	(223)
Other	(153)	13	–	–	(140)
<b>Carrying value at 31 March 2007</b>	791	1 354	265	32	2 442
Cost	1 199	2 582	429	47	4 257
Accumulated depreciation	(408)	(1 228)	(164)	(15)	(1 815)

\* Since 1 January 2006, Medi-Clinic has been accounted for as an associated company, while it was consolidated previously.

	2007 %	2006 %
<b>Depreciation rates are as follows:</b>		
Buildings	0 – 50	0 – 50
Machinery and equipment	3½ – 100	2 – 100
Vehicles	4 – 33½	5 – 33½
Office equipment	5 – 33½	5 – 33½

Liabilities resulting from mortgage loans, finance leases and instalment sale agreements are secured by vehicles with a book value of R1 million (2006: R2 million).

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

## 3. BIOLOGICAL AGRICULTURAL ASSETS

Included in non-current assets:

Reconciliation of carrying value at the beginning and end of the year	Sugarcane roots R million	Sugarcane plants R million	Citrus R million	2007 R million	Sugarcane roots R million	Sugarcane plants R million	Citrus R million	2006 R million
Balances at 1 April	47	34	14	95	45	35	14	94
Fair value adjustment	22	(4)	–	18	2	(1)	–	1
Other	(14)	(8)	–	(22)	–	–	–	–
<b>Balances at 31 March</b>	<b>55</b>	<b>22</b>	<b>14</b>	<b>91</b>	<b>47</b>	<b>34</b>	<b>14</b>	<b>95</b>

The quantity at 31 March is as follows:

Sugarcane roots (ha)	5 024	8 343
Sugarcane plants (ha)	5 024	8 343
Citrus (ha)	1 393	1 482

Included in current assets:

Reconciliation of carrying value at the beginning and end of the year	Breeding stock R million	Broiler stock R million	2007 R million	Breeding stock R million	Broiler stock R million	2006 R million
Balances at 1 April	143	99	242	148	91	239
Additions	418	2 115	2 533	376	1 901	2 277
Decrease due to harvest	(403)	(2 114)	(2 517)	(382)	(1 901)	(2 283)
Fair value adjustment	2	9	11	1	8	9
<b>Balances at 31 March</b>	<b>160</b>	<b>109</b>	<b>269</b>	<b>143</b>	<b>99</b>	<b>242</b>

## 4. INVESTMENT PROPERTIES

	Cost R million	2007 Accumulated depreciation R million	Net value R million	Cost R million	2006 Accumulated depreciation R million	Net value R million
Land	3	–	3	3	–	3
Buildings	29	–	29	28	–	28
	<b>32</b>	<b>–</b>	<b>32</b>	<b>31</b>	<b>–</b>	<b>31</b>

Reconciliation of carrying value at the beginning and end of the year	Land R million	Buildings R million	2007 R million	Land R million	Buildings R million	2006 R million
Balances at 1 April	3	28	31	3	28	31
Other	–	1	1	–	–	–
<b>Balances at 31 March</b>	<b>3</b>	<b>29</b>	<b>32</b>	<b>3</b>	<b>28</b>	<b>31</b>

The South African investment properties were valued during the 2005 financial year by an independent, qualified valuer using market information. The fair value of these investment properties was determined by increasing the 2006 valuation by 10% (2006: 6%). Foreign investment properties were valued by an independent, qualified valuer during the 2006 year. The fair value of the investment properties, VAT exclusive, is R318 million (2006 valuation: R292 million).

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

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

## 5. GOODWILL AND TRADE MARKS

	2007			2006		
	Cost or valuation R million	Accumulated impairment/ amortisation R million	Net value R million	Cost or valuation R million	Accumulated impairment/ amortisation R million	Net value R million
Goodwill	342	–	342	316	–	316
Trade marks	146	75	71	99	63	36
	488	75	413	415	63	352

## Amortisation rates are as follows:

	2007 %	2006 %
Trade marks	5 – 100	5 – 6%

Reconciliation of carrying value at the beginning and end of the year	Goodwill R million	Trade marks R million	2007 R million	Goodwill R million	Trade marks R million	2006 R million
Balances at the beginning of the year	316	36	352	379	7	386
Additions	19	37	56	–	41	41
Amortisation	–	(14)	(14)	–	(8)	(8)
Businesses acquired	7	2	9	9	–	9
Medi-Clinic*	–	–	–	(44)	(4)	(48)
Other	–	10	10	(28)	–	(28)
<b>Balances at the end of the year</b>	<b>342</b>	<b>71</b>	<b>413</b>	<b>316</b>	<b>36</b>	<b>352</b>

\* Since 1 January 2006, Medi-Clinic has been accounted for as an associated company, while it was consolidated previously.

Goodwill is tested annually for any possible impairment and for this reason allocated to the respective cash-generating units as indicated below.

	Rainbow Chicken Limited and its subsidiaries	Tsb Sugar Holdings (Pty) Limited and its subsidiaries	Wispeco Holdings Limited and its subsidiaries	2007 Total
Goodwill allocated (R million)	291	35	16	342
Basis of valuation of cash-generating units	Fair value/ value in use	Directors' valuation	Directors' valuation	

R287 million of the goodwill relating to Rainbow Chicken and its subsidiaries relates to the acquisition of Vector Logistics (Pty) Limited in 2005. In determining the value in use of the cash-generating unit to which this goodwill was allocated, the following assumptions were used:

Discount rate	12.81%
Growth rate	5.0%
Period	5 years

Sensitivity analysis of assumptions used in the goodwill impairment test:

Assumption	Movement	Impairment
Discount rate	+5%	Nil
Growth rate	–5%	Nil

During the year under review no impairment of goodwill occurred.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

## 6. INVESTMENTS – ASSOCIATED COMPANIES (Annexures B & C)

	2007			2006		
	Listed R million	Unlisted R million	Total R million	Listed R million	Unlisted R million	Total R million
Shares – at cost	6 720	4 289	11 009	6 594	3 444	10 038
Equity adjustment	4 758	17 077	21 835	3 395	12 311	15 706
Carrying value	11 478	21 366	32 844	9 989	15 755	25 744
Long-term loans	–	189	189	–	354	354
	11 478	21 555	33 033	9 989	16 109	26 098
Market values of listed investments	28 871		28 871	23 248		23 248
Directors' valuation of unlisted investments		62 969	62 969		41 564	41 564
Market values and directors' valuation	28 871	62 969	91 840	23 248	41 564	64 812
Excess of market values and directors' valuation over the carrying value of investments:						
– attributable to equity holders			58 807			38 714
– attributable to minority			–			–
			58 807			38 714

Of the directors' valuations of unlisted investments stated above, a substantial proportion amounting to R55 283 million (2006: R36 177 million) was based on the stock exchange prices of underlying listed shares held by the unlisted investments concerned.

