2021

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

FOCUS • COLLABORATE • GROW

RMI

INDEX

NAVIGATION WITHIN THIS REPORT

Indicates further information available on our website, **www.rmih.co.za**

Directs readers to another **page** in the annual financial statements with supplementary information.

DIRECTORS' RESPONSIBILITY STATEMENT

TO THE SHAREHOLDERS OF RAND MERCHANT INVESTMENT HOLDINGS LIMITED

The directors of Rand Merchant Investment Holdings Limited (RMI) are required by the Companies Act, 71 of 2008 (Companies Act), to prepare audited consolidated and separate annual financial statements. In discharging this responsibility, the directors rely on management to prepare the audited consolidated and separate annual financial statements in accordance with International Financial Reporting Standards (IFRS) and for keeping adequate accounting records in accordance with the group's system of internal control. As such, the annual financial statements include amounts based on judgements and estimates made by management.

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The directors approve significant changes to accounting policies. The annual financial statements incorporate full and appropriate disclosure in line with the group's philosophy on corporate governance.

The directors are responsible for the group's system of internal control. To enable the directors to meet these responsibilities, the directors set the standards for internal control to reduce the risk of error or loss in a cost-effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group.

Based on the information and explanations given by management and the internal auditor, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the consolidated and separate annual financial statements in accordance with IFRS and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the group during the year and up to the date of this report. Based on the effective internal controls implemented by management, the directors are satisfied that the consolidated and separate annual financial statements fairly present the state of affairs of the group and company at the end of the financial year and the net income and cash flows for the year. Herman Bosman (LLM, CFA) supervised the preparation of the annual financial statements for the year.

The directors have reviewed the group's and company's budget and flow of funds forecast and considered the group's and company's ability to continue as a going concern in the light of current and anticipated economic conditions. The directors have reviewed the assumptions underlying these budgets and forecasts based on currently available information. On the basis of this review and in the light of the current financial position and profitable trading history, the directors are satisfied that the group has adequate resources to continue in business for the foreseeable future. The going concern basis therefore continues to apply and has been adopted in the preparation of the annual financial statements.

It is the responsibility of the group's independent external auditor, PricewaterhouseCoopers Inc, to report on the fair presentation of the annual financial statements. Their unmodified report appears on **pages 8 to 13**.

The consolidated annual financial statements of the group, which appear on **pages 14 to 107** and the separate annual financial statements of the company, which appear on **pages 108 to 125**, were approved by the board of directors on 20 September 2021 and signed on its behalf by:

JJ Durand	**HL Bosman**
Chairman	Chief executive officer

DECLARATION BY THE COMPANY SECRETARY

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88(2)(E) OF THE COMPANIES ACT

I declare that, to the best of my knowledge, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

JS Human
Company secretary

20 September 2021

DECLARATION BY THE FINANCIAL DIRECTOR AND CHIEF EXECUTIVE OFFICER

The director, whose name is stated below, hereby confirms that:

a) the annual financial statements set out on **pages 14 to 125**, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

d) the internal financial controls are adequate and effective and can be relied upon in compiling the financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of King IV; and where we are not satisfied, we have disclosed to the audit committee and the auditor the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

HL Bosman
Chief executive officer and financial director

20 September 2021

AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee has pleasure in submitting this report, as required in terms of the Companies Act of South Africa.

AUDIT AND RISK COMMITTEE MEMBERSHIP AND MEETINGS

The committee is an independent statutory committee and comprises four non-executive directors who act independently, as described in section 94 of the Companies Act. The chairman is an independent, non-executive director and attends the annual general meeting.

The committee meets at least twice a year or at the request of the chairman, any member of the committee, the board or the external auditor. Comprehensive minutes of meetings are kept. The chief executive officer attends the meetings. The committee invites, at its discretion, the appropriate representatives of the external auditor, other professional advisers, officers or employees whose input may be required. Board members have the right of attendance. The chairman may excuse any of the attendees at a meeting who may be considered to have a conflict of interest.

The committee met twice during the year and membership and attendance were as follows:

	March 2021	September 2020
Per Lagerström (BSc (Accounting), MSc (Economics) (London School of Economics)) (chairperson)	✓	✓
Sonja De Bruyn (LLB (Hons), LSE, MA (McGill), SFA)	✓	✓
Johan Burger (BCom (Hons), CA (SA))	✓	✓
James Teeger (BCom, BAcc, CA (SA), HDip Tax)	✓	✓

✓ Attended meeting.

ROLES AND RESPONSIBILITIES

At the meetings, the members fulfilled all their functions as prescribed by the Companies Act and its charter, as approved by the board. The committee's objectives are to assist the board of directors in fulfilling its fiduciary duties with regard to:

- the safeguarding of the group's assets;
- the financial reporting process;
- the system of internal control;
- the management of financial and non-financial risks;
- the audit process and approval of non-audit services;
- the group's process for monitoring compliance with the laws and regulations applicable to it;
- the group's compliance with the corporate governance practices;
- review of the integrated report;
- the business conduct of the group and its officials;
- the accounting policies applied are consistent, appropriate in compliance with IFRS; and
- the appointment of the external auditor and the evaluation of their services and independence.

KING IV

The King IV Report on Corporate Governance for South Africa, 2016 (King IV) includes 'five lines of assurance' to incorporate all assurance providers to enable an effective control environment to strengthen decision-making. Horizontal assurance includes internal audit and risk and compliance while vertical assurance includes line managers, frameworks, policies, procedures and system controls. Internal audit remains a pivotal part of governance relating to assurance and King IV therefore expects the board to apply its mind to the assurance standards expected from internal auditor.

THE FINANCE FUNCTION

The committee considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function. It also considered and satisfied itself of the appropriateness of the expertise and experience of the financial director.

EFFECTIVENESS OF COMPANY'S INTERNAL FINANCIAL CONTROLS

The committee is of the opinion that, based on enquiries made and the reports from the internal and external auditors, the risk management processes and systems of internal control of the company and its investments were effective for the year under review. No material weaknesses in financial control of the company and its subsidiaries were reported for the year under review.

INDEPENDENCE OF THE EXTERNAL AUDITOR

PricewaterhouseCoopers Inc. was re-appointed as auditor of the company until the next annual general meeting. They have been RMI's auditor since inception.

The committee believes that the auditor has observed the highest level of business and professional ethics. The committee is satisfied that the auditor has, at all times, acted with unimpaired independence. In reaching this conclusion, the committee considered the following:

- Representations made by the external auditor to the audit and risk committee;
- Independence criteria specified by the Independent Regulatory Board for Auditors and international regulatory bodies as well as criteria for internal governance processes within audit firms;
- Auditor suitability assessment in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listings Requirements;
- Previous appointments of the auditor; and
- The extent of other work undertaken by the auditor for the group.

