

REPORT OF THE BOARD OF DIRECTORS

for the year ended 31 March 1999

Dear Shareholder

Your Board has pleasure in reporting on the activities and financial results of your Group for the year under review.

NATURE OF ACTIVITIES

Your Company is an investment holding company which derives its income mainly from dividends. The consolidated annual financial statements incorporate the equity accounted attributable income of associated companies.

Your Group's interests consist mainly of investments in tobacco products, banking and financial services, printing and packaging, engineering and motor components, adhesives, life assurance, medical services, mining, petroleum products, pulp and paper, cellular communications, food, wine and spirits and various other trade mark products.

GENERAL REVIEW

Operating results

Year ended 31 March:	1999	1998
Attributable net income (R million)	2 849	2 109
– <i>per ordinary share (cents)</i>	545.8	404.0
Headline earnings (R million)	2 865	2 206
– <i>per ordinary share (cents)</i>	548.9	422.6
Dividends (R million)	1 067	461
– <i>ordinary – per ordinary share (cents)</i>	104.35	88.37
– <i>special – per ordinary share (cents)</i>	100.00	–

Investments

During the year under review the following significant changes occurred in the interests of the Group:

- With effect from 1 April 1998, Malbak Limited (Malbak) acquired the packaging interests of Lenco Holdings Limited as well as the Group's 30% interest in Printpak Limited. During August 1998 Malbak acquired all the shares of Kohler Limited (Kohler) in terms of a scheme of arrangement. Accordingly, the Group's shares in Kohler were exchanged for additional shares in Malbak. During October 1998 an additional investment of R96 million was made in Malbak. On 31 March 1999 the Group's direct interest in Malbak was 42.8%.
- On 21 August 1998 Lenco Investments Holdings Limited distributed its interest in Lenco Holdings Limited (Lenco) to shareholders by way of unbundling. During August 1998 the Group acquired additional shares in Lenco at a cost of R20 million. On 31 March 1999 the effective interest in Lenco was 32.7%.
- During September 1998 Goldfields of South Africa Limited (GFSA) announced a restructuring process. During the first phase, which has been completed, GFSA unbundled its interest in Goldfields Limited and Standard Bank Investment Corporation Limited (Standard Bank). The Group sold the Standard Bank shares it received for R244 million.
- During October 1998 Hunt Leuchars & Hepburn Holdings Limited (HL & H) raised R200 million through a rights-issue to partially fund Transvaal Sugar Limited's expansion programmes. Remgro took up R180.8 million of the rights. During October 1998 a further investment of R31.2 million was made in HL & H. On 31 March 1999 the Group's interest in HL & H was 70.3%.
- On 1 October 1998 the interest of 4.3% in Engen Limited was sold to Petroliam Nasional Berhad for R178.3 million.
- On 1 July 1998 the Perskor Group unbundled certain interests. The shares in M-Cell and MIH/M-Web received in terms of the unbundling, and the investment in Perskor Beleggings Limited, were sold for R55.8 million.

Perskorgroep Limited changed its name to Caxton Publishers and Printers Limited (Caxton). On 31 March 1999 the interest in Caxton was 2.0%.

- During October 1998 the direct investment in Dorbyl Limited was increased to 16.5% at a cost of R32.9 million.
- During October 1998 the interest in Rainbow Chicken Limited (Rainbow) was increased at a cost of R7.6 million. On 31 March 1999 the interest in Rainbow was 55.9%.
- During the year an investment of R45 million was made in Business Partners Limited (previously Small Business Development Corporation Limited). On 31 March 1999 the interest was 14.2%.

On 31 March 1999 the Group's interest in Medi-Clinic Corporation Limited (Medi-Clinic) was 50.4% on a fully diluted basis. The interest above 50% is only temporary as options exist which entitle a third party to take up shares in Medi-Clinic which would dilute your Group's interest to 50% or less. Consequently, Medi-Clinic has not been consolidated as a subsidiary company, but has been equity accounted as an associated company as in the past.

Subsequent to year-end:

On 11 January 1999 Remgro, Compagnie Financière Richemont AG (Richemont) and British American Tobacco Plc (BAT) announced that they had agreed to a merger of Rothmans International B.V. (RIBV) and BAT. RIBV is a wholly-owned subsidiary of Rothmans International Holdings S.A. (RIH). Remgro and Richemont hold a 33^{1/3}% and 66^{2/3}% equity interest respectively in RIH.

In terms of the merger, which was implemented on 7 June 1999, BAT obtained the total issued share capital of RIBV in exchange for which BAT issued new shares (consideration shares) to RIH. The consideration shares represent an economic interest of approximately 35% in the fully diluted ordinary share capital of BAT: 25% in BAT ordinary shares and 10% in BAT convertible preference shares. Remgro's indirect interest in BAT will be accounted for according to the equity method.

GROUP FINANCIAL REVIEW

Changes in accounting policy

The carrying value of investments in associated companies previously included the cost price of investments plus equity adjustments. No adjustments were made for goodwill or negative goodwill.

The policy to account for goodwill and negative goodwill in respect of associated companies was changed during the past financial year. Goodwill is now written off against non-distributable reserves. Negative goodwill is included in non-distributable reserves. This change had no effect on your Group's results. The comparative figures have therefore not been restated. The net amount written off against non-distributable reserves as a result of this change in policy amounted to R356.7 million.