	2007 R million	2006 R million
<b>Reconciliation of carrying value at the beginning and end of the year</b>		
Carrying value at the beginning of the year	26 098	27 860
Exchange rate differences on translation of carrying value at the beginning of the year to year-end rate	4 292	(1 244)
<i>Income of associated companies retained</i>	3 366	910
Share of net attributable profit of associated companies	6 003	4 354
Dividends received from associated companies	(2 748)	(3 349)
Exchange rate differences on translation between average rate to year-end rates	111	(95)
Equity-accounted movements on reserves	(824)	(240)
Loans repaid	(165)	(196)
Disposals/capital reductions	(85)	(3 050)
Investments	201	617
Associated investments reclassified as subsidiary companies	–	(19)
Investments reclassified as associated companies	106	–
Medi-Clinic*	–	1 460
Other	44	–
Carrying value at the end of the year	33 033	26 098

\* Since 1 January 2006, Medi-Clinic has been accounted for as an associated company, while it was consolidated previously.

7. INVESTMENTS – OTHER  
(Annexure B)

	<i>Listed</i> R million	2007 <i>Unlisted</i> R million	<i>Total</i> R million	<i>Listed</i> R million	2006 <i>Unlisted</i> R million	<i>Total</i> R million
<b>Consolidated</b>						
Investments – other						
Shares – available-for-sale	6 229	16	6 245	4 013	123	4 136
Market values of listed investments	6 229		6 229	4 013		4 013
Directors' valuation of unlisted investments		16	16		123	123
Market values and directors' valuation	6 229	16	6 245	4 013	123	4 136
<b>Reconciliation of carrying value of investments available-for-sale at the beginning and end of the year</b>					2007 R million	2006 R million
Balances at the beginning of the year					4 136	1 948
Fair value adjustments for the year					2 169	2 216
Additions					48	2
Medi-Clinic*					–	(13)
Sales					(2)	(7)
Investment reclassified as associated company					(106)	(10)
<b>Balances at the end of the year</b>					<b>6 245</b>	<b>4 136</b>

\* Since 1 January 2006, Medi-Clinic has been accounted for as an associated company, while it was consolidated previously.

## 8. INVENTORIES

Raw materials		272	249
Finished products		430	319
Work in progress		6	6
Consumable stores		46	46
		<b>754</b>	<b>620</b>

## 9. DEBTORS AND SHORT-TERM LOANS

	THE COMPANY		CONSOLIDATED	
	2007 R million	2006 R million	2007 R million	2006 R million
Trading debtors	6	5	916	822
Provision for impairments	–	–	(42)	(29)
Loans – Subsidiary companies	2 366	2 790	–	–
Dividends receivable	–	–	168	–
Advance payments and other	–	–	178	85
	<b>2 372</b>	<b>2 795</b>	<b>1 220</b>	<b>878</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	2007 R million	2006 R million
<b>10. ASSETS CLASSIFIED AS HELD FOR SALE</b>		
On 31 January 2007 Tsb Sugar entered into an agreement to sell certain assets in terms of a land reform transaction. The effective date of the transaction is 1 April 2007. The assets that will be sold in terms of the agreement are therefore classified as held for sale and valued in terms of the requirements of IFRS 5.		
Details of the assets classified as held for sale are as follows:		
<b>Assets</b>		
Property, plant and equipment	140	–
Biological agricultural assets	22	–
Inventories	1	–
Debtors	24	–
Various other net assets	2	–
	<b>189</b>	<b>–</b>
<b>11. CASH AND CASH EQUIVALENTS</b>		
Cash at the centre	4 357	5 795
Other operating subsidiaries	647	562
	<b>5 004</b>	<b>6 357</b>

At year-end cash and cash equivalents earned interest at effective interest rates that vary between 8.50% and 9.06% (2006: 6.75% and 7.10%) per annum at local financial institutions and between 5.33% and 5.35% (2006: 4.42% and 4.43%) per annum in foreign countries.

<b>12. SHARE CAPITAL</b>		
<b>Authorised</b>		
512 493 650 ordinary shares of 1 cent each	5.1	5.1
40 506 352 B ordinary shares of 10 cents each	4.1	4.1
	<b>9.2</b>	<b>9.2</b>
<b>Issued</b>		
448 802 207 (2006: 448 802 207) ordinary shares of 1 cent each	4.5	4.5
35 506 352 (2006: 35 506 352) B ordinary shares of 10 cents each	3.5	3.5
	<b>8.0</b>	<b>8.0</b>
	<b>Number of shares</b>	<b>Number of shares</b>
<b>Movement of the ordinary shares of 1 cent each for the year:</b>		
Total number of shares issued at 1 April	448 802 207	486 493 650
Shares cancelled	–	(37 691 443)
Total number of shares issued at 31 March*	<b>448 802 207</b>	<b>448 802 207</b>

\* Treasury shares held by wholly owned subsidiary companies included.

Each ordinary share has one vote.

Each B ordinary share has ten votes.

Number of shares held in treasury by a wholly owned subsidiary and shares held by The Remgro Share Trust (ordinary shares of 1 cent each): 11 948 372 (2006: 4 473 004).

At a general meeting held on 23 August 2006, the unissued shares comprising 63 691 443 ordinary shares of 1 cent each and 5 000 000 B ordinary shares of 10 cents each were placed under the control of the Board of Directors as a general authority in terms of section 221(2) of the Companies Act, 1973 (Act 61 of 1973), as amended (the Act), subject to the provisions of the Act and the Rules and Requirements of the JSE until the next annual general meeting of the Company, for allotment and issue to such persons as they deemed fit, provided that 26 000 000 ordinary shares and 5 000 000 B ordinary shares in the authorised share

**12. SHARE CAPITAL** *(continued)*

capital of the Company are reserved for the purposes of the Remgro Share Scheme in terms of an ordinary resolution passed by the shareholders on 21 September 2000.

Details in respect of the share scheme and the current year's offers are disclosed in note 26 and the Report of the Board of Directors.

