

# GENERAL REPORT

## FINANCIAL REVIEW

### INTRODUCTION

The South African economy registered a 5.1% real GDP growth rate in 2007, in line with the average growth tempo over the period since 2004. A particularly encouraging development during the course of 2007 was the strong fixed investment momentum in the economy, both in the private and the public sector. Outside of the residential sector, private fixed investment grew by no less than 16% during the final quarter of 2007.

On the other hand it was clear that household budgets came under increasing pressure towards the end of the year due to the impact of higher inflation and interest rates since 2006. The consumer boom over the 2004-07 period, where real household consumption spending grew by average annual growth rates in the region of 7-8%, has probably come to an end. The consumer sector is facing a period of cyclical adjustment.

The cyclical slowdown in the economy is reflected in lower business and consumer confidence levels. Confidence took a serious knock during the first quarter of 2008, not only as the cyclical slowdown in the economy intensified, but also due to three exogenous headwinds. Firstly, the global economic slowdown triggered by the US sub-prime financial crisis and reinforced by the explosion in commodity prices (food, oil and industrial raw materials). Secondly, the local electricity supply crunch, which broke out in full force at the end of January when South Africa's mines were closed for five working days in order to stabilise the grid. Economic life in South Africa is adjusting to scheduled load shedding and power rationing and households, industry and commerce are facing steep increases in electricity prices. Thirdly, the return of political uncertainty in the wake of the Polokwane ANC National Conference where the ANC leadership was radically changed.

The business environment has therefore become substantially more challenging. Whilst the USA is probably entering recession, the global economy is still expected to avoid recession, mainly due to economic resilience in Europe and – to a lesser extent – in Japan, as well as sustained robust growth in emerging economies, led by China. Domestically, inflation hit double digit figures early in 2008 despite interest rates having increased by 450 basis points between June 2006 and April 2008. This reflects the impact of the supply shocks to inflation, driven by escalating food and energy prices. This is a global phenomenon and a major challenge to central banks. It is possible that domestic interest rates increase further as the rolling supply shocks to inflation are fed into inflation expectations and so-called second round effects. This threatens the outlook for trend inflation and longer term economic growth.

Due to the slowing domestic growth momentum and heightened uncertainties, combining with the increased risk aversion of international investors related to global financial instability, the rand has come under pressure. The deficit on the current account of the balance of payments widened to 7.3% of GDP last year. While the rand's depreciation has added to inflationary pressures, it is contributing to a recovery in export growth while import growth is flattening off. A better balance between export and import growth already evident in 2007, combined with strong public sector infrastructure fixed investment spending will prove key supports in terms of aggregate real GDP growth in the current environment where the domestic market has come under substantial pressure.

Given the broader picture, a slowdown to a 3-3½% average real GDP growth rate over the short term (2008/09) will by no means be disastrous, but should rather be seen as an opportunity to find new balance, to reduce excessive debt levels, to increase productivity and to address the infrastructure bottlenecks in the South African economy.

### HEADLINE EARNINGS

Total headline earnings for the year to 31 March 2008 increased by 15.9% from R6 892 million to R7 991 million. Headline earnings per share, however, increased by 16.5% from 1 453.6 cents to 1 692.8 cents due to the favourable impact of the share repurchase programme in the previous year. During the year under review Rainbow Chicken Limited concluded a black economic empowerment (BEE) transaction. The accounting treatment of this transaction resulted in a non-recurring charge of R37 million (Remgro's share), or 7.9 cents per share, against headline earnings for the year under review. Due to this reason headline earnings per share, and its year-on-year comparison, are also presented excluding the non-recurring portion of BEE costs.

Excluding Remgro's share of the non-recurring portion of BEE costs, headline earnings and headline earnings per share increased by 16.5% and 17.0% respectively.

### CONTRIBUTION TO HEADLINE EARNINGS

	Year ended 31 March				
	Non-recurring portion of BEE costs included		Non-recurring portion of BEE costs excluded		2007 R million
	2008 R million	% change	2008 R million	% change	
Tobacco interests	3 579	20.7	3 579	20.7	2 964
Financial services	2 120	35.2	2 120	35.2	1 568
Industrial interests	1 895	(1.5)	1 932	0.4	1 924
Mining interests	264	70.3	264	70.3	155
Corporate finance and other interests	133	(52.7)	133	(52.7)	281
	<b>7 991</b>	15.9	<b>8 028</b>	16.5	6 892

In 2007 headline earnings was impacted favourably by foreign currency gains amounting to R65 million relating to intergroup balances, as well as the accounting recognition of a pension fund surplus amounting to R70 million following the finalisation of a surplus allocation process. Excluding these items, as well as Remgro's share of the non-recurring BEE costs accounted for during the year under review, Remgro's headline earnings and headline earnings per share increased by 18.8% and 19.3% respectively.

*The following commentary, comparing the results to those of the previous year, is based on headline earnings excluding the non-recurring portion of BEE costs.*

The contribution of the tobacco interests, which represents 44.6% (2007: 43.0%) of headline earnings, increased by 20.7%. In sterling, R&R Holdings SA, Luxembourg's (R&R) contribution increased by 12.6%.

Currency movements continued to impact the tobacco interests' contribution to the Group's earnings materially. Due to the weaker rand, the positive currency impact on translation of R&R's contribution to headline earnings (consisting mainly of equity accounted income from BAT) was R250 million during the year under review, compared to R420 million in 2007, as set out in the table below.

	Year ended 31 March	
	2008	2007
Average exchange rate (R/£)	14.2882	13.2898
Closing exchange rate (R/£)	16.0290	14.3449
R&R's contribution (£'m)	251	223
R&R's contribution (R'm)	3 579	2 964
Favourable currency impact (R'm)	250	420

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The combined contribution of FirstRand and RMBH to Remgro's headline earnings from financial services amounted to R2 120 million (2007: R1 568 million). The increase of 35.2% can be attributed mainly to good performances in the retail, corporate and investment banking segments during the twelve months ended 31 December 2007.

