



FirstRand Limited

(Incorporated in the Republic of South Africa)
(Registration number 1966/010753/06)
ISIN: ZAE000066304
Share code (JSE): FSR
Share code (NSX): FST
("FirstRand")



Discovery Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 1999/007789/06)
ISIN: ZAE000022331
Share code (JSE): DSY
("Discovery")



RMB Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 1987/005115/06)
ISIN: ZAE000024501
Share code (JSE): RMH
("RMBH")



Remgro Limited

(Incorporated in the Republic of South Africa)
(Registration number 1968/006415/06)
ISIN: ZAE000026480
Share code (JSE): REM
("Remgro")

Detailed terms announcement regarding the:

- proposed disposal by FirstRand of, in aggregate, 21.6 million Discovery shares to certain members of Discovery's senior management, the Discovery share trust and RMBH for an aggregate consideration of R577.4 million;
- proposed unbundling by FirstRand of its remaining Discovery shares (53.44% of Discovery);
- proposed acquisition by RMBH of, in aggregate, a further 49.7 million Discovery shares from Remgro and the FirstRand staff share trusts for an aggregate consideration of R1,330.5 million to be settled in cash and the issue of new RMBH ordinary shares; and
- withdrawal of the FirstRand cautionary announcement.

1. Introduction

Further to the joint announcement and the FirstRand cautionary announcement released on SENS on 4 September 2007 and published in the press on 5 September 2007, the boards of FirstRand, Discovery, RMBH and Remgro are pleased to announce the detailed terms of the proposed:

- disposal by FirstRand of, in aggregate, 21 569 301 Discovery ordinary shares ("Discovery shares") to Adrian Gore (Chief executive officer of Discovery), Barry Swartzberg (Executive director of Discovery) and certain members of Discovery's senior management ("Discovery senior management"), the Discovery Holdings Limited Share Trust ("Discovery share trust") and RMBH ("the FirstRand disposals") for an aggregate cash consideration of R577.4 million;
- unbundling by FirstRand of its 316 357 337 Discovery shares, remaining after the FirstRand disposals (53.44% of the entire issued share capital of Discovery), to FirstRand ordinary shareholders ("FirstRand shareholders") ("the unbundling"); and
- acquisition by RMBH, pursuant to the unbundling, of, in aggregate, 49 700 040 Discovery shares from Remgro and the FirstRand Black Employee Trust, the FirstRand Staff Assistance Trust, the FirstRand Black Non-executive Trust and the FirstRand Limited Staff Trust ("the FirstRand staff trusts") for an aggregate consideration of R1,330.5 million to be settled in cash and the issue of new RMBH ordinary shares ("the RMBH transactions").

(collectively referred to as "the proposed transactions").

The proposed transactions will become effective on the fulfilment or waiver, as the case may be, of the last suspensive condition.

2. Details of the proposed transactions

2.1 The FirstRand disposals

2.1.1 Rationale for the FirstRand disposals

FirstRand raised a liability of approximately R553 million in order to follow its rights and acquire additional Discovery shares at the time of the Discovery claw-back offer in 2003 ("the liability"). FirstRand will, prior to the unbundling, dispose of, in aggregate, 21 569 301 Discovery shares to Discovery senior management, the Discovery share trust and RMBH resulting in the net cash proceeds of the FirstRand disposals matching the liability. The FirstRand disposals are in terms of an existing pre-emptive right.

The acquisition of Discovery shares by Discovery senior management

2.3 Details of the RMBH transactions

2.3.1 Rationale for the RMBH transactions

RMBH, a 30.07% shareholder in FirstRand, believes in the strategic and value proposition of Discovery and, accordingly, would like to increase its shareholding in Discovery to 25.01%. The unbundling provides RMBH with the opportunity to effectively increase its shareholding in Discovery to meet this objective.

2.3.2 Details of the RMBH transactions

RMBH, in terms of the FirstRand disposals, will acquire 3 209 301 Discovery shares equating to 0.54% of Discovery. In addition, RMBH will receive 95 138 974 Discovery shares pursuant to the unbundling. Immediately following the unbundling, RMBH will hold a 16.61% shareholding in Discovery.