Details of fees paid to the external auditor are disclosed in **note 27** to the consolidated annual financial statements.

The partner responsible for the audit is required to rotate every five years, with Corlia Volschenk being the designated auditor for the third year.

The committee meets with the auditor independently from senior management.

COMBINED ASSURANCE

The board does not only rely on the adequacy of the internal control embedment process, but considers reports on the effectiveness of risk management activities. The audit and risk committee ensures that the assurance functions of management and internal and external audit are sufficiently integrated.

The various assurance providers to the board are:

- senior management considers the company's risk strategy and policy, along with the effectiveness and efficiency thereof; and
- the audit and risk committee considers the adequacy of risk management strategies, systems of internal control, risk profiles, legal compliance, internal and external audit reports and also reviews the independence of the auditor, the extent and nature of audit engagements, scope of work and findings. This committee also reviews the level of disclosure in the annual financial statements and the appropriateness of accounting policies adopted by management, the ethics register and other loss incidents reported. The board reviews the performance of the audit and risk committee against its charter.

INTERNAL AUDIT

The company outsources its internal audit function to Remgro Management Services. Internal audit is an effective independent appraisal function and employs a risk-based audit approach. The head of internal audit has direct access to the chairman of the audit and risk committee, as well as to the chairman of the board.

EXTERNAL AUDIT

The company's external auditor attends all audit and risk committee meetings and the annual general meeting of shareholders and has direct access to the chairman of the audit and risk committee and the chairman of the board. The external audit scope of work is adequately integrated with the internal audit function without restricting the scope.

The audit and risk committee has satisfied itself that there are effective audit committees functioning at the company's investees.

Per Lagerström
Chairman of the audit and risk committee

20 September 2021

DIRECTORS' REPORT

NATURE OF BUSINESS

RMI is an active, listed investment holding company. Its objective is to create shareholder value over the long term, through both an attractive dividend yield and an increase in intrinsic value. To achieve this, RMI has three strategic priorities:

- **Focus** on short-term insurance and continue offering investors an entry point into two unlisted business, OUTsurance and Hastings, leaders in their respective markets;
- **Collaborate** with portfolio companies in creating value and encourage the sharing of share knowledge and best industry practice by management teams with a collaborative mindset; and
- **Grow** investments from early-stage to mature assets and liberate these assets at the right time, thereby allocating capital efficiently for continued value creation.

RMI aims to be a value-adding, active enabler of leadership and innovation in financial services and currently holds an investment portfolio of some of South Africa's premier insurance brands, an investment in the UK short-term insurer, Hastings Group Consolidated (Hastings), an asset management business and investments in next-generation financial services companies.

During the 2021 financial year, the following corporate activity took place:

- AlphaCode Proprietary Limited disposed of its 7.8% equity stake in Luno;
- Royal Investment Managers Proprietary Limited disposed of its 30% equity stake in Balandolozi;
- Effective 16 November 2020, the transaction was concluded whereby Hastings Group Consolidated (HGC) acquired 100% of the issued shares of Hastings Group Holdings plc (Hastings) and delisted Hastings. From this date, RMI was a 30% shareholder in HGC (by swapping its 29.7% shareholding in Hastings for shares in HGC and acquiring an additional 0.3% of the issued shares), with Sampo, a leading Nordic insurance group listed on the Nasdaq Helsinki, acquiring the other 70% of the issued shares of HGC. RMI holds an option to acquire another 10% of HGC from Sampo at the transaction price for a period of 18 months from the effective date of the transaction, expiring in May 2022;
- RMI Investment Managers Affiliates 2 Proprietary Limited disposed of its 30% equity stake in Tantalum;
- RMI invested a further R45 million in Prodigy Finance, increasing its equity stake to 13.3%; and
- RMI capitalised RMI Treasury Company Limited by a further R1 100 million.

The table below summarises the RMI group's actual interest in its investee companies as at 30 June 2021 compared to 30 June 2020:

	30 June	
	2021	2020
Discovery Limited	**24.8%***	25.0%*
Momentum Metropolitan Holdings Limited	**26.8%***	27.3%*
OUTsurance Holdings Limited (OUTsurance)	**89.1%***	89.1%*
Hastings Group Consolidated (HGC) (2020: Hastings Group Holdings plc (Hastings))	**30.0%**	29.7%
Main Street 1353 Proprietary Limited	**51.0%**	51.0%
RMI Investment Managers Group	**100.0%**	100.0%
RMI Investment Holdings Proprietary Limited	**100.0%**	100.0%
RMI Asset Holdings Proprietary Limited	**100.0%**	100.0%
RMI Treasury Company Limited	**100.0%**	100.0%

* Actual interest differs from the effective interest used for financial reporting due to the consolidation of treasury shares and 'deemed' treasury shares held by group companies (see **note 37**).

Further details regarding the investments are provided in **notes 38 and 39** of the consolidated annual financial statements.

SHARE CAPITAL

The classes of shares in terms of RMI's MOI are as follows:

ORDINARY SHARES

The total authorised number of ordinary shares is 2 000 000 000, with a par value of R0.0001 per share. There was no movement in the total number of issued ordinary shares of 1 531 807 770 during the 2021 financial year.

The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting.

PREFERENCE SHARES

Cumulative, redeemable par value preference shares

The total authorised number of cumulative, redeemable par value preference shares is 100 000 000, with a par value of R0.0001 per share. There are no issued cumulative, redeemable par value preference shares.

Cumulative, redeemable no par value preference shares

The total authorised number of cumulative, redeemable no par value preference shares is 100 000 000. There are no issued cumulative, redeemable no par value preference shares.

Cumulative, redeemable no par value preference shares in terms of clause 7.1 of the MOI

The total authorised number of cumulative, redeemable no par value preference shares created in terms of the group's debt programme and outlined in clause 7.1 of the MOI, is 100 000 000. None of these shares have been issued to date.

SHAREHOLDER ANALYSIS

Based on information disclosed by STRATE and investigations conducted on behalf of the company, the following shareholders have an interest of 5% or more in the issued ordinary share capital of the company:

	30 June	
	2021	2020
Financial Securities Limited (Remgro)	**30.6%**	30.6%
Royal Bafokeng Holdings Proprietary Limited	**14.2%**	14.5%
Public Investment Corporation	**7.2%**	7.5%
Allan Gray (on behalf of clients)	**5.9%**	7.8%

EARNINGS

Earnings attributable to ordinary shareholders for the year ended 30 June 2021 amounted to R2 893 million or 189.2 cents per share (2020: R1 592 million or 104.1 cents per share). Headline earnings amounted to R2 929 million or 191.6 cents per share (2020: R1 956 million or 127.9 cents per share).