The contribution of the industrial interests to headline earnings increased by 0.4% to R1 932 million (2007: R1 924 million). Kagiso Trust Investments (KTI) reported lower results, with a contribution to headline earnings amounting to R88 million (2007: R307 million). During the previous financial year KTI's results were favourably impacted by a fair value adjustment relating to its holding of Metropolitan Holdings Limited preference shares, amounting to R390 million, as well as certain non-recurring profits. During the year under review KTI's fair value adjustment referred to above amounted to only R38 million. Rainbow's contribution to Remgro's headline earnings increased from R293 million in 2007 to R414 million. This increase can be attributed to earnings growth by Rainbow, as well as Remgro's increased shareholding in Rainbow resulting from the offer to Rainbow minorities concluded during June 2007. Distell reported good results with a contribution to headline earnings amounting to R261 million (2007: R210 million), while Nampak reported improved results with a contribution to headline earnings amounting to R163 million (2007: R125 million). Medi-Clinic's contribution to Remgro's headline earnings amounted to R285 million (2007: R278 million), while the Plate Glass group contributed R22 million to headline earnings for the five months since acquisition.

Mining interests' contribution to headline earnings increased by 70.3% to R264 million (2007: R155 million). Dividends received from Implats amounted to R267 million (2007: R147 million). Trans Hex reported a headline loss of R8 million for the year under review (2007: R23 million profit). Remgro's share of this loss amounted to R3 million (2007: R8 million profit).

### EARNINGS

Total earnings increased by 42.5% to R9 893 million (2007: R6 942 million), mainly as a result of a capital gain amounting to R1 167 million realised on the restructuring of Remgro's interest in Unilever, as well as the earnings growth of the underlying investments.

### CASH EARNINGS

Attributable cash earnings (excluding the Group's share of net profits retained by associated companies and joint ventures), before impairments and non-recurring and capital items, increased by 29.6% from R3 660 million to R4 743 million, mainly as a result of an increase in dividends received from associated companies. The latter amounted to R3 380 million compared to R2 580 million in 2007. This increase was mainly due to higher dividends from R&R.

### REPURCHASE OF REMGRO SHARES

At 31 March 2008, 8 554 019 Remgro ordinary shares (1.9%) were held as treasury shares (31 March 2007: 8 554 019 shares). No shares were repurchased by the Company or any wholly owned subsidiary company during the year under review.

The Remgro Share Trust purchased 150 566 (2007: 563 000) Remgro ordinary shares during the year under review at an average price of R189.19 (2007: R132.68) for a total amount of R28.5 million (2007: R74.7 million), while 126 383 (2007: 262 016) shares were delivered to participants against payment of the purchase price.

#### DIVIDENDS

Ordinary dividends of 510.00 cents per share were declared for the year, compared to 434.00 cents the previous year. This represents an increase of 17.5%. The dividend is covered 3.3 times by headline earnings and 2.0 times by cash earnings, against 3.4 times and 1.8 times respectively the previous year.

#### INTRINSIC VALUE

The intrinsic net asset value of the Group includes valuations of all investments, incorporating subsidiary and associated companies and joint ventures, either at listed market value or, in the case of unlisted investments, at directors' valuation. The net assets of wholly owned non-investment subsidiary companies, consisting mainly of monetary items, are included at book value.

The following factors are taken into account in determining the directors' valuation of unlisted investments:

- ♦ Market value and earnings yield of similar listed shares, taking into account that the marketability of unlisted investments is limited and, in some cases, also the tradeability
- ♦ Growth potential and risk
- ♦ Underlying net asset value
- ♦ Profit history and
- ♦ Cash flow projections

The intrinsic net asset value at the end of March 2008 amounted to R253.67 per share. A schedule, setting out the analysis of the intrinsic net asset value per share at 31 March 2008 and 2007, is included at the end of the investment review.

The cash at the centre differs from the cash in the balance sheet. The first-mentioned comprises the following:

	<b>2008</b>	2007
	<b>R million</b>	R million
Per balance sheet	<b>3 934</b>	5 004
Less: Cash of other operating subsidiaries	<b>(661)</b>	(647)
Cash at the centre	<b>3 273</b>	4 357
– Local	<b>619</b>	1 220
– Offshore	<b>2 654</b>	3 137

Cash held by associated companies are not included. For information, R&R's cash and cash equivalents attributable to Remgro at 31 March 2008, amounted to £152 million or R2 433 million (2007: £150 million or R2 151 million).

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The tables below compare the relative performance of the Remgro intrinsic net asset value per share with certain selected JSE indices. No account has been taken of dividends paid by Remgro.

	2008	2007	2006	2005	2004	2003
Intrinsic net asset value –						
Rand per share	<b>253.67</b>	221.00	157.59	119.97	100.36	77.23
JSE – All share index	<b>29 588</b>	27 267	20 352	13 299	10 693	7 680
– Fin & Ind 30 index	<b>23 868</b>	24 960	19 491	13 477	9 953	6 682
– Financial 15 index	<b>7 424</b>	9 345	7 616	5 258	3 782	2 744
– Resource 20 index	<b>64 543</b>	50 018	34 923	21 585	19 961	15 763
Remgro share price (Rand)	<b>195.93</b>	181.00	135.00	93.80	72.00	51.45

Relative performance	1 year to 31 March 2008 (% year on year)	5 years to 31 March 2008 (% comp p.a.)
Intrinsic net asset value	<b>14.8</b>	<b>26.8</b>
JSE – All share index	<b>8.5</b>	<b>30.9</b>
– Fin & Ind 30 index	<b>(4.4)</b>	<b>29.0</b>
– Financial 15 index	<b>(20.5)</b>	<b>22.0</b>
– Resource 20 index	<b>29.0</b>	<b>32.5</b>
Remgro share price	<b>8.2</b>	<b>30.6</b>

The table below compares Remgro's internal rate of return (IRR) with that of certain selected JSE indices. For this purpose it has been assumed that dividends have been reinvested in either Remgro shares or in the particular index, depending on the case.