	2007 R million	2006 R million
<b>13. RESERVES</b>		
<b>13.1 Composition of reserves</b>		
The Company:		
Retained earnings	2 353	2 779
Subsidiary companies and joint ventures		
Non-distributable reserves	24 653	21 093
Fair value reserve	5 003	3 160
Other non-distributable reserves	1 931	997
Retained earnings	17 719	16 936
Associated companies:		
Equity reserves	20 155	14 026
	<b>47 161</b>	<b>37 898</b>
Statutory non-distributable reserves included in		
Other non-distributable reserves	464	345
Equity reserves	11	9
	<b>453</b>	<b>336</b>

**13.2 Included in the respective reserves above are reserves arising on exchange rate translation**

	<i>Non- distributable reserves</i> R million	<i>Equity reserves</i> R million	<i>Retained earnings</i> R million	2007 Total R million	2006 Total R million
Balances at 1 April	(105)	(992)	(57)	(1 154)	245
Exchange rate adjustments during the year	907	3 594	534	5 035	(1 399)
Transfer of equity adjustment		111	(111)	-	-
<b>Balances at 31 March</b>	<b>802</b>	<b>2 713</b>	<b>366</b>	<b>3 881</b>	<b>(1 154)</b>

**14. RETIREMENT BENEFITS**
**Balance sheet assets**

Retirement benefits	10	-
---------------------	----	---

**Balance sheet obligations**

Retirement benefits	(85)	(69)
Post-retirement medical benefits	(129)	(116)
	<b>(214)</b>	<b>(185)</b>

**Income statement**

Retirement benefits*	(95)	4
Post-retirement medical benefits	11	38
	<b>(84)</b>	<b>42</b>

\* Refer note 24 on page 87.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

## 14. RETIREMENT BENEFITS *(continued)*

### 14.1 Retirement benefits

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

For statutory purposes the defined benefit pension funds are actuarially valued every three years by independent actuaries using the projected unit credit method. The latest actuarial valuations of these funds were conducted between 31 March 2002 and 31 December 2004.

	Balance sheet					Income statement
	Fair value of plan assets R million	Present value of funded obligations R million	Unrecognised actuarial (gains)/ losses R million	Pension fund surplus limitation R million	Amount recognised in balance sheet R million	Included in staff costs R million
<b>Balances at 1 April 2005</b>	629	(527)	(55)	(124)	(77)	
Current service cost	–	(4)	–	–	(4)	4
Interest cost	–	(30)	–	–	(30)	30
Expected return on assets	46	–	–	–	46	(46)
Amortisation of actuarial gains/losses	–	–	2	–	2	(2)
Contributions	7	–	–	–	7	–
Exchange rate differences	(24)	29	–	–	5	–
Benefit payments	(28)	28	–	–	–	–
Actuarial movements: fund obligation	–	(129)	129	(18)	(18)	18
Actuarial movements: plan assets	92	–	(92)	–	–	–
<b>Balances at 31 March 2006</b>	722	(633)	(16)	(142)	(69)	4
Current service cost	–	(4)	–	–	(4)	4
Interest cost	–	(40)	–	–	(40)	40
Expected return on assets	53	–	–	–	53	(53)
Surplus limitation utilisation	–	–	–	108	108	(108)
Amortisation of actuarial gains/losses	–	–	(22)	–	(22)	22
Contributions	7	–	–	–	7	–
Transfer of assets	(88)	–	–	–	(88)	–
Exchange rate differences	114	(132)	(2)	–	(20)	–
Benefit payments	(31)	31	–	–	–	–
Actuarial movements: fund obligation	–	11	(11)	–	–	–
Actuarial movements: plan assets	(6)	–	6	–	–	–
<b>Balances at 31 March 2007</b>	771	(767)	(45)	(34)	(75)	(95)

	2007 R million	2006 R million
<b>14. RETIREMENT BENEFITS</b> <i>(continued)</i>		
<b>14.1 Retirement benefits</b> <i>(continued)</i>		
Amount of plan assets represented by investment in the entity's own financial instruments	14	17
Actual return on plan assets	47	138
Adjustment for experience on plan assets	5	90
Adjustment for experience on funded obligations	17	74
Expected contributions to retirement funds for the year ended 31 March 2008: R8 million		
	<b>Number</b>	Number
Number of members	7 670	7 115
<b>Composition of plan assets</b>	<b>%</b>	<b>%</b>
Cash	6.69	9.16
Equity	20.62	27.59
Bonds	2.73	3.25
Property	0.70	0.96
International	69.26	59.04
	<b>100.00</b>	100.00
<b>Principal actuarial assumptions on balance sheet date</b>		
Discount rate	5.40 – 9.95	5.50 – 8.50
Expected rates of return on plan assets*	6.48 – 9.95	7.50 – 8.50
Future salary increases	5.75 – 7.04	2.75 – 5.50
Future pension increases	2.90 – 4.75	4.50 – 6.50
Inflation rate	4.75	2.75 – 4.50
* The expected return on plan assets is determined with reference to the expected long-term returns on equity, cash and bonds.		
<b>Fund history for the current and prior years</b>	<b>R million</b>	R million
Balances at 31 March		
Fair value of plan assets	771	722
Present value of funded obligation	(767)	(633)
Surplus/(deficit)	4	89

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

## 14. RETIREMENT BENEFITS (continued) 14.2 Post-retirement medical benefits

	Balance sheet				Income statement
	Fair value of plan assets R million	Present value of funded obligations R million	Unrecognised actuarial (gains)/ losses R million	Amount recognised in balance sheet R million	Included in staff cost R million
<b>Balances at 1 April 2005</b>	–	(163)	1	(162)	
Current service cost	–	(22)	–	(22)	22
Interest cost	–	(18)	–	(18)	18
Expected return on assets	2	–	–	2	(2)
Contributions	–	5	–	5	–
Actuarial movements	–	5	(5)	–	–
Acquired in business combination	14	(23)	(7)	(16)	–
Medi-Clinic*	–	95	–	95	–
<b>Balances at 31 March 2006</b>	<b>16</b>	<b>(121)</b>	<b>(11)</b>	<b>(116)</b>	<b>38</b>
Current service cost	–	(3)	–	(3)	3
Interest cost	–	(10)	–	(10)	10
Expected return on assets	2	–	–	2	(2)
Liability accepted	5	(6)	(2)	(3)	–
Amortisation of actuarial gains/losses	–	(1)	1	–	–
Benefit payments	–	1	–	1	–
Actuarial movements	12	(6)	(6)	–	–
<b>Balances at 31 March 2007</b>	<b>35</b>	<b>(146)</b>	<b>(18)</b>	<b>(129)</b>	<b>11</b>

\* Since 1 January 2006, Medi-Clinic has been accounted for as an associated company, while it was consolidated previously.

