

Remgro Limited

Registration number 1968/006415/06
ISIN ZAE000026480 Share Code REM

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002



INCREASE IN HEADLINE EARNINGS PER SHARE: +31.7%

INCREASE IN INTERIM DIVIDEND PER SHARE: +20.5%

ABRIDGED CONSOLIDATED BALANCE SHEET

	Unaudited 30 September 2002 R million		Audited 31 March 2002 R million
ASSETS			
Non-current assets			
Property, plant and equipment	2 976	2 032	2 056
Investment properties	20	21	20
Goodwill and trade marks	2 652	2 760	2 687
Investments – Associated companies	18 165	14 318	16 958
– Other	83	115	115
Loans	279	24	12
Deferred taxation	68	9	17
	24 243	19 279	21 865
Current assets	4 943	4 089	4 435
Cash and cash equivalents	2 650	2 195	2 697
Other current assets	2 293	1 894	1 738
Total assets	29 186	23 368	26 300
EQUITY AND LIABILITIES			
Capital and reserves			
Interest of own members	25 518	21 116	24 047
Minority interest	2 039	833	945
Total shareholders' equity	27 557	21 949	24 992
Non-current liabilities	250	274	210
Retirement benefits	63	44	74
Long-term interest-bearing loans	97	159	41
Deferred taxation	90	71	95
Current liabilities	1 379	1 145	1 098
Short-term interest-bearing loans	32	113	110
Other current liabilities	1 347	1 032	988
Total equity and liabilities	29 186	23 368	26 300
Net asset value per share (Rand) (attributable to own members)			
– At book value	R 49.03	R 40.45	R 46.07
– Allowing for market value/directors' valuation of investments and listed subsidiary companies	R 92.17	R 76.66	R 89.50

ABRIDGED CONSOLIDATED INCOME STATEMENT

	Unaudited Six months ended 30 September 2002 R million		Audited Year ended 31 March 2002 R million
Revenue of the Company and its subsidiaries	5 819	4 262	8 441
Operating profit before depreciation	683	347	975
Depreciation	(100)	(93)	(184)
Finance costs	(16)	(27)	(58)
Profit from normal operations	567	227	733
Amortisation of goodwill	(70)	(69)	(138)
Impairment of assets	(14)	–	–
Exceptional items	989	(6)	(20)
	1 472	152	575
Taxation	(201)	(56)	(172)
Profit after tax of the Company and its subsidiaries	1 271	96	403
Share of after-tax profit of associated companies	2 058	1 570	3 255
– Profit from normal operations	2 306	1 781	3 881
– Amortisation of goodwill	(163)	(122)	(276)
– Impairment of goodwill	(50)	–	–
– Exceptional items	(35)	(89)	(350)
Group profit after tax	3 329	1 666	3 658
Minority interest	(305)	(47)	(151)
Net profit	3 024	1 619	3 507
Reconciliation of headline earnings:			
Basic earnings – Net profit	3 024	1 619	3 507
Plus/(minus) – portion attributable to own members:			
– Amortisation of goodwill	226	191	414
– Impairment of goodwill and assets	58	–	–
– Exceptional items	(805)	94	351
– Net surplus, after taxation, on disposal of property, plant and equipment	(8)	(8)	(35)
– Other	–	–	15
Headline earnings	2 495	1 896	4 252

	Unaudited Six months ended 30 September		Audited Year ended 31 March 2002
	2002	2001	2002
	R million	R million	R million
Segmental analysis – Headline earnings			
Trade mark interests	1 375	966	2 167
Financial services	507	484	958
Industrial interests	316	203	570
Mining interests	153	137	306
Corporate finance and other interests	144	106	251
	2 495	1 896	4 252

EARNINGS AND DIVIDENDS PER SHARE

	30 September		31 March
	2002	2001	2002
	Cents	Cents	Cents
Headline earnings	478.2	363.2	814.5
Basic earnings	579.6	310.2	671.8
Dividends			
Ordinary	88.00	73.00	206.00
– Interim	88.00	73.00	73.00
– Final			133.00
Special			100.00

