

PRELIMINARY REPORT FOR THE YEAR ENDED 31 DECEMBER 2007



BALANCE SHEET at 31 December 2007

	Notes	Reviewed 2007 R'm	Audited 2006 R'm
ASSETS			
Non-current assets			
Long-term investments		340.3	285.4
Current assets			
Net trading investments	2	131.9	(56.0)
Trade receivables and unsettled sales		414.8	541.9
Cash		203.8	49.1
Total assets		1 090.8	820.4
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital		0.1	0.1
Accumulated profits		13.5	22.5
Non-current liabilities			
Unsecured debentures	3	1 014.5	602.7
Deferred taxation		15.8	18.2
Current liabilities			
Accounts payable		1.9	13.5
Taxation		1.3	-
Trade payables and unsettled purchases		0.2	136.0
Debenture interest payable		59.3	45.6
Total equity and liabilities		1 090.8	820.4
Number of debentures in issue		136 245 025	75 543 777
Number of ordinary shares in issue		8 800 070	8 800 070
		Cents	Cents
Net asset value per debenture (cum interest)		776.6	834.3
Net asset value per debenture (ex interest)		733.1	773.8
Net asset value per ordinary share		152.8	255.7

INCOME STATEMENT

	Notes	Reviewed 2007 R'm	Audited 2006 R'm
Investment income		71.3	36.8
Realised trading profits		33.9	61.5
Administration expenditure		(8.3)	(19.9)
Net distributable profit		96.9	78.4
Unrealised trading (losses) profits		(84.2)	9.5
Realised profits on sale of long-term investments		33.4	8.0
Revaluation of long-term investments		(39.0)	75.1
Net portfolio income before debenture interest		7.1	171.0
Debenture interest		(87.2)	(70.6)
Revaluation of debentures	3	80.1	(68.0)
Profit before taxation		-	32.4
Taxation credit (expense)	4	1.1	(18.3)
Profit for the period		1.1	14.1
Weighted average number of debentures in issue		101 912 669	72 550 149
		Cents	Cents
Debenture interest per debenture		85.6	93.4
Earnings per debenture		7.0	191.0
Earnings per ordinary share		12.0	160.4

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary share capital R'm	Accumulated profits R'm	Total R'm
Balance at 31 December 2005 (audited)	0.1	14.0	14.1
Dividends	-	(5.6)	(5.6)

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The final interest distribution for the second six months of 2007 amounts to 43.5 cents per debenture. The interim interest distribution for the first six months of 2007 was 36.0 cents per debenture (paid out in August 2007). The effective interest distribution for the 2007 year, on a weighted average basis due to the issue of new debentures in July 2007, is 85.6 cents per debenture (2006: 93.4 cents per debenture).

Net distributable profit before interest and capital items for the year amounted to R96.9 million (2006: R78.4 million) - an increase of 24%. This is a creditable increase in income for the year but was insufficient to offset the full increase in the number of debentures in issue. Hence, the effective interest per debenture (on a weighted average basis) declined 8%.

The net attributable asset value per debenture, ex interest, stands at 733.1 cents (2006: 773.8 cents) - a decline of 5% for the year.

Although the portfolio underperformed in 2007, the company has still delivered long-term returns to debenture holders which exceed its stated investment objective, as follows:

	5 years to 31 Dec 2007 (% per annum)	3 years	1 year
Income	13.9%	13.3%	10.2%
Capital	8.0%	12.8%	-5.6%
Total return *	21.9%	26.1%	4.6%
Objective (CPI + 10% p.a.)	15.6%	15.7%	**18.4%

* Calculated with reference to monthly net attributable asset values per debenture

** Lagged one month

Debenture issues during the year have increased the total asset value of the portfolio to over R1 billion. The debenture issues took the form of a cash placement of debentures of R465 million in July 2007 and debentures issued in lieu of the interest distributions made in February and August respectively.

At the year end, the company held cash assets in excess of R200 million.

The asset allocation of the portfolio at 31 December is as follows:

	2007	2006
Equities	51%	52%
Listed property	4%	20%
Bonds	(12%)	(39%)
Foreign assets *	0%	4%
Cash and near cash	57%	63%
	100%	100%

* Average 35% exposure in 2007

COMMENT

Given that one of the investment objectives of the company is to gradually grow the interest distribution and NAAV for debenture holders over the longer term, the final outcome for the 2007 year is disappointing. Debenture holders will be aware that the 2006 distribution was boosted by once off profits, realised in that year, on an investment that had been acquired in prior years. If the effect of this unusual profit is eliminated, then interest distributions have actually grown at 5% per annum since 2004, despite an effective decline of 8% in 2007.

Nevertheless, 2007 was a challenging year as the good gains made in the first half of the year were eroded by some trading losses recorded in the second half, as the manager sought to limit the negative capital effects of a declining stock market in the final quarter of 2007. The rate of income growth on the portfolio also slowed in this period.