RMBH has reached agreement with the trustees of the FirstRand staff trusts to acquire, subject to the fulfilment or waiver, as the case may be, of the suspensive conditions set out in paragraph 3.2 below, the Discovery shares that the FirstRand staff trusts receive pursuant to the unbundling. In terms of this agreement, RMBH will acquire 22 691 417 Discovery shares for a total consideration of R607.5 million, at the acquisition price of R26.77 per Discovery share. RMBH will therefore own a 20.45% shareholding in Discovery following the unbundling and the acquisition of the Discovery shares from the FirstRand staff trusts.

RMBH has, in terms of a separate agreement with Remgro, agreed to acquire the 27 008 623 Discovery shares that Remgro (through a subsidiary) will receive pursuant to the unbundling for an aggregate consideration of R723.0 million, based on the acquisition price of R26.77 per Discovery share. RMBH will settle the aggregate consideration by issuing 21 302 912 new RMBH ordinary shares ("RMBH shares") to Remgro (or a subsidiary nominated by Remgro) at a price of R33.94 per RMBH share, which is the 10 day historic VWAP of the RMBH share traded on the JSE up to the close of trading on 10 September 2007. Following the FirstRand disposals, the unbundling and the RMBH transactions, RMBH will hold 25.01% of the entire issued share capital of Discovery.

2.4 Small related party transactions

In terms of the JSE Listings Requirements ("listings requirements"):

- the acquisition of Discovery shares by Adrian Gore and Barry Swartzberg

	Unaudited unaudited FirstRand before the proposed transactions (cents)	Unaudited adjusted FirstRand <i>pro forma</i> after the proposed transactions (cents)	Change (%)
Earnings per ordinary share	103.8	106.2	2.3
Fully diluted earnings per ordinary share	100.8	103.1	2.3
Headline earnings per ordinary share	88.2	84.1	(4.6)
Fully diluted headline earnings per ordinary share	85.6	81.7	(4.6)
Normalised earnings per ordinary share	98.3	94.7	(3.6)
Fully diluted normalised earnings per ordinary share	98.2	94.6	(3.6)
Net asset value per ordinary share	743.7	693.3	(6.8)
Net tangible asset value per ordinary share	661.1	612.1	(7.4)

Notes:

- The *pro forma* financial effects are based on unaudited interim financial results of FirstRand for the six months ended 31 December 2006. The financial impact on the earnings of FirstRand are illustrated as if the proposed transactions had been completed at the beginning of the 2007 financial year, while the impact on the net assets of FirstRand are shown as if the proposed transaction had been implemented on 31 December 2006.
- The unbundling will be implemented in compliance with section 90 of the Companies Act, 1973 and in terms of section 46 of the Income Tax Act, 1962.
- The following common assumptions have been used in the calculation of both FirstRand and RMBH *pro forma* financial effects:
 - an income tax rate of 29%;
 - a capital gains tax rate of 14.5%; and
 - an overnight JIBAR rate of 9.6% NACM.
- In terms of the FirstRand disposals, 21.6 million Discovery shares will be sold by FirstRand at a price per Discovery share of R26.77. An allowance of capital gains tax has been included in the calculations.
- The net proceed received from the FirstRand disposal is assumed to be invested at JIBAR.
- As a result of the unbundling, Discovery's assets and liabilities, together with FirstRand's effective proportional share of post acquisition reserves will be eliminated.
- The financial effects set out above have been prepared based on IFRS and interpretations of IFRS applicable at 30 June 2007. It should be noted that IFRS is continuing to evolve through the issue and or endorsement of new Standards and Interpretations and developments in the application of recently issued Standards. For that reason, it is possible that the financial impact and adjustments reflected above may change before the

FirstRand disposals matching the liability. The FirstRand disposals are in terms of an existing pre-emptive right.

