

# REPORT OF THE BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2008

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 and joint ventures.

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

## RESULTS

Year ended 31 March:	<b>2008</b>	2007
Headline earnings – Excluding non-recurring portion of BEE costs (R million)	<b>8 028</b>	6 892
– per share (cents)	<b>1 700.7</b>	1 453.6
– diluted (cents)	<b>1 656.8</b>	1 409.2
Headline earnings (R million)	<b>7 991</b>	6 892
– per share (cents)	<b>1 692.8</b>	1 453.6
– diluted (cents)	<b>1 649.0</b>	1 409.2
Earnings – net profit for the year (R million)	<b>9 893</b>	6 942
– per share (cents)	<b>2 095.7</b>	1 464.2
– diluted (cents)	<b>2 048.9</b>	1 418.5
Dividends (R million)*	<b>2 471</b>	2 102
– ordinary – per share (cents)	<b>510.00</b>	434.00

\* A final dividend of 330 cents (2007: 281 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)

#### Offer to minority shareholders of Rainbow

During March 2007 Remgro made an offer to buy out the minority shareholding of Rainbow 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 the majority of Rainbow's 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.

In terms of the abovementioned offer, Remgro acquired 30 236 876 Rainbow shares. Of this number of shares 27 749 336 were acquired for a cash consideration of R16.00 per Rainbow share for a total amount of R448.6 million, while 2 487 540 Rainbow shares were acquired through the issue of 201 399 Remgro shares, issued at an average price of R186.10 per Remgro share.

# REPORT OF THE BOARD OF DIRECTORS

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## **RAINBOW** *(continued)*

### **Offer to minority shareholders of Rainbow** *(continued)*

During the year under review Remgro acquired 10 699 024 Rainbow shares in the open market at R16.00 per share for a total amount of R171.9 million. On 31 March 2008, Remgro's effective interest in Rainbow was 74.0% (31 March 2007: 61.4%).

### **Broad-based black economic empowerment (BEE) initiative**

On 18 March 2008 Rainbow shareholders approved a proposal to introduce a strategic BEE shareholding into the company. Rainbow will issue 51 177 217 Rainbow shares (the BEE shares) at R17.89 per share to a BEE consortium (BEECo). BEECo will be owned by the BEE partners and the shares issued to BEECo will represent 15% of the entire issued share capital of Rainbow.

The BEE shares will be issued during June 2008, after the payment of the final dividend to existing Rainbow shareholders. For accounting purposes the effective date of the transaction is 18 March 2008, i.e. the date on which Rainbow shareholders approved the transaction. The purchase price of the BEE shares will be settled by BEECo by issuing redeemable preference shares in BEECo to Rainbow.

For accounting purposes the terms of the issue of the BEE shares and funding thereof are deemed to constitute an option in Rainbow shares granted to BEECo, and accordingly the issue of the BEE shares and the subscription by Rainbow of the BEECo preference shares, are not recognised for accounting purposes. The BEE transaction will accordingly not affect Remgro's effective shareholding in Rainbow until the redemption of the BEE preference shares, referred to above, takes place.

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

With effect from 31 July 2007 Remgro acquired a 24.5% interest, on a fully diluted basis, in PGSI for R719.5 million, including transaction costs. PGSI is the foreign holding company of the Plate Glass group. For the year ended 31 March 2008 PGSI, which has a December year-end, has been equity accounted for the five months to December 2007. In future PGSI will be equity accounted for the twelve-month period ending December each year.

## **Tsb Sugar Holdings (Pty) Limited (Tsb Sugar)**

### **Land claims**

Effective 1 April 2007 Tsb Sugar concluded the Tenbosch land claim whereby it disposed of 4 800 hectares (ha) of irrigated sugarcane agricultural land in the Nkomazi region to land claimants in terms of a land reform transaction for an amount of R285 million. The transaction constituted the first phase of Tsb Sugar's land reform process.

The second phase of Tsb Sugar's land reform transactions is currently in progress and consists of the remaining claimed land, situated mainly in the Malelane area. This phase will comprise the sale of 3 162 ha under sugarcane and 71 ha under litchis, all of which is irrigated, as well as 2 599 ha that is not under irrigation. This transaction is expected to be completed early in the next financial year.

### **Resource Energy BV (RE)**

During the year under review Tsb Sugar, Compagnie Industriali Riunite of Italy and VenFin Limited, established RE. Tsb Sugar acquired a 25% interest in RE for a total amount of R8.6 million, with additional investments to be made on a project-by-project basis.