	2007 R million	2006 R million
Amount of plan assets represented by investment in the entity's own financial instruments	2	1
Actual return on plan assets	14	2
Adjustment for experience on plan assets	14	–
Adjustment for experience on funded obligations	4	–
Expected contributions to retirement funds for the year ended 31 March 2008: R8 million		

	Number	Number
Number of members	1 050	1 046

Fund history for the current and prior years	R million	R million
Balances at 31 March		
Fair value of plan assets	35	16
Present value of funded obligation	(146)	(121)
Surplus/(deficit)	(111)	(105)
<b>Composition of plan assets</b>	<b>%</b>	<b>%</b>
Cash	3.00	3.00
Equity	92.00	92.00
Bonds	5.00	5.00
	<b>100.00</b>	<b>100.00</b>

	2007 %	2006 %				
<b>14. RETIREMENT BENEFITS (continued)</b>						
<b>14.2 Post-retirement medical benefits (continued)</b>						
<b>Principal actuarial assumptions on balance sheet date</b>						
Discount rate	7.50 – 7.75	7.50				
Expected rates of return on plan assets *	8.75	8.50				
Annual increase in healthcare costs	4.75 – 6.75	5.50 – 6.50				
* The expected return on plan assets is determined with reference to the expected long-term returns on equity, cash and bonds.						
	<b>2007 Increase R million</b>	<b>2007 Decrease R million</b>				
The effect of a 1% movement in the above-mentioned expected yearly increase in healthcare costs is as follows:						
Post-retirement medical liability	24	21				
Current service costs and interest on obligation	2	1				
	<b>2007 R million</b>	<b>2006 R million</b>				
<b>15. LONG-TERM LOANS</b>						
Interest-bearing loans						
Secured long-term loans with effective interest rates of between 9.5% and 11% (2006: 6.0% and 10.0%) per annum repayable over a period of between five to ten years. These liabilities are secured by assets with a book value of R68 million (2006: R46 million).	197	195				
Net liabilities resulting from various capitalised finance leases and instalment sale agreements payable in monthly, quarterly and annual instalments at varying interest rates per annum amount to R1 million (2006: R2 million). These liabilities are secured by vehicles and equipment with a book value of R1 million (2006: R2 million).	1	2				
Various unsecured loans with varying terms and interest rates	–	1				
	<b>198</b>	<b>198</b>				
Instalments payable within one year transferred to short-term interest-bearing loans	(37)	(29)				
	<b>161</b>	<b>169</b>				
Payable – two to five years	161	169				
Payable thereafter	–	–				
	<b>161</b>	<b>169</b>				
<b>16. SHORT-TERM LOANS</b>						
Interest-bearing loans						
Portion of long-term interest-bearing loans payable within one year	37	29				
Bank overdrafts	103	18				
	<b>140</b>	<b>47</b>				
Interest-free loans with no fixed repayment conditions	94	54				
	<b>234</b>	<b>101</b>				
	<b>Legal disputes* R million</b>	<b>Other** R million</b>	<b>2007 R million</b>	<b>Legal disputes* R million</b>	<b>Other** R million</b>	<b>2006 R million</b>
<b>17. PROVISIONS</b>						
Balances at 1 April	30	11	41	15	6	21
Businesses acquired	–	–	–	–	4	4
Additional provisions	13	1	14	21	1	22
Unused amounts	–	(4)	(4)	–	–	–
	<b>43</b>	<b>8</b>	<b>51</b>	<b>36</b>	<b>11</b>	<b>47</b>
Provisions utilised during the year	(3)	–	(3)	(6)	–	(6)
<b>Balances at 31 March</b>	<b>40</b>	<b>8</b>	<b>48</b>	<b>30</b>	<b>11</b>	<b>41</b>

\* Litigation, of which the timing and outcome is uncertain, is in progress against certain subsidiary companies.

\*\* Various smaller provisions.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	2007 R million	2006 R million
<b>18. PROFIT</b>		
Profit is stated after taking the following into account:		
<b>Income</b>		
Fair value adjustment – biological assets	21	5
Fair value adjustment – investments	113	59
Rental income – investment properties	8	10
Interest received	334	341
Shareholder's loan to associated company	20	29
Financial institutions and other	314	312
Profit on redemption and sale of investments*	7	3 162
Exchange rate gains	67	–
<i>* Refer to the Report of the Board of Directors for further information.</i>		
<b>Expenses</b>		
Amortisation of trade marks	14	8
Fair value adjustment – investments	6	–
Expenses – investment properties	2	2
Rental	37	70
Land and buildings	20	45
Machinery and equipment	10	16
Vehicles	1	3
Office equipment	6	6
Research and development costs written off	–	1
Auditors' remuneration – audit fees	10	10
– other services	3	3
Professional fees	28	22
Depreciation	223	293
Buildings	27	31
Machinery and equipment	167	214
Vehicles	26	23
Office equipment	3	25
Loss on sale of property, plant and equipment	1	2
Exchange rate losses	–	23
<b>19. ADMINISTRATION AND MANAGEMENT FEES</b>		
Total administration and management fees of Remgro Limited*	75	81
Less: Fees received	(16)	(15)
Intergroup – excluding wholly owned subsidiaries	(4)	(6)
Other	(12)	(9)
<b>Net</b>	<b>59</b>	<b>66</b>

\* After recovery of appropriate portion from VenFin Limited.

	THE COMPANY		CONSOLIDATED	
	2007 R million	2006 R million	2007 R million	2006 R million
<b>20. DIVIDEND INCOME</b>				
Included in profit:				
Listed	–	–	151	404
Unlisted – Subsidiary companies	3 358	4 191		
– Other	–	–	5	6
	<b>3 358</b>	<b>4 191</b>	<b>156</b>	<b>410</b>
Dividends from associated companies set off against investments			2 748	3 349
			<b>2007 R million</b>	<b>2006 R million</b>
<b>21. TAXATION</b>				
<b>21.1 Taxation in income statement</b>				
Current			339	841
– current year – South African normal taxation			332	488
– Taxation on capital gain			–	350
– Foreign taxation			8	5
			<b>340</b>	<b>843</b>
– previous year – South African normal taxation			(1)	(2)
Secondary taxation on companies			21	27
– current			21	13
– deferred			–	14
Deferred – current year			60	(8)
– previous year			(17)	6
– rate change			–	(9)
			<b>403</b>	<b>857</b>
<b>21.2 Reconciliation of effective tax rate of the Company and its subsidiaries with standard rate</b>			%	%
Effective tax rate			26.4	16.8
Reduction/(increase) in standard rate as a result of:				
Exempt dividend income			3.0	2.3
Non-taxable capital profit			–	10.6
Other non-taxable income/(expenses)			0.4	0.1
Foreign taxation			(0.5)	(0.3)
Taxation in respect of previous years			1.1	(0.2)
Rate change			–	0.2
Secondary tax on companies			(1.4)	(0.5)
Standard rate			<b>29.0</b>	<b>29.0</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	2007 R million	2006 R million
21. TAXATION <i>(continued)</i>		
21.3 Deferred taxation		
Deferred taxation liability	1 205	790
Property, plant and equipment	378	322
Intangibles	16	14
Inventories	84	75
Provisions	(44)	(67)
Biological agricultural assets	34	24
Other	(1)	5
Investments (accounted for directly in equity)	738	417
Deferred tax asset	(124)	(90)
Property, plant and equipment	(44)	(12)
Intangibles	–	(3)
Inventories	–	(24)
Provisions	(20)	(24)
Other	(11)	(10)
Tax losses	(49)	(17)
Net deferred taxation	1 081	700
The movement between balances of deferred taxation at the beginning and end of the year can be analysed as follows:		
Beginning of the year	700	319
As per income statement	43	3
Direct in equity	338	310
Businesses acquired	–	(3)
Medi-Clinic*	–	71
	1 081	700