The acquisition of Discovery shares by Discovery senior management and the Discovery share trust further enhances Discovery senior management's and Discovery staff's ownership of Discovery and reinforces the existing "owner managed" culture of Discovery.

The rationale for the acquisition of Discovery shares by RMBH is set out in paragraph 2.3.1 below.

2.1.2 Details of the FirstRand disposals

FirstRand will, subject to the fulfilment or waiver, as the case may be, of the suspensive conditions set out in paragraph 3.2 below, dispose of 21 569 301 Discovery shares for a total cash consideration of R577.4 million. This translates to a price of R26.77 per Discovery share, which is the 10 day volume weighted average price ("VWAP") of the Discovery share traded on the JSE Limited ("JSE") up to the close of trading on 10 September 2007.

FirstRand, Discovery senior management, the Discovery share trust and RMBH have reached agreement in terms of which:

- Discovery senior management will acquire 15 062 820 Discovery shares from FirstRand, equating to 2.54% of Discovery, for R403.2 million;
- the Discovery share trust will acquire 3 297 180 Discovery shares from FirstRand, equating to 0.56% of Discovery, for R88.3 million; and
- RMBH will acquire 3 209 301 Discovery shares from FirstRand, equating to 0.54% of Discovery, for R85.9 million.

Accordingly, following the FirstRand disposals, Adrian Gore and Barry Swartzberg will together own 13.88% of Discovery, other members of Discovery senior management will own 3.58% of Discovery and the Discovery share trust will own 2.94% of Discovery. RMBH will initially acquire 0.54% of Discovery in terms of the FirstRand disposals, however, RMBH will, pursuant to the unbundling and following the RMBH transactions (discussed further in paragraph 2.2 and 2.3 below), increase its shareholding to 25.01% of the entire issued share capital of Discovery.

2.2 The unbundling

2.2.1 Rationale for the unbundling

FirstRand's strategy of owning two insurance companies has been consistently monitored by the boards of FirstRand, Discovery and Momentum Group Limited ("Momentum"). This strategy has produced significant growth and created shareholder value as both businesses were able to balance growth in market share with increasing levels of competition.

However, with Discovery's impending launch of its investment business and Momentum's ambitions in the healthcare sector, the FirstRand board has decided that it is, at this time, appropriate to unbundle FirstRand's shareholding in Discovery.

The FirstRand board believes that the unbundling will unlock value for FirstRand shareholders by, *inter alia*:

- giving FirstRand shareholders a direct shareholding in Discovery;
- increasing the liquidity and free float of Discovery shares on the JSE; and
- increasing the strategic flexibility of both Discovery and Momentum, allowing them to pursue their respective business objectives.

2.2.2 Details of the unbundling

FirstRand will, subject to the fulfilment or waiver, as the case may be, of the suspensive conditions set out in paragraph 3.1 below, distribute, in compliance with section 90 of the Companies Act, 1973 and in terms of section 46 of the Income Tax Act, 1962, all of its remaining shareholding in Discovery (which, following the FirstRand disposals, will be equal to 316 357 337 Discovery shares or 53.44% of the entire issued share capital of Discovery) to FirstRand shareholders in proportion to such FirstRand shareholders' shareholding in FirstRand.

In terms of the unbundling FirstRand shareholders can expect to receive approximately 5.63 Discovery shares for every 100 FirstRand shares held on the record date of the unbundling.

2.4 Small related party transactions

In terms of the JSE Listings Requirements ("listings requirements"):

- the acquisition of Discovery shares by Adrian Gore and Barry Swartzberg from FirstRand, in terms of the FirstRand disposals, will be categorised as a small related party transaction for FirstRand;
- the acquisition of Discovery shares by the Discovery share trust from FirstRand, in terms of the FirstRand disposals, will be categorised as a small related party transaction for Discovery;
- the disposal of Discovery shares by the FirstRand staff trusts to RMBH, in terms of the RMBH transactions, will be categorised as a small related party transaction for FirstRand; and
- the issue of RMBH shares to Remgro in settlement of the consideration payable for the Discovery shares acquired from Remgro, in terms of the RMBH transactions, will be categorised as a small related party transaction for RMBH.