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 30 September		Audited Year ended 31 March 2002
	2002	2001	2002
	R million	R million	R million
Balance at 1 April – as previously reported	24 047	19 536	19 536
Prior year adjustments	–	(149)	(149)
Adjusted balance at 1 April	24 047	19 387	19 387
Net profit	3 024	1 619	3 507
Dividends paid	(1 215)	(553)	(934)
Exchange rate adjustments	215	774	2 131
Change in reserves of associated companies	(448)	(124)	(70)
Purchase of shares by wholly-owned subsidiary (treasury shares)	(109)	–	–
Long-term incentive scheme reserve	7	12	25
Other	(3)	1	1
Interest of own members	25 518	21 116	24 047

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 September		Audited Year ended 31 March 2002
	2002	2001	2002
	R million	R million	R million
Cash generated from/(utilised in) operations	300	(60)	688
Dividends received	1 470	1 161	1 627
Dividends paid	(1 239)	(564)	(968)
Taxation paid	(125)	(59)	(111)
Net cash inflow from operating activities	406	478	1 236
Investing activities	19	(52)	(201)
Financing activities	(471)	(138)	(158)
Net increase/(decrease) in cash and cash equivalents	(46)	288	877
Cash and cash equivalents at the beginning of the period	2 677	1 800	1 800
Cash and cash equivalents at the end of the period	2 631	2 088	2 677
Cash and cash equivalents – per balance sheet	2 650	2 195	2 697
Bank overdraft	(19)	(107)	(20)

ADDITIONAL INFORMATION

	30 September		31 March
	2002	2001	2002
Shares in issue			
– Ordinary shares of 1 cent each	486 493 650	486 493 650	486 493 650
– Unlisted B ordinary shares of 10 cents each	35 506 352	35 506 352	35 506 352
Total shares in issue	522 000 002	522 000 002	522 000 002
Shares held in treasury			
– Ordinary shares of 1 cent each	(1 567 908)	–	–
	520 432 094	522 000 002	522 000 002
Weighted shares in issue	521 726 610	522 000 002	522 000 002

– In determining the headline and basic earnings per share the weighted number of shares in issue was taken into account.

	30 September		31 March
	2002	2001	2002
	R million	R million	R million

Listed investments

Associated

– Book value	6 471	6 282	6 766
– Market value	10 188	10 575	10 786

Other

– Book value	18	50	50
– Market value	44	145	136

Unlisted investments

Associated

– Book value	11 694	8 036	10 192
– Directors' valuation	32 875	23 118	30 895

Other

– Book value	65	65	65
– Directors' valuation	74	73	73

Additions to and replacement of property, plant and equipment

Capital commitments	132	95	185
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(Including amounts authorised, but not yet contracted for)

Dividends received

Dividends included in operating profit	8	7	8
Dividends from associated companies set-off against investments	1 462	1 003	1 469

Interest received

From unlisted investments and deposits (Included in operating profit)	183	97	235
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Exceptional items

Exceptional items of subsidiary companies consist of the following:
Net capital surplus/(loss) on the sale of investments and businesses
Retrenchment costs
Other

Total before taxation – per income statement

Taxation	989	(6)	(20)
	(36)	–	18
Total after taxation	953	(6)	(2)

Share of exceptional items of associated companies – per income statement

Restructuring costs	(35)	(89)	(350)
Retrenchment costs	(23)	(136)	(148)
Net capital surplus/(loss) on sale of investments and businesses	(47)	–	–
Other	12	–	(250)
Taxation effect	(1)	4	(19)
Attributable to minorities of associated companies	22	43	65
	2	–	2
	918	(95)	(352)
Attributable to minorities	(146)	1	1
Attributable to own members	772	(94)	(351)

COMMENTS

1. ACCOUNTING POLICIES

The interim report is prepared mainly on the historical cost basis, in accordance with South African Statements of Generally Accepted Accounting Practice and incorporates accounting policies which, with the exception of accounting for investment properties, employee benefits and the Company's long-term share incentive scheme (the "scheme"), are consistent in all respects with those of the previous financial periods.

2. PRIOR YEAR ADJUSTMENTS

Change in accounting policy – current period

The accounting policy in respect of the Company's long-term share incentive scheme has been changed.