DIVIDENDS

The following ordinary dividends were declared by RMI during the year under review:

- An interim dividend for the six months ended 31 December 2020 of 22.5 cents per ordinary share, declared on 17 March 2021 and paid on 19 April 2021 (31 December 2019: 45.0 cents per ordinary share, declared on 12 March 2020 and paid on 6 April 2020).
- A final dividend for the year ended 30 June 2021 of 22.5 cents per ordinary share, declared on 20 September 2021 and payable on 25 October 2021 (30 June 2020: No final dividend declared).

DIRECTORATE

The directorate comprises:

Non-executive directors

Name	Date of appointment
JJ Durand (Chairman)	8 December 2010
P Cooper	8 December 2010
LL Dippenaar	8 December 2010
PK Harris	8 December 2010
A Kekana	6 February 2013
O Phetwe	6 February 2013

Independent non-executive directors

Name	Date of appointment
JP Burger	30 June 2014
SEN De Bruyn	8 December 2010
P Lagerström	30 June 2014
MM Mahlare	31 March 2018
MM Morobe (lead independent)	1 August 2014
RT Mupita	31 March 2018
JA Teeger	31 March 2018

Executive director

Name	Date of appointment
HL Bosman (CEO)	2 April 2014

Alternate directors

Name	Date of appointment
DA Frankel	31 March 2018
F Knoetze	1 April 2016
UH Lucht	3 September 2019

There were no changes in the board of directors during the year ended 30 June 2021.

DIRECTORS' INTERESTS IN RMI

Details of individual directors' interests in the company are disclosed on **page 7.**

INTERESTS OF DIRECTORS AND OFFICERS

During the financial year, no contracts were entered into in which directors or officers of the company had an interest and which significantly affected the business of the group. The directors had no interest in any third party or company responsible for managing any of the business activities of the group except to the extent that they are shareholders in RMI as disclosed in this report.

Arm's length insurance transactions entered into by the company's directors with the group's associates are disclosed in **note 35** to the consolidated annual financial statements.

DIRECTORS' EMOLUMENTS AND SERVICE CONTRACTS

Directors' and prescribed officers' emoluments are disclosed in **note 45** to the consolidated annual financial statements.

At each annual general meeting one third of the non-executive directors have to retire from office. If at the date of any annual general meeting any non-executive director has held office for a period of three years since his last election or appointment, he has to retire at such meeting. A retiring director is eligible for re-election.

The remuneration of the non-executive directors is approved annually by way of a special resolution at the annual general meeting. The company's remuneration policy is approved annually by way of an ordinary resolution at the annual general meeting.

DIRECTORS' PARTICIPATION IN GROUP SHARE INCENTIVE SCHEMES

RMI operates a cash-settled share scheme as part of its remuneration philosophy, which tracks the company's share price. Mr Bosman participates in this scheme. OUTsurance also has a cash-settled share scheme, with Youi operating an equity-settled share scheme.

INSURANCE

RMI has appropriate insurance cover against crime risks as well as professional indemnity.

COMPANY SECRETARY AND REGISTERED OFFICES

Schalk Human is the company secretary of RMI. The address of the company secretary is that of the company's registered office. The company's registered office is 12th Floor, The Bank, corner of Cradock and Tyrwhitt avenue, Rosebank, 2196.

MANAGEMENT CONTRACT

RMI and RMB Holdings Limited (RMH) rendered management services to each other during the 2021 financial year. Mr Bosman's executive remuneration was paid for by RMI. RMI charged management fees to RMH according to the time spent by Mr Bosman on the affairs of each company.

SPECIAL RESOLUTIONS

The following special resolutions were passed at the annual general meeting of RMI held on 3 December 2020:

- approval of non-executive directors' remuneration with effect from 1 December 2020;
- general authority to repurchase company shares;
- issue of shares, convertible securities and/or options to persons listed in section 41(1) of the Companies Act for the purposes of their participation in a reinvestment option;
- financial assistance to directors, prescribed officers and employee share scheme beneficiaries; and
- financial assistance to related or inter-related companies.

OUTsurance passed the following special resolutions at its annual general meeting held on 12 November 2020:

- general authority to provide financial assistance to related or inter-related companies in terms of section 45 the Companies Act; and
- approval of the remuneration of non-executive directors.

EVENTS SUBSEQUENT TO REPORTING DATE

Refer to **note 36** to the consolidated annual financial statements.

DIRECTORS' INTERESTS IN ORDINARY SHARES OF RMI (AUDITED)

Directors have disclosed the following interest in the ordinary shares of RMI at 30 June 2021:

000's	Direct beneficial	Indirect beneficial	Held by related persons	Total 2021
HL Bosman	–	**800**	–	**800**
JP Burger	–	**1 184**	–	**1 184**
P Cooper	**795**	–	**3 061**	**3 856**
SEN De Bruyn	–	–	–	–
LL Dippenaar	–	**73 387**	**233**	**73 620**
JJ Durand	–	–	–	–
DA Frankel (alternate)	–	–	–	–
PK Harris	–	**12 000**	–	**12 000**
A Kekana	–	–	–	–
F Knoetze (alternate)	–	–	–	–
P Lagerström	–	–	–	–
UH Lucht	–	–	–	–
MM Mahlare	–	–	–	–
MM Morobe	–	–	–	–
RT Mupita	**99**	–	–	**99**
O Phetwe	–	–	–	–
JA Teeger	**42**	**54**	–	**96**
Total interest	**936**	**87 425**	**3 294**	**91 655**

Mr Bosman has disclosed the following interest in RMI call options as at 30 June 2021 and 30 June 2020:

Class and number of securities:	Call options on 250 000 RMI ordinary shares
Delta reference:	2 182.2 cents per share
Notional amount:	R5 455 500
Strike price:	2 400.42 cents per share
Premium paid:	R1 396 000
Expiry date:	17 March 2022
Nature of interest:	Indirect beneficial

Directors have disclosed the following interest in the ordinary shares of RMI at 30 June 2020:

000's	Direct beneficial	Indirect beneficial	Held by related persons	Total
HL Bosman	–	800	–	800
JP Burger	–	1 184	–	1 184
P Cooper	795	–	3 061	3 856
SEN De Bruyn	–	–	–	–
LL Dippenaar	–	73 387	233	73 620
JJ Durand	–	–	–	–
DA Frankel (alternate)	–	–	–	–
PK Harris	–	12 000	–	12 000
A Kekana	–	–	–	–
F Knoetze (alternate)	–	–	–	–
P Lagerström	–	–	–	–
UH Lucht	–	–	–	–
MM Mahlare	–	–	–	–
MM Morobe	–	–	–	–
RT Mupita	99	–	–	99
O Phetwe	–	–	–	–
JA Teeger	42	54	–	96
Total interest	936	87 425	3 294	91 655

Since 30 June 2021 to the date of this report, the interest of directors remained unchanged.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF RAND MERCHANT INVESTMENT HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Rand Merchant Investment Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Rand Merchant Investment Holdings Limited's consolidated and separate financial statements set out on pages 14 to 107 and 109 to 125 comprise:

- the consolidated and separate statements of financial position as at 30 June 2021;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

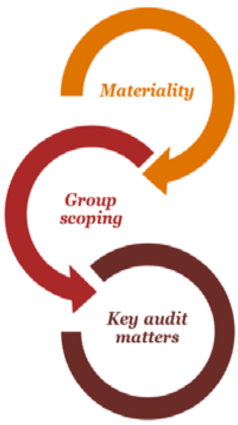
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Our audit approach

Overview



Overall group materiality

R211 million, which represents 5% of the average consolidated profit before taxation for the last 3 years.

Group audit scope

We performed full scope audits on all financially significant components. We also performed full scope audits on some of the remaining components due to statutory requirements for audits on these components. Audits of certain account balances were performed in some components due to the contribution of these component account balances to the consolidated financial statements as a whole. We performed analytical procedures on non-significant components.

Key audit matters

- Valuation of insurance contract liabilities relating to short-term insurance contracts; and
- Equity accounted earnings of financially significant associates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R211 million.
How we determined it	5% of the average consolidated profit before taxation for the last 3 years.
Rationale for the materiality benchmark applied	We chose consolidated profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. The average consolidated profit before taxation over the past three years was used to address the volatility in profit before taxation due to the effect of the future mortality, morbidity and economic impacts of the COVID 19 pandemic, made by the long-term insurance associates, on current year earnings. We have chosen 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Full scope audits were performed on components which are financially significant to the group. We performed full scope audits on some of the remaining components due to statutory requirements. For some components we performed audits of certain account balances due to the financial significance of these accounts to the consolidated financial statements as a whole. Analytical procedures were performed on other non-financially significant components in order to obtain sufficient appropriate audit evidence on which to base the group audit opinion.

For the work performed by component auditors from other PwC network firms in South Africa and component auditors not part of the PwC network, we issued group instructions which covered those areas that we required the component auditors to focus on, as well as information that we required them to report to us.

We examined the reporting received from the component auditors and assessed the impact thereof on the consolidated financial statements.

Further audit procedures were performed by the group engagement team, including analytical review procedures over the remaining balances and substantive procedures over the consolidation process.

The work carried out at the component levels, together with these additional procedures performed at the group level, provided us with sufficient evidence to express an opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters below relate to the consolidated financial statements. We have determined that there are no key audit matters to report with respect to the separate financial statements.

Key audit matters	How our audit addressed the key audit matters
Valuation of insurance contract liabilities relating to short-term insurance contracts Refer to the following accounting policies and notes to the consolidated financial statements for detail on this key audit matter: • Accounting policies note 24, Critical accounting assumptions; • Accounting policies note 18, Insurance contracts; and • Notes to the consolidated annual financial statements note 9, Insurance contracts and reinsurance contracts. Insurance contract liabilities relating to short-term insurance contracts include a net outstanding claims provision of R2.4 billion and an insurance contract non-claims bonuses provision of R542 million. Each reported claim is assessed separately on a case-by-case basis, by either a computer algorithm based on past experience or a claims assessor with the relevant experience, taking into account information available from the insured. The estimates are updated as and when new information becomes available. The claims provision includes an estimate for claims incurred but not reported. The claims reserve recognised requires significant judgement and is sensitive to the assumptions made. Given the above, an explicit margin for prudence is held over and above the best estimate reserve. The margins held ensure that the claims reserve held is, at the least, sufficient at the 75th percentile, i.e. adequate at least three out of every four years. The provision for non-claims cash bonuses is determined with reference to the contractual obligation per the contract of insurance, adjusted for expected future claims and client cancellations based on historical experience. A risk margin is added to the best estimate of the future liability to allow for the uncertainty relating to future claims and cancellation experience. The risk margin is calibrated to ensure that the provision is at least sufficient with a 75% confidence level, i.e. three out of every four years. We considered the valuation of insurance contract liabilities relating to short-term insurance contracts to be a matter of most significance to the current year audit due to the following: • The calculation is subject to inherent uncertainty; • Significant judgement and estimation are applied by management; and • The magnitude of the liabilities.	Our audit procedures included evaluating and testing the design and operating effectiveness of the controls used in the calculation of the outstanding claims provision and insurance contract non-claims bonuses provision relating to short-term insurance contracts. To assess the validity of the population of claims information recorded on the system (e.g. loss event, claim estimate, items insured) and the valuation of the claims, we performed the following procedures, on a sample basis: • We assessed the claim values against assessor reports and traced these to claim documentation which detailed the loss event. We noted no exceptions; • We compared the claims to information for the underlying policy recorded on the system in order to test whether the claims were valid claims (e.g. if the insured was covered for the loss event in the original policy and if the premium has been paid up). We found the claims to be consistent with the relevant supporting documents; • We utilised our actuarial expertise to test the calculations underlying the actuarial estimates for reasonability and appropriateness. The testing involved taking into consideration the Group's accounting policy in respect of the claims provisions; • We utilised our actuarial expertise to assess the methodology and assumptions applied by management for reasonability and appropriateness, taking into consideration historic experience, actuarial guidance and industry practice. We found the methodologies and assumptions applied by management to be in line with industry practice, actuarial guidance and consistent with historical experience; and • We performed independent calculations of the claims provisions for all material classes of business segments. We found the recommended claims provision, for these classes, to be within a reasonable range. Utilising our actuarial expertise, we performed the following procedures on the provision for non-claims cash bonuses: • We evaluated the appropriateness of the methodology and assumptions applied by management with reference to International Financial Reporting Standard 4: Insurance contracts, the nature of the business, our understanding of industry practice and the Group's accounting policies. Based on our work performed, we accepted the methodology and assumptions applied by management and noted that it was consistently applied from the prior year; • As described above, we have assessed the data used to value the provisions from a completeness and accuracy perspective. No material differences were noted; • We assessed the actuarial approach applied to the non-claims cash bonus, taking into account the nature of the benefit. Based on our work performed, we accepted the actuarial approach applied; • We have evaluated the actuarial assumptions taking into account the actual historical experience. This included, but was not limited to: reserve rates, future payments, future premiums and loss ratios; and • We reperformed the calculation of the provision for non-claims cash bonuses to obtain an independent value for the provision. We compared this to management's provision and noted no material differences.