RE is involved in renewable energy through the acquisition, development and integration of biofuel production facilities, with its initial focus on the production of ethanol from sugarcane.

## **Unilever South Africa Holdings (Pty) Limited (Unilever South Africa)**

Until October 2007 Remgro held a 41% interest in Unilever Bestfoods Robertsons (Holdings) Limited L.L.C. (UBR), which in turn owned 100% of the Unilever South Africa Foods (SA Foods) and Unilever Israel Foods businesses. The UBR venture had no interest in the Unilever South Africa Home and Personal Care (SA HPC) businesses.

Globally, Unilever simplified its organisational structure which, inter alia, entailed the merging of the SA Foods and SA HPC businesses into a single leadership and operating framework under the "One Unilever" programme.

During October 2007 Remgro and Unilever agreed that Remgro would divest from its 41% interest in UBR in exchange for a 25.75% interest in the total South African Unilever business, consisting of the combined SA Foods and SA HPC businesses. An after-tax capital gain of R1 167 million was realised on this transaction.

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

Effective 26 October 2007 Medi-Clinic finalised the acquisition of Hirslanden Finanz AG (Hirslanden) for an amount of CHF2 556 million. Hirslanden is the holding company of the largest private hospital group in Switzerland. Medi-Clinic financed the purchase consideration through interest-bearing debt as well as a rights offer amounting to R4 500 million.

In terms of the rights offer Medi-Clinic issued 198 675 497 shares at an issue price of R22.65 per share. Remgro followed its rights in terms of the rights offer and took up 86 217 868 Medi-Clinic shares amounting to R1 952.8 million. On 31 March 2008 Remgro's effective interest in Medi-Clinic was 45.9% (31 March 2007: 47.6%).

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

On 7 November 2007 FirstRand shareholders approved the proposed unbundling of its shareholding in Discovery Holdings Limited (Discovery). In terms of this transaction, FirstRand distributed its Discovery shareholding to its shareholders on 26 November 2007 in the ratio of 5.61343 Discovery shares for every 100 FirstRand shares.

In terms of a separate agreement with Remgro, RMBH agreed to acquire the 27 008 590 Discovery shares received by Remgro pursuant to the unbundling described above, by issuing 21 302 886 RMBH shares at R33.94 per share for a total amount of R723 million. Remgro realised an after-tax capital gain of R403 million on this transaction.

During the year under review, Remgro also acquired 30 000 RMBH shares in the open market at R33.49 per share for a total amount of R1.0 million. Following these transactions, Remgro's interest in RMBH is 25.0% (31 March 2007: 23.7%).

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

During the 2007 financial year, 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, water and social infrastructure. By 31 March 2007, Remgro invested R4.7 million of the R350.0 million committed. During the year under review Remgro invested a further R45.7 million in KIEF.

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

During the year under review Remgro acquired a further 437 330 Business Partners shares for a total amount of R2.5 million. On 31 March 2008, Remgro's interest in Business Partners was 20.2% (31 March 2007: 20.0%) on a fully diluted basis.

#### **XIOCOM WIRELESS, INC. (XIOCOM)**

During the year under review Remgro acquired a 37.5% interest, on a fully diluted basis, in Xicom, a newly established USA company that specialises in the deployment and operation of wireless broadband networks. Remgro has conditionally committed funds amounting to \$50.0 million to Xicom. By 31 March 2008, \$11 million of the \$50.0 million, was invested.

For the year under review, Xicom was equity accounted for the eight months to 31 March 2008.

#### **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 Remgro ordinary shares during the year under review at an average price of R189.19 for a total amount of R28.5 million, while 126 383 shares were delivered to participants against payment of the purchase price.

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## CASH RESOURCES AND APPLICATION

The Company's cash resources at 31 March 2008 were as follows:

	Local R million	Offshore R million	Total R million
Per consolidated balance sheet	1 280	2 654	3 934
Less: Cash of other operating subsidiaries	(661)	–	(661)
Cash at the centre	619	2 654	3 273
Attributable share of R&R's cash	–	2 433	2 433
<b>Available cash</b>	<b>619</b>	<b>5 087</b>	<b>5 706</b>

On 31 March 2008, £309 million (R4 953 million) of the available offshore cash was invested in United Kingdom Treasury Bills.