(collectively, the "small related party transactions").

Accordingly, FirstRand, Discovery and RMBH are required to appoint an independent professional expert to provide a fair and reasonable opinion to the JSE confirming that the terms and conditions of the small related party transactions are fair and reasonable to shareholders of FirstRand, Discovery and RMBH respectively.

Details of the fair and reasonable opinions will be announced by FirstRand, Discovery and RMBH as soon as practicable after the publication of this announcement and the fair and reasonable opinion statement will lie for inspection at the registered offices of FirstRand, Discovery and RMBH for a period of 28 days from the date on which the announcement regarding the fair and reasonable opinions are released on SENS.

3. Suspensive conditions of the proposed transaction

3.1 Suspensive conditions of the unbundling

The unbundling is conditional upon, *inter alia*, the following suspensive conditions being fulfilled or waived, as the case may be:

- approval by the FirstRand shareholders in a general meeting of the implementation of the unbundling by ordinary resolution;
- implementation of the FirstRand disposals;
- the independent professional expert, where required, confirming to the JSE that the small related party transactions are fair and reasonable to shareholders of FirstRand, Discovery and RMBH respectively; and
- the approval of the Registrar of Long-Term Insurance, in accordance with section 26(2) of the Long Term Insurance Act, 1998, for RMBH to acquire more than 25.00% of the Discovery shares.

3.2 Suspensive conditions of the FirstRand disposals and the RMBH transactions

The FirstRand disposals and the RMBH transactions are conditional upon the following suspensive conditions being fulfilled or waived, as the case may be:

- approval by the FirstRand shareholders in general meeting of the implementation of the unbundling by ordinary resolution; and
- the independent professional expert, where required, confirming to the JSE that the small related party transactions are fair and reasonable to ordinary shareholders of FirstRand, Discovery and RMBH respectively.

4. Pro forma financial effects

4.1 Pro forma financial effects of the proposed transactions on FirstRand

The table below summarises the unaudited *pro forma* financial effects of the proposed transactions on FirstRand based on the unaudited results of FirstRand for the six month period ended 31 December 2006.

The unaudited *pro forma* financial effects are the responsibility of the FirstRand directors and have been prepared for illustrative purposes only to provide information about how the proposed transactions may have affected the financial position of FirstRand on the relevant reporting date. Due to their nature, the unaudited *pro forma* financial effects may not be a fair reflection of FirstRand's financial position after the implementation of the proposed transaction or of FirstRand's future earnings.

or IFRS applicable at 30 June 2007. It should be noted that IFRS is continuing to evolve through the issue and or endorsement of new Standards and Interpretations and developments in the application of recently issued Standards. For that reason, it is possible that the financial impact and adjustments reflected above may change before the presentation of the results of FirstRand Limited for the year ending 30 June 2008.

4.2 Pro forma financial effects of the proposed transactions on RMBH

The table below summarises the unaudited *pro forma* financial effects of the proposed transactions on RMBH based on the unaudited results of RMBH for the six month period ended 31 December 2006.

The unaudited *pro forma* financial effects are the responsibility of the RMBH directors and have been prepared for illustrative purposes only to provide information about how the proposed transactions may have affected the financial position of RMBH on the relevant reporting date. Due to their nature, the unaudited *pro forma* financial effects may not be a fair reflection of RMBH's financial position after the implementation of the proposed transactions or of RMBH's future earnings.