Key audit matters	How our audit addressed the key audit matters
Equity accounted earnings of financially significant associates Refer to the following accounting policies and notes to the consolidated financial statements for detail on this key audit matter: • Accounting policies note 2, Principles of consolidation and equity accounting; and • Notes to the consolidated annual financial statements note 4, Investment in Associates. The Group holds significant equity accounted investments in terms of International Accounting Standard 28: Investments in associates and joint ventures. The Group's share of the after-tax profits of equity accounted investments for the year ended 30 June 2021 was R1.2 billion and the carrying value of the Group's equity accounted investments was R29.3 billion as at 30 June 2021. The equity accounting of financially significant associates was considered to be a matter of most significance to our current year audit due to the significance of the equity accounted investments in relation to the reported results of the Group, as well as the potential risk of misstatement introduced by the manual nature of the calculations to determine the amounts to be equity accounted in the consolidated annual financial statements.	Due to the significance of the Group's share of the after-tax profits in its equity accounted investments, we maintained continual interaction with the audit teams of financially significant components and involvement in their work. We held discussions with the component auditors and issued them with group instructions as described in the section *'How we tailored our group audit scope'* and we assessed the competence, knowledge and experience of the component auditors. Furthermore, we evaluated the identified audit risks at the financially significant component level and the audit approach throughout all phases of the audit process, examined working papers and performed cross-review procedures in evaluating the results of the work of the component auditors. We obtained the equity analysis of associates prepared by management and performed the following procedures: • We compared the audited financial results of the financially significant components to the equity accounted results and movements recorded in the consolidated financial statements of the Group. No material differences were noted; • We evaluated the consistency of accounting policies applied by the significant components with those of the Group. No material differences were noted; • We re-performed management's calculation of the effective interest in its financially significant associates. We agreed the inputs in management's calculation to the number of shares held by the Group (as reflected in the share registers) and the issued share capital of the investee companies. We noted no material differences; • We tested the mathematical accuracy of the equity analysis by agreeing the Group's share in equity accounted earnings, other comprehensive income and equity movements to the financial statements of the financially significant associates and tracing them to the consolidation journals and the consolidation sheets prepared by management. We noted no material differences; and • We recalculated management's consolidation workings to test for mathematical accuracy and assessed the completeness of journal entries with reference to the prior year journal entries. We noted no material differences.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "RMI Annual Financial Statements for the year ended 30 June 2021", which includes the directors' report, the audit and risk committee report and the declaration by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "RMI Integrated Report 2021", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Rand Merchant Investment Holdings Limited for 11 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Corlia Volschenk
Registered Auditor

4 Lisbon Lane, Waterfall City
Jukskei View, 2090
South Africa

20 September 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

R million	Note	2021	2020
ASSETS			
Property and equipment	1	**1 056**	1 160
Intangible assets	2	**213**	117
Right-of-use assets	3	**104**	83
Investments in associates	4	**29 301**	29 288
Financial assets			
Equity securities			
– fair value through profit or loss	5	**1 741**	1 563
– fair value through other comprehensive income	5	**365**	464
Debt securities			
– fair value through profit or loss	5	**3 090**	1 323
– fair value through other comprehensive income	5	**3 338**	3 205
– amortised cost	5	**6 122**	6 089
Derivative asset	6	**133**	–
Insurance and other receivables	7	**3 803**	3 546
Deferred acquisition cost	8	**513**	463
Reinsurance contracts	9	**1 140**	1 338
Deferred taxation	10	**502**	304
Taxation		**25**	24
Cash and cash equivalents	11	**2 618**	2 414
Total assets		**54 064**	51 381
EQUITY			
Share capital and share premium	12	**15 353**	15 342
Reserves	13	**11 885**	10 506
Total shareholders' equity		**27 238**	25 848
Non-controlling interests	39	**1 776**	1 697
Total equity		**29 014**	27 545
LIABILITIES			
Financial liabilities			
Preference shares	14	**11 514**	9 514
Interest-bearing loans	15	**–**	2 242
Financial liabilities at fair value through profit or loss	16	**125**	104
Derivative liability	6	**130**	283
Investment contracts at fair value through profit or loss	17	**37**	24
Lease liabilities	18	**118**	89
Share-based payment liability	19	**258**	121
Employee benefit liability	20	**237**	191
Deferred taxation	10	**270**	76
Insurance and other payables	21	**1 909**	1 518
Insurance contracts	9	**10 311**	9 601
Taxation		**141**	73
Total liabilities		**25 050**	23 836
Total equity and liabilities		**54 064**	51 381

Note:
The order of certain lines on the statement of financial position was updated to more accurately reflect the order of liquidity. There were no changes to prior year balances resulting from this change.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE

R million	Note	2021	2020
Gross insurance premiums	22	**20 570**	17 349
Less: Reinsurance premiums	22	**(1 658)**	(774)
Net insurance premiums	22	**18 912**	16 575
Gross change in provision for unearned premiums	22	**(1 043)**	(452)
Reinsurance relating to provision for unearned premiums	22	**182**	30
Net insurance premiums earned	22	**18 051**	16 153
Fee and other income	23	**85**	64
Investment income	24	**152**	252
Interest income on financial assets using the effective interest rate method	24	**333**	458
Realised losses		**(6)**	–
Net fair value gains/(losses) on financial assets	25	**406**	(421)
Expected credit losses on financial assets	25	**(2)**	(20)
Net income		**19 019**	16 486
Gross claims paid	26	**(10 019)**	(9 310)
Reinsurance recoveries received	26	**1 276**	1 664
Provision for non-claims bonuses	26	**(509)**	(500)
Transfer to policyholder liabilities under insurance contracts	9.4	**(249)**	(34)
Acquisition expenses		**–**	(41)
Fair value adjustment to financial liabilities	40	**(140)**	(139)
Marketing and administration expenses	27	**(5 598)**	(4 859)
Profit before finance costs, results of associates and taxation		**3 780**	3 267
Finance costs	29	**(626)**	(689)
Share of after-taxation results of associates	4	**1 207**	259
Profit before taxation		**4 361**	2 837
Taxation	30	**(1 139)**	(1 031)
Profit for the year from continuing operations		**3 222**	1 806
Profit for the year from discontinued operations	41	**–**	104
Profit for the year		**3 222**	1 910
Attributable to:			
Equity holders of the company		**2 893**	1 592
Non-controlling interests		**329**	318
Profit for the year		**3 222**	1 910
Earnings per share	32	**189.2**	104.1
Diluted earnings per share	32	**188.5**	102.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