\* Since 1 January 2006, Medi-Clinic has been accounted for as an associated company, while it was consolidated previously.

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

The carrying values of investments in associated companies are mainly recovered through dividends. As no taxable temporary differences exist, no deferred tax is provided.

Deferred taxation on the fair value adjustments of investments available-for-sale is provided at 14.5%, as there is a possibility that these investments will be realised in the medium term.

	2007 R million	2006 R million
<b>21. TAXATION (continued)</b>		
<b>21.4 Tax losses</b>		
Estimated tax losses available for set-off against future taxable income	245	60
Utilised to create deferred tax asset	(168)	(60)
	77	–
<b>21.5 Secondary taxation on companies (STC)</b>		
The STC credits on 31 March, which could be set off against future dividend payments, amount to		
– The Company	172	596
– Subsidiary companies	1 356	1 223
Unutilised STC credits	1 528	1 819
<p>A foreign wholly owned subsidiary company of Remgro has reserves available that will give rise to additional STC credits of R1 538 million (2006: R1 471 million) when declared as dividends to its South African holding company.</p> <p>Remgro's history of dividends received compared to ordinary dividends paid suggests increasing STC credits over time. It is therefore unlikely that Remgro's STC credits will be utilised against ordinary dividends paid in the foreseeable future, and consequently no deferred tax asset has been created for the Company's unutilised STC credits.</p>		
<b>22. EQUITY ADJUSTMENT</b>		
<b>Share of net attributable profit of associated companies – per income statement</b>	<b>6 003</b>	4 354
Minority interest	–	(6)
Share of net profit retained in distributable reserves	–	(7)
Dividends received from associated companies	(2 748)	(3 349)
Share of net profit retained by associated companies	3 255	992
Exchange rate differences on translation between average rates and year-end rates	111	(95)
Equity adjustment transferred to non-distributable reserves (Refer to statements of changes in equity)	3 366	897
Portion of the share of net profit/(loss) retained by associated companies, that has been accounted for from unaudited interim reports and management accounts	1 102	587
<b>Contingent liabilities of associated companies</b>		
Guarantees to third parties – Performance guarantees, suretyships and letters of credit of various associated companies	393	371
Contingent tax liabilities	103	108

Product liabilities – British American Tobacco Plc (BAT) has contingent liabilities in respect of litigation regarding product liability, overseas taxation and guarantees in various countries. Despite the quality of defences judged by BAT to be available, BAT is of the opinion that there is a possibility that its results of operations or cash flows could be materially affected by the outcomes of such matters, which could give rise to a consequent effect on Remgro's share of BAT's results and attributable net assets.

Claims – There are a number of legal or potential claims against various associated companies, the outcome of which cannot be foreseen, but are not regarded as material individually or on a group basis.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	CONSOLIDATED		THE COMPANY	
	2007 R million	2006 R million	2007 R million	2006 R million
<b>23. CASH FLOW INFORMATION</b>				
<b>23.1 Adjustments</b>				
Depreciation, amortisation of goodwill and trade marks	237	302	–	–
Movement in provisions	(58)	65	–	–
Interest received	(334)	(341)	–	–
Finance cost	30	29	–	–
Dividends received	(156)	(410)	(3 358)	(4 191)
Capital surplus on the sale of investments	(7)	(3 161)	–	–
Net impairment of assets	–	(3)	–	–
Share scheme cost	18	18	–	–
Negative goodwill	(44)	–	–	–
Exchange rate gain/(loss) on foreign cash	622	(85)	–	–
Other	1	(2)	–	–
	<b>309</b>	<b>(3 588)</b>	<b>(3 358)</b>	<b>(4 191)</b>
<b>23.2 Decrease/(increase) in working capital</b>				
Decrease/(increase) in inventories and biological agricultural assets	(180)	(139)	–	–
Decrease/(increase) in trade and other receivables	(109)	(121)	(1)	(4)
Increase/(decrease) in trade and other payables	86	252	3	2
Net movement in derivative instruments	33	(33)	–	–
	<b>(170)</b>	<b>(41)</b>	<b>2</b>	<b>(2)</b>
<b>23.3 Reconciliation of dividends received</b>				
Receivable at the beginning of the year	–	129	–	–
Per income statement	156	410	3 358	4 191
Dividends from associated companies set off against investments	2 748	3 349	–	–
Receivable at the end of the year	(168)	–	–	–
Cash received	<b>2 736</b>	<b>3 888</b>	<b>3 358</b>	<b>4 191</b>
<b>23.4 Reconciliation of taxation paid with the amount disclosed in the income statement</b>				
Paid in advance at the beginning of the year	67	60	–	–
Unpaid at the beginning of the year	(473)	(69)	–	–
Per income statement	(360)	(854)	–	–
– normal income	(339)	(491)	–	–
– capital gain	–	(350)	–	–
– STC	(21)	(13)	–	–
Medi-Clinic	–	91	–	–
Business acquired	–	(3)	–	–
Unpaid at the end of the year	104	473	–	–
Paid in advance at the end of the year	(14)	(67)	–	–
Cash paid	<b>(676)</b>	<b>(369)</b>	<b>–</b>	<b>–</b>
<b>23.5 Reconciliation of dividends paid</b>				
Per statements of changes in equity	(3 748)	(4 525)	(3 782)	(4 860)
Paid by subsidiary companies to minority	(65)	(151)	–	–
Cash paid	<b>(3 813)</b>	<b>(4 676)</b>	<b>(3 782)</b>	<b>(4 860)</b>

