Remgro Limited

(Formerly Rembrandt S.A. Limited)

Reg. No. 1968/006415/06

Interim report for the six months ended 30 September 2000

Restructuring of Rembrandt Group Limited and creation of Remgro Limited, implemented during September 2000

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First Remgro interim report for the six months to 30 September 2000

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Increase in headline earnings per share: +25%

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Interim dividend per share: 56 cents

CONSOLIDATED INCOME STATEMENT

	Unaudited Six months ended 30 September 2000 R million	1999 R million *Pro forma*	Year ended 31 March 2000 R million *Pro forma*
Revenue	**3 316**	2 899	5 738
Operating income before depreciation	**316**	222	622
Depreciation	**90**	84	174
Interest paid	**55**	26	36
Net operating income before taxation	**171**	112	412
Taxation	**41**	39	103
Net operating income after taxation	**130**	73	309
Share of net income of associated companies	**1 384**	1 132	2 317
Net income before exceptional items and amortisation	**1 514**	1 205	2 626
Amortisation of goodwill by associated companies	**(72)**	(4)	(33)
Exceptional items	**2 301**	72	(336)
Net income	**3 743**	1 273	2 257
Attributable to outside shareholders	**25**	11	86
ATTRIBUTABLE NET INCOME	**3 718**	1 262	2 171
Reconciliation of headline earnings			
Attributable net income (basic earnings)	**3 718**	1 262	2 171
Plus/(minus) – attributable to own members:			
Exceptional items	**(2 303)**	(72)	333
Amortisation of goodwill by associated companies	**72**	4	33
Net surplus, after taxation, on disposal of fixed assets	**(2)**	(5)	(29)
HEADLINE EARNINGS	**1 485**	1 189	2 508
Headline earnings per share (cents)	**284.5c**	**227.8c**	**480.5c**
Basic earnings per share (cents)	**712.3c**	**241.8c**	**415.9c**
Interim dividend per share (cents)	**56.0c**		
Comparable ordinary dividends per share of Rembrandt Group Limited (cents)		44.71c	120.00c
Interim		44.71c	44.71c
Final		–	75.29c
Segmental analysis – Headline earnings (R million)			
Trade mark interests	**767**	617	1 247
Mining interests	**429**	265	495
Industrial interests	**98**	143	383
Financial services	**109**	81	217
Corporate finance and other interests	**82**	83	166
	1 485	1 189	2 508

CONSOLIDATED BALANCE SHEET

	Unaudited 30 September 2000 R million	31 March 2000 R million *Pro forma*
ASSETS		
Non-current assets		
Fixed property, plant and equipment	**2 308**	2 349
Investments and loans	**13 792**	10 821
	16 100	13 170
Current assets	**3 239**	2 283
Cash resources	**1 396**	1 034
Other	**1 843**	1 249
Total assets	**19 339**	15 453
EQUITY AND LIABILITIES		
Capital and reserves		
Interest of own members	**16 351**	12 556
Interest of outside shareholders	**830**	809
Total shareholders' equity	**17 181**	13 365
Non-current liabilities	**409**	296
Interest-bearing debt	**311**	254
Deferred taxation	**98**	42
Current liabilities	**1 749**	1 792
Interest-bearing	**102**	149
Interest-free	**1 647**	1 643
Total equity and liabilities	**19 339**	15 453
Net asset value – per share (Rand)		
At book value	**R31.32**	R24.05
At market value/directors' valuation of investments	**R53.08**	R47.84

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 30 September 2000 R million
Balance at 1 April	**12 635**
Prior year adjustments	**(79)**
Adjusted balance at 1 April	**12 556**
Exchange rate adjustments	**175**
Attributable net income	**3 718**
Changes in reserves of associated companies	**(98)**
Interest of own members	**16 351**

ADDITIONAL INFORMATION

	30 September 2000 R million	30 September 1999 R million *Pro forma*	31 March 2000 R million *Pro forma*
Shares in issue			
– Ordinary shares of 1 cent each	**486 493 650**	486 493 650	486 493 650
– B shares of 10 cents each	**35 506 352**	35 506 352	35 506 352
Total	**522 000 002**	522 000 002	522 000 002
– In determining the headline earnings and basic earnings per share the total number of shares in issue was applied.			
Dividends received			
– Dividends included in operating income	**29**	2	5
– Dividends from associated companies set off against investments	**580**	570	683
Exceptional items			
Exceptional items of subsidiary companies consist of the following:			
Net surplus on the sale of long-term investments and businesses	**155**	194	234
Other	**(7)**	–	(32)
	148	194	202
Taxation	**–**	–	3
	148	194	205
Share of exceptional items of associated companies	**2 153**	(122)	(541)
Total	**2 301**	72	(336)
– Attributable to outside shareholders	**(2)**	–	(3)
– Attributable to own members	**2 303**	72	(333)