In the past, the diluted headline and basic earnings per share were based on the weighted number of shares in issue after adjustment for the dilutive effect of shares which were to be issued to participants in the scheme. The trustees of the Share Trust subsequently decided to rather acquire shares in the open market and 3 950 000 shares were purchased in June 2002 for this purpose.

The estimated cost of the scheme, after taking into account dividends received on the relevant shares, is accounted for against income and headline earnings on a straight-line basis over a four year period with a corresponding credit to equity. The comparative figures have been restated in respect of the portion attributable to the expired periods. The effect of the change in accounting policy on headline earnings and headline earnings per share was as follows:

HEADLINE EARNINGS	30 September 2002 R million	31 March 2001 R million	31 March 2002 R million
Previously reported		1 908	4 277
Scheme cost attributable to the period	7	12	25
Restated headline earnings		1 896	4 252

HEADLINE EARNINGS PER SHARE	30 September 2002 Cents	31 March 2001 Cents	31 March 2002 Cents
Previously reported		365.5	819.3
Scheme cost attributable to the period	1.3	2.3	4.8
Restated headline earnings per share		363.2	814.5

Change in accounting policy – 2002 financial year

As indicated in Remgro's 2002 Annual Report, the accounting policy in respect of accounting for investment properties was changed during the 2002 financial year to comply with the amended South African Statement of Generally Accepted Accounting Practice (AC 135). During 2002 the Group also implemented AC 116 (revised) in respect of employee benefits.

The effect on earnings for the six months ended 30 September 2001 was not material, therefore the comparative income statement has not been restated. The balance sheet on 30 September 2001 has been restated as follows:

	30 September 2001 R million
Balance sheet	
Reduction in property, plant and equipment and investment properties	5
Reduction in investments	18
Reduction in interest of own members	33
Reduction in minority interest	6
Increase in liabilities	16

3. RESULTS

Certain balance sheet and income statement items are not directly comparable on a line-for-line basis with that of the prior financial periods due to:

- the consolidation of Medi-Clinic Corporation Limited (Medi-Clinic) as a subsidiary company from 1 April 2002, while previously having being equity accounted as an associated company, and
- the equity accounting of the interest in Unilever Bestfoods Robertsons from 1 April 2002, while previously the interest in the former Bestfoods Robertsons joint venture, was proportionately consolidated.

– Headline earnings per share

Headline earnings per share increased by 31.7% from 363.2 cents to 478.2 cents.

The contribution of the tobacco interests, which represented 54.3% (2001: 50.1%) of total headline earnings for the period under review, increased by 42.8%. A substantial portion of this increase can be attributed to the weakening of the rand against the pound. It should be noted that income does not accrue evenly throughout the year and after taking into account the recent strengthening of the rand, the exchange rate impact will not necessarily be repeated to the same extent during the second six months of the year to 31 March 2003.

The contribution of the financial services, which represented 20.3% (2001: 25.5%) of total headline earnings has increased by 4.8%. The combined contribution of FirstRand Limited and RMB Holdings Limited to headline earnings has increased by only 2.2%, due to an exchange rate benefit included in the comparative period. ABSA Group Limited (ABSA) achieved earnings growth of 15.7%.

The total contribution of the industrial interests increased by 55.4%, mainly as a result of the good performance by, amongst others, Rainbow Chicken Limited, Dorbyl Limited and the packaging interests.

Due to a substantial increase in the headline earnings of Trans Hex Group Limited, the mining interests' contribution increased by 12%.

Medi-Clinic continued its steady earnings growth with an increase of 25%.

– Basic earnings per share

Basic earnings, after exceptional items and amortisation of goodwill, increased from 310.2 cents to 579.6 cents per share. This increase includes the capital surplus realised on the Robertsons Unilever transaction as well as on the merger between Malbak Limited and Nampak Limited (Nampak).