	Unaudited unadjusted RMBH before the proposed transactions (cents)	Unaudited adjusted RMBH <i>pro forma</i> after the proposed transactions (cents)	Change (%)
Earnings per ordinary share	157.7	163.5	3.7
Fully diluted earnings per ordinary share	153.5	159.3	3.7
Headline earnings per ordinary share	134.8	133.0	(1.4)
Fully diluted headline earnings per ordinary share	131.3	129.5	(1.3)
Normalised earnings per ordinary share	155.1	153.1	(1.2)
Fully diluted normalised earnings per ordinary share	155.0	153.1	(1.2)
Net asset value per ordinary share	1,235.7	1,283.4	3.9
Net tangible asset value per ordinary share	1,234.8	1,282.6	3.9

Notes:

1. The *pro forma* financial effects are based on unaudited interim financial results of RMBH for the six months ended 31 December 2006. The financial impact on the earnings of RMBH are illustrated as if the proposed transactions had been completed at the beginning of the 2007 financial year, while the impact on the net assets of RMBH are shown as if the proposed transactions had been implemented on 31 December 2006.
2. It has been assumed that RMBH will acquire, in aggregate, 53.0 million Discovery shares for a total consideration of R1 416 million with R693 million being settled in cash and R723 million being settled through the issue of 21.3 million new RMBH shares at a value of R33.94 per RMBH share.
3. The R693 million cash portion is assumed to funded through the issue of preference shares with a coupon of 8.8% per annum. A related STC charge has been included in the calculations.
4. The common assumptions in note 3 under paragraph 4.1 above have been used to calculate the *pro forma* financial effects for RMBH.
5. The financial effects set out above have been prepared based on IFRS and interpretations of IFRS applicable at 30 June 2007. It should be noted that IFRS is continuing to evolve through the issue and or endorsement of new Standards and Interpretations and developments in the application of recently issued Standards. For that reason, it is possible that the financial impact and adjustments reflected above may change before the presentation of the results of RMBH for the year ending 30 June 2008.

4.3 Pro forma financial effects of the acquisition by the Discovery share trust on Discovery

The proposed transactions will not have a material financial impact on Discovery.

5. Effect on BEE

FirstRand has implemented a Black Economic Empowerment ("BEE") transaction in terms of which the FirstRand Empowerment Trust ("FRET"), the FirstRand Black Employee Trust, the FirstRand Staff Assistance Trust and the FirstRand Black Non-executive Trust (collectively "the BEE Staff Trusts") were created to hold approximately 535 million FirstRand shares for the benefit of BEE parties and black employees of FirstRand. Pursuant to the unbundling, FRET will continue to hold the Discovery shares received pursuant to the unbundling. However, the BEE Staff Trusts will dispose of the Discovery shares received, pursuant to the unbundling, to RMBH.

Accordingly, Discovery, post the unbundling, will have direct BEE ownership of approximately 9.53% which equates to approximately 10.36% of Discovery's South African businesses.

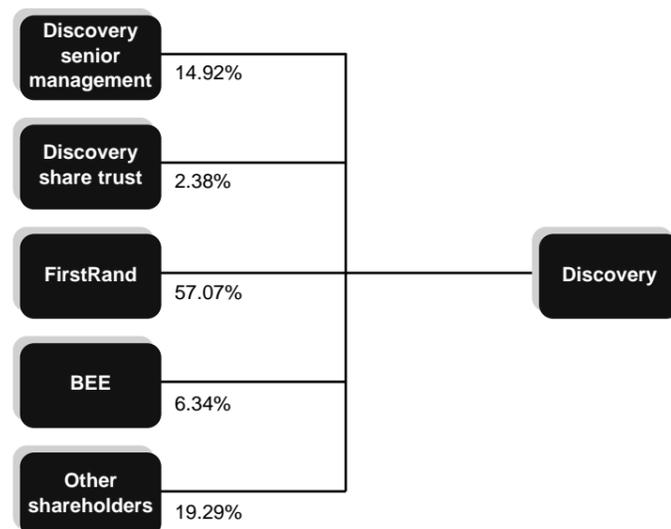
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Detailed terms announcement *continued*