	30 September 2000 R million	31 March 2000 R million *Pro forma*
Listed investments		
– Book value	**5 571**	5 304
– Market value	**8 278**	9 131
Unlisted investments		
– Book value	**8 208**	5 506
– Directors' valuation	**16 859**	14 096
Additions to and replacement of fixed assets	**154**	182
Capital commitments	**78**	117
(Including amounts authorised, but not yet contracted for)		

ABRIDGED CASH FLOW STATEMENT

	Unaudited Six months ended 30 September 2000 R million
Net cash flow from operating activities	**72**
Cash flow from investing activities	**223**
Cash flow – financing and other activities	**67**
Net increase in cash resources	**362**
Cash resources at the beginning of the period	**1 034**
Cash resources at the end of the period	**1 396**

COMMENTS

1. RESTRUCTURING OF THE FORMER REMBRANDT GROUP

At an Annual General Meeting of Rembrandt Group Limited (Rembrandt) held on 21 September 2000 the restructuring of Rembrandt was approved by the shareholders.

Rembrandt's underlying interests have been re-organised into two separate companies namely Remgro Limited (Remgro) and VenFin Limited (VenFin), with effect from 1 April 2000. This company (Remgro) consists of Rembrandt's tobacco, industrial, mining and financial interests. The share capital of Remgro has been restructured to create a new class of B shares, the majority of which were issued to Rembrandt Trust (Pty) Limited. Remgro was listed on the JSE Securities Exchange South Africa on 26 September 2000.

2. COMPARATIVE FIGURES

The comparative pro forma figures in the income statement for the six months ended 30 September 1999 and the year ended 31 March 2000 and in the balance sheet on 31 March 2000 represent the figures of Rembrandt after making adjustments for investments transferred to VenFin Limited in terms of the restructuring.

The comparative pro forma figures are based on the audited financial statements of Rembrandt for the year ended 31 March 2000.

As Remgro was established as a new group with effect from 1 April 2000, no pro forma comparative figures at 30 September 1999 have been included in the balance sheet. For the same reason, no comparative figures are available for the consolidated statement of changes in equity and for the cash flow statement.

COMMENTS (CONTINUED)

3. ACCOUNTING POLICIES

The interim report is prepared mainly on the historical cost basis in accordance with the South African Statement of Generally Accepted Accounting Practice (AC 127) and the Fourth Schedule to the South African Companies Act. The accounting policies incorporate the policies which, with the exception of accounting for goodwill, are in accordance with those of Rembrandt as at 31 March 2000.

This interim report must be read together with the pro forma statements included in the circular to shareholders dated 30 August 2000.

4. PRIOR YEAR ADJUSTMENTS

Changes in accounting policy

The accounting policy in respect of the accounting for goodwill has been changed to comply with the amended South African Statement of Generally Accepted Accounting Practice in respect of amortisation of goodwill (AC 131).

Goodwill is being accounted for in the balance sheet since 1 April 2000 and amortised over 20 years using the straight-line method. The carrying value of goodwill is reviewed annually and written down for a permanent impairment where it is considered necessary. All goodwill that arose prior to 1 April 2000 was fully written off against reserves, and therefore the comparative pro forma figures for the six months to 30 September 1999 and the year ended 31 March 2000 have not been restated.

Sage Group Limited (Sage)

Sage has changed its accounting policy to comply with the South African Statement of Generally Accepted Accounting Practice in respect of consolidated financial statements and accounting for investments in subsidiaries (AC 132), which now also applies to long-term insurers.

The comparative figures of Sage for the six months ended 30 September 1999 and the year ended 31 March 2000 were therefore restated. Remgro's pro forma figures for the six months to 30 September 1999 and the year to 31 March 2000 in this report have been restated accordingly, as indicated below.

Restatement of comparative figures

	Unaudited Six months ended 30 September 2000	**1999** *Pro forma*	Year ended 31 March 2000 *Pro forma*
Headline earnings per share before change in policy (cents)	**286.0**	233.2	485.6
Changes in accounting policy of Sage (cents)	**(1.5)**	(5.4)	(5.1)
Restated headline earnings per share (cents)	**284.5**	227.8	480.5

5. RESULTS

Headline earnings for the six months under review increased by 25% due to a strong performance from the mining interests, and satisfactory results from the financial services and tobacco interests. The latter was also favourably influenced by the depreciation of the rand against the British pound.