4. REVENUE

– of the Company and its subsidiaries	30 September 2002 R million	31 March 2001 R million	31 March 2002 R million
Revenue is not directly comparable with that of the previous periods as is shown by the following analysis:			
Operating revenue			
– Medi-Clinic (Consolidated from 1 April 2002)	1 378	–	–
– Bestfoods Robertsons joint venture (Proportionately consolidated to 31 March 2002)	–	944	1 866
– Other subsidiaries	2 788	2 203	4 863
Dividends and interest	1 653	1 115	1 712
Total revenue	5 819	4 262	8 441

Due to the nature and composition of the Group, segmental information in respect of revenue is not meaningful.

5. TOBACCO

Remgro's tobacco interests are represented by a one-third shareholding in R&R Holdings, Luxembourg, (R&R). The other two-thirds are held by Compagnie Financière Richemont AG (Richemont).

In the period under review, R&R has equity accounted its effective 31.50% (2001: 31.53%) interest in British American Tobacco Plc (BAT) for the full six months period. In line with the practice adopted in the prior year, R&R's share of BAT's earnings for the six months to 30 September 2002 is based on BAT's results for the nine months period to 30 September 2002, less the results for the quarter to 31 March 2002.

After adjustment for exceptional items and goodwill amortisation, R&R's contribution to Remgro's headline earnings is as follows:

	Six months to September 2002 £ million	2001 £ million
R&R's share of the adjusted attributable profit of BAT for the six months to 30 September	256	241
R&R's other income	3	2
R&R's headline earnings for the six months to 30 September	259	243
Remgro's 33.33% share thereof	86	81
	R million	R million
Converted at the average £/R rate of 15.7012 (2001: 11.7415)	1 355	949

BAT performed well in its recently reported nine months period to the end of September with adjusted diluted earnings per share increasing by 8% from 45.80 pence to 49.47 pence. Sales volumes for the period totalled 579.3 billion (2001: 602.0 billion) cigarettes. However, BAT's four global brands Lucky Strike, Kent, Dunhill and Pall Mall achieved sales growth of 9%.

Profit for the America-Pacific region for the nine-month period showed an increase of 4% to £769 million. BAT's operations in the United States increased market share and profit, while strong volume increases in South Korea more than offset the lower volumes in Canada. Total regional volume was 2% ahead at 80 billion cigarettes.

In Europe a profit increase of 6% to £412 million was achieved, as a result of solid performances in Germany, Russia, Ukraine, France and Switzerland, with volumes in line with last year.

In the Asia-Pacific region profit was 5% lower, mainly as a result of markedly reduced duty-free sales volumes, while in the Africa and Middle East region the severe devaluation of the South African Rand, the costs incurred in setting up the new operation in Turkey and lower duty-free sales contributed to a decrease in profit of 18% to £45 million.

BAT's businesses in Latin America performed well in exceptionally difficult economic circumstances, recording a profit decline of 4% despite the currency devaluations in many countries and a fall in volume of 6%.

6. INVESTMENTS

The most important changes subsequent to 1 April 2002 were as follows:

Purchase of Remgro shares

During the period under review, Remgro's wholly-owned subsidiary company, Remgro Investments (Proprietary) Limited, acquired 1 567 908 ordinary Remgro shares (0.32% of the issued ordinary shares of 1 cent each) for a total amount of R109.1 million and these shares are held as treasury shares. This did not have a material effect on earnings or earnings per share.

Medi-Clinic Corporation Limited (Medi-Clinic)

The interest in Medi-Clinic at 30 September 2002 was 52.2%. The interest in excess of 50% was previously considered to be temporary due to personnel options that could be exercised which would have diluted the interest to below 50%. Due to the buy-back of shares by Medi-Clinic, this expected dilution to below 50% will probably not occur and accordingly Medi-Clinic has been consolidated as a subsidiary company from 1 April 2002.

Standard Bank Investment Corporation Limited (Stanbic)

The 3.1 million Stanbic shares received during April 2000 by way of a dividend in specie from the Gencor Limited unbundling was sold for R110.6 million during May 2002.

FirstRand Limited (FirstRand)

During May 2002 a further investment of R111 million was made in FirstRand. On 30 September 2002 Remgro's direct interest in FirstRand was 9.6%.