	IRR From 26 September 2000 to 31 March 2008 (% comp p.a.)
JSE – All share index	<b>22.54</b>
– Fin & Ind 30 index	<b>13.77</b>
– Financial 15 index	<b>13.51</b>
– Resource 20 index	<b>31.58</b>
Remgro share	<b>29.50</b>

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## INVESTMENT REVIEW

(Note: Only limited commentary is given for listed companies seeing that the information is generally available. The unlisted investments are dealt with in more detail.)

### TOBACCO INTERESTS

#### CONTRIBUTION TO HEADLINE EARNINGS

	<b>2008</b>	2007
	<b>R million</b>	R million
R&R Holdings	<b>3 579</b>	2 964

#### R&R HOLDINGS

Remgro's interest in British American Tobacco Plc (BAT) is represented by its one-third holding of the ordinary shares and all of the "2005" participation securities issued by R&R. This gives Remgro an effective interest of 10.6% in BAT at 31 March 2008 (2007: 10.4%). The balance of the ordinary share capital of R&R is held by Compagnie Financière Richemont SA.

There was no change in the number of BAT shares held by R&R. However, due to the positive effect of BAT's continuing share buy-back programme, R&R's interest in BAT increased to 30.0% at 31 March 2008 (2007: 29.4%).

R&R's share of BAT's earnings for the twelve months to 31 March 2008 is based on BAT's results for the year ended 31 December 2007 plus the results for the quarter to 31 March 2008 less the results for the quarter to 31 March 2007.

Remgro's share of R&R's headline earnings consists of 35.46% of R&R's share of the attributable profit of BAT and its share of R&R's non-BAT profit (this includes income attributable to its investment in the "2006" participation securities issued by R&R during March 2006).

	<b>2008</b>	2007
	<b>£ million</b>	£ million
<b>Attributable profit of BAT before non-recurring and capital items</b>	<b>2 275</b>	2 077

R&R's share of the attributable profit of BAT:

– 29.62% to 29.97% (2007: 29.06% to 29.40%)	<b>679</b>	607
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R&R's non-BAT income	<b>12</b>	9
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<b>R&amp;R's headline earnings for the year ended 31 March</b>	<b>691</b>	616
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Remgro's share thereof:

– 35.46% of R&R's share of the attributable profit of BAT	<b>241</b>	215
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– portion of R&R's non-BAT income	<b>10</b>	8
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	<b>251</b>	223
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	<b>R million</b>	R million
<b>Translated at an average R/£ rate of 14.2882 (2007: 13.2898)</b>	<b>3 579</b>	2 964

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## INVESTMENT REVIEW

BAT has a 31 December year-end and reports to its shareholders on a quarterly basis. The following commentary is condensed from BAT's annual report for the year ended 31 December 2007. More complete information in respect of BAT, including the annual and quarterly reports, is available from the BAT website at [www.bat.com](http://www.bat.com).

BAT's adjusted, diluted earnings per share, a good indicator of its underlying performance, grew by 11% to 108.53 pence per share, principally as a result of the strong growth in profit from operations, partly offset by the adverse impact from foreign exchange movements. Basic earnings per share were higher at 105.19 pence compared to the prior year of 92.08 pence.

BAT's cigarette sales volumes from subsidiaries for the year ended 31 December 2007 decreased by 1% to 684 billion, mainly as a result of the high level of trade buying in some markets at the end of 2006, supply chain disruptions in the Middle East and the loss of StiX in Germany. BAT's revenue increased by 3% to £10 018 million but, at comparable rates of exchange, would have increased by 5% as a result of more favourable pricing and an improving product mix.

Profit from operations was 11% higher at £2 905 million or 7% higher if exceptional items were excluded. However, profit from operations at comparable rates of exchange and excluding exceptional items, would have been 11% higher, with all regions contributing to this strong result.

In Europe, profit at £842 million was up £61 million or 8%, at both current and comparable rates of exchange, mainly as a result of higher margins in Russia, Romania, Hungary and Spain, which more than offset the impact of reduced volumes in a number of markets.

In Asia-Pacific, profit rose by £56 million to £672 million, mainly attributable to strong performances from Australasia, Vietnam, Pakistan and Bangladesh, despite the adverse impact of exchange rates. At comparable rates of exchange, profit would have increased by £66 million or 11%.

Profit in Latin America increased by £69 million to £680 million due to good performances in key markets such as Brazil and Venezuela, partly offset by lower profit in Mexico and the adverse impact of some weaker local currencies. At comparable rates of exchange, profit would have increased by £86 million or 14%.

Profit in the Africa and Middle East region was only £2 million higher at £470 million due to exchange rate movements. However, at comparable rates of exchange, profit would have increased by £53 million or 11% with strong performances from South Africa and Nigeria.

The profit from the America-Pacific region increased by £22 million to £446 million as a result of higher profit in local currency in Japan and Canada, partly offset by the impact of weaker exchange rates. At comparable rates of exchange, profit would have increased by £45 million or 11%.