	2007 R million	2006 R million
<b>24. STAFF COSTS</b>		
Salaries and wages	1 254	2 399
Share-based payments	20	18
Retirement benefits	1	9
Pension costs – defined contribution	79	111
Pension costs – defined benefit	(95)	4
Other post-retirement benefits	11	38
Other	36	24
	<b>1 306</b>	<b>2 603</b>

**25. DIRECTORS' EMOLUMENTS**

	<i>Executive</i> R'000	2007 <i>Non- executive</i> R'000	Total R'000	<i>Executive</i> R'000	2006 <i>Non- executive</i> R'000	Total R'000
<b>Executive directors</b>						
Fees	615		615	560		560
Salaries	11 472		11 472	9 843		9 843
Retirement fund contributions	2 411		2 411	2 183		2 183
Other benefits	1 238		1 238	1 236		1 236
Subtotal	15 736		15 736	13 822		13 822
<b>Non-executive directors</b>						
Independent		801	801		862	862
Non-independent		4 217	4 217		3 390	3 390
Total	15 736	5 018	20 754	13 822	4 252	18 074
Increase in value – Remgro Share Scheme*	5 607	–	5 607	58 153	4 151	62 304

\* Refer note 26.1 on page 89.

	<i>Fees</i> R'000	2007 <i>Salaries and other</i> R'000	Total R'000	<i>Fees</i> R'000	2006 <i>Salaries and other</i> R'000	Total R'000
<b>Paid by:</b>						
The Company	801		801	862		862
Management company	492	8 735	9 227	1 008	16 204	17 212
Subsidiary company	553	10 173	10 726	–	–	–
	<b>1 846</b>	<b>18 908</b>	<b>20 754</b>	<b>1 870</b>	<b>16 204</b>	<b>18 074</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

## 25. DIRECTORS' EMOLUMENTS (continued)

	Fees R'000	Salaries R'000	2007 Retire- ment fund R'000	Other benefits <sup>(9)</sup> R'000	Total R'000	Fees R'000	Salaries R'000	2006 Retire- ment fund R'000	Other benefits <sup>(9)</sup> R'000	Total R'000
<b>Executive</b>										
W E Bührmann	123	1 272	276	219	1 890	112	1 183	256	218	1 769
D M Falck	123	1 884	403	316	2 726	112	1 657	361	316	2 446
J A Preller	123	864	196	219	1 402	112	803	181	218	1 314
M H Visser <sup>(1)</sup>	123	6 224	1 268	265	7 880	112	5 084	1 142	266	6 604
T van Wyk	123	1 228	268	219	1 838	112	1 116	243	218	1 689
Subtotal	615	11 472	2 411	1 238	15 736	560	9 843	2 183	1 236	13 822
<b>Non-executive (independent)</b>										
G D de Jager <sup>(2)</sup>	160				160	112				112
P K Harris	147				147	134				134
E Molobi <sup>(3)</sup>	–				–	112				112
J F Mouton <sup>(4)</sup>	99				99	168				168
D Prins	198				198	168				168
M Ramos (Miss) <sup>(5)</sup>	–				–	–				–
F Robertson	197				197	168				168
Subtotal	801				801	862				862
<b>Non-executive (non-independent)</b>										
P E Beyers <sup>(6a)</sup>	123	645	155	100	1 023	112	369	93	37	611
J W Dreyer <sup>(6a)</sup>	123	1 328	287	100	1 838	112	567	135	50	864
E de la H Hertzog <sup>(6b)</sup>	123	916	183	73	1 295	112	859	170	72	1 213
J Malherbe <sup>(7)</sup>	61	–	–	–	61	–	–	–	–	–
J P Rupert <sup>(8)</sup>	–	–	–	–	–	112	420	115	55	702
Subtotal	430	2 889	625	273	4 217	448	2 215	513	214	3 390
Total	1 846	14 361	3 036	1 511	20 754	1 870	12 058	2 696	1 450	18 074

1. Mr M H Visser earns in addition to the above a director's fee of GBP75 000 (2006: GBP60 000) per annum from British American Tobacco Plc, an associated company.
2. Mr G D de Jager was a member of the Audit and Risk Committee as well as the Remuneration and Nomination Committee for six months.
3. Mr E Molobi passed away on 4 June 2006.
4. Mr J F Mouton retired as an independent non-executive director on 11 October 2006. He was a member of the Audit and Risk Committee as well as the Remuneration and Nomination Committee for six months.
5. Miss M Ramos was appointed as an independent non-executive director on 26 March 2007.
6. (a) For the 2006 financial year the amounts presented only amount to 50% of total remuneration as these personnel also served as directors of VenFin Limited.  
(b) These amounts represent 33.3% of the total emoluments paid. The other 66.7% is recovered from Medi-Clinic for services as director of Medi-Clinic.
7. Mr J Malherbe was appointed as a non-executive director on 11 October 2006.
8. Mr J P Rupert receives no emoluments since 30 September 2005.
9. Benefits include medical aid contributions and vehicle benefits.

## 26. SHARE-BASED PAYMENTS

### 26.1 Remgro Share Scheme

The share-based payments that are accounted for in the financial statements are in respect of the Remgro Share Scheme (the "Scheme") and consist of ordinary shares in Remgro Limited that were offered to participants in terms of the Scheme. The offers are valid for one year from the offer date. The Scheme is a deferred purchase scheme and payment takes place in three equal instalments, the first of which is payable three years after the offer date. Participants have no rights to delivery, voting or ordinary dividends on shares before payment has been made. Participants may choose to pay on a later date, with the resultant deferment of rights. Payment relating to offers before 26 November 2004 must be settled within ten years, while offers thereafter must be settled before seven years have passed.

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

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

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

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

	2007 R' 000	2006 R'000
Fair value of offers made during the year	53 353	2 681
Share-based payment cost included in the income statement (in accordance with IFRS 2)	10 275	8 067
– Portion attributable to directors	6 651	5 657

Although the Group elected, in accordance with the transitional provisions of IFRS, to only apply IFRS 2 on transactions entered into after 7 November 2002 that had not vested at 1 January 2005, the following information relates to all offers to the participants of the Scheme.