6. Shareholding structure of Discovery

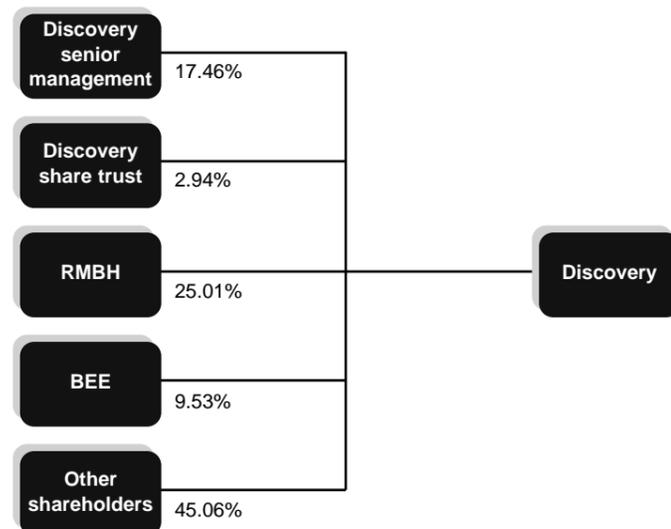
6.1 Current shareholding structure of Discovery

The diagram below illustrates the current shareholding structure of Discovery prior to the proposed transactions.



6.2 Resultant shareholding structure of Discovery

The diagram below illustrates the shareholding structure of Discovery immediately following the proposed transactions.



7. Salient dates and times for the unbundling

The salient dates and times for the unbundling are set out below.

	2007
Post circular to FirstRand shareholders on or about	Monday, 8 October
Last day for receipt of proxy forms for the general meeting by 10:00 on	Monday, 22 October
General meeting to be held at 10:00 on	Wednesday, 24 October
Results of the general meeting released on SENS on	Wednesday, 24 October
Results of the general meeting published in the press on	Thursday, 25 October
Finalisation date announcement and release of entitlement ratio on SENS by no later than	Friday, 26 October
Last day to trade in FirstRand shares on the JSE to participate in the unbundling on	Friday, 2 November
FirstRand shares trade "ex" their entitlement to Discovery shares in terms of the unbundling on	Monday, 5 November

to participate in the unbundling on	Friday, 2 November
FirstRand shares trade "ex" their entitlement to Discovery shares in terms of the unbundling on	Monday, 5 November
Announcement of specified ratio in respect of the apportionment of the cost/base cost of Discovery for taxation/CGT purposes on or about	Wednesday, 7 November
Record date to participate in the unbundling on	Friday, 9 November
Unbundling date on	Monday, 12 November
Dematerialised FirstRand shareholders will have their accounts with their CSDP or broker updated with the Discovery shares received pursuant to the unbundling on	Monday, 12 November
Share certificates in respect of the Discovery shares will be posted, by registered post, at the risk of the certificated FirstRand shareholder concerned, to certificated FirstRand shareholders on	Monday, 12 November

Notes:

1. These dates and times are subject to change. Any such change will be released on SENS and published in the press. Any reference to time is a reference to South African time.
2. No dematerialisation or rematerialisation of FirstRand share certificates may take place after the last day to trade in order to participate in the unbundling.

8. Posting of the FirstRand circular and the general meeting

A circular to FirstRand shareholders, providing information on the proposed transactions and containing a notice of general meeting, will be posted to FirstRand shareholders on or about Monday, 8 October 2007.

A general meeting of FirstRand shareholders, convened in terms of the notice of general meeting, will be held on Wednesday, 24 October 2007 at the registered office of FirstRand, 4th Floor, 4 Merchant Place, Corner of Fredman and Rivonia Roads, Sandton, 2196, for the purpose of considering and, if deemed fit, passing the resolution required to give effect to the unbundling.

9. Withdrawal of FirstRand cautionary announcement

The FirstRand cautionary announcement released on SENS on 4 September 2007 and published in the press on 5 September 2007 is hereby withdrawn. Accordingly, FirstRand shareholders are no longer required to exercise caution when dealing in their FirstRand shares.

13 September 2007
Johannesburg

Merchant bank and sponsor to FirstRand, RMBH and Remgro



Financial advisor to Discovery and transaction sponsor to Discovery and FirstRand



Legal advisor to Remgro



Legal advisor to Discovery



Legal advisor to FirstRand and RMBH



Sponsor to Discovery



INCE