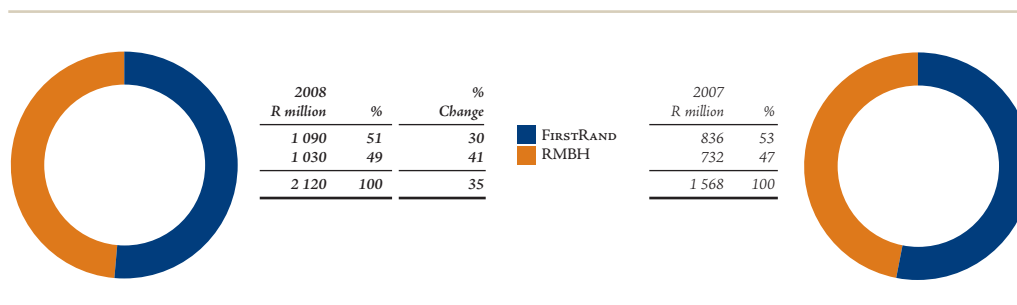
BAT's associated companies comprise Reynolds American, ITC and Skandinavisk Tobakskompagni. BAT's share of the post-tax results of its associates increased by £11 million, or 3% to £442 million, after taxation of £246 million. Excluding exceptional items, BAT's share of the post-tax results of associates was £449 million. However, BAT's share of these results was particularly affected by the weakening of the average US dollar rate against sterling from 1.844 to 2.001 and, at comparable rates of exchange, the increase would have been 11%.

Recently, BAT announced an agreement to acquire 100% of the Skandinavisk Tobakskompagni's (ST) cigarette and snus business in exchange for its 32.25% holding in ST and payment of DKK11 384 million in cash. This transaction is subject to approval by the European Commission. ST accounts for more than 60% of cigarette sales in Scandinavia. In addition, BAT won the

public tender for the cigarette assets of Tekel, the Turkish state owned tobacco company, with a bid of US\$1 720 million (£860 million). On completion, which is expected later in 2008 and is subject to regulatory approvals, the acquisition will raise BAT's market share in Turkey, the eighth largest cigarette market in the world, to some 36% from just over 7% prior to acquisition.

## FINANCIAL SERVICES

### CONTRIBUTION TO HEADLINE EARNINGS



Both FirstRand Limited ("FirstRand") and RMB Holdings Limited ("RMBH") have June year-ends and therefore their results for the twelve months ended 31 December 2007 have been equity accounted in the Remgro results for the period under review.

### FIRSTRAND – LISTED

FirstRand's contribution to Remgro's headline earnings shown in the table above only represents Remgro's 9.3% direct interest in FirstRand and excludes the indirect contribution from FirstRand through Remgro's interest in RMBH.

FirstRand's latest results for the six months ended 31 December 2007 reported that headline earnings increased by 17% to R5 702 million (2006: R4 877 million). These results were achieved amidst continuing volatility in global and local equity markets, combined with rising inflation and interest rates.

The commercial bank, FNB, grew earnings by 25%. WesBank, the instalment finance business, continued to experience slowing retail asset growth and a significant increase in bad debts. Although Wesbank's corporate sales increased, earnings decreased by 14%. RMB, the investment bank, grew earnings by 8% despite a R760 million loss in the equity trading division. Momentum's insurance operations showed continued strong new business volumes resulting in earnings growth of 19%.

FirstRand warned that the outlook for the second half of its financial year ending on 30 June 2008 will be challenging as a result of the deteriorating macro-economic environment, both domestically and globally. Increased interest rates as well as food and fuel price inflation have negatively impacted consumers' affordability levels, particularly in the middle-income market segment. Whilst underlying growth in transactional activity remains strong, retail lending continues to slow down and impairment levels are increasing, impacting the FirstRand Group's earnings for the financial year to 30 June 2008. FirstRand expects that its diluted headline earnings per share will be at levels similar to the financial year ended 30 June 2007.

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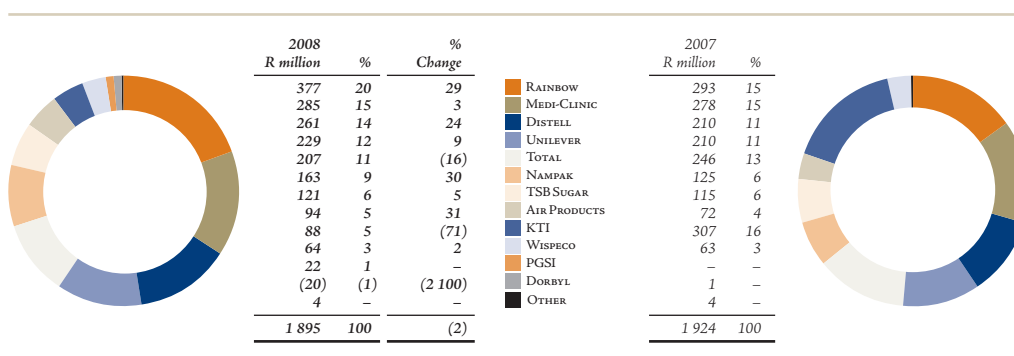
### RMBH – LISTED

For the six months ended 31 December 2007, 86.3% (2006: 87.7%) of RMBH's headline earnings of R2 120 million was from FirstRand, while its other interests contributed 13.7% (2006: 12.3%). RMBH's other interests include OUTsurance Limited, RMB Structured Insurance Limited, Glenrand M.I.B Limited and Discovery Holdings Limited, in which RMBH acquired a direct interest of 25% as result of an unbundling of Discovery by FirstRand in November 2007.

OUTsurance posted excellent results for the six months ended 31 December 2007 with net earned premium income exceeding R1.6 billion, reflecting a 25% increase. An increase in new business volumes and the strong performance of its investment portfolio increased OUTsurance's headline earnings for the six-month period by 31% to R282 million (2006: R216 million). RMB Structured Insurance achieved muted growth in headline earnings of 10% while Glenrand M.I.B, nearing the completion of a restructuring process, reported a loss in challenging market circumstances. Discovery reported a 14% year-on-year increase in interim headline earnings of which R29 million was included in the results of FirstRand for the six months ended 31 December 2007.