The final ordinary dividend per share has been increased by 17.4% to 330 cents. Total ordinary dividends per share in respect of the financial year to 31 March 2008 have therefore increased by 17.5% from 434 cents to 510 cents.

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

	2008 R million	2007 R million
(Based on total issued shares at time of payment)		
Ordinary		
– Interim	872	741
– Final	1 599	1 361
<b>Total</b>	<b>2 471</b>	<b>2 102</b>

## GROUP FINANCIAL REVIEW

### CHANGES IN ACCOUNTING POLICY

#### Restatement of comparative figures in respect of joint ventures

In terms of IAS 31: *Interests in Joint Ventures*, such entities can be accounted for by using proportionate consolidation or alternatively by applying the equity method. Previously the Group proportionately consolidated its interests in jointly controlled ventures and thereby accounted for its share of each of the assets, liabilities, income and expenses of the jointly controlled ventures on a line-by-line basis in its financial statements.

With effect from 1 April 2007 the Group changed its accounting policy for the accounting treatment of jointly controlled ventures from proportionate consolidation to the equity method, as it only has an interest in the outcome generated by the activities of these ventures and not any rights to the individual assets or contractual obligations for expenses or financing of these entities. The change in accounting policy will thus result in more appropriate presentation of investments in joint ventures. This change in accounting policy had no effect on Remgro's net asset value, earnings or headline earnings for the comparative year. Certain line items in the comparative balance sheet and income statement have been restated accordingly. The effect thereof was immaterial.

Restatement of comparative balance sheet as a result of abovementioned prior year adjustment:

	31 March 2007 R million
Decrease in property, plant and equipment	(1)
Increase in investments in joint ventures	8
Decrease in loans granted	(3)
Decrease in current assets	(6)
Decrease in current liabilities	2

## OTHER ADJUSTMENTS

### Restatement of comparative figures in respect of associated companies

During July 2007 the South African Institute of Chartered Accountants issued a new accounting guideline on headline earnings, i.e. Circular 08/07. The effective date of this circular is for all financial periods ending on or after 31 August 2007. The circular requires comparative headline earnings to be restated in accordance with the new prescribed formula if needed. Previously headline earnings was calculated in terms of Circular 07/02.

On 26 November 2007 Remgro published its interim results for the six months ended 30 September 2007. Attention was drawn to the fact that at that stage certain associated companies were not in a position to provide Remgro with the necessary information in order to restate its headline earnings for the comparative periods. This related to associated companies that implemented Circular 08/07 in later financial periods, for example FirstRand Limited and RMB Holdings Limited in respect of their interim reporting to 31 December 2007.

The JSE granted Remgro exemption from complying with Circular 08/07 in respect of listed associated companies that had not yet published their restated headline earnings prior to Remgro releasing its interim results for the six months ended 30 September 2007. The results of those companies included in Remgro's interim report for the six months ended 30 September 2007 were based on their results prepared in terms of Circular 07/02.

The companies mentioned above have subsequently announced their restated results in terms of Circular 08/07 and Remgro has consequently restated its reported results for the six months ended 30 September 2006 and 30 September 2007 respectively, as well as for the year ended 31 March 2007.

*Restatement of headline earnings as a result of the above-mentioned adjustment:*

	Year ended 31 March 2007 R million	Six months ended 30 September 2007 R million	2006 R million
<b>Income statement</b>			
Headline earnings as previously reported	6 853	4 016	3 232
Restatement of comparative figures in respect of associated companies	39	15	(13)
<b>Restated headline earnings</b>	<b>6 892</b>	<b>4 031</b>	<b>3 219</b>
Headline earnings per share as previously reported (cents)	1 445.4	851.0	678.1
<b>Restated headline earnings per share (cents)</b>	<b>1 453.6</b>	<b>854.2</b>	<b>675.3</b>

Attention is drawn to the fact that the results for the six months ended 30 September 2007 and 2006 are unaudited.

### COMPARISON WITH PRIOR YEAR

With effect from 31 March 2007 Business Partners Limited (Business Partners) was reclassified as an investment in an associated company, while previously it was accounted for under "Investments – Other".

For the year under review Business Partners was thus accounted for according to the equity method, while only dividend income was previously accounted for. Certain income statement items are therefore not directly comparable with those of the prior year.

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## 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.