The value of the trade marks of Rothmans International Holdings Soc. An. (RIH), which is substantial, is not reflected in its balance sheet. The carrying value of the investment in RIH is regarded to be fair value and no adjustment was made for goodwill.

Balance sheet

Capital employed at 31 March 1999 amounted to R17 499 million (1998: R14 942 million) of which R16 586 million (1998: R14 325 million) was represented by shareholders' funds.

The interest of own members in shareholders' funds at book value increased by R2 304 million, or R4.41 per share, to R15 174 million, or R29.07 per share (1998: R12 870 million, or R24.66 per share).

The analyses of "Employment of capital" and of "Source of net income" below reflect the divisions into which your Group's interests have been classified. Each division represents the main business sector of the investments classified thereunder. No adjustment has been made where companies are mainly active in one sector but also have interests in other sectors.

REPORT OF THE BOARD OF DIRECTORS - CONTINUED

	1999		1998	
	R mio	R per share	R mio	R per share
<i>Capital employed</i>				
Total capital employed	17 499	33.52	14 942	28.62
Less: Interest of outside shareholders and interest-bearing debt	2 325	4.45	2 072	3.96
	15 174	29.07	12 870	24.66
<i>Employment of capital</i>				
Trade mark group	3 250	6.23	2 345	4.49
Mining interests	4 491	8.60	3 938	7.55
Industrial interests	3 194	6.12	2 973	5.69
Financial services	1 304	2.50	1 257	2.41
Corporate finance and other interests	2 935	5.62	2 357	4.52
	15 174	29.07	12 870	24.66

Income statement

	1999		1998	
	R mio	%	R mio	%
<i>Source of headline earnings</i>				
Trade mark group	1 565	55	1 203	54
Mining interests	369	13	321	15
Industrial interests	301	10	174	8
Financial services	232	8	196	9
Corporate finance and other interests	398	14	312	14
	2 865	100	2 206	100

Due to the nature and composition of the Group, the directors are of the opinion that segmental information in respect of turnover is not meaningful.

	1999	1998
	R mio	R mio
<i>Composition of headline earnings</i>		
Subsidiary companies and joint ventures	1 615	1 132
Profits	1 664	1 262
Losses	49	130
Associated companies – share of net income retained	1 250	1 074
Profits	1 257	1 079
Losses	7	5
	2 865	2 206

COMPANY NET INCOME AND APPROPRIATION

The Company's own net income at the beginning of the year amounts to	2 687	2 597
Net income for the year	920	551
Dividend No 97 of 38.88c per share paid in October 1998 (1997: 33.81c)	(203)	(176)
Special dividend of 100.00c per share paid in October 1998	(522)	–
Dividend No 98 of 65.47c per share paid in February 1999 (1998: 54.56c)	(342)	(285)
The Company's own unappropriated income carried forward to the following year amounts to	2 540	2 687

MAJOR SHAREHOLDER

Your Company's immediate holding company is Rembrandt Controlling Investments Limited.

Technical and Industrial Investments Limited is the ultimate holding company. Rembrandt Trust (Pty) Limited owns 44.5% of the share capital of Technical and Industrial Investments Limited.

SUBSIDIARIES AND INVESTMENTS

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

DIRECTORS

In terms of the provisions of the Articles of Association of your Company, Dr E de la H Hertzog and Messrs P E Beyers, P J Erasmus, J A Rupert and M H Visser retire from the Board. These directors are eligible and offer themselves for re-election.

The names of the directors appear on page 3.

DIRECTORS' INTERESTS

At 31 March 1999 the aggregate of the direct and indirect beneficial interests of the directors in the issued share capital of the Company amounted to 0.10% (1998: 0.10%).

Indirect interests through listed public companies have not been taken into account.

No material change in the interests of directors has taken place between the financial year-end and the date of this report.

DIRECTORS' EMOLUMENTS

Your Board recommends that directors' fees for services rendered during the past financial year be fixed at R138 000 (1998: R180 000).

LONG-TERM MANAGEMENT INCENTIVE SCHEME

Management incentive bonuses can be awarded to senior management in terms of certain standards and long-term objectives. The net annual after-tax cost of the scheme is charged against income and is disclosed separately in the annual financial statements in note 18.

ACQUISITION OF SHARES OF THE COMPANY AND OF ITS HOLDING COMPANY

Amendments to the Companies Act 61 of 1973, which come into effect on 30 June 1999, will make it possible for a company to acquire its own shares and to acquire shares in any of its holding companies subject to the provisions of the Companies Act.

Your Board recommends that the Articles of Association of your Company be amended to authorise such transactions in the shares of the Company and in the shares of any holding company of the Company. Special resolutions to effectuate these amendments are incorporated in the notice of the Annual General Meeting to be held on 24 August 1999.

SECRETARY

The name and address of the company secretary appear on page 44.

APPROVAL

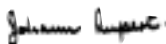
The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements included in this Annual Report. The independent auditors are responsible for reporting on the financial statements.

The annual financial statements are prepared in accordance with generally accepted accounting practice on the going concern basis and incorporate full and responsible disclosure. The annual financial statements are based upon appropriate accounting policies which, with the exception of accounting for goodwill, have been consistently applied in all material respects and supported by reasonable and prudent judgements and estimates.

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

The annual financial statements set out on pages 18 to 40 have been approved by your Board.

Signed on behalf of the Board of Directors.


Johann Rupert
Chairman


Thys Visser
Managing Director

Stellenbosch
15 June 1999