### INDUSTRIAL INTERESTS

#### CONTRIBUTION TO HEADLINE EARNINGS



### RAINBOW CHICKEN LIMITED (“RAINBOW”) – LISTED

For the year ended 31 March 2008, Rainbow's headline earnings increased by 10.7% from R477.0 million to R528.1 million, but by 15.1% if income from a feed contamination claim of R28.4 million and the BEE expense of R49.4 million is excluded from headline earnings. This is a commendable result in the prevailing economic conditions.

Rainbow's total revenue increased by 25.9%, underpinned by a 21.5% growth in chicken revenue which contributed 77% of total revenue. Overall chicken sales volumes increased by 6.5%, while price increases enabled the company to recover some of the increased production costs. Chicken sales volume in the South African market is estimated to have grown by 6.0%.

On 18 March 2008, the Rainbow shareholders approved a broad-based BEE transaction in which the BEE partners acquired an effective 15% of Rainbow's entire issued share capital for R915.6 million. The cost of the BEE transaction to Rainbow's shareholders is calculated at R79.3 million of which R49.4 million has been expensed in the year under review. The BEE shares will be subject to restrictions on alienation and encumbrance for a period of 10 years.

Consumer spending is expected to soften over the next six months as a consequence of the higher inflation and interest rate environment. Maize and soya prices are also likely to remain at the current levels, translating into higher feed input costs. Other costs such as fuel, gas, coal, electricity and packaging have also been significantly impacted by inflationary and supply pressures. As in the year under review, it is unlikely that the anticipated production cost increases will be fully recovered from sales.

Rainbow remains focused on key strategic initiatives centred on its consumers and customers. Rainbow has continued to support and invest in its brands via television advertising and consumer-directed campaigns. The *Farmer Brown* brand was reintroduced with a recent national television advertisement that has refreshed the brand's image.

Rainbow's focus on innovation, differentiation and communication continues to prove successful. The level of innovation is planned to be stepped up in the 2009 financial year, with the focus on upper and middle income consumer brackets.

#### **MEDI-CLINIC CORPORATION LIMITED ("MEDI-CLINIC") – LISTED**

Medi-Clinic's turnover increased by 79% to R9 579 million (2007: R5 364 million) for the year under review, while headline earnings increased by 5% to R608 million (2007: R581 million). As a result of the various acquisitions during 2007/08 and the related financing thereof, the results of Medi-Clinic are not directly comparable to those of the previous period.

Medi-Clinic acquired 100% of Hirslanden Finanz AG ("Hirslanden"), the holding company of the largest private hospital group in Switzerland with effect from 26 October 2007. Hirslanden is the leading private hospital group in Switzerland, comprising 13 private acute-care facilities (1 301 beds). The purchase consideration of CHF2 556 million was financed through new debt of CHF2 450 million and a rights issue of R4 500 million. R500 million of the proceeds from the rights issue will be used to fund expansion opportunities in Medi-Clinic's Southern African operations. Since the effective date of the acquisition, Hirslanden's revenue included in Medi-Clinic's results was R3 041 million and operating income before interest, taxation, depreciation and amortisation ("EBITDA") was R708 million.

On 27 March 2007 Medi-Clinic's acquisition of a controlling share (50% plus 1 share) in Emirates Healthcare Holdings Limited became unconditional. Emirates Healthcare owns and operates the Welcare Hospital (120 beds) and is constructing the 210-bed City Hospital. This hospital should be operational in the third quarter of 2008. Emirates Healthcare also has the right to develop another hospital. This will make Emirates Healthcare the largest healthcare provider in Dubai. Turnover from the United Arab Emirates amounted to R482 million and contribution to headline earnings of R18 million was included in the results of Medi-Clinic.

Acquisitions during the year under review of operations in Southern Africa include a 51% interest in the 200-bed Protector Group and a 49% interest in the Tshwane Private Hospitals. Southern Africa revenue increased by 13% to R6 056 million (2007: R5 364 million) and EBITDA was 13% higher at R1 302 million (2007: R1 151 million). Excluding the capacity increase, Medi-Clinic's Southern Africa turnover increased by 12% (2007: 11%), partly due to an increase in both in-patient bed-days and average income per bed-day as well as a slight change in the case profile of patients treated.

During the next financial year, more than 50% of revenue and EBITDA will be derived from foreign operations.

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### **DISTELL GROUP LIMITED (“DISTELL”) – LISTED**

Distell’s financial year-end is 30 June. However, included in Remgro’s headline earnings are the company’s results for the twelve months ended 31 December 2007.

Distell reported that turnover grew by 12.9% (2006: 16.6%) to R4.8 billion (2006: R4.3 billion) on a sales volume increase of 7.6% for the six months ended 31 December 2007. Sales volume in the South African market increased by 5.4% (2006: 11.9%). International sales volume, excluding Africa, grew by 17.7% (2006: 3.3%), resulting in an increase of 20.7% in international turnover. Turnover derived from Africa, excluding South Africa, increased by 23.8% (2006: 16.3%) on sales volume growth of 19.7%.

The increase of 17.9% (2006: 30.2%) in Distell’s headline earnings for the six-month period to R542 million (2006: R460 million) was largely due to continued productivity improvements and effective marketing campaigns.