Having been cautious on equities for most of the year, the fund incorrectly, as is now apparent, went 'long' on SA equities in October, when it seemed that the financial world had coped admirably with the global credit crisis. This optimism was premature and consequent capital preservation action was necessary, which had a negative effect on both the NAAV and the distribution pool in the final

Debtenture interest per debenture	85.6	93.4
Earnings per debenture	7.0	191.0
Earnings per ordinary share	12.0	160.4

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary share capital	Accumulated profits	Total
	R'm	R'm	R'm
Balance at 31 December 2005 (audited)	0.1	14.0	14.1
Dividends	-	(5.6)	(5.6)
Profit for the year	-	14.1	14.1
Balance at 31 December 2006 (audited)	0.1	22.5	22.6
Dividends	-	(10.1)	(10.1)
Profit for the year	-	1.1	1.1
Balance at 31 December 2007 (reviewed)	0.1	13.5	13.6

ABRIDGED CASH FLOW STATEMENT

	Reviewed 2007	Audited 2006
	R'm	R'm
Net cash outflow from trading activities	(195.5)	(141.6)
Net cash outflow from investing activities	(60.5)	(59.1)
Dividends and interest paid	(83.6)	(51.1)
Net cash received from issue of debentures	494.3	247.2
Net change in cash resources	154.7	(4.6)
Cash resources at beginning of year	49.1	53.7
Cash resources at end of year	203.8	49.1

These results have been reviewed by our auditors, Deloitte & Touche, whose unmodified review opinion is available for inspection at the registered office of the company.

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

1. Basis of preparation

These condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards and consistent with those used in the preparation of the prior year annual financial statements.

2. Net trading investments

	Reviewed 2007	Audited 2006
	R'm	R'm
Gross long positions	374.8	290.3
Gross short positions	(242.9)	(346.3)
Net trading investments	131.9	(56.0)

3. Unsecured debentures

	Reviewed 2007	Audited 2006
	R'm	R'm
Unsecured debentures comprise		
Debenture capital at issue price	922.1	427.8
Cumulative revaluation of debentures	76.6	156.7
Fair value of debentures	998.7	584.5

Reconciliation of balance

Balance at beginning of year	584.5	269.3
Net proceeds on issue of debentures	494.3	247.2
Revaluation - current year	(80.1)	68.0
Balance at end of year	998.7	584.5

Revaluation of debentures

Net portfolio income before debenture interest	7.1	171.0
90% allocation to debenture holders	6.4	153.9
Adjustment for proportionate share of normal taxation credit (charge)	0.7	(15.3)
Less: interest distribution for year	(87.2)	(70.6)
Revaluation - current year	(80.1)	68.0

4. Taxation

Taxation comprises

Secondary tax on companies	-	0.1
Current taxation - current year	1.3	-
Deferred taxation (credit) charge - current year	(2.4)	18.2
Net (credit) charge to income statement	(1.1)	18.3

During the year, company utilised the taxation loss of R21.7 million reported as at 31 December 2006.

Nevertheless, 2007 was a challenging year as the good gains made in the first half of the year were eroded by some trading losses recorded in the second half, as the manager sought to limit the negative capital effects of a declining stock market in the final quarter of 2007. The rate of income growth on the portfolio also slowed in this period.

Having been cautious on equities for most of the year, the fund incorrectly, as is now apparent, went 'long' on SA equities in October, when it seemed that the financial world had coped admirably with the global credit crisis. This optimism was premature and consequent capital preservation action was necessary, which had a negative effect on both the NAAV and the distribution pool in the final quarter of 2007.

For the year as a whole, strategic asset allocation decisions contributed positively to the total returns while specific selection decisions detracted from performance. Despite a negative return in quarter four, equities and SA property were the best performing asset classes in 2007, so overweighting these assets was beneficial. The risk diversification provided by offshore assets was positive, although the stronger currency reduced good US dollar returns in rand terms. Being 'short' bonds and overweight cash in the fixed interest sector had a positive impact for the year. The position in platinum shares continued to benefit the fund in 2007, while the selection of 'SA Inc' shares was negative.

The current asset allocation reflects a cautious stance towards equities and property with a combined allocation of 55%. After taking profits on the foreign assets during the last quarter, the position has been re-established early in 2008 at favourable rates. The long-term investment portfolio currently comprises 38% of total assets.

OUTLOOK

The conservative positioning of the fund reflects the manager's current best view. Global investment volatility is currently at extreme levels due to concerns about liquidity and credit at a time when certain economic fundamentals in the developed world are deteriorating, with the possibility of the USA being in economic recession. While we seek to preserve and grow capital in real terms, the avoidance of capital losses remains a priority in the shorter term as part of the total risk management programme.

It should also be noted that SA inflation is running at much higher levels than previously expected and is likely to remain so. This adds several percentage points to our benchmark (SA CPI +10%), which is already high. This is a challenging benchmark which we are committed to achieving over the longer term, while warning investors that the risk of short-term losses remains high.

INTEREST PAYMENT AND ELECTION

Notice is hereby given that a cash debenture interest payment (number 41) of 43.517 cents per debenture in respect of the six months ended 31 December 2007 is payable to debenture holders recorded in the debenture register of the company on the record date. Debenture holders may, however, elect to receive new fully paid debentures in lieu of a cash interest payment. A separate notice has been issued dealing with the election.

The last day to trade in the debentures for purposes of entitlement to the interest payment will be Friday, 1 February 2008. The debentures will commence trading ex the interest payment on Monday, 4 February 2008 and the record date will be Friday, 8 February 2008. The interest will be payable on Monday, 11 February 2008. Debenture certificates may not be dematerialised or rematerialised between Monday, 4 February 2008 and Friday, 8 February 2008, both days inclusive.

Signed on behalf of the board

Chirschsohn *Dave Foord*

CLR HIRSCHSOHN
18 January 2008

D FOORD

Directors: CLR Hirschsohn (Chairman), D Foord*, JC Greyling,
MO Hodges*, DA Moir * British • Company Secretary: PE Cluer