The decrease in the contribution of the industrial interests was mainly due to the decline in the earnings of Total South Africa (Pty) Limited and Malbak Limited. Remgro's share of Rainbow Chicken Limited's profit was R0.5 million (1999: R24.3 million loss).

The exceptional profit of R2 301 million includes an amount of R2 202 million representing Remgro's share of the capital surplus that arose on the redemption of a portion of the BAT preference shares.

6. TOBACCO INTERESTS

Remgro's interest in British American Tobacco Plc (BAT) is represented by a one-third shareholding in R&R Holdings Soc. An. (R&R). The other two-thirds of R&R is held by Compagnie Financière Richemont AG (Richemont).

During the period from 1 April 2000 to 7 June 2000, R&R held an effective interest of 35% in BAT; 25% in BAT ordinary shares and 10% in BAT convertible redeemable preference shares. On 7 June that interest reduced to 31.6% following the partial redemption by R&R of its holding of BAT preference shares under the terms of a put option granted by BAT at the time of the merger with Rothmans International in June 1999. The effect of the restructuring of Rembrandt on this interest is dealt with below.

Accounting issues

- In terms of the Rembrandt restructuring, the proceeds of the partial redemption of the BAT preference shares referred to above was transferred to R&V Holdings Limited, Jersey, (R&V) in which VenFin Limited holds one-third and Richemont two-thirds. In the adjusted results for the six months to 30 September 2000 and twelve months to 31 March 2000, the income attributable to those BAT preference shares no longer held by R&R was allocated to R&V accordingly. This therefore reduced R&R's interest in BAT's profits as indicated in the table below.

- As BAT's financial year ends on 31 December, the accounting treatment involves adjustments to the results presented by BAT to bring these into line with R&R's and Remgro's 31 March financial year-end. The results presented in respect of BAT in the current report are therefore based on BAT's results for the nine month period to 30 September 2000, adjusted to eliminate the results for the quarter to 31 March 2000.

- R&R's accounting policies conform with the valuation principles of International Accounting Standards (IAS) whereas BAT prepares its financial statements under UK Generally Accepted Accounting Principles (UK GAAP). In consequence, R&R makes certain adjustments to the results of BAT as presented to bring them into line with IAS. In the comparative period, a favourable adjustment was made in terms of the different accounting treatment of deferred taxation, most importantly in respect of the costs incurred by BAT's subsidiary in the United States under the master settlement reached by the tobacco industry with the majority of states during 1998. That accounting adjustment related to the timing of the deductibility for the tax purposes of the settlement payments accrued in the first year of operation of the scheme. In the period to 30 September 2000, a smaller unfavourable adjustment has been made in respect of the tax treatment of such payments.

Financial results

	2000 **£m**	1999 £m
Attributable profit as reported by BAT for the nine months ended 30 September 2000 (1999: three months)	**529**	200
Less: Attributable profit for the quarter ended 31 March 2000	**(55)**	–
Add: Attributable profit for the month of June 1999	**–**	73
Adjustments:		
– in respect of deferred taxation	**(12)**	79
– to eliminate goodwill amortisation	**192**	91
– to eliminate exceptional items:		
– restructuring costs arising from the merger	**44**	64
– restructuring costs arising from Imasco transaction	**2**	–
– charge on acquisition of Japanese distributor	**1**	–
– gain on disposal of brands	**–**	(52)
Adjusted attributable profit of BAT for the six month period (1999: four months)	**701**	455
100% of the attributable profit of Rothmans International for the period 1 April 1999 to 31 May 1999	**–**	55
35.0% of the attributable profit of BAT for the period 1 April 2000 to 7 June 2000 (1999: 1 June to 30 September)	**81**	159
31.6% of the attributable profit of BAT for the period 8 June 2000 to 30 September 2000	**149**	–
	230	214
Less: Portion attributable to the redeemed preference shares and allocated to R&V	**(11)**	(31)
Adjusted headline earnings of R&R for the period 1 April to 30 September	**219**	183
Remgro's 33.33% share thereof	**73**	61
	R'm	R'm
Converted at the average £/R rate 10.414 for the period to September 2000 (1999: 9.790)	**756**	598

BAT's results

British American Tobacco's results for the six months to 30 September 2000 showed satisfactory growth. The merger with Rothmans International in June 1999 has resulted in considerably increased sales and operating profit and, for the nine month period to 30 September 2000, adjusted earnings per share of the enlarged BAT, increased by 8 per cent in sterling terms.