Malbak Limited (Malbak)

The scheme of arrangement between Malbak and its shareholders was sanctioned by the High Court of South Africa on 14 August 2002. In terms of this transaction Remgro received 74 374 104 Nampak shares and R167.7 million in cash in exchange for its Malbak shares. Since then Remgro made a further investment of R159.0 million in Nampak. On 30 September 2002 Remgro's interest in Nampak was 13.6%.

Malbak's results were equity accounted for the four months to 31 July 2002 and that of the enlarged Nampak for the two months to 30 September 2002.

Universa (Proprietary) Limited (Universa)

On 20 August 2002 the Mine Employees Pension Fund and Sentinel Mining Industry Retirement Fund (collectively, the MPFs), Sage Group Limited (Sage) and Financial Securities Limited (FSL), a wholly-owned subsidiary of Remgro (collectively, the Universa shareholders) and Sanlam Limited (Sanlam) announced that they had restructured the agreements between them in respect of their interests in ABSA.

It is the intention of the Universa shareholders to unbundle the entire shareholding of Universa in ABSA, resulting in them holding ABSA shares directly, and the Universa shareholders have entered into an agreement to facilitate this unbundling. In addition, FSL, the MPFs and Sanlam have entered into a new ABSA shareholders' agreement. Sage elected to withdraw from the previous ABSA shareholders' agreement and do not participate in the new ABSA shareholding pool.

Since 30 September 2002:

Hunt Leuchars & Hepburn Holdings Limited (HL&H)

The schemes of arrangement in terms of which Industrial Partnership Investments Limited (IPI) would have obtained all the ordinary and

preference shares in HL&H not yet held by it, were sanctioned by the High Court of South Africa on 22 October 2002.

The listing of HL&H shares on the JSE Securities Exchange South Africa was terminated on 28 October 2002, and in terms of the schemes of arrangement IPI acquired 60.0 million HL&H ordinary shares and 37.9 million HL&H preference shares on 4 November 2002 for a total consideration of R952.1 million. HL&H is now a wholly-owned subsidiary of Remgro.

DIRECTORATE

On 28 August 2002, Mr P J Erasmus retired as a non-executive director.

DIVIDENDS

Notice is hereby given that an interim dividend of 88 cents (2001: 73 cents) per share has been declared in respect of both the ordinary shares of one cent each and the unlisted B ordinary shares of ten cents each, for the half year to 30 September 2002.

Dates of importance:

Last day to trade in order to participate in the interim dividend	Friday, 10 January 2003
Trading on or after this date will be ex the interim dividend	Monday, 13 January 2003
Record date	Friday, 17 January 2003
Payment date	Monday, 20 January 2003

On payment date, if so mandated, dividends due to holders of certificated securities will either be transferred electronically to such shareholders' bank accounts or, alternatively, cheques will be posted to their registered addresses.

Dividends in respect of dematerialised shareholdings will be credited to shareholders' accounts with their Central Securities Depository Participant (CSDP) or broker.

Shareholders may not dematerialise or rematerialise their holdings of ordinary shares between Monday, 13 January 2003 and Friday, 17 January 2003, both days inclusive.

Signed on behalf of the Board of Directors.

Johann Rupert
Chairman

Thys Visser
Chief Executive Officer/Deputy Chairman

Stellenbosch
21 November 2002

DIRECTORATE 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*, D M Falck, P K Harris*, E de la H Hertzog*, E Molobi*, J F Mouton*, J A Preller (Mrs), F Robertson*, P G Steyn*, T van Wyk (**Non-executive*)

Secretary: M Lubbe (Mrs)

Listing: JSE Securities Exchange South Africa
Sector: Financial – Investment Companies

American depositary receipt (ADR) program:
Cusip number 75956M107 ADR to ordinary share 1:1

Depository:
The Bank of New York, 620 Avenue of the Americas, New York NY 10011

Business address and registered office:
Carpe Diem Office Park, Quantum Street, Techno Park, Stellenbosch 7600 (PO Box 456, Stellenbosch 7599)

Transfer secretaries:
Computershare Investor Services Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107)

Auditors: PricewaterhouseCoopers Inc., Stellenbosch

Sponsor: Rand Merchant Bank Corporate Finance

Website: www.remgro.com