Number of weighted average exercise prices of all share offers to participants of the Scheme:

	2007		2006	
	Number of shares	Rand	Number of shares	Rand
Previous financial years	3 093 691	59.24	4 375 782	54.26
Offered and accepted in current financial year	569 699	135.02	29 079	114.75
Shares paid for and delivered	(262 016)	49.52	(1 308 790)	43.80
Resignations and other	(4 380)	98.67	(2 380)	68.02
Total at 31 March	3 396 994	72.65	3 093 691	59.24
Exercisable at the end of the period	1 797 087	48.46	1 804 454	46.38

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FOR THE YEAR ENDED 31 MARCH 2007

## 26. SHARE-BASED PAYMENTS (continued)

### 26.1 Remgro Share Scheme (continued)

Exercise price range of all offers:

	Number of shares outstanding at year-end	2007 Weighted average contract lifetime in years	Weighted average exercise price per share (Rand)	Number of shares outstanding at year-end	2006 Weighted average contract lifetime in years	Weighted average exercise price per share (Rand)
R40 – R60	1 464 972	3.57	44.98	1 677 301	4.58	45.07
R60 – R80	678 927	6.16	64.67	729 469	7.16	64.75
R80 – R100	656 615	5.13	86.82	658 205	6.14	86.81
R100 – R120	28 430	5.67	114.93	28 716	6.67	115.02
> R120	568 050	6.24	135.01	–	–	–

The following assumptions were used in the binomial model to value offers:

	2007	2006
Weighted average Remgro share price for the year (R)	150.20	116.98
Exercise price (R)	132.60 – 137.80	93.80 – 124.00
Average expected exercise period (years)	5 – 7	5 – 7
Price volatility (%)	20.05 – 20.18	19.9 – 21.3
Risk-free rate (%)	7.1 – 8.6	7.1 – 8.3
Expected dividend yield (%)	2.9 – 3.1	3.2 – 3.7

#### Current status – offers to directors

– ordinary shares

Participant	Balance of shares accepted as at 31 March 2006	Shares accepted during the year	Date of acceptance of shares	Offer price (Rand)	Number of shares paid and delivered	Date of payment and delivery of shares	Share price on date of payment and delivery (Rand)	Increase in value* (R'000)	Balance of shares accepted as at 31 March 2007
<b>Executive</b>									
W E Bührmann	97 872	7 303	26/06/06	87.86					97 872
				135.00					7 303
D M Falck	458 716			43.60					458 716
	104 917			63.00					104 917
	30 050	92 988	26/06/06	87.86					30 050
				135.00					92 988
J A Preller	24 466			43.60					24 466
	34 572			87.86					34 572
		30 167	26/06/06	135.00					30 167
M H Visser	278 979			63.00					278 979
	342 488			87.86					342 488
		172 681	26/06/06	135.00					172 681
T van Wyk	24 464			43.60	24 464	02/08/06	143.50	2 444.0	
	33 195			48.20	33 195	02/08/06	143.50	3 163.4	
	42 161			87.86					42 161
		41 598	26/06/06	135.00					41 598
Subtotal	1 471 880	344 737			57 659			5 607.4	1 758 958
<b>Non-executive</b>									
P E Beyers	191 130			43.60					191 130
J W Dreyer	191 130			43.60					191 130
J P Rupert	414 938			48.20					414 938
Subtotal	797 198								797 198
Total	2 269 078	344 737			57 659			5 607.4	2 556 156

\* It refers to the increase in value of the scheme shares of the indicated participants from the offer date to the date of payment and delivery.

**26. SHARE-BASED PAYMENTS (continued)**
**26.1 Remgro Share Scheme (continued)**
**Current status – offers to directors**

– ordinary shares

Participant	Balance of shares accepted as at 31 March 2005	Shares accepted during the year	Date of acceptance of shares	Offer price (Rand)	Number of shares paid and delivered	Date of payment and delivery of shares	Share price on date of payment and delivery (Rand)	Increase in value* (R'000)	Balance of shares accepted as at 31 March 2006
<b>Executive</b>									
W E Bührmann	185 229			43.60	185 229	05/01/06	123.30	14 762.8	–
	97 872			87.86					97 872
D M Falck	458 716			43.60					458 716
	104 917			63.00					104 917
	30 050			87.86					30 050
J A Preller	73 394			43.60	48 928	27/03/06	133.39	4 393.2	24 466
	34 572			87.86					34 572
M H Visser	489 296			43.60	489 296	05/01/06	123.30	38 996.9	–
	278 979			63.00					278 979
	342 488			87.86					342 488
T van Wyk	33 195			48.20					33 195
	24 464			43.60					24 464
	42 161			87.86					42 161
Subtotal	2 195 333				723 453			58 152.9	1 471 880
<b>Non-executive</b>									
P E Beyers	191 130			43.60					191 130
J W Dreyer	191 130			43.60					191 130
E de la H Hertzog	57 339			43.60	57 339	13/12/05	116.00	4 151.3	–
J P Rupert	414 938			48.20					414 938
Subtotal	854 537				57 339			4 151.3	797 198
Total	3 049 870				780 792			62 304.2	2 269 078

\* It refers to the increase in value of the scheme shares of the indicated participants from the offer date to the date of payment and delivery.

No shares were offered to the directors for the financial year to 31 March 2006.

**26.2 Rainbow Share Scheme**

Rainbow has an equity settled share scheme for certain of its employees in terms of which share options offered are exercisable in three equal tranches from two, three and four years after the grant date. Subject to the discretion of the Rainbow Share Incentive Trust's trustees, options are forfeited if not exercised before termination of employment. An expense of R8.0 million (2006: R5.9 million) relating to this scheme was recognised in the income statement.

	2007 R million	2006 R million
<b>27. COMMITMENTS</b>		
Capital commitments	704	275
Uncompleted contracts for capital expenditure	106	173
Capital expenditure authorised but not yet contracted	253	102
Investment liabilities	345	–
Operating lease commitments	122	105
Due within one year	37	31
Due – two to five years	79	64
Due thereafter	6	10
	826	380

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

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## 28. BORROWING POWERS

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

## 29. FINANCIAL INSTRUMENTS

### 29.1 Financial instruments and risk management

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

Financial instruments on the balance sheet include investments, loans receivable, debtors, cash, creditors, long-term loans and derivative instruments. Details of the nature, extent and terms of these instruments are explained in the notes to the relevant items. Relevant financial risks and programmes that limit these risks are summarised as follows:

#### **Market risk**

##### *Price risk*

Exposure to share price risk is due to investments in listed and unlisted shares. "Investments available-for-sale" consists mainly of the investment in Impala Platinum Holdings Limited that is included at market value under "Investments – Other" in the balance sheet. The executive committee monitors all investments continuously and makes recommendations to the Board of Directors in this regard.

