REMGRO LIMITED
Registration number 1968/006415/06
ISIN ZAE000026480 Share code REM

INTERIM REPORT
UNAUDITED RESULTS FOR THE SIX MONTHS ENDED
31 DECEMBER 2018 AND CASH DIVIDEND DECLARATION

SALIENT FEATURES

Headline earnings per share, excluding option remeasurement	-2.7%
Headline earnings per share	-3.3%
Interim dividend per share	+5.4%
Intrinsic net asset value per share	R230.23

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R million	31 December 2018(1, 2)	31 December 2017	30 June 2018
ASSETS			
Non-current assets			
Property, plant and equipment	14 648	6 741	13 626
Investment properties	119	130	119
Intangible assets	25 167	4 873	18 427
Investments - Equity accounted	74 878	80 184	73 722
- Available-for-sale	-	2 937	3 067
- Financial assets at fair value through other comprehensive income	3 315	-	-
Financial assets at fair value through profit and loss	151	-	-
Retirement benefits	578	204	737
Loans	395	573	697
Deferred taxation	190	22	158
	119 441	95 664	110 553
Current assets	43 710	23 179	40 375
Inventories	11 453	3 645	10 967
Biological agricultural assets	697	619	807
Debtors and short-term loans	10 179	5 730	8 599
Financial assets at fair value through other comprehensive income	156	-	-
Financial assets at fair value through profit and loss	144	-	-
Investment in money market funds	5 494	5 849	3 996
Cash and cash equivalents	15 364	7 227	12 169
Other current assets	66	93	93
	43 553	23 163	36 631
Assets held for sale	157	16	3 744
Total assets	163 151	118 843	150 928
EQUITY AND LIABILITIES			
Stated capital	13 416	13 416	13 416
Reserves	94 047	78 933	84 865
Treasury shares	(577)	(189)	(183)
Shareholders' equity	106 886	92 160	98 098
Non-controlling interest	15 730	3 009	15 348
Total equity	122 616	95 169	113 446
Non-current liabilities	25 888	18 161	25 891

Retirement benefits	204	183	195
Long-term loans	19 926	16 278	20 316
Deferred taxation	5 750	1 473	5 268
Derivative instruments	8	227	112
Current liabilities	14 647	5 513	11 591
Trade and other payables	12 116	4 625	9 904
Short-term loans	2 171	741	1 557
Other current liabilities	360	147	130
Total equity and liabilities	163 151	118 843	150 928
Net asset value per share (Rand)			
- At book value	R189.21	R162.59	R173.04
- At intrinsic value	R230.23	R265.84	R256.97

(1.) Since 11 May 2018 and 2 July 2018, Remgro consolidates its investments in Distell and Siqalo Foods, respectively, and therefore, certain line items are not directly comparable with the prior periods. Refer to "Comparison with the prior periods" under "Comments" for further detail.
(2.) Refer to "Change in accounting policies" under "Comments" for the impact of the implementation of new accounting standards.

SUMMARY CONSOLIDATED INCOME STATEMENT

	Six months ended		Year ended
	31 December 2018	31 December 2017	30 June 2018
R million		Restated(1)	
CONTINUING OPERATIONS			
Sales	30 316	14 046	31 115
Inventory expenses(1)	(17 368)	(8 102)	(17 814)
Staff costs	(4 223)	(2 522)	(5 641)
Depreciation	(639)	(362)	(810)
Other net operating expenses(1)	(5 386)	(2 319)	(5 590)
Trading profit	2 700	741	1 260
Dividend income	27	48	112
Interest received	648	414	886
Fair value adjustment on exchangeable bonds' option	106	134	261
Finance costs	(795)	(614)	(1 266)
Net impairment of investments, assets and goodwill	(773)	645	(201)
Net impairment of loans	(64)	-	(1)
Profit on sale and dilution of investments	55	120	5 188
Consolidated profit before tax	1 904	1 488	6 239
Taxation	(868)	(272)	(423)
Consolidated profit after tax	1 036	1 216	5 816
Share of after-tax profit of equity accounted investments	1 857	2 736	2 893
Net profit for the period from continuing operations	2 893	3 952	8 709
DISCONTINUED OPERATIONS(2)			
Profit for the period from discontinued operations	8 318	279	490
Net profit for the period	11 211	4 231	9 199
Attributable to:			
Equity holders	10 297	4 131	8 943
Continuing operations	1 979	3 852	8 453
Discontinued operations	8 318	279	490
Non-controlling interest	914	100	256
	11 211	4 231	9 199

EQUITY ACCOUNTED INVESTMENTS
Share of after-tax profit of equity accounted investments

Profit before taking into account impairments and non-recurring items	4 231	5 380	10 035
Net impairment of investments, assets and goodwill	(2 032)	(1 170)	(5 935)
Profit on the sale of investments	453	108	505
Recycling of foreign currency translation reserves	5	1	647
Other headline earnings adjustable items	16	12	13
Profit before tax and non-controlling interest	2 673	4 331	5 265
Taxation	(659)	(1 096)	(1 499)
Non-controlling interest	(157)	(220)	(383)
	1 857	3 015	3 383
Continuing operations	1 857	2 736	2 893
Discontinued operations	-	279	490

(1.) The amounts previously reported in the Income Statement for six months ended 31 December 2017 for "inventory expenses" and "other net operating expenses" were restated. Previously "inventory expenses" were incorrectly understated and "other net operating expenses" incorrectly overstated by R1 298 million. The restatement had no impact on trading profit, earnings or headline earnings.

(2.) On 30 June 2018 the investment in Unilever was transferred from "investments - equity accounted" to "assets held for sale" (refer to the section dealing with "Investment activities"). Profit from discontinued operations consists of the equity accounted earnings of Unilever as well as the profit on its subsequent disposal. The six months ended 31 December 2017 has been represented accordingly.

HEADLINE EARNINGS RECONCILIATION

	Six months ended		Year ended
	31 December	31 December	30 June
R million	2018	2017	2018
CONTINUING OPERATIONS			
Net profit for the period attributable to equity holders (earnings)	1 979	3 852	8 453
Impairment of equity accounted investments	773	-	580
Reversal of impairment of equity accounted investments	-	(654)	(529)
Impairment of available-for-sale investments	-	-	44
Impairment of property, plant and equipment	-	8	71
Profit on sale and dilution of equity accounted investments	(58)	(6)	(5 156)
Loss on sale and dilution of equity accounted investments	3	2	52
Profit on sale of available-for-sale investments	-	(116)	(116)
Profit on disposal of property, plant and equipment	(126)	(45)	(114)
Recycling of foreign currency translation reserves	-	-	(10)
Impairment of intangible assets	-	-	34
Loss on sale of subsidiary	-	-	42
Non-headline earnings items included in equity accounted earnings of equity accounted investments	1 549	1 039	4 726
- Profit on disposal of property, plant and equipment	(9)	(10)	(44)
- Profit on the sale of investments	(475)	(147)	(583)
- Loss on the sale of investments	22	39	78
- Impairment of investments, assets and goodwill(1)	2 032	1 170	5 935
- Recycling of foreign currency translation reserves	(5)	(1)	(647)
- Other headline earnings adjustable items	(16)	(12)	(13)
Taxation effect of adjustments	114	32	32
Non-controlling interest	25	6	(35)
Headline earnings from continuing operations	4 259	4 118	8 074
DISCONTINUED OPERATIONS			
Net profit for the period attributable to equity holders (earnings)	8 318	279	490
Profit on sale of equity accounted investment(2)	(8 318)	-	-
Non-headline earnings items included in equity accounted			

earnings of equity accounted investments			
- Loss on disposal of property, plant and equipment	-	9	12
- Taxation effect of adjustments	-	-	(3)
Headline earnings from discontinued operations	-	288	499
Total headline earnings from continuing and discontinued operations	4 259	4 406	8 573
Option remeasurement	(106)	(134)	(261)
Headline earnings, excluding option remeasurement	4 153	4 272	8 312

(1.) "Impairment of investments, assets and goodwill" from equity accounted investments for the six months ended 31 December 2018 includes Remgro's portion of the impairments of Mediclinic's properties and trade names in Switzerland and its investment in Spire of R1 954 million (2017: R830 million).
(2.) "Profit on sale of equity accounted investments" consists of the profit realised on the disposal of Unilever.

EARNINGS AND DIVIDENDS

	Six months ended		Year ended
	31 December	31 December	30 June
Cents	2018	2017	2018
Headline earnings per share			
- Basic	752.1	777.5	1 512.6
Continuing operations	752.1	726.7	1 424.6
Discontinued operations	-	50.8	88.0
- Diluted	744.2	772.8	1 504.5
Continuing operations	744.2	722.0	1 416.5
Discontinued operations	-	50.8	88.0
Headline earnings per share, excluding option remeasurement			
- Basic	733.4	753.9	1 466.5
Continuing operations	733.4	703.1	1 378.5
Discontinued operations	-	50.8	88.0
- Diluted	725.5	749.1	1 458.4
Continuing operations	725.5	698.3	1 370.4
Discontinued operations	-	50.8	88.0
Earnings per share			
- Basic	1 818.3	729.0	1 577.9
Continuing operations	349.5	679.7	1 491.4
Discontinued operations	1 468.8	49.3	86.5
- Diluted	1 814.8	725.2	1 567.5
Continuing operations	346.8	676.0	1 481.1
Discontinued operations	1 468.0	49.2	86.4
Dividends per share			
Ordinary	215.00	204.00	532.00
- Interim	215.00	204.00	204.00
- Final	-	-	328.00

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended		Year ended
	31 December	31 December	30 June
R million	2018	2017	2018
Net profit for the period	11 211	4 231	9 199
Other comprehensive income, net of tax	1 687	(2 774)	(311)

Items that may be reclassified subsequently to the income statement:			
Exchange rate adjustments	616	(1 182)	2 012
Fair value adjustments on financial assets for the period	-	(2)	(149)
Deferred taxation on fair value adjustments	-	12	55
Reclassification of other comprehensive income to the income statement	(1)	(98)	(206)
Other comprehensive income of equity accounted investments	1 571	(1 694)	(2 127)
Items that will not be reclassified to the income statement:			
Fair value adjustments on financial assets for the period	(259)	-	-
Deferred taxation on fair value adjustments	63	-	-
Remeasurement of post-employment benefit obligations	(147)	-	189
Deferred taxation on remeasurement of post-employment benefit obligations	22	-	(53)
Change in reserves of equity accounted investments	(178)	190	(32)
Total comprehensive income for the period	12 898	1 457	8 888
Total comprehensive income attributable to:			
Equity holders	12 087	1 356	8 374
Non-controlling interest	811	101	514
	12 898	1 457	8 888

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended		Year ended
	31 December	31 December	30 June
R million	2018	2017	2018
Balance at the beginning of the period	113 446	95 302	95 302
Change in accounting policies(1)	(1 116)	-	-
Restated balance at the beginning of the period	112 330	95 302	95 302
Total comprehensive income for the period	12 898	1 457	8 888
Dividends paid	(2 251)	(1 747)	(2 934)
Transactions with non-controlling shareholders	(58)	63	40
Other movements	9	7	18
Long-term share incentive scheme reserve	84	87	182
Purchase of treasury shares by wholly owned subsidiary	(396)	-	-
Non-controlling shareholders' interest in acquisition of subsidiary	-	-	11 953
Non-controlling shareholders' interest in disposal of subsidiary	-	-	(3)
Balance at the end of the period	122 616	95 169	113 446

(1.) Refer to "Change in accounting policies" under "Comments" for the impact of the implementation of new accounting standards.

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		Year ended
	31 December	31 December	30 June
R million	2018	2017	2018
Cash generated from/(utilised by) operations	3 678	(211)	2 096
Interest received	648	414	879
Taxation paid	(578)	(204)	(657)
Dividends received(1)	1 812	2 205	3 789

Finance costs	(744)	(570)	(1 159)
Cash available from operating activities	4 816	1 634	4 948
Dividends paid	(2 251)	(1 747)	(2 934)
Net cash inflow/(outflow) from operating activities	2 565	(113)	2 014
Investing activities(1, 2)	845	(128)	2 208
Financing activities	(906)	(58)	78
Net increase/(decrease) in cash and cash equivalents	2 504	(299)	4 300
Exchange rate profit/(loss) on foreign cash	206	(268)	213
Cash and cash equivalents at the beginning of the period	11 985	7 472	7 472
Cash and cash equivalents at the end of the period	14 695	6 905	11 985
Cash and cash equivalents - per statement of financial position	15 364	7 227	12 169
Bank overdraft	(669)	(322)	(184)

(1.) The dividend received from RMI in respect of the reinvestment alternative (refer to the section dealing with "Investment activities"), amounting to R300 million (2017: R292 million), is not included in "Dividends received" and "Investing activities" for cash flow purposes.
(2.) "Investing activities" includes the R4 900 million cash received on the disposal of the investment in Unilever, an increase in money market funds of R1 498 million, as well as investments in the CIV group and Prescient (refer to the section dealing with "Investment activities").

ADDITIONAL INFORMATION

	Six months ended 31 December 2018	Six months ended 31 December 2017	Year ended 30 June 2018
Number of shares in issue			
- Ordinary shares of no par value	529 217 007	529 217 007	529 217 007
- Unlisted B ordinary shares of no par value	39 056 987	39 056 987	39 056 987
Total number of shares in issue	568 273 994	568 273 994	568 273 994
Number of shares held in treasury			
- Ordinary shares repurchased and held in treasury	(3 375 334)	(1 432 501)	(1 389 033)
	564 898 660	566 841 493	566 884 961
Weighted number of shares	566 303 849	566 682 343	566 773 693

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

R million	31 December 2018	31 December 2017	30 June 2018
Equity accounted investments			
Associates	71 074	74 451	70 735
Joint ventures	3 804	5 733	2 987
	74 878	80 184	73 722
Equity accounted investment reconciliation			
Carrying value at the beginning of the period	73 722	80 883	80 883
Change in accounting policies(1)	(1 093)	-	-
Restated balance at the beginning of the period	72 629	80 883	80 883
Share of net attributable profit	1 857	3 015	3 383
Dividends received	(1 824)	(2 304)	(4 259)
Exchange rate differences	359	(940)	1 779
Investments made	1 200	447	675
Derecognition of equity accounted investments in Distell and Capevin	-	-	(3 885)
Transfer of Unilever to non-current assets held for sale	-	-	(3 588)

Businesses acquired	-	-	968
Grindrod and Grindrod Shipping (impairment)/impairment reversal	(773)	654	487
Equity accounted movements on reserves	1 393	(1 504)	(2 145)
Other movements	37	(67)	(576)
Carrying value at the end of the period	74 878	80 184	73 722
Long-term loans			
20 000 Class A 7.7% cumulative redeemable preference shares	3 510	3 513	3 512
10 000 Class B 8.3% cumulative redeemable preference shares	4 380	4 383	4 382
Exchangeable bonds with an effective interest rate of 4.5%	6 216	5 533	6 090
Various other loans	7 108	3 084	7 533
	21 214	16 513	21 517
Short-term portion of long-term loans	(1 288)	(235)	(1 201)
	19 926	16 278	20 316
Additions to and replacement of property, plant and equipment	1 122	336	1 153
Capital and investment commitments(2) (Including amounts authorised, but not yet contracted for)	6 506	1 330	4 366
Guarantees and contingent liabilities	8	25	9
Dividends received from equity accounted investments set off against investments	1 824	2 304	4 259

Refer to the section dealing with "Investment activities" for more detail on related party transactions.

(1.) Refer to "Change in accounting policies" under "Comments" for the impact of the implementation of new accounting standards.
(2.) Capital and investment commitments at 31 December 2018 include an amount of R2 007 million (30 June 2018: R2 459 million) from Distell, as well as additional investment commitments to CIVH (R1 633 million) and Milestone China Opportunities Fund IV (R1 293 million).

Fair value remeasurements

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

- Financial instruments available-for-sale, at fair value through other comprehensive income, at fair value through profit and loss and investment in money market funds: fair value is based on quoted market prices or, in the case of unlisted instruments, appropriate valuation methodologies, being discounted cash flow, liquidation valuation and actual net asset value of the investment.
- Derivative instruments: the fair value of derivative instruments is determined by using appropriate valuation methodologies and mark-to-market valuations.

Financial instruments measured at fair value, are disclosed by level of the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table illustrates the fair values of financial assets and liabilities that are measured at fair value, by hierarchy level:

R million	Level 1	Level 2	Level 3	Total

31 December 2018				
ASSETS				
Non-current assets				
Financial assets at fair value through other comprehensive income	1 333	17	1 965	3 315
Financial assets at fair value through profit and loss	-	-	151	151
Current assets				
Financial assets at fair value through other comprehensive income	156	-	-	156
Financial assets at fair value through profit and loss	-	-	144	144
Derivative instruments	-	5	-	5
Investment in money market funds	5 494	-	-	5 494
	6 983	22	2 260	9 265
LIABILITIES				
Non-current derivative instruments	-	8	-	8
Current derivative instruments	-	27	23	50
	-	35	23	58
31 December 2017				
ASSETS				
Available-for-sale	1 093	-	1 844	2 937
Derivative instruments	-	8	-	8
Investment in money market funds	5 849	-	-	5 849
	6 942	8	1 844	8 794
LIABILITIES				
Non-current derivative instruments	-	227	-	227
Current derivative instruments	-	14	49	63
	-	241	49	290
30 June 2018				
ASSETS				
Available-for-sale	934	41	2 092	3 067
Derivative instruments	-	12	-	12
Investment in money market funds	3 996	-	-	3 996
	4 930	53	2 092	7 075
LIABILITIES				
Non-current derivative instruments	-	112	-	112
Current derivative instruments	-	34	43	77
	-	146	43	189

The following table illustrates the reconciliation of the carrying value of level 3 assets at the beginning and end of the period:

R million	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit and loss	Derivative instruments	Total
ASSETS				
Balances on 1 July 2018	2 092	-	-	2 092
Transfer from level 2	40	-	-	40
Additions	92	295	-	387
Disposals	(394)	-	-	(394)
Exchange rate adjustments	89	-	-	89
Fair value adjustments through other comprehensive income	46	-	-	46
Balances on 31 December 2018	1 965	295	-	2 260

LIABILITIES				
Balances on 1 July 2018	-	-	43	43
Put option exercised	-	-	(20)	(20)
Balances on 31 December 2018	-	-	23	23

Level 3 financial assets consist mainly of investments in the Milestone China entities (Milestone) and the Pembani Remgro Infrastructure Fund (PRIF) amounting to R1 509 million and R241 million respectively. These investments are all valued based on the fair value of each investment's underlying assets, which are valued using a variety of valuation methodologies. Listed entities are valued at the last quoted share price on the reporting date, whereas unlisted entities' valuation methods include discounted cash flow valuations, appropriate earnings and revenue multiples.

Milestone's fair value consists of listed investments (21%), cash and cash equivalents (1%), and unlisted investments (78%). Unlisted investments included at transaction prices in Milestone's fair value amounted to R543 million, while its remaining six unlisted investments were valued at R634 million. PRIF's main assets are the investments in ETG Group, Octotel, RSAWeb, Lumos Global and GPR Leasing. ETG Group was valued at its last traded price used for the acquisition of an interest by a third party, while the other investments were valued using the discounted cash flow method.

Changes in the valuation assumptions of the above unlisted investments will not have a significant impact on Remgro's financial statements as the underlying assets of the funds in which Remgro made its investments are widely spread.

Disaggregated revenue information

	Six months ended		Year ended
	31 December	31 December	30 June
R million	2018	2017	2018
Consumer products			
Distell	14 424	-	4 219
RCL Foods	13 265	12 765	24 426
Siqalo Foods	1 405	-	-
Industrial			
Wispeco	1 222	1 076	2 265
Media and sport			
Other media and sport interests	-	205	205
Consolidated	30 316	14 046	31 115

COMMENTS

1. ACCOUNTING POLICIES

The interim report is prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS), including IAS 34: Interim Financial Reporting, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and in accordance with the requirements of the Companies Act (No. 71 of 2008), as amended, and the Listings Requirements of the JSE Limited. The financial statements have been prepared under the supervision of the Chief Financial Officer, Neville Williams CA(SA). The interim report has not been audited or reviewed.

These financial statements incorporate accounting policies that are consistent with those of the previous financial periods, with the exception of the implementation of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. Refer to "Change in accounting policies" for further detail on the implementation of these standards and amendments.

During the period under review various other interpretations and amendments became effective, but their implementation had no impact on the results of either the current or prior periods.

2. CHANGE IN ACCOUNTING POLICIES

This section explains the impact of the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers on the Group's financial statements.

A. Impact of the adoption of IFRS 9: Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 was adopted without restating comparative information in accordance with the transitional provisions (IFRS 9, paragraphs 7.2.15 and 7.2.26). The adjustments arising from the new standard are therefore not reflected in the statement of financial position as at 30 June 2018, but are recognised in the opening statement of financial position on 1 July 2018.

1. Classification and measurement

- Loans and receivables

  Loans and receivables are classified as financial assets at amortised cost. The implementation of IFRS 9 had no impact on the classification of these assets. It is the Group's business model to hold these instruments for collection of cash flows, and the cash flows represent solely payments of principal and interest.

- Equity investments previously classified as available-for-sale

  The Group elected to present changes in the fair value of all its equity investments previously classified as available-for-sale in other comprehensive income as these investments are held as long-term investments and are not expected to be sold in the short to medium term. As a result, assets with a fair value of R3 067 million were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income and the related fair value gains of R661 million remains in the fair value reserve on 1 July 2018. Any subsequent remeasurements of these instruments will be reflected in other comprehensive income and no portion will be transferred to the income statement. Dividends from these investments are accounted for in profit and loss.

- Borrowings, derivatives and hedging activities

  The adoption of IFRS 9 had no impact on the Group's classification and measurement of borrowings, derivatives and the Group's hedging activities.

2. Impairment of financial assets

The impact on the Group's results from the adoption of IFRS 9 relate solely to the new impairment requirements. The Group's financial assets carried at amortised cost consist of:

- Current trade and other receivables related to sales of goods;
- Trade and other receivables - non-current;
- Cash and cash equivalents; and
- Loans receivable.

The impact of the change in impairment methodology on the Group's total equity is disclosed below. The adjustment arose from changes in the impairment provisions for the Group's current trade and other receivables.

The Group's subsidiaries apply the IFRS 9 simplified approach to measuring expected credit losses on its current trade receivables, which calculates the loss allowance on a lifetime basis. The Group has credit guarantee insurance in place where management of each business unit deems it necessary. The Group's credit policies requires each new customer to be analysed individually for creditworthiness before delivery and payment terms are offered.

To measure the expected credit loss, trade receivables have been grouped based on shared characteristics and days past due. The calculation of the expected credit loss takes into account any insurance cover in place.

Reconciliation of the loss allowance for trade receivables as at 30 June 2018 to 1 July 2018:

R million	Trade receivables impairment provision
Closing impairment provision (as calculated under IAS 39) - 30 June 2018	135
Amount restated in opening equity	25
Opening impairment provision (as calculated under IFRS 9) - 1 July 2018	160

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others:

- the failure of a debtor to engage in a repayment plan with Group;
- the failure to make contractual payments for a period of greater than the number of days past due as set by each business unit; and/or
- a legal process has not enabled recovery.

3. Debt instruments

The debt instruments classified as measured at amortised cost at 30 June 2018 are considered to have a low credit risk. The loss allowance calculated for these were therefore limited to 12 months' expected losses and was immaterial. The debt instruments are considered to have a low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The loss allowances for financial assets are based on assumptions pertaining to risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on past experience, existing market conditions as well as forward looking estimates at the end of each reporting period.

B. Impact of the adoption of IFRS 15: Revenue from Contracts with Customers

In accordance with the transition provisions in IFRS 15, the Group has applied the modified retrospective application option, and certain adjustments are therefore recognised in the opening statement of financial position on 1 July 2018.

1. Accounting for payments to customers for non-distinct goods and services

The adoption of IFRS 15 has required the Group to identify separate performance obligations in contracts with customers. The Group makes payments or provides products to customers linked to a loyalty program and distribution of sales and marketing related functions carried out by them. These costs have previously been included in expenditure items in the income statement, but is now accounted for against revenue. This change had no impact on net profit.

2. Accounting for refunds

When the customer has a right to return the product within a given period, the Group is obliged to refund the purchase price. The Group recognises revenue when the goods have been formally accepted by the customer or the goods have been delivered and the time period for rejection had expired as there is uncertainty about the possibility of return. When goods are returned, revenue is derecognised and the customer credited with value of the goods originally delivered.

In terms of IFRS 15, a refund liability for the estimated expected refunds of R19 million outstanding to customers was recognised as an adjustment to trade and other payables on 1 July 2018. Simultaneously, the Group has a right to recover the product from the customer where the customer exercises his right of return, which right is included in trade and other receivables amounting to R12 million at 1 July 2018. The asset is measured by reference to the former carrying value of the product. The costs to recover the products are not material as the products are usually returned during the normal distribution process.

C. Impact of the adoption of IFRS 9 and IFRS 15 on equity accounted investments

Remgro's equity accounted investments followed the same transitional arrangements as described above.

The impact of the implementation of IFRS 9 from equity accounted investments on Remgro's statement of financial position was a decrease amounting to R795 million in both equity accounted investments and reserves. The amendment that had the largest impact was applying the expected credit losses on FirstRand Limited's (FirstRand) results, which in turn affected RMB Holdings Limited's (RMH) statement of financial position on 1 July 2018. The implementation of IFRS 9 by these two companies reduced Remgro's carrying value of equity accounted investments and reserves by R735 million.

The impact of the implementation of IFRS 15 amounted to a reduction in the carrying value of equity accounted investments and reserves of R298 million, of which R289 million is attributable to SEACOM Capital Limited (SEACOM). SEACOM adjusted the accounting of its indefeasible right of use contracts which included the obligation to provide services at various capacities across two networks and with different pricing structures for which cash is received in advanced.

D. Impact of the adoption of IFRS 9 and IFRS 15 on the consolidated statement of financial position
The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Consolidated statement of financial position (extract)	30 June 2018 As previously presented	IFRS 9	IFRS 15	1 July 2018 Restated
ASSETS				
Non-current assets				
Investments - Equity accounted	73 722	(795)	(298)	72 629
- Available-for-sale	3 067	(3 067)	-	-
- Financial assets at fair value through other comprehensive income	-	3 067	-	3 067
Current assets				
Debtors and short-term loans	8 599	(25)	12	8 586
Total assets	150 928	(820)	(286)	149 822
EQUITY AND LIABILITIES				
Reserves	84 865	(805)	(298)	83 762
Shareholders' equity	98 098	(805)	(298)	96 995
Non-controlling interest	15 348	(9)	(4)	15 335
Total equity	113 446	(814)	(302)	112 330
Deferred taxation	5 268	(6)	(3)	5 259
Trade and other payables	9 904	-	19	9 923
Total equity and liabilities	150 928	(820)	(286)	149 822

3. COMPARISON WITH THE PRIOR PERIODS

On 2 July 2018 the Unilever Spreads business, Siqalo Foods Proprietary Limited (Siqalo Foods), became a wholly owned subsidiary of Remgro (refer to "Investment activities" for further detail). Furthermore and as previously reported, Remgro holds the majority of voting rights in Distell Group Holdings Limited (Distell) since 11 May 2018, which resulted in the investment in Distell being consolidated from that date.

As a result of the above transactions, certain line items in the statement of financial position and income statement are not directly comparable with the prior periods. The initial accounting for these business combinations has not yet been completed and the provisional fair values at the acquisition dates were as follows:

	At acquisition date	
R million	Siqalo Foods 02 July 2018	Distell 11 May 2018
Property, plant and equipment	495	6 608
Intangible assets	1 710	10 169

Inventories	124	7 765
Debtors and short-term loans	-	2 149
Cash and cash equivalents less bank overdraft	-	1 306
Other net assets	-	1 229
Long-term loans	-	(4 378)
Deferred taxation (assets and liabilities)	(506)	(3 693)
Trade and other payables	(14)	(3 857)
Non-controlling interest	-	(11 893)
Fair value of net assets acquired	1 809	5 405
Goodwill	5 191	3 535
Total purchase consideration	7 000	8 940

Siqalo Foods and Distell's revenue contributions for the period under review are R1 405 million and R14 424 million (30 June 2018: R4 219 million), respectively.

4. RESULTS

Headline earnings

For the period under review, headline earnings decreased by 3.3% from R4 406 million to R4 259 million, while headline earnings per share (HEPS) also decreased by 3.3% from 777.5 cents to 752.1 cents.

Included in headline earnings for the period under review is a positive fair value adjustment amounting to R106 million (2017: R134 million), relating to the decrease in value of the bondholders' exchange option of the exchangeable bonds (option remeasurement). Excluding the option remeasurement, headline earnings decreased by 2.8% from R4 272 million to R4 153 million, whereas HEPS decreased by 2.7% from 753.9 cents to 733.4 cents. The decrease in headline earnings, excluding option remeasurement, is mainly due to lower earnings from Total South Africa Proprietary Limited (Total), Community Investment Ventures Holdings Proprietary Limited (the CIV group), RCL Foods Limited (RCL Foods) and the exclusion of Unilever South Africa Holdings Proprietary Limited (Unilever) due to its disposal. The decrease is partly offset by the inclusion of Siqalo Foods and higher contributions from Mediclinic International plc (Mediclinic), Grindrod Limited (Grindrod) and the banking platform, as well as higher interest income.

Contribution to headline earnings by reporting platform

R million	31 Dec 2018	% Change	31 Dec 2017	Year ended 30 June 2018
Banking	1 775	5.8	1 678	3 525
Healthcare	623	27.9	487	1 556
Consumer products	932	(18.2)	1 140	1 605
Insurance	582	(7.0)	626	1 228
Industrial	412	(25.2)	551	971
Infrastructure	(20)	(162.5)	32	57
Media and sport	8	144.4	(18)	(47)
Other investments	15	(48.3)	29	66
Central treasury				
- finance income	397	53.3	259	524
- finance costs	(459)	(1.5)	(452)	(891)
- option remeasurement	106	(20.9)	134	261
Other net corporate costs	(112)	(86.7)	(60)	(282)
Headline earnings	4 259	(3.3)	4 406	8 573
Option remeasurement	(106)		(134)	(261)
Headline earnings, excluding option remeasurement	4 153	(2.8)	4 272	8 312

Refer to Annexures A and B for the segmental information.

Commentary on reporting platforms' performance

Banking

The headline earnings contribution from the banking platform amounted to R1 775 million (2017: R1 678 million), representing an increase of 5.8%. FirstRand and RMH reported headline earnings growth of 6.1% and 5.7% respectively. RMH reported lower growth due to higher funding costs.

On a normalised basis, which excludes certain non-operational and accounting anomalies, and is a better reflection of underlying performance, FirstRand and RMH reported earnings growth of 7.1% and 6.7% respectively. These increases are mainly due to growth in both net interest income, underpinned by solid growth in advances and deposits, and non-interest revenue due to strong fee and commission income growth. This growth in earnings was partly offset by an increase of 16% in non-performing loans, in part reflecting strong book growth, as well as reflecting the IFRS 9 impairment provisioning methodology resulting in an increase in credit impairment charges.

Healthcare

Mediclinic's contribution to Remgro's headline earnings amounted to R623 million (2017: R487 million), representing an increase of 27.9%. As previously reported, Mediclinic's contribution for the comparative period included an accelerated amortisation charge of R171 million relating to the rebranding of all the Al Noor facilities to Mediclinic. Excluding the impact of the accelerated amortisation in the comparative period, Mediclinic's contribution to Remgro's headline earnings would have decreased by 5.3% from R658 million to R623 million. In British pound terms Mediclinic's contribution, excluding the accelerated amortisation, decreased by 8.6% mainly due to a lower contribution from the Switzerland division, partly offset by a stronger performance by the Southern Africa and Middle East operating divisions.

Switzerland's underperformance was a direct result of recent regulatory changes in the Swiss healthcare market which impacted all providers. These changes included the implementation of national outpatient tariff (TARMED) reductions and the outmigration of identified clinical treatments, transferring from an inpatient to an outpatient tariff across many cantons. Steps have been taken to improve the current financial performance through securing revenue growth, reducing costs and driving efficiency savings in different areas of the business. Additional medium term actions include improving service differentiation across insurance categories, doctor recruitment initiatives and advancing the outpatient delivery model.

Consumer products

The contribution from consumer products to Remgro's headline earnings amounted to R932 million (2017: R1 140 million), representing a decrease of 18.2%.

RCL Foods' contribution to Remgro's headline earnings decreased by 26.5% to R366 million (2017: R498 million). This decrease is mainly due to significant challenges within the Sugar and Chicken business units resulting from lower prices realised, mainly due to oversupply, and higher commodity and transport costs. Profitability in the Chicken business unit was hampered by dumped imports entering the market leading to lower pricing and an increase in feed costs. The Sugar business unit was impacted by reduced domestic sugar consumption, brought about by, inter alia, the implementation of the Health Promotion Levy (sugar tax), and the continued volumes of dumped imports, resulting in a shift in sales mix towards raw (unrefined) exports. Export prices were significantly lower than local prices due to suppressed worldwide sugar prices. The Groceries cluster however, delivered solid growth, benefiting from volume and margin increases in the Grocery and Pies portfolios and market share gains in several categories.

Distell's contribution to headline earnings amounted to R399 million (2017: R354 million), representing an increase of 12.7%. Note that the comparative period included the contribution from Capevin Holdings Limited. Distell reported headline earnings growth, adjusted for retrenchment and restructuring costs, the Tanzania Distilleries Limited once-off losses in the comparative period and foreign exchange movements, of 6.6%, mainly due to solid revenue growth in the South African and other African markets. In addition to Distell's contribution, Remgro also accounted for amortisation and depreciation charges of R24 million relating to the additional assets identified when Remgro obtained control over Distell on 11 May 2018.

On 2 July 2018 Unilever acquired Remgro's 25.75% shareholding in Unilever in exchange for Unilever's Spreads business in Southern Africa, namely Siqalo Foods, as well as a cash consideration of R4 900 million. As a result, no headline earnings contribution was accounted for Unilever (2017: R288 million), however, Siqalo Foods' contribution to Remgro's headline earnings for the period under review amounted to R231 million. In addition to Siqalo Foods' contribution, Remgro also accounted for amortisation and depreciation charges of R40 million relating to the additional assets identified when Remgro obtained control over Siqalo Foods.

Insurance

Rand Merchant Investment Holdings Limited's (RMI) contribution to Remgro's headline earnings decreased by 7.0% to R582 million (2017: R626 million). On a normalised basis, RMI reported a decrease of 8.2% in earnings mainly due to lower contributions from Discovery Holdings Limited (Discovery) and OUTsurance Holdings Limited (OUTsurance). Discovery's contribution to RMI decreased by 16.6% due to significant spend on new initiatives, a spike in large mortality claims at Discovery Life and the negative impact of the transition from IAS 39 to IFRS 9. OUTsurance's contribution decreased by 5.8% due to exceptionally low claims in the comparative period, higher natural peril claims in Australia, corrective pricing measures to recognise lower accident frequencies and significant investments in new business growth activities. The contribution of MMI Holdings Limited increased by 5.7% and that of Hastings Group Holdings plc decreased by 8.9%.

Industrial

Air Products South Africa Proprietary Limited's (Air Products) contribution to Remgro's headline earnings increased by 22.5% to R174 million (2017: R142 million). This increase is mainly due to an improvement in gas volumes and successful cost containment initiatives.

Total's contribution to Remgro's headline earnings amounted to R101 million (2017: R258 million). Included in the contribution to headline earnings for the period under review are unfavourable stock revaluations amounting to R75 million (2017: favourable stock revaluations of R135 million). These revaluations are the result of the volatility in the Brent Crude price and the rand exchange rate. Excluding these revaluations, the contribution increased by 43.1% from R123 million to R176 million. This increase is mainly due to an increase in turnover resulting from higher sales volumes in the mining and reseller sector.

Kagiso Tiso Holdings Proprietary Limited's (KTH) and Wispeco Holdings Proprietary Limited's (Wispeco) contributions to headline earnings amounted to R77 million and R52 million (2017: R73 million and R62 million), while PGSI Limited (PGSI) contributed R8 million to Remgro's headline earnings (2017: R16 million).

Infrastructure

The CIV group's contribution to Remgro's headline earnings amounted to a loss of R104 million (2017: profit of R32 million). The results were negatively impacted by the acquisition of a 34.9% stake in Vumatel Proprietary Limited (Vumatel), which was implemented during June 2018. Included in the CIV group's results were finance costs amounting to R136 million, relating to the financing of the Vumatel acquisition, as well as Vumatel's equity accounted losses amounting to R41 million. Excluding the aforesaid Vumatel impact, the contribution to headline earnings decreased from a profit of R32 million to a loss of R11 million mainly due to Dark Fibre Africa Proprietary Limited's (DFA) higher depreciation and finance costs as a result of the expanding network. Despite the decrease in earnings, DFA's revenue increased by 18.2% to R1 067 million (2017: R903 million) mainly due to strong growth in annuity revenue.

Grindrod's contribution to Remgro's headline earnings amounted to R101 million (2017: a loss of R52 million). The increase is mainly due to improved results across core businesses, resulting from increased commodity demand, whereas the comparative period included stock impairments in the rail assembly business, due to the closure of this business unit, and losses from the shipping division.

During June 2018 Grindrod completed the separate listing of its shipping division and Remgro received Grindrod Shipping Holdings Limited (Grindrod Shipping) shares as a dividend in specie. Grindrod Shipping's contribution to Remgro's headline earnings amounted to a loss of R18 million (included in the 2017 contribution of Grindrod: R62 million).

Remgro's share of SEACOM's loss amounted to R1 million (2017: a profit of R32 million). This decrease is mainly due to a once-off realisation of deferred revenue relating to the early termination of long-term contracts in the comparative period, as well as the negative impact of the implementation of IFRS 15 in the period under review.

Media and sport
Media and sport primarily consist of the interests in eMedia Investments Proprietary Limited (eMedia Investments) and various sport interests, including an interest in the Blue Bulls rugby franchise and Stellenbosch Academy of Sport Properties Proprietary Limited.

eMedia Investments' contribution to Remgro's headline earnings increased to R11 million (2017: R3 million). This increase is mainly due to an increase in revenue, as well as a lower investment into the multi-channel business (Openview and e.tv multichannel).

Other investments
The contribution from other investments to headline earnings amounted to R15 million (2017: R29 million), of which Business Partners Limited's contribution was R29 million (2017: R29 million).

Central treasury and other net corporate costs
Finance income amounted to R397 million (2017: R259 million). This increase is mainly due to higher average cash balances as a result of the Unilever disposal. Finance costs amounted to R459 million (2017: R452 million). The positive fair value adjustment of R106 million (2017: R134 million) relates to the decrease in the value of the exchange option of the exchangeable bonds. Other net corporate costs amounted to R112 million (2017: R60 million). The increase in other net corporate costs is mainly due to the utilisation of corporate taxation credits in the comparative period.

Earnings
Earnings increased by 149.3% to R10 297 million (2017: R4 131 million). This increase is mainly due to the profit realised on the Unilever disposal of R8 318 million. This increase is partly offset by Remgro's portion of the impairments of Mediclinic's properties and trade names in Switzerland and its investment in Spire Healthcare Group plc of R1 954 million (2017: R830 million).

5. INTRINSIC NET ASSET VALUE

Remgro's intrinsic net asset value per share decreased by 10.4% from R256.97 at 30 June 2018 to R230.23 at 31 December 2018. The closing share price at 31 December 2018 was R194.74 (30 June 2018: R204.29) representing a discount of 15.4% (30 June 2018: 20.5%) to the intrinsic net asset value. Refer to Annexure B for full details.

6. INVESTMENT ACTIVITIES

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

Unilever
On 2 July 2018 Unilever acquired Remgro's 25.75% shareholding in Unilever in exchange for Unilever's Spreads business in Southern Africa, as well as a cash consideration of R4 900 million, representing a total transaction value of R11 900 million. This transaction valued the Unilever Spreads business at R7 000 million. The Unilever Spreads business was transferred to Siqalo Foods, which became a wholly owned subsidiary of Remgro on 2 July 2018.

Remgro's investment in Unilever was previously classified as an associate and accounted for using the equity method. With effect from 2 July 2018, Remgro consolidated Siqalo Foods at 100.0%, while the investment in Unilever, with a carrying value of R3 582 million, was disposed of for a consideration of R11 900 million, realising an accounting profit on the disposal of investment of R8 318 million.

In terms of IFRS 3: Business Combinations the purchase price of Siqalo Foods was R7 000 million. The preliminary fair value of the underlying assets acquired and liabilities assumed at the effective date were: intangible assets of R1 710 million, property, plant and equipment of R495 million, and other net liabilities of R396 million. The balance of R5 191 million, being the difference between the purchase price and Siqalo Foods' identifiable net assets, was allocated to goodwill.

The fair value adjustment to Siqalo Foods' statement of financial position relates mainly to the recognition of brands (inter alia Rama, Stork and Flora) and non-contractual customer relationships. The amortisation of these additional assets will result in an annual after-tax expense of R80 million included in headline earnings. The impact on headline earnings for the six months ended 31 December 2018 amounted to R40 million.

Community Investment Ventures Holdings Proprietary Limited (CIVH)

During July 2018, CIVH repurchased 6.3% of its shares from a shareholder, which increased Remgro's interest in CIVH to 54.5% (30 June 2018: 51.0%). On 29 August 2018 and 27 September 2018 Remgro subscribed for 10 834 CIVH shares amounting to R324 million and 16 596 CIVH shares amounting to R490 million, respectively, in terms of two CIVH rights issues. These share subscriptions did not alter Remgro's interest in CIVH.

Prescient China Equity Fund (Prescient)

During October 2018, Remgro invested $50 million in Prescient. Prescient was launched during October 2018 and Remgro and Reinet Investments S.C.A. provided the seed capital. Prescient, which uses a systematic, quantitative approach to seek long term capital growth, invests in listed stocks in the Chinese market and is benchmarked to the Shanghai Shenzhen CSI 300 index.

Milestone Capital Strategic Holdings Limited (MCSH)

Remgro previously invested $43 million in MCSH, consisting of an interest bearing loan of $38 million and an investment of $5 million. During August 2018 MCSH repaid the loan and interest amounting to $42 million and Remgro disposed of its investment in MCSH for a total purchase consideration of $28 million. The purchase consideration was settled with cash amounting to $6 million, 10 714 310 Li Ning Company Limited (Li Ning) shares valued at $12 million and JHL Biotech, Inc. bonds (JHL bonds) valued at $10 million.

During December 2018 and January 2019, Remgro disposed of 607 500 Li Ning shares for $1 million and 10 106 810 Li Ning shares for $11 million, respectively. The JHL bonds are held in escrow and will be utilised as Remgro's first contribution towards Milestone China Opportunities Fund IV (the Fund). Remgro committed up to a maximum amount of $100 million to the Fund during the period under review.

RMI

On 11 September 2018 RMI declared its final dividend for the year ended 30 June 2018, which included an alternative to the cash dividend of either receiving a scrip distribution or reinvesting the cash dividend by subscribing for new RMI ordinary shares. Remgro elected to reinvest its cash dividend amounting to R300 million, and received 7 894 998 new RMI ordinary shares at R38.00 per share.

RCL Foods

During December 2018 Remgro acquired a further 7 042 924 RCL Foods shares for a total amount of R115 million. This transaction marginally increased Remgro's effective interest in RCL Foods to 77.5% (30 June 2018: 77.0%).

Premier Team Holdings (PTH) and Saracens Copthall LLP (Copthall)

On 24 October 2018, Remgro entered into an agreement in terms of which it disposed of its 50.0% interest in PTH (the entity that owns the Saracens rugby club) for a nominal amount with the right to sell its 49.5% interest in Copthall (the entity that houses the Saracens club's stadium, Allianz Park) after three years for GBP8 million. The combined transaction gave Remgro the ability to completely exit the Saracens Group.

Remgro's investments in PTH and Copthall were previously classified as associates and accounted for using the equity method. With effect from 24 October 2018, Remgro disposed of its investment in PTH and derecognised its associated investment in Copthall. The right to sell Copthall is classified as a financial instrument with fair value movements accounted for through profit and loss.

Other

Other smaller investments amounted to R145 million.

Events after 31 December 2018

There were no significant transactions subsequent to 31 December 2018.

7. INFORMATION REGARDING UNLISTED INVESTMENTS

Siqalo Foods
Siqalo Foods owns the trademarks for Rama, Flora, Stork, Rondo and other spreads related brands in the Southern African Customs Union (SACU) countries, as well as a production facility. The business was acquired on 2 July 2018 as part of the consideration received on the disposal of Remgro's 25.75% shareholding in Unilever.

During the period under review, Unilever continued to act as principal as part of its obligation under the transition agreement. Siqalo Foods will assume full operational accountability by the end of March 2019.

Siqalo Foods' contribution to Remgro's headline earnings for the six months under review amounted to R231 million. The spreads business generated higher headline earnings mainly due to lower overhead charges by Unilever during the transition agreement period, a better gross margin realisation from lower cost inputs, as well as strong underlying volume growth during the period.

Air Products
Air Products has a September year-end and its results for the six months ended 30 September 2018 have been included in Remgro's results for the period under review. Air Products' contribution to Remgro's headline earnings for the period under review increased by 22.5% to R174 million (2017: R142 million).

Turnover for Air Products' six months ended 30 September 2018 increased by 7.8% to R1 609 million (2017: R1 492 million), while the company's operating profit for the same period increased by 12.4% to R490 million (2017: R436 million).

The period under review saw some improvement in gas volumes, particularly in the On-sites and large tonnage gases businesses, as well as some successful cost containment initiatives.

KTH
KTH is a leading black-owned investment company with a strong and diversified asset portfolio covering the industrial, services, media, financial services and healthcare sectors.

KTH's contribution to Remgro's headline earnings for the period under review amounted to R77 million (2017: R73 million). The increase in earnings was mainly due to positive equity accounting results from investments, reduced operating costs for the group and a decrease in the net finance cost paid during the period to R73 million (2017: R117 million).

KTH's profit attributable to ordinary shareholders amounted to R101 million (2017: R138 million loss). The increase in attributable profit was driven by positive equity accounted results from investments and a decrease in impairments recognised compared to the comparative period. The increase was partly offset by the loss recognised on the disposal of XK Platinum Partnership and lower group revenue for the period. The comparative period included an impairment of the investment in Actom Investment Holdings Proprietary Limited of R412 million which was partly offset by the reversal of impairment of XK Platinum Partnership (R146 million).

Income from equity accounted investments increased to R220 million (2017: R50 million), partly due to significant losses recognised in the comparative period on certain equity accounted investments which yielded positive returns during the period. The major contributors to equity accounted earnings during the reporting period were the investments in MMI Holdings Limited, Fidelity Bank (Ghana) Limited, Eris Property Fund and XK Platinum Partnership.

Total
Total has a December year-end and its results for the six months to 31 December 2018 have been included in Remgro's results for the period under review. Total's contribution to Remgro's headline earnings for the six months to 31 December 2018 amounted to R101 million (2017: R258 million).

Total's turnover for the six months ended 31 December 2018 increased by 30.8% to R39 505 million (2017: R30 196 million), mainly due to the increase in the basic fuel price and increased sales volumes in the mining and reseller sector during the period under review.

The results were negatively impacted by stock revaluation losses of R420 million (2017: gains of R753 million) due to the sharp decrease in the average basic fuel price and in crude prices during the last two months of the period under review.

Total experienced lower refining margins in comparison to 2017, due to the impact of the unfavourable market environment. Natref's average refining margin indicator for the period under review decreased from $54 per ton to $40 per ton mainly due to the significant increase in average Brent crude price of $71 per barrel from $56 per barrel.

PGSI
PGSI's contribution to Remgro's headline earnings for the six months to 31 December 2018 amounted to R8 million (2017: R16 million). PGSI's turnover for the period under review increased from R2 171 million to R2 238 million. The group's normalised operating profit, which excludes the impact of asset impairments and charges for the early adoption of new IFRS standards, decreased from R114 million to R93 million.

The group's main operating subsidiary in South Africa, PG Group, manufactures and supplies glass for the building and automotive industries. The building glass businesses reported a decline in profits due to weak domestic demand and growing pressure on selling prices in a competitive and oversupplied market. The automotive businesses fared better despite economic pressures on consumers, lower claims from the insurance sector and variable demand in export markets. Supplies to local automotive assembly operations have been challenged by very competitive pricing, especially out of China. The Rest of Africa businesses reported a decline in profitability with many regions impacted by weaker economic activity, as well as political instability in some regions.

While the economic climate remains challenging, the group has made good progress in the areas of cost reduction, manufacturing quality and performance efficiencies. Initiatives to focus on market requirements and improve the service offering to its customers are progressing well.

Wispeco
Wispeco's turnover for the six months ended 31 December 2018 increased by 16.4% to R1 253 million (2017: R1 076 million). This resulted mainly from higher selling prices linked to the combined effect of the global price of aluminium and the rand-dollar exchange rate. Sales volumes for the period were slightly higher in a subdued Southern African market. Despite higher import duties, price competition against imports remains intense and margins are tight. Headline earnings for the period under review decreased to R52 million (2017: R62 million).

Wispeco drives improvement of internal efficiencies and invests in state-of-the-art manufacturing processes to remain cost effective and competitive against low cost imports. Opportunities to expand its distribution footprint in Southern Africa are also pursued on an ongoing basis. Wispeco continues to lead the market with product innovation and software solutions to support the sale of its products. The Crealco brand is gaining prominence and is firmly positioned as the local benchmark for architectural aluminium products.

CIV group
Remgro has an effective interest of 54.5% in the CIV group, which is active in the telecommunications and information technology (ICT) sector. The key operating company of the group is Dark Fibre Africa Proprietary Limited (DFA), which constructs and owns fibre-optic networks. The CIV group also acquired a 34.9% interest in Vumatel Proprietary Limited (Vumatel) during June 2018. Vumatel is a leader in the Fibre-to-the-Home (FTTH) market. Vumatel's FTTH network spans over 8 000 km over a residential area footprint which it leases to Internet Services Providers (ISPs), who in turn sell internet products to the consumer. DFA also has a 90.0% investment in an FTTH operator, South African Digital Villages (SADV), and a 100% share in Sqwidnet, an Internet-of-Things (IOT) network provider.

The CIV group has a March year-end and therefore its results for the six months ended 30 September 2018 have been included in Remgro's results for the period under review. The CIV group's contribution to Remgro's headline earnings for the period under review amounted to a loss of R104 million (2017: R32 million profit). Included in the CIV group's results are finance costs amounting to R136 million, relating to the financing of the Vumatel acquisition, as well as Vumatel's equity accounted losses amounting to R41 million. Excluding the aforesaid Vumatel impact, the contribution to headline earnings decreased from a profit of R32 million to a loss of R11 million mainly due to higher finance costs and depreciation as a result of the expanding network.

DFA's revenue for the six months ended 30 September 2018 increased by 18.2% to R1 067 million (2017: R903 million) mainly as a result of solid growth of 24.1% in annuity revenue. DFA's EBITDA for the period under review increased by 9.5% to R597 million. The current book value of the fibre-optic network is in excess of R9 billion (30 June 2018: R8 billion). DFA has thus far secured a healthy annuity income of R152 million per month, with the majority thereof being on long-term contracts with customers.

DFA owns fibre network in all major metropolitan areas, as well as a number of smaller metropolitan areas, including East London, Polokwane, Tlokwe, Emalahleni, George and Pietermaritzburg. At 30 September 2018, a total distance of 11 190 km (September 2017: 10 138 km) of fibre network had been completed in the major metropolitan areas, small towns and on long-haul routes. The SADV network adds another 2 500 km of fibre network.

The DFA revenue model is flexible to adapt to customers' needs and DFA either sells an indefeasible right of use agreement, which is a lump sum in advance, or on an annuity basis with multi-year contracts of mostly up to 15 years.

SEACOM

Remgro has an effective interest of 30.0% in SEACOM, which operates Africa's largest international data network connecting Southern and Eastern Africa with Europe and Asia.

SEACOM has a December year-end and its results for the six months to 31 December 2018 have been included in Remgro's results for the period under review. SEACOM contributed a loss of R1 million (2017: headline profit of R32 million) to Remgro's headline earnings for the period under review.

SEACOM's core sales and revenue streams are generated from its established base of Service Provider (wholesale) customers that also provide the basis for network scale, cost reductions and service innovation. The Service Provider segment continues to see strong demand for international capacity from large Over The Top providers and from the growth of Internet Protocol Transit traffic from local ISPs. The SEACOM international and terrestrial networks are continuously upgraded to keep pace with this demand.

SEACOM Business provides the platform for future growth and improved profitability as the number and size of corporate customers increases. Revenue for the period under review grew by 35.0%. SEACOM Business has a healthy pipeline to continue to grow sales and revenue in 2019. In addition to organic growth, SEACOM Business continues to make acquisitions of ISPs focused largely on the enterprise market. The acquisitions have had a significantly positive contribution in the reporting period. SEACOM Business continues to focus its investments on in-building fibre reticulation and terrestrial fibre to unlock previously unserved areas. The acquisition of FibreCo Holdings Proprietary Limited will enable SEACOM to grow its customer base, delivering large capacity services between key cities and towns in South Africa.

8. TREASURY SHARES

At 30 June 2018, 1 389 033 Remgro ordinary shares (0.3%) were held as treasury shares by a wholly owned subsidiary of Remgro. As previously reported, these shares were acquired for the purpose of hedging Remgro's share incentive scheme.

During the period under review Remgro repurchased a further 2 000 000 Remgro ordinary shares at an average price of R198.07 per share for a total amount of R396 million, while 13 699 Remgro ordinary shares were utilised to settle Remgro's obligation towards scheme participants who exercised the rights granted to them.

At 31 December 2018, 3 375 334 (0.6%) Remgro ordinary shares were held as treasury shares.

CHANGES TO DIRECTORATE

Mr Anthony Edward Rupert has been appointed as a non-executive director of Remgro with effect from the close of business on 29 November 2018.

DECLARATION OF CASH DIVIDEND

Declaration of Dividend No. 37
Notice is hereby given that an interim gross dividend of 215 cents (2017: 204 cents) per share has been declared out of income reserves in respect of both the ordinary shares of no par value and the unlisted B ordinary shares of no par value, for the half-year ended 31 December 2018.

A dividend withholding tax of 20% or 43 cents per share will be applicable, resulting in a net dividend of 172 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

The issued share capital at the declaration date is 529 217 007 ordinary shares and 39 056 987 B ordinary shares.
The income tax number of the Company is 9500-124-71-5.

Dates of importance:

Last day to trade in order to participate in the dividend	Tuesday, 9 April 2019
Shares trade ex dividend	Wednesday, 10 April 2019
Record date	Friday, 12 April 2019
Payment date	Monday, 15 April 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 10 April 2019, and Friday, 12 April 2019, both days inclusive.

In terms of the Company's Memorandum of Incorporation, dividends will only be transferred electronically to the bank accounts of shareholders, while dividend cheques are no longer issued. In the instance where shareholders do not provide the Transfer Secretaries with their banking details, the dividend will not be forfeited, but will be marked as "unclaimed" in the share register until the shareholder provides the Transfer Secretaries with the relevant banking details for payout.

Signed on behalf of the Board of Directors.

Johann Rupert
Chairman

Jannie Durand
Chief Executive Officer

Stellenbosch
19 March 2019

DIRECTORATE

Non-executive directors
Johann Rupert (Chairman), E de la H Hertzog (Deputy Chairman),
J Malherbe (Deputy Chairman), S E N De Bruyn*, G T Ferreira*,
P K Harris*, N P Mageza*, P J Moleketi*, M Morobe*, F Robertson*,
A E Rupert
(* Independent)

Executive directors
J J Durand (Chief Executive Officer),
M Lubbe, N J Williams

CORPORATE INFORMATION

Secretary
D I Heynes

Listing
JSE Limited
Sector: Industrial - Diversified Industrial

Business address and registered office
Millennia Park, 16 Stellentia Avenue, Stellenbosch 7600
(PO Box 456, Stellenbosch 7599)

Transfer Secretaries
Computershare Investor Services Proprietary Limited,
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
(PO Box 61051, Marshalltown 2107)

Auditors
PricewaterhouseCoopers Inc.
Stellenbosch

Website
www.remgro.com

ANNEXURE A
COMPOSITION OF HEADLINE EARNINGS

	Six months ended	
R million	31 December 2018	31 December 2017
Banking		
RMH	1 252	1 185
FirstRand	523	493
Healthcare		
Mediclinic	623	487
Consumer products		
Unilever	-	288
RCL Foods	366	498
Distell(1) - entity contribution	399	354
- IFRS 3 charge(2)	(24)	-
Siqalo Foods - entity contribution	231	-
- IFRS 3 charge(2)	(40)	-
Insurance		
RMI	582	626
Industrial		
Air Products	174	142
Total	101	258
KTH	77	73
Wispeco	52	62
PGSI	8	16
Infrastructure		
CIV group	(104)	32
Grindrod	101	(52)
Grindrod Shipping	(18)	-
SEACOM	(1)	32
Other infrastructure interests	2	20
Media and sport		
eMedia Investments	11	3
Other media and sport interests	(3)	(21)

Other investments	15	29
Central treasury		
Finance income	397	259
Finance costs	(459)	(452)
Option remeasurement	106	134
Other net corporate costs	(112)	(60)
Headline earnings	4 259	4 406
Weighted number of shares (million)	566.3	566.7
Headline earnings per share (cents)	752.1	777.5

Note
(1.) The comparative period includes the investment in Capevin Holdings Limited.
(2.) IFRS 3 charge represents the amortisation and depreciation expenses, net of tax, relating to the additional assets identified when Remgro obtained control over these entities.

ANNEXURE B
COMPOSITION OF INTRINSIC NET ASSET VALUE

	31 December 2018		30 June 2018	
R million	Book value	Intrinsic value	Book value	Intrinsic value
Banking				
RMH	15 736	31 359	15 385	30 123
FirstRand	5 586	14 412	5 486	14 045
Healthcare				
Mediclinic(1)	29 758	19 676	29 373	31 329
Consumer products				
Unilever	-	-	3 588	11 900
RCL Foods	8 541	9 444	8 128	11 534
Distell(1, 2)	9 280	7 502	9 110	9 674
Siqalo Foods(3)	7 191	5 959	-	-
Insurance				
RMI	8 930	17 107	8 479	17 285
Industrial				
Air Products	1 053	3 831	1 026	4 158
Total	2 048	2 679	2 007	2 382
KTH	1 989	2 095	1 964	2 218
Wispeco	927	941	874	984
PGSI	695	759	692	692
Infrastructure				
CIV group	3 122	5 563	2 301	4 940
Grindrod	1 065	1 065	1 624	1 624
Grindrod Shipping	326	326	623	623
SEACOM	45	858	353	870
Other infrastructure interests	265	265	256	256
Media and sport				
eMedia Investments	877	802	866	866
Other media and sport interests	277	272	223	268
Other investments	4 353	4 460	4 060	4 196
Central treasury				
Cash at the centre(4)	17 212	17 212	13 704	13 704
Debt at the centre	(14 114)	(14 114)	(14 097)	(14 097)
Other net corporate assets	1 724	2 191	2 073	2 536
Intrinsic net asset value (INAV)	106 886	134 664	98 098	152 110
Potential CGT liability(5)		(4 606)		(6 438)

INAV after tax	106 886	130 058	98 098	145 672
Issued shares after deduction of shares repurchased (million)	564.9	564.9	566.9	566.9
INAV after tax per share (Rand)	189.21	230.23	173.04	256.97
Remgro share price (Rand)		194.74		204.29
Percentage discount to INAV		15.4		20.5

Notes

(1.) Remgro determined recoverable amounts for Mediclinic and Distell which are in excess of the investments' carrying values.

(2.) The prior year includes the investment in Capevin Holdings Limited.

(3.) The initial accounting for the Siqalo Foods business combination, including the allocation of goodwill, has not yet been completed. The impairment assessment of goodwill will be performed at 30 June 2019 when the accounting for the acquisition has been finalised.

(4.) Cash at the centre excludes cash held by subsidiaries that are separately valued above (mainly RCL Foods, Distell, Siqalo Foods and Wispeco).

(5.) The potential capital gains tax (CGT) liability is calculated on the specific identification method using the most favourable calculation for investments acquired before 1 October 2001 and also taking into account the corporate relief provisions. Deferred CGT on investments at fair value through other comprehensive income is included in "other net corporate assets" above.

(6.) For purposes of determining the intrinsic net asset value, the unlisted investments are shown at directors' valuation and the listed investments are shown at stock exchange prices.

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)