In its report on the results for the nine month period to 30 September 2000, BAT management commented that the integration of the Rothmans International business into BAT was well advanced and that synergy benefits continued to be delivered well ahead of schedule. Despite a fall of some 3 per cent in cigarette volumes on a comparable basis (excluding the positive impact of the inclusion of the sales volumes of the former Rothmans International companies), changes in the sales mix – with increased volumes in terms of both 'international' and 'light' brands – resulted in higher margins. In various regions around the world the merger with Rothmans International has significantly enhanced the sales performance and profitability of British American Tobacco. Equally, global procurement initiatives and further rationalisation of production facilities have had a positive impact on manufacturing costs.

7. INVESTMENTS

The most important changes during the period under review were as follows:

Unbundling

Gencor Limited (Gencor)

On 14 April 2000 Gencor unbundled its investments in Gold Fields of South Africa Limited (GFSA), Gold Fields Limited (GFL) and Standard Bank Investment Corporation Limited (Stanbic) by way of a dividend in specie to its shareholders.

GFSA

On 2 May 2000 GFSA unbundled its investments in Northam Platinum Limited (Northam) and GFL by way of a dividend in specie to its shareholders. On 21 July 2000 a cash distribution was made to shareholders in anticipation of the voluntary winding up of the company. The listing of GFSA was suspended on 2 November 2000.

Remgro sold the shares in Northam that were received in terms of the above-mentioned unbundling. A capital surplus of R152 million was realised and accounted for as an exceptional item.

On 30 September 2000 Remgro's effective interests in above-mentioned unbundled investments were as follows: GFSA 18.2%, GFL 11.3% and Stanbic 0.2%.

W & A Gilbey (South Africa) (Pty) Limited (Gilbey)

The 49% interest in Gilbey was sold for R45 million in April 2000.

Business Partners

During August 2000 a further investment of R8 million was made in Business Partners. At 30 September 2000 Remgro's interest was 16%.

Transvaal Sugar Limited (TSB)

After an initial announcement on 28 January 2000 and protracted negotiations, Hunt Leuchars & Hepburn Holdings Limited (HL & H) announced on 29 June 2000 that agreement had been reached with The Tongaat-Hulett Group Limited for the disposal to them of the assets of TSB, other than citrus, for R1 billion (the transaction) with effect from 1 April 2000. This transaction would require approval from the Competition authorities.

In a further announcement on 26 September 2000 HL & H advised that the Competition Commission had recommended that the transaction be rejected, but that HL & H would be making further comprehensive submissions to the Competition Tribunal in order to seek approval for this transaction.

In its profit announcement on 20 November 2000, HL & H reported that submissions had been made to the Competition Tribunal, but no decision had yet been announced by the Tribunal. In compliance with statutory obligations to do so HL & H, and therefore Remgro, must now report their results inclusive of TSB. In the preparation of this report, no account has been taken of the transaction relating to TSB because at this stage such transaction is still subject to the fulfilment of a material condition.

The HL & H group structure therefore remains unchanged due to the condition precedent not yet being fulfilled and the results reported on include those of TSB for the full period from 1 April to 30 September 2000, pending the final decision from the Competition Tribunal.

DIVIDENDS

Declaration of Dividend No. 1

Notice is hereby given that an interim dividend of 56 cents per share has been declared in respect of both the ordinary shares of one cent each and the B shares of ten cents each, for the half year to 30 September 2000. The dividend is payable to shareholders of the Company registered at the close of business on 15 December 2000.

The interim dividend will be transferred electronically on 17 January 2001 to the bank accounts of shareholders who utilise this facility while dividend cheques will be mailed to other shareholders on that date.

Signed on behalf of the Board of Directors.

Johann Rupert	**Thys Visser**
Chairman	*Chief Executive Officer*

Stellenbosch
23 November 2000

Remgro Limited

DIRECTORS AND ADMINISTRATION

Directors:
Johann Rupert *(Chairman)*,
M H Visser *(Deputy Chairman/Chief Executive Officer)*, P E Beyers, W E Bührmann, G D de Jager, J W Dreyer, P J Erasmus, D M Falck, E de la H Hertzog, E Molobi, J A Preller (Mrs), P G Steyn, T van Wyk

Secretary: J C Engelbrecht

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Transfer secretaries:
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Auditors: PricewaterhouseCoopers Inc.

Listing: JSE Securities Exchange South Africa ***Sector:*** Diversified Industrial

American Depository Receipt (ADR) Program: Cusip number 75956M107
ADR to ordinary share 1:1
Depository: The Bank of New York, 101 Barclay Street, New York NY 10286