Price risk due to movements in commodity prices of certain key raw materials affects operating subsidiary companies in the sugar, aluminium and chicken industries. These risks are limited by using preferred supplier agreements and commodity option and futures contracts.

##### *Foreign exchange risk*

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

Net assets of investments in foreign operations are exposed to foreign exchange translation risk. The most prominent of these is the investment in Remgro Investments Limited, Jersey, that owns the stake in R&R. At year-end the carrying value of the investment in R&R was £1 188 million (2006: £1 159 million) and it also had cash amounting to £219 million (2006: £162 million) abroad.

#### **Credit risk**

At year-end no significant "Loans receivable" were outstanding. No significant concentration of credit risk existed regarding debtors as customers are spread over a wide geographical area. Policies and procedures are in place ensuring that sales occur only to customers with an acceptable credit history.

Derivative instrument and cash transactions are limited to financial institutions with good credit ratings. The treasury committee approves these institutions and determines limits for credit exposure in each entity.

#### **Liquidity risk**

The Company and its subsidiary companies have substantial cash balances at their disposal and minimum long-term debt that limit their liquidity risk. Nevertheless it is ensured that adequate credit facilities are available to maintain flexibility in the funding of transactions.

#### **Interest rate risk**

Due to significant cash investments, movements in market interest rates influence income. The profile of the cash and cash equivalents is explained in note 11.

The Company and its subsidiary companies are also exposed to interest rate risk due to long-term debt. The interest profile of the liabilities is disclosed in note 15.

## 29. FINANCIAL INSTRUMENTS (continued)

## 29.2 The following material derivative instruments existed at 31 March:

Assets	2007			2006		
	Currency value million	Forward value R million	Fair value R million	Currency value million	Forward value R million	Fair value R million
<i>Foreign exchange contracts</i>						
Buy: USA dollar (USD)	1.3	8.7	2.6	12.0	74.2	1.6
Sell: USA dollar (USD)	20.5	154.4	3.1	7.3	46.9	1.2
			5.7			2.8
<i>Other derivative instruments</i>						
Sugar selling contracts			9.7			24.7
Maize option contracts			0.3			1.6
Maize purchase contracts			–			16.6
			10.0			42.9
			15.7			45.7
<b>Liabilities</b>						
<i>Foreign exchange contracts</i>						
Buy: British pound (GBP)	–	–	–	0.8	8.7	0.3
USA dollar (USD)	–	–	–	1.7	10.6	0.3
Other	0.1	0.8	–	9.2	3.8	0.2
Sell: USA dollar (USD)	3.7	27.7	0.4	12.3	75.5	1.1
			0.4			1.9
<i>Other derivative instruments</i>						
Sugar selling contracts			9.3			26.6
Maize option contracts			16.9			–
			26.2			26.6
			26.6			28.5

## 29.3 Fair value

On 31 March 2007 and 2006 the fair value of financial instruments approximates their carrying value.

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

**Financial instruments available-for-sale:** Fair value is based on available market information or, in the case of unlisted instruments, appropriate valuation methodologies.

**Cash and cash equivalents, debtors, creditors and short-term loans:** Due to the expected short-term maturity of these financial instruments their carrying values approximate fair value.

**Borrowings:** The fair value of long-term borrowings is based on discounted cash flows using the effective interest rate method. As the interest rates of long-term borrowings are all market related their carrying values approximate fair value.

**Derivative instruments:** The fair value of derivative instruments is determined by using mark-to-market valuations.

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FOR THE YEAR ENDED 31 MARCH 2007

	2007 R million	2006 R million
<b>30. GUARANTEES AND CONTINGENT LIABILITIES</b>		
<b>30.1 Guarantees</b>		
Guarantees by subsidiary companies	4	6
<b>30.2 Contingent liabilities</b>		
Legal actions pending	4	2
Contract grower guarantees*	53	35
Other	19	26
	<b>76</b>	<b>63</b>

\* Certain subsidiary companies have contingencies relating to certain contract grower arrangements. It is not anticipated that any material liabilities will arise from these contingencies.

## 31. RELATED PARTY INFORMATION

### Subsidiaries

Details of income from and investments in subsidiary companies are disclosed in note 20 and in Annexure A respectively.

### Associated companies

Details of investments in and income from associated companies are disclosed in notes 6 and 22 respectively, as well as in Annexures B and C.

### Key management personnel

Only Remgro's directors are key management personnel. Information on directors' emoluments and their shareholding in the Company appears in notes 25 and 26 as well as in the Report of the Board of Directors.

### Shareholders

Details of the principal shareholder appear in the Report of the Board of Directors. A detailed analysis of shareholders appears on pages 103 and 104 of the Annual Report.

### Other

Certain contractually agreed upon, supporting and other services are rendered to VenFin Limited. Refer to note 19.

### Related party transactions

	2007 R million	2006 R million
<b>CONSOLIDATED</b>		
<b>Transactions of Remgro Limited and its subsidiary companies with:</b>		
<i>Controlling shareholder</i>		
Dividends paid	277	331
<i>Associates</i>		
Interest received	35	67
Dividends received	2 748	3 348
Sales	12	–
Administration fees	12	–
Purchases	200	107
Interest paid	–	1
Other expenses	1	2
<i>Key management personnel</i>		
Salaries and other benefits	18	15
Retirement benefits	3	3
Share-based payments	7	6

	2007 R million	2006 R million
<b>31. RELATED PARTY INFORMATION (continued)</b>		
<b>CONSOLIDATED (continued)</b>		
<b>Transactions of Remgro Limited and its subsidiary companies with (continued):</b>		
<i>Other</i>		
Fees received from VenFin Limited	21	–
<b>Balances due from/(to) related parties</b>		
Associated companies	(13)	(49)
<b>THE COMPANY</b>		
<b>Transactions of Remgro Limited with:</b>		
<i>Subsidiary companies</i>		
Dividends received	3 358	4 191
Administration fees received	4	4
Share capital reacquired	–	(4 535)
<b>Balances due from/(to) related parties</b>		
Subsidiary companies	2 366	2 790

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

2007  
R million

**32. BUSINESSES ACQUIRED**

During the year under review, a subsidiary company in the Group acquired a business. The assets and liabilities arising from this acquisition were as follows:

Net assets acquired	4
Goodwill (note 5)	7
<b>Cash paid</b>	<b>11</b>
Cash acquired from business	3
<b>Net cash flow on acquisition of business</b>	<b>14</b>

The business was acquired on 1 April 2006 and the revenue and net profit included in the results of the Group, amount to R38 million and R2 million respectively.