**BIDCORP PLC – RESULTS FOR THE 18 MONTHS ENDED JUNE 2003**
**AUDIO CONFERENCE – 15 AUGUST 2003**

**Brian Joffe, Chairman**

Morning everyone. Thanks for joining us on this call. At the outset I should say that most of the speaking this morning will be done by Rodger Graham (Chief Executive, Bidcorp plc).

I don't think that anyone is proud of these numbers. I think, from our perspective and that of management's they are below expectation. Having said that, however, we have to recognise that a lot of hard work is being done. We are much more optimistic about the potential of the group and where we can take this company. I think our reasons for purchasing the business remain sound and that strategically this company will, over time, be able to fulfil our objectives.

Also, I'd like to say that the net asset value of the company remains intact. We believe that the assets, as outlined in the accounts, don't reflect their true market values. I am not suggesting that these assets can be sold at higher prices, what I am suggesting is that I think it's common knowledge among people who follow this company that, for example, the Dartford property - if it were not used as a port - would have a different value.

Rodger Graham will now take us through the numbers, but just to say once again that from my perspective, and certainly from the perspective of the directors of Bidvest, we certainly appreciate the effort and work that has gone into this company.

So Rodger over to you.

**Rodger Graham, Chief Executive:**

As Brian said, it's disappointing to put out results that show losses, but as I have said before, I think this company is still a 'work in progress'. There has been a lot of work done and I think there still remains some to be done.

However this is our first official accounting period under the Bidvest banner and it is worth looking back over the 18 months that we have been through.

The figures sometimes need careful thought because they cover 18 months as opposed to 12 months and even over 12 months they are not easy to unravel. But let's go back to the beginning of the period.

At the beginning of January last year, the business, then known as Jacobs Holdings plc was recapitalised to the tune of £32 million, by an injection of share capital (equity capital) by Bidvest. That brought Bidvest's shareholding to a 56.7% stake in what became known as Bidcorp.

Since that time there have some very significant changes in the company. There is not one single remaining executive director in the company - they have all changed. This includes the Financial Director, the heads of shipping, property and automotive. I was interested last night to look back at the last set of accounts and see they took three months to publish whereas we came out last night with the audited accounts just six weeks after the end of the period. So despite the fact that we have had to change the entire financial and administrative staff they have done a good job turning out these figures so quickly.

There has been a significant reduction and consolidation of debt in the company over those 18 months. We started off, apart from the injection of the equity capital, with inherited debt in HP of £15.1 million at the beginning of the period. It now sits at £5.5 million.

Long-term debt in respect of the ships held in the joint venture was US$3.1 million, and that was repaid in the year, so the ships are now owned outright. The total debt in the company is down from £40.7 million to £13.1 and that is after £15 million capex spent in the period. Of that HP debt all but £0.8 million will be repaid this time next year. So that is a steady, ongoing write down.

We also repaid the Blue Circle debt of £9 million which was due in respect of the Dartford property. Apart from HP, all debt sits in an overdraft facility. We have no long-term debt in the company, and we have good headroom on that overdraft facility.

The cash is strongly under control and we know where we are going with our cash going forward.

As we got to the end of the year we sold our investment in the company which held a share in the VLCC, a Very Large Crude Carrier. That gave us investment income from the sale of those shares of £0.4 million on the income statement. And in July, after the end of the financial period, there a was cash inflow of £2.9 million. So the business generates cash despite the losses recorded and the balance sheet is looking much stronger.

Operationally we have restructured quite significantly. Originally we had three automotive divisions but these have now been reduced to two and one head office is gone. We have re-grouped, Ian Spry continues to look after the volume transport side of the business, and all other automotive units are grouped now under Dave Bricklow. Traffic management we attempted to sell (I don’t think there is any secret about that) and were unsuccessful. We have now integrated the division into Rescue and Recovery.

Ferryline has closed. This fleet of trailers we leased to carry customer’s cargoes, mainly to the shipping line, closed with trading and closure costs in the period fractionally short of one million pounds.

We terminated our operations in Goole which was a vehicle preparation centre being run unprofitably, servicing CAT, the French motor manufacturers. We also closed our Individual Driver Movements. Unfortunately this means that about over 400 people no longer have employment with Bidcorp, but it was inevitable – we had to downsize.

We gradually whittled down IDM during the period so that it was almost profitable by the end of the period, but we have deemed it not to be a business with the sort of risk element we would like to have. The trading and closure costs in relation to Goole and IDM were £1.9 million in the 18 month period.

We have resumed a careful capex programme. We've got the volume transport equipment back to the industry-recognised, seven-year cycle of replacement. Some of the equipment there was aging. We have replaced some of the handling equipment in shipping to increase efficiencies and improve our use of the land space available to us there. We have bought the covered transport business up to scratch in terms of the capital equipment and this is now the largest of its type in this industry in the UK. We have no major capex problems ahead of us now - we have got on top of those. It is just steady replacement type business going forward.

Onto the problem businesses: Rescue and Recovery, which lost £2 million in the year before the Bidvest investment, is now profitable. It has made two small acquisitions during the period to spread the geographical coverage.

Traffic management was a problem throughout the period. But as we come to the end of the reporting period we have leased a new storage facility to hold vehicles, which will reduce our transport costs and from the end of this month we are out of a very unprofitable contract. Both should make a positive contribution to profits of the Group going forward.

Wellesbourne was the other problem child. We see it as an essential part of the logistics chain in the automotive business. This is the node of which we speak so often in South Africa - that a company must control such a node in order to have the influence over the transport legs on the other side. It is vital that we had to get that right if we are going to have a presence in this industry, and I think we have now got it right.

We have a long-term contract with Mercedes which includes their Smart cars. This is a totally revamped business from what a lot of you have seen. It is a business of which I am now proud. It is now profitable and that profit will continue to grow. It is still small, but it is going to contribute positively to our results in the year ahead, and I think it will contribute positively to our strategic positioning in the industry.

The other operation that has been a problem over time is SVTV, the French volume transport operation. That loss is now small, and I don't think we can do better than what we have got there at the moment. The French industry is dramatically down at the moment and that will take some time to turn it around.

The last six months (that is, from January through to the June) was not a good period for us.

The economies in Europe were significantly down from where they were in the prior period. We forget very quickly that this was the time of the Iraqi war, and there was a great deal of uncertainty. The leading-indicator industries, like the automotive industry, took quite a serious knock in that period. The cross chain of volumes of traffic on the routes that we handle, and the volumes handled by all carriers through the major routes, such as the Zeebrugge route were down by 30% in the first quarter of this year, quarter on quarter.

The motor industry was flat or slightly down, particularly in Europe and I think it is common knowledge that most of the manufacturers are in some kind of trouble. That in turn puts pressure back on us as suppliers. On margins and volumes we still have some significant problems resulting from issues in volume transport. We are restructuring quite dramatically again by consolidating planning structures into one but it will take us another six months to get that one back on track again. Market conditions, although they are better, remain difficult.

During the last six months we unfortunately also had a number of abnormal incidents. We had bad debt in shipping which knocked us by about quarter of a million pounds. We had an accident in shipping where one of our ships hit the quay and had to go out of action for a week. That meant a loss of revenue for the week and also cost us repair charges. There were a number of property sales which ought to have come through in this period but haven't because of bureaucracy, so that income has not been posted. At this stage in a recovery of a business, it is difficult to absorb knocks of that nature, but things are improving and we are turning it around.

So, in summary we have a solid balance sheet. We have a clear strategy and most of our businesses are profitable. We have low gearing. We have an NAV per share which is the same as it was at the time we moved in (19.1 p). We have better management in place and we have much better controls running in the business than we had before. It's on that basis that I say we are near rounding the corner and we should see better times ahead.

**Brain Joffe:**

Thanks Rodger.  We are happy to take questions now.

**Henry Munzara, Investec:**

Morning gentlemen. Just a quick one for you Rodger and I'm turning more to the shipping and ports division.  Could you talk a little bit in terms of whether you are successful as far as rate increases are concerned and how much more upside you see? Could you also address the assets side and whether you are happy with the assets you've got. Do you think there is still scope to get rid of some? And in terms of the whole restructuring, how is that going?

**Rodger Graham:**

Henry, in terms of the rates we've been getting on the shipping routes, they have been per unit gradually increasing during this period and particularly coming up to December just passed. So we were happy with the way the rates are going. However the mix of the products we were carrying didn't suit us, for example, accompanied traffic gives you much better return than does unaccompanied traffic. Full containers pay you more than empty containers and the mix was badly wrong for us in that period.

We could see that there was going to be a poor trading period in the first six months of this year, as the Iraqi war started looming. The Minister of Defence came around wanting to take a sub-contract out on our bigger ferries. In anticipation of lower volumes we let three of our bigger ferries go and I think that was good because the volumes came down dramatically and the volume-to-capacity is a critical point in terms of costs. But it also came with a configuration change. With new vessels a different configuration of loading was needed and it didn't run as smoothly as it should have run.

Those vessels are coming back to us now. The first one is back, and the next two will be back within the next four weeks. I think you'll see the configuration come back and improve again and with it the mix margin element will improve as well. I think the six vessels that we own are very good for the purposes to which we put them. Everybody in the shipping world seems to regard them highly for the purposes they're used.

**Henry Munzara, Investec:**

Thanks, and just on the assets side, I remember the last time I saw you, you were saying there are a number of things you were looking at. Whether you actually needed to own a number of things: for example, trucking companies or that perhaps you could lease those. How is that whole exercise going in terms of identifying what assets you need and what you don't?

**Rodger Graham:**

We have not made huge progress in that area at this stage but it's still something that we would look at quite seriously. I think the point we were discussing last time was ships; about whether we needed to own or lease that service out. That is still a consideration we are pursuing and we are talking with people about it but we haven't done anything further on that.

**Henry Munzara, Investec:**

Just one last question about the other two divisions in terms of the restructuring ahead: Are you effectively saying that you will keep those two divisions and restructure within them or are you saying that it is an issue of which divisions to keep?

**Rodger Graham:**

I think we have got to get the two sides of the automotive business to work much more closely together than they have been. We have got to get the volume transport, specialist transport and the vehicle centres together as one complete offer. We are starting to refer more here now to portfolio management than to divisional management, so that the people running those are running a portfolio of operations which could change as time goes by.

We want them to be talking to each other and working more closely together to get the thing to integrate. I think that what we have got left on the vehicle handling side is a package. I think if you look at volume vehicle preparation centres, specialist distribution and prestige distribution, that is a package. The operation that clearly stands out from that package is rescue/recovery and traffic management and I don't think we have made too much of a secret about the fact that we don't have a long-term interest in those activities. But we have had to fix a lot of things before we can look to change our portfolio as well, and I think we are just getting to the end of that phase.

**Michelle Olivier, BJM:**

Good morning gentlemen, a question for Rodger: I see that your contract with P & O has come to an end for development of Shellhaven. Could you elaborate on that? And whether there are other opportunities?

**Roger Graham:**

Morning Michelle. The agreement that Jacobs Company had with P & O was a 'heads of terms' agreement. It was not a final, binding legal agreement, it was something on which work needed to be done. The more that we got into negotiating with P & O on that, the more we found there were problems attached to it. The ferry operation is very much an adjunct to a very large planned container terminal. It is a 3.5 million TEU container terminal that they are planning. Just to put that in perspective, that is about four times larger than Durban harbour. So it is a very big container terminal which has a small ferry operation alongside of it. Very good from a ferry operations point of view and we would love to be operating out of there, but their view of it was that it was a necessary evil and that they were offering us space which was inadequate in size. They wanted to change the configuration of the site as they went on with the development of the container site. That was a bit like changing your shoes while you are dancing. It would have been very difficult to keep a business running under those circumstances. We managed to negotiate our way through much of those difficulties, but not all of them.

The other side to that problem was that the heads of terms agreement gave them the right to take our Dartford site from us when we moved down to Shellhaven. We would have had to surrender a greater deal of the capital profit, or the investment development profit, of that Dartford site to P & O Port Development Operations. We also had no control over the cash flow coming out of it.

The way the heads of terms agreement was written was they could draw the land down as they wanted to, in parts if they wanted to, and pay us as they went along. So those were difficult things we couldn't get around and the negotiations just sort of petered out, because nobody could get the other to move on it. Subsequent to that they have signed a similar heads of terms, I understand, with a competitor, Cobbelfret, and we will wait to see how those negotiations translate into reality.

So, we let that one lapse because we thought it was too expensive for us in terms of property and risky in terms of operational activity on the site at Shellhaven.

Are there other opportunities available to us? Yes there are and we are investigating a couple. I would rather not say too much at the moment, because it is obvious that if you find them they are like diamonds and you don't want other people to know what you are up to. But yes we are looking at other opportunities in the same area and along the Thames. We are also looking at opportunities to expand terminal facilities on the European side. We are in discussion at the moment with a couple of ports out there to perhaps move our freight operations to a different site which would give us greater capacity and maybe allow us into the first stage of following the strategy of terminals in deep water.

**Michelle Olivier, BJM:**

What do you estimate will be the further closure costs in financial year 04 or in the next 12 months?

**Rodger Graham:**

We have some left-over costs to sort out in terms of closing the divisional head office, which was the specialist automotive division. They are not huge but there are costs there that are left over and they're people costs. There are no other businesses at the moment that we are planning to close and all closure costs of the operations to date are contained within the financial period just finished.

**Michelle Olivier, BJM:**

The 800 million pounds operating profit that you made on your continuous operations, were there any of the once-off costs that you spoke about in that number?

**Rodger Graham:**

Yes, absolutely, they are trading costs. So the bad debt is in there, the crashed ferry is in there. It's all in there.

**Michelle Olivier, BJM:**

Okay. I just wanted to get a sense of normalised operating profits.

**Rodger Graham:**

Michelle, do be careful with that. We are not going to make any secret of the fact that we had a very difficult last six months with the economy going the way it was and the problem of the once-offs as well. It was not a good six months for us. Be careful that you don't extrapolate that too quickly. We keep pulling our way out of that hole. The area where we will have to manage more recent changes affecting us particularly is the volume transport side, which faces serious margin pressure. I think we can see our way out of it, but it's going to take longer than a couple of minutes.

**Michelle Olivier, BJM:**

Thank you very much.

**Operator:**

There are no further questions.

**Brian Joffe:**

Thank you all very much for attending.