R million	2021	2020
Profit for the year	3 222	1 910
Other comprehensive income for the year		
Exchange differences on translation of foreign operations[1]	(502)	731
Fair value losses on other comprehensive income financial instruments[2]	(67)	(134)
Deferred tax on fair value losses on other comprehensive income financial instruments	–	3
Share of comprehensive (loss)/income of associates	(761)	1 159
Items that may subsequently be reclassified to profit or loss, after taxation	(901)	1 548
Movement in liabilities accounted for as net investment hedge[1]	215	(460)
Items that will not be reclassified to profit or loss, after taxation	(75)	71
Other comprehensive (loss)/income for the year	(1 330)	1 759
Total comprehensive income for the year	1 892	3 669
Attributable to:		
Equity holders of the company	1 682	3 175
Non-controlling interests	210	494
Total comprehensive income for the year	1 892	3 669

1 This amount may subsequently be reclassified to profit or loss.
2 (R75 million) of this amount (2020: (R94 million)) may subsequently be reclassified to profit or loss and R8 million of this amount (2020: (R40 million)) will not be reclassified to profit or loss.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

R million	Share capital	Equity accounted reserves	Transactions with non-controlling interests	Other reserves	Retained earnings	Non-controlling interests	**Total equity**
Balance as at 30 June 2019	15 359	7 089	(3 637)	275	5 435	1 602	26 123
Profit for the year	–	–	–	–	1 592	318	1 910
Other comprehensive income	–	1 146	–	437	–	176	1 759
Dividends paid	–	–	–	–	(1 685)	(315)	(2 000)
Income of associate companies retained	–	(828)	–	–	828	–	–
Movement in treasury shares	(17)	(1)	–	–	–	–	(18)
Transactions with non-controlling interest	–	(5)	(219)	–	(1)	(98)	(323)
Issue of share capital to non-controlling interests by subsidiaries	–	–	–	–	–	11	11
Share-based payment reserve	–	31	–	4	3	1	39
Share of equity financial instrument	–	–	–	11	–	1	12
Reserve adjustment of associates	–	31	–	–	–	1	32
Balance as at 30 June 2020	**15 342**	**7 463**	**(3 856)**	**727**	**6 172**	**1 697**	**27 545**
Profit for the year	**–**	**–**	**–**	**–**	**2 893**	**329**	**3 222**
Other comprehensive income	**–**	**(755)**	**–**	**(456)**	**–**	**(119)**	**(1 330)**
Dividends paid	**–**	**–**	**–**	**–**	**(345)**	**(226)**	**(571)**
Income of associate companies retained	**–**	**651**	**–**	**–**	**(651)**	**–**	**–**
Movement in treasury shares	**11**	**(1)**	**–**	**–**	**–**	**(10)**	**–**
Transactions with non-controlling interest	**–**	**3**	**(76)**	**–**	**(2)**	**54**	**(21)**
Issue of share capital to non-controlling interests by subsidiaries	**–**	**–**	**–**	**–**	**–**	**50**	**50**
Share-based payment reserve	**–**	**83**	**–**	**2**	**7**	**1**	**93**
Share of equity financial instrument	**–**	**–**	**–**	**5**	**–**	**–**	**5**
Conversion of equity financial instrument	**–**	**–**	**–**	**(6)**	**–**	**–**	**(6)**
Sale of financial assets through other comprehensive income	**–**	**–**	**–**	**(47)**	**47**	**–**	**–**
Reserve adjustment of associates	**–**	**59**	**–**	**–**	**(32)**	**–**	**27**
Balance as at 30 June 2021	**15 353**	**7 503**	**(3 932)**	**225**	**8 089**	**1 776**	**29 014**
Note	12	13	13	13	13	39	

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

R million	Note	2021	2020
Cash flows from operating activities			
Cash generated from operations	31	**4 424**	3 188
Interest income		**308**	537
Dividends received		**653**	1 236
Cash flows on assets backing policyholder liabilities		**(244)**	(201)
Purchase of financial assets		**(7 986)**	(7 935)
Proceeds on disposal of financial assets		**7 558**	8 020
Income tax paid		**(1 116)**	(936)
Net cash generated from operating activities		**3 597**	3 909
Cash flows from investing activities			
Purchase of property and equipment		**(81)**	(98)
Disposal of property and equipment		**1**	3
Purchase of financial assets		**(3 112)**	(519)
Proceeds on disposal of financial assets		**1 395**	124
Proceeds from sale of New Zealand insurance business		**–**	78
Additional acquisition of associates		**(226)**	(127)
Disposal of associate		**11**	–
Net cash outflow from investing activities		**(2 012)**	(539)
Cash flows from financing activities			
Proceeds from the issue of preference share debt	14	**2 000**	934
Borrowings repaid	15	**(2 108)**	(935)
Borrowings raised	15	**–**	100
Repayment of lease liability		**(41)**	(37)
Cost of funding		**(68)**	(80)
Dividends paid on preference shares in issue		**(560)**	(612)
Dividends paid by subsidiaries to non-controlling interests		**(226)**	(315)
Cash dividends paid to shareholders		**(345)**	(1 685)
Proceeds on issue of shares to non-controlling interest		**40**	11
Net cash outflow from financing activities		**(1 308)**	(2 619)
Net increase in cash and cash equivalents for the year		**277**	751
Unrealised foreign currency translation adjustment on cash and cash equivalents		**(73)**	61
Cash and cash equivalents at the beginning of the year		**2 414**	1 602
Cash and cash equivalents at the end of the year		**2 618**	2 414

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

RMI is an investment holding company domiciled and incorporated in South Africa. RMI's consolidated and separate annual financial statements are prepared in accordance with:

- International Financial Reporting Standards (IFRS);
- The requirements of the Companies Act, 71 of 2008, as amended;
- The SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and
- The Listings Requirements of the JSE Limited.

The annual financial statements are prepared on a going concern basis using the historical cost basis. Exceptions to using the historical cost basis include:

- Certain financial assets and liabilities where the group adopts the fair value basis of accounting.
- The valuation of long-term insurance contract liabilities are done based on the financial soundness valuation basis as detailed in the Standards of Actuarial Practice (SAP) 104 issued by the Actuarial Society of South Africa (ASSA).
- Investments in associates are measured using the equity method of accounting.