	2008		2007	
	R million	R per share	R million	R per share
<i>Equity employed</i>				
Attributable to equity holders	57 227	121.11	45 672	96.69
<i>Employment of equity</i>				
Tobacco interests	21 891	46.33	20 124	42.60
Financial services	10 559	22.34	8 593	18.19
Industrial interests	15 182	32.14	9 546	20.21
Mining interests	7 619	16.12	5 677	12.02
Corporate finance and other interests	1 976	4.18	1 732	3.67
	57 227	121.11	45 672	96.69

## INCOME STATEMENT

	2008		2007	
	R million	%	R million	%
<i>Source of headline earnings</i>				
Tobacco interests	3 579	45	2 964	43
Financial services	2 120	26	1 568	23
Industrial interests	1 895	24	1 924	28
Mining interests	264	3	155	2
Corporate finance and other interests	133	2	281	4
	7 991	100	6 892	100

	2008	2007
	R million	R million
<i>Composition of headline earnings</i>		
Subsidiary companies	910	888
Profits	933	900
Losses	(23)	(12)
Associated companies and joint ventures	7 081	6 004
Profits	7 148	6 004
Losses	(67)	–
	7 991	6 892

## COMPANY NET PROFIT AND APPROPRIATION

	2008	2007
	R million	R million
The Company's own distributable reserves at the beginning of the year amounted to	2 353	2 779
Net profit for the year	2 135	3 356
Dividend No 14 of 281.00c per share paid in August 2007 (August 2006: 228.00c)	(1 361)	(1 104)
Special dividend of 400.00c per share paid in August 2006	–	(1 937)
Dividend No 15 of 180.00c per share paid in January 2008 (January 2007: 153.00c)	(872)	(741)
The Company's own distributable reserves carried forward to the following year amounted to	2 255	2 353

## SHARE SCHEME

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

Date	Offer price (Rand)	Number of shares offered	Number of shares accepted as at 31 March 2008
20/06/2007	186.70	133 461	130 631
02/07/2007	187.50	278	278
01/08/2007	179.75	330	330
02/08/2007	176.85	13 856	13 856
14/08/2007	177.00	467	467
		148 392	145 562

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

	Average offer price (Rand)	Number of shares
<b>Ordinary shares due to participants</b>		
Previous financial year	72.65	3 396 994
Offered and accepted in current financial year	185.69	145 562
Shares paid for and delivered	56.50	(126 383)
Resignations and other	117.70	(4 250)
<b>Total at 31 March 2008</b>	<b>78.01</b>	<b>3 411 923</b>

Refer to note 24 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 44.83% (2007: 44.84%) of the total votes.

An analysis of the shareholders appears on pages 115 and 116.

## 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.

Mr D M Falck retired as financial director on 18 June 2008. Mr L Crouse was appointed as financial director on 18 June 2008.

In terms of the provision of the Articles of Association, Messrs L Crouse, G D de Jager, J W Dreyer, F Robertson, T van Wyk, Dr E de la H Hertzog and Mrs J A Preller retire from the Board by rotation. These directors are eligible and offer themselves for re-election.

## DIRECTORS' INTERESTS

At 31 March 2008 the aggregate of the direct and indirect interests of the directors and their associates in the issued ordinary share capital of the Company amounted to 0.86% (2007: 0.86%).

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 117.

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## DIRECTORS' EMOLUMENTS

The Board recommends that directors' fees for services rendered as directors during the past financial year be fixed at R2 525 000 (2007: R1 846 000) 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 (No. 61 of 1973), as amended ("Companies Act"), and the Listings Requirements of the JSE Limited ("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 118.

## 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.

## GROUP RESTRUCTURING

During November 2007, Remgro announced that it was considering a restructuring of the Group to split its tobacco assets from its other assets.

All cautionary and other announcements relating to the intended restructuring are available on Remgro's website at [www.remgro.com](http://www.remgro.com).

## DECLARATION OF CASH DIVIDEND

### DECLARATION OF DIVIDEND NO 16

A final dividend of 330 cents (2007: 281 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 2008.

## PAYMENT

The final dividend is payable on Monday, 18 August 2008, to shareholders of the Company registered at the close of business on Friday, 15 August 2008.

Shareholders may not dematerialise or rematerialise their holdings of ordinary shares between Monday, 11 August 2008, and Friday, 15 August 2008, both days inclusive.

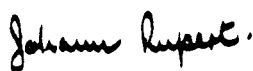
## SECRETARY

The name and address of the Company Secretary appears on page 114.

## APPROVAL

The annual financial statements set out on pages 51 to 113 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 2008