### **UNILEVER SOUTH AFRICA HOLDINGS (PTY) LIMITED (“UNILEVER SOUTH AFRICA”) – UNLISTED**

Unilever restructured its South African business on 1 October 2007 by merging the Foods, Ice-cream and Home and Personal Care businesses into one legal entity, Unilever South Africa. As part of the restructuring, Remgro’s shareholding changed from 41% of Unilever Bestfoods Robertsons (Holdings) Limited LLC (“UBR”), to 25.75% of Unilever South Africa. Remgro effectively disposed of 15.25% of its interest in the South African foods business and its 41% interest in the Israel business of UBR and acquired a 25.75% interest in the Home and Personal Care business now part of Unilever South Africa. As part of the above restructuring, Unilever South Africa sold its exports business, Unilever Market Development South Africa (Pty) Limited, on 30 September 2007, for a profit of R54 million.

For the twelve months ended 31 March 2008, Remgro included in its headline earnings R228.5 million (2007: R210 million) of the earnings of Unilever.

The combined turnover for the businesses grew by 12% for the year ended 31 March 2008. This growth came predominantly through pricing strategy, as prices were increased substantially in the second half of 2007 to mitigate the impact of rising input costs. The increase in input costs was felt particularly in margarine, soaps and laundry powders, being the categories using the highest proportion of oil-based materials, where the harshest inflationary pressures were felt. This increase in costs was further exacerbated by the depreciation of the rand as oils are bought primarily in US dollar.

Strongest revenue growth came from the Savoury & Dressing (“S&D”), Spreads, Cheeses and Culinary (“SCC”) and Skin care categories. S&D showed continued good performance across its key brands *Knorrox* and *Robertsons* and although its performance was slightly hampered by industrial action at distributors during December 2007 and January 2008, the backlog has now been largely removed. SCC growth was entirely price driven with volumes largely flat on the prior year. The Laundry business came under pressure from increasing competition which resulted in loss of market share.

### **TOTAL SOUTH AFRICA (PTY) LIMITED (“TOTAL”) – UNLISTED**

Total's financial year-end is 31 December and, therefore, its results for the twelve months ended 31 December 2007 have been included in Remgro's headline earnings. Total's contribution to Remgro's headline earnings for the period under review was R207 million (2007: R246 million).

Total's South African market share for main fuels reduced slightly during the year to December 2007, however, sales volumes increased by 5% and gross profit increased in line with the sales volumes.

Refining gross profits in Natref, in which Total has a 36% interest, were down by more than 10% due to lower refining margins and the strengthening of the rand against the US dollar. Natref was shut down for six weeks from May 2007 for planned maintenance, followed by a number of unplanned shutdowns as well. The reduced gross profit contribution from refining was compensated for by an increased marketing margin.

Operating profit was down slightly due to increased overheads. Financing costs were higher due to an increase in working capital requirements, resulting in profit after tax decreasing by 14% compared to the comparative period.

### **NAMPAK LIMITED (“NAMPAK”) – LISTED**

Nampak has a September year-end. Nampak's contribution to Remgro's headline earnings relates to its results for the twelve months to 31 March 2008.

For the six months ended 31 March 2008, Nampak reported revenue growth of only 4% as a result of lower sales volumes in South Africa. Profit from operations increased by 5.5% to R824 million (2007: R781 million). Due to the positive impact of several non-recurring items in that period, Nampak reported an increase in headline earnings per share of 25.4% to 109.9 cents (2007: 87.6 cents) and earnings growth of 39.7% from R462.2 million to R645.9 million.

### **TSB SUGAR HOLDINGS (PTY) LIMITED (“TSB SUGAR”) – UNLISTED**

Tsb Sugar is primarily involved in cane growing and the production, transport and marketing of refined sugar, brown sugar and animal feed. The main area of operation is the Nkomazi region in the Mpumalanga Lowveld. Sugar products are sold under the well-established *Selati* brand. The *Selati* brand enjoys market leadership in its target markets (Gauteng, Mpumalanga, North West and Limpopo), while the recent expansion into other geographic areas has also been very successful. Tsb Sugar's two sugar mills are situated near Malelane and Komatipoort. Tsb Sugar also holds a 27.3% shareholding in Royal Swaziland Sugar Corporation Limited, a company based in Swaziland that owns and operates two sugar mills in Swaziland. In addition, the company holds an effective shareholding of 63.7% in Mananga Sugar Packers – a sugar packaging and marketing company based in Swaziland which markets sugar under the *First* brand in Swaziland as well as in South Africa.

Headline earnings increased by 4.4% to R120.6 million (2007: R115.5 million). Turnover, mainly driven by an increase in volume, increased by 7.9% to R2 509 million (2007: R2 324 million). The stagnant sugar price and increased production costs put headline earnings growth under pressure. Sugar, citrus and animal feed respectively account for 77%, 9% and 9% of turnover (2007: 81%, 8% and 6%).

# GENERAL REPORT

## INVESTMENT REVIEW

The South African sugar industry's total sugar production increased by 2.1% in 2007/08. In comparison, Tsb Sugar's raw sugar production increased by 12.7%. This was due to the favourable climatic conditions in the Tsb Sugar water catchment areas and the subsequent increase in irrigation water. The benefits from the increased sugar production were however offset by lower end-product prices.

A total of 3.952 million tons of cane were crushed this season (2007: 3.629 million tons), with a production of 475 452 tons raw sugar (2007: 421 632 tons) at the two mills operated by Tsb Sugar. The raw sugar to crushed cane ratio of 8.3 compares favourably to the South African sugar industry average of 8.6 and indicates good production efficiencies at both mills. Tsb Sugar operates a refinery at the Malelane Mill complex, where raw sugar received from the company's sugar mills is refined for both the local and export markets. The refinery produced 333 762 tons of refined sugar during the year (2007: 314 432 tons).

Tsb Sugar's animal feed operation, Molatek, produces various products for the livestock market. The major raw materials (molasses and bagasse) used in the production process are by-products of sugar production. Molatek had a record year and increased production volumes by 15.9%.

Tsb Sugar is also invested in citrus through its 51% share in Golden Frontiers Citrus ("GFC"). GFC owns three citrus estates where grapefruit and oranges are cultivated, harvested and packed for the export market. The marketing of the citrus is undertaken by Komati Fruits, a partnership between various citrus producers. GFC harvested 47 000 tons of grapefruit and 25 000 tons of oranges. The increase in exports to 68% (2007: 63%) of production and higher fruit prices resulted in a record year for GFC.

Tsb Sugar is currently investigating ethanol production from sugarcane on a worldwide basis via a company incorporated in the Netherlands, namely Resource Energy. Tsb Sugar owns 25% of Resource Energy and indications are that the first investment in a production facility through Resource Energy may be made in the near future.

The settlement of land claims registered on Tsb Sugar's farms is progressing well, with the Tenbosch land claim finalised during the year under review. Joint management companies, to manage transferred land, were formed with land claimants. The negotiations regarding the remaining land claims are in the final stages and are expected to be concluded early in the coming financial year.

For 2008/09 it is expected that Tsb Sugar's operating results will be positively impacted by increased sugar production and an anticipated recovery in the world price of sugar.

### **AIR PRODUCTS SOUTH AFRICA (PTY) LIMITED ("AIR PRODUCTS") – UNLISTED**

Air Products has a September year-end. For the twelve months ended 31 March 2008, Air Products' turnover grew by 15.3% (2007: 22.4%) from R873.4 million to R1 006.6 million and Remgro's share in its headline earnings by 30.5% (2007: 13.5%) from R72.2 million to R94.2 million. Approximately 40% of the current year's growth in headline earnings is a direct result of the favourable impact of a change in accounting standards regarding arrangements containing leases.

Air Products is the largest manufacturer in Southern Africa of industrial gases. Air Products also imports and distributes a variety of specialty gases and chemical products that are supplied to a wide range of industries, including steel, chemicals, oil refining, resource minerals, glass, pulp and paper, food packaging as well as general manufacturing, fabrication and welding.

The company operates a number of large-scale plants in Southern Africa, providing cost-effective gas supply solutions to major corporations via pipeline supply or bulk liquid gases delivered by road tankers. A variety of smaller customers are supplied with a wide range of products in cylinders or minitanks. Many of these customers are assisted in the use of these products by innovative technologies supplied by Air Products.

Recently an air separation plant has been commissioned on the Zambian copperbelt, and the company's capital expenditure plans for the forthcoming year include the commissioning of a new air separation plant in Newcastle and significant investment in distribution equipment to meet continued strong growth in demand for bulk liquid and cylinder gas products.

#### **KAGISO TRUST INVESTMENTS (PTY) LIMITED ("KTI") – UNLISTED**

KTI is a black economic controlled investment holding company. Its investments are predominantly in the financial services, media and mining sectors. Its two largest investments, by value, are a 4% interest in Metropolitan Holdings Limited and a 48% interest in Kagiso Media Limited.

KTI's financial year-end is 30 June. However, included in Remgro's headline earnings is Kagiso's results for the twelve months ended 31 December 2007.

KTI posted substantially lower earnings for the twelve months ended 31 December 2007, with headline earnings of R211 million compared to R733 million in the prior twelve-month period. The headline earnings is lower mainly as a result of the disposal of stakes in Kagiso Property Holdings in July 2007 and Sanitech in April 2007 and lower fair value gains on the option component of the convertible preference share investment in Metropolitan Holdings Limited that amounted to R38 million as opposed to the significantly higher fair value gain of R390 million included in the December 2006 results. The buoyant platinum price resulted in a significant increase of R76 million in the headline earnings from the operations of the Kagiso Platinum joint venture.

KTI recently entered into a transaction whereby its 25% investment in Matrix Vehicle Tracking (Pty) Limited was exchanged for a 12.5% interest in Telimatrix Limited, a listed company. The profit on this transaction of R69.3 million is included in KTI's operating profit, but not in headline earnings.

#### **WISPECO HOLDINGS LIMITED ("WISPECO") – UNLISTED**

For the twelve months under review, Wispeco's headline earnings included in Remgro's results was R63.9 million (2007: R62.6 million).

Wispeco's financial performance in the year under review was influenced by growing sales volumes, tight margins and volatility in aluminium prices. Sales volumes increased by 8% (2007: 8%) while turnover increased by 14% (2007: 36%). Volatile aluminium prices caused regular stock revaluations, the net effect of which increased operating profits at year-end by R2.7 million.

Since the completion of major plant expansions during the last two years, the focus is shifting to maximise effectiveness and operating efficiencies at these plants. The company expanded vertically into the processing of aluminium waste and a new stockist branch was opened in Port Elizabeth. Further capacity expansion at the company's new premises in Vereeniging is in the project planning phase.

# GENERAL REPORT

## INVESTMENT REVIEW

The company continues to drive training and skills development in the aluminium extrusion industry. During the year under review, a total of 400 people received technical training in the manufacturing of aluminium products. In the new year, the 31 learners currently on the New Venture Creation Learnership (in aluminium fabrication) enter the incubation stage of the business development process. Ten deaf learners have been registered for the Aluminium Fabrication Learnership in 2008.

### **PGSI LIMITED (“PGSI”) – UNLISTED**

PGSI's financial year-end is 31 December. Remgro only acquired its 28.5% interest in PGSI on 31 July 2007 and therefore PGSI's headline earnings for the five months to 31 December 2007 was included in Remgro's results.

For the year ended 31 December 2007, PGSI's turnover grew by 15% to R2 574 million and its headline earnings by 55.6% to R136 million. PGSI's contribution to Remgro's headline earnings for the period under review is R22.3 million.

PGSI, through its wholly owned subsidiary PG Group (Pty) Limited, is the largest flat-glass manufacturer in Africa. Products are supplied to the building and construction, home improvement, furniture, solar energy, new vehicle manufacturing, auto glass replacement and rail industries. The group produces high-quality clear and tint float and rolled glass off its furnaces located in Springs, Gauteng. This raw glass is mainly benefited by PGSI's own value-added building and auto glass processing factories and independent customers.

The Shatterprufe division has three auto glass facilities that produce quality windscreens and side glasses. The Glass South Africa division provides national warehousing and distribution through its 40 locations. The PG Glass division, with 120 own and franchised retail centres, provides repair and replacement solutions for building and auto glass customers. The Primador and Widney subsidiaries manufacture high-quality aluminium glazing systems for the housing and commercial building market and the transport industry. PGSI is also a significant exporter of building and auto glass finished products to Africa, Europe and the USA, with exports contributing 17% of turnover.

In April 2007, the group commissioned a new float line in Springs at a cost of R800 million. The additional capacity has provided timeous raw glass capacity to meet the significant growth in building glass and new vehicle manufacturing demand. Shatterprufe also concluded a number of capital projects to improve its capability to meet new vehicle manufacturing standards. Capital expenditure for the forthcoming year includes the planning and preparation for the repair and upgrade of the existing float line, which is scheduled for May 2009.

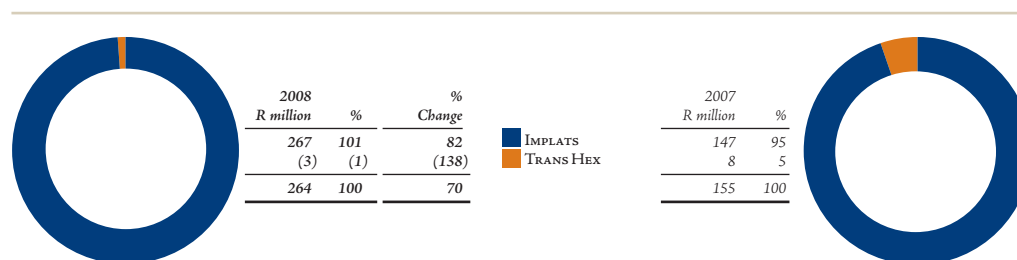
### **DORBYL LIMITED (“DORBYL”) – LISTED**

For the financial year ended 31 March 2008, Dorbyl's turnover decreased by 1.8% from R962.0 million in the comparative period to R944.6 million, while at the same time the operating loss increased from R12.6 million to R83.2 million. Headline earnings per share also decreased from 7.3 cents in 2007 to a headline loss of 143.9 cents per share.

The increasing global price pressure on the industry combined with increased input costs which cannot be fully recovered from customers, adversely impacted on the gross profit margins and the profitability of most of the operations. The difficult market conditions are expected to persist in the coming financial year.

## MINING INTERESTS

### CONTRIBUTION TO HEADLINE EARNINGS



### IMPLATS LIMITED (“IMPLATS”) – LISTED

Remgro’s interest in Implats is 4.4% and only dividend income has been accounted for. Dividend income of R267 million (2007: R147 million) increased by 82% year on year.

### TRANS HEX GROUP LIMITED (“TRANS HEX”) – LISTED

Trans Hex reported a loss of R18.5 million (2007: R41.7 million profit) for the year ended 31 March 2008. The operations conducted by two deepwater mining vessels have been discontinued at the financial year-end, which operations contributed R17.0 million to the total loss of R18.5 million.

Headline earnings per share decreased from 21.7 cents in 2007 to a headline loss of 7.5 cents per share in the current year. Over the same period, headline earnings from continuing operations decreased from 31.2 cents to 8.6 cents per share.

The decline in earnings reported by continuing operations was primarily due to the temporary decommissioning of the Bloeddrif plant, which has subsequently been recommissioned successfully, as well as lower diamond grades mined at Baken during the last quarter, which have subsequently recovered to anticipated levels.

Total rough diamond sales for the financial year decreased by 12% (2007: 12%) and rand revenue was 11% (2007: 5%) lower than the previous year at R881 million.

## CORPORATE FINANCE AND OTHER INTERESTS

	2008 R million	2007 R million
Central treasury	180	266
Net corporate cost	(56)	(61)
Pension fund surplus	–	70
Other interests	9	6
	133	281

### CORPORATE

The central treasury division’s contribution decreased from R266 million to R180 million. This decrease can be attributed mainly to the non-recurrence of foreign currency profits amounting to R65 million relating to intergroup balances accounted for in the comparative year, as well as lower average cash balances compared to 2007.

# GENERAL REPORT

## INVESTMENT REVIEW

The net after-tax corporate costs, which include salaries, donations and the cost of the share incentive scheme, decreased by R5 million, from R61 million in 2007 to R56 million in 2008.

In 2007 headline earnings was also impacted favourably by the accounting recognition of a pension fund surplus amounting to R70 million following the finalisation of a surplus allocation process.

### ACKNOWLEDGEMENT

Mr Denis Falck, our financial director, retired on 18 June 2008 after nearly 37 years of service, half of which was as director of the Group. Through his dedication and integrity he made a huge contribution to the development and success of the Group. We wish him the very best for a well-deserved retirement.

We are pleased to welcome Mr Leon Crouse who joined the Board as financial director on 18 June 2008.

To all of those who contributed to the performance of the Group over the past year, we extend our sincere thanks: to the shareholders for their continued confidence; the managing directors and all colleagues in the various Group companies for their co-operation and support; all other directors, officials and employees for their dedication and all parties concerned for services rendered.



Johann Rupert

Stellenbosch  
18 June 2008



Thys Visser