The preparation of the annual financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and profit or loss. Although estimates are based on management's best knowledge and judgements of current facts as at reporting date, the actual outcome may differ from those estimates. Where appropriate, details of estimates are presented in the accompanying notes to the annual financial statements.

All monetary information and figures presented in these annual financial statements are stated in millions of Rand, unless otherwise indicated.

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below and are consistent in all material aspects with those applied in the previous financial year, unless where stated under the relevant accounting policy.

2. PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

The consolidated annual financial statements include the assets, liabilities and results of the operations of the holding company and its subsidiaries.

Accounting policies of subsidiaries and associates have been changed where necessary to ensure consistency with the policies adopted by the group. However, as permitted under *IFRS 4* and stated under accounting policy 18, RMI does not enforce uniform accounting policies across its subsidiaries and associates relating to the measurement of insurance liabilities.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and the ability to affect those returns through its power over the entity.

The group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The consideration transferred for the acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is accounted for directly in profit or loss.

The results of subsidiary companies acquired or disposed of during the year are included in group profit or loss and group comprehensive income from or to the date on which effective control was acquired or ceased. Transactions with owners are recognised in equity only when control is not lost.

Non-controlling interest is presented in the group statement of financial position within equity, separately from the equity of the owners of the company. Profit or loss and each component of other comprehensive income are attributed to the owners of the group and to the non-controlling interests in proportion to their relative holdings even if this results in the non-controlling interest having a deficit balance.

Intergroup transactions, balances and unrealised gains are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Common control transactions are business combinations in which the combining entities are ultimately controlled by the same party both before and after the business combination and control is not transitory. The consideration transferred for an acquisition of a subsidiary in a common control transaction is measured at the group carrying value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the acquisition date. The acquirer incorporates the assets and liabilities of the acquired entity at the carrying values that are related to the acquired entity in the consolidated annual financial statements of the highest entity that has common control for which consolidated annual financial statements are prepared. If no consolidated annual financial statements are prepared, the values used are those from the annual financial statements of the acquired entity.

Any excess or deficit of the consideration transferred in a common control transaction over the cumulative total of the at acquisition date net asset value of the acquiree, the relevant non-controlling interest and the fair value of any previous equity interests held, is recognised directly in equity.

The group consolidates share incentive trusts and collective investment schemes in which it is considered to have control through its voting power or related management contracts.

Associates

Associates are entities in which the group has the ability to exercise significant influence, but does not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, without having control.
The indicators that the group use in this assessment is representation on the board of directors of the investee, participation in policy-making processes, including participation in decisions about dividends and other distributions, material transactions with the investee company,

interchange of managerial personnel and provision of essential technical information.

The group includes the results of associates in its consolidated annual financial statements using the equity accounting method, from the effective date of acquisition to the effective date of disposal. Equity accounted earnings, net of dividends received, are transferred to equity accounted reserves. The investment is initially recognised at cost. The group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of associates' other comprehensive movements is accounted for in the group's other comprehensive income. The group's share of associates' movement in other equity is accounted for directly in equity.

Equity accounting is discontinued from the date that the group ceases to have significant influence over the associate. The group measures at fair value any investment it has retained in the entity when significant influence is lost and recognises the resulting gain or loss in profit or loss. The gain or loss is measured as the difference between the fair value of this retained investment and the carrying amount of the original investment at the date significant influence is lost.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the groups' interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Separate annual financial statements

In RMI's separate annual financial statements, investments in subsidiaries and associates are carried at cost, which includes transaction costs.

3. BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a business comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the business.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

4. REVENUE RECOGNITION

Revenue from insurance contacts

Revenue treatment is detailed in accounting policy 18.

Fee and other income

The group generally recognises fee and other income over time when the performance obligations are met.

Ongoing advice and administration fees are calculated and recognised as revenue in terms of *IFRS 15* on a daily basis. For OUTvest, fees are recognised on an earned basis calculated as a percentage of assets under management, measured at a client level.

The group earns software subscription revenue and related project fees in terms of *IFRS 15* on a monthly basis.

Investment income

The group recognises dividends when the group's right to receive payment is established. This is on the last day to trade for listed shares, and on the date of declaration for unlisted shares. Dividend income on instruments at fair value through profit or loss is recognised in the income statement as investment income. Interest income on instruments at fair value through profit or loss is recognised separately under investment income and not as part of fair value gains or losses on financial assets.

Interest income on financial assets using the effective interest method

The group recognises interest income in profit or loss for all instruments measured at amortised cost and fair value through other comprehensive income using the effective interest method. Interest on cash and cash equivalents is recognised as earned.

Net fair value gains/(losses) on financial assets

The group includes fair value adjustments to financial assets carried at fair value through profit or loss in the income statement.

5. FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The annual financial statements are presented in South African Rand, which is the functional and presentation currency of RMI.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Foreign currency translation differences on monetary items, such as foreign currency bonds, are not reported as part of the fair value gain or loss in other comprehensive income, but are recognised as a translation gain or loss in profit or loss when incurred.

Translation differences on non-monetary items classified at fair value through other comprehensive income, such as equities, are included in other comprehensive income when incurred.

Group companies

The results and financial position of all the group entities are translated into the South African Rand as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the actual rates at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

6. DIRECT TAXES

Direct taxes include South African and foreign jurisdiction corporate tax payable, as well as capital gains tax.

The charge for current tax is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using taxation rates that have been enacted or substantively enacted by the reporting date, in each particular jurisdiction within which the group operates.

7. RECOGNITION OF PROVISIONS AND CONTINGENT LIABILITIES

Provisions

The group recognises provisions when it has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where applicable, a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability is used to determine the present value.

Contingent liabilities

The group discloses a contingent liability where:

- it has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
- it is not probable that an outflow of resources will be required to settle an obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

8. FINANCIAL INSTRUMENTS

Financial instruments disclosed in the annual financial statements include cash and cash equivalents, equity securities, debt securities, derivative instruments, debtors and short-term loans, trade and other payables and borrowings. Financial instruments are initially recognised at fair value, including transaction costs, when the group becomes party to the contractual terms of the instruments. The transaction costs relating to the acquisition of financial instruments held at fair value through profit or loss are expensed. Subsequent to initial recognition, these instruments are measured as follows:

Financial instruments measured at amortised cost

Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method, if these financial assets are not designated at FVPL. Financial assets classified as amortised cost include debt securities, other receivables, term deposits and loan facilities.

Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss.

Financial liabilities measured at amortised cost

Financial liabilities are measured at amortised cost using the effective interest method. Net gains and losses including interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss.

Instruments with characteristics of debt, such as redeemable preference shares, are included in liabilities. The dividends on these preference shares are recognised in the income statement as an interest expense. Refer to accounting policy 19.

Financial instruments at fair value through other comprehensive income (FVOCI)

Debt instruments

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other movements in the carrying amount are taken through OCI. On derecognition of debt securities carried at fair value through OCI, the cumulative gain or loss previously recognised in OCI is reclassified to profit or loss.

Equity instruments

Other long-term financial assets are carried at fair value through other comprehensive income. Unrealised gains and losses arising from changes in the fair value of the financial instruments are recognised in other comprehensive income in the year in which they arise. The fair value gains or losses recognised in other comprehensive income is not subsequently reclassified to profit or loss, however may be reclassified within equity.

Financial instruments at fair value through profit or loss (FVPL)

Financial assets measured at FVPL

Financial assets not classified at amortised cost or FVOCI are measured at FVPL. In addition, on initial recognition the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Net gains or losses, including any interest or dividend income and foreign exchange gains and losses are recognised in profit or loss.

Financial liabilities measured at FVPL

Financial liabilities classified as FVPL are measured at fair value. Net gains and losses including interest expense and foreign exchange gains and losses are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in net investment hedges.

The component of fair value changes relating to the company's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

Derivatives

Derivatives are either designated as hedging instruments in effective hedging relationships or are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value.

Hedge accounting

Derivative instruments are classified as held either for trading or formally designated as hedging instruments as required by *IFRS 9*, which impacts the method of recognising the resulting fair value gains or losses.

For derivatives used as cash flow hedges, the effective portion of changes in the fair value of these derivatives is recognised in the cash flow hedge reserve in other comprehensive income and reclassified to profit or loss in the periods in which the hedged item affects profit or loss. The ineffective portion is recognised immediately in profit or loss as part of fair value gains or losses.

Net investment in foreign operations - foreign exchange differences arising from the translation of the net investment in foreign operations (including foreign currency associates), and of related hedging instruments (which include both derivatives and foreign currency denominated liabilities), are taken to the translation reserve. Such differences are recognised in the income statement upon disposal of the foreign operation or settlement of the net investment.

The group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions at the inception of the transaction. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Net investment hedge accounting

The group's exposure to foreign operations includes its holding in Hastings, an associate in the UK. The group has applied net investment hedging of the foreign currency risk associated with the foreign currency operation by formally designating derivatives and foreign currency dominated financial liabilities ('hedging instruments') as net investment hedges. The gain or loss on the hedging instruments that are determined to be effective hedges of the net investment are recognised in other comprehensive income and included with the foreign exchange differences arising on translation of the results and financial position of the foreign operation. These amounts will be recognised in the income statement upon disposal of the foreign operation. The ineffective portion is accounted for in profit or loss.

Derecognition of financial assets and liabilities

The group derecognises an asset when the contractual rights to the asset expires, where there is a transfer of contractual rights that comprise the asset, or the group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and rewards associated with the asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate or, when applicable, the revised effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Where the group retains substantially all the risks and rewards of ownership of the financial asset, the group continues to recognise the asset. If a transfer does not result in derecognition because the group has retained substantially all the risks and rewards of ownership of the transferred asset, the group continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent years, the group recognises any income on the transferred asset and any expense incurred on the financial liability.

Where the group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the group shall determine whether it has retained control of the financial asset. Where the group has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer. Where the group has retained control of the financial asset, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

Financial liabilities (or portions thereof) are derecognised when the obligation specified in the contract is discharged or cancelled or has expired. An exchange of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The group only considers quantitative indicators in assessing whether there is a modification or extinguishment. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in profit or loss.

Measurement of fair value

The fair value of financial instruments traded in an organised financial market is measured at the closing price for financial assets and financial liabilities. The fair value of the financial instruments that are not traded in an organised financial market is determined using a variety of methods and assumptions that are based on market conditions and risk existing at reporting date, including independent appraisals and discounted cash flow methods. Fair values represent an approximation of possible value, which may differ from the value that will finally be realised.

Set-off of financial assets and liabilities

Where a current legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Timing of recognition

All purchases and sales of financial instruments are recognised at the trade date.

9. PROPERTY AND EQUIPMENT

The group carries property and equipment at historical cost less accumulated depreciation and impairment, except for land which is carried at cost less impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the property and equipment.

Property and equipment is depreciated on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

The periods of depreciation used are as follows:

• Building fixtures and owner-occupied properties	20 to 50 years
• Leasehold improvements	3 years
• Furniture, fittings and equipment	2 to 6 years
• Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Repairs and maintenance are charged to profit or loss during the financial year in which they are incurred. Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in profit or loss on disposal.

10. INTANGIBLE ASSETS

Goodwill

Goodwill on acquisitions of subsidiaries or businesses is disclosed separately. Goodwill on acquisitions of associates is included in investments in associates.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGU), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Other intangible assets

Other intangible assets are stated at historic cost less accumulated amortisation and any recognised impairment losses. Intangible assets are amortised on a straight-line basis over their expected useful lives. The amortisation charge is reflected in marketing and administration expenses in profit or loss.

The carrying amounts of intangible assets are reviewed for impairment if there is an indication of impairment.

11. IMPAIRMENT OF ASSETS

Impairment of non-financial assets

An asset is impaired if its carrying amount is greater than its estimated recoverable amount, which is the higher of its fair value less cost to sell or its value-in-use. The decline in value is accounted for in profit or loss. If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and is recognised in profit or loss.

The carrying amounts of subsidiaries and associates are reviewed annually and written down for impairment where necessary.

Impairment of financial instruments

The group recognises loss allowances for expected credit losses (ECL) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI;
- loan commitments; and
- financial guarantee contracts

The group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- financial assets that are determined to have low credit risk at the reporting date;
- financial assets where credit risk has not increased significantly since initial recognition; and
- financial assets which are callable on demand or within a period of 12 months from reporting date.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the group is exposed to credit risk.

At each reporting date, the group assesses whether financial assets measured at amortised cost and at FVOCI are credit impaired. The group writes off a financial instrument when the entity has no reasonable expectation of recovery of the outstanding balance of the instrument. Determining when to write off financial assets is a matter of judgement and incorporates both quantitative and qualitative information. Evidence that a financial asset is credit-impaired includes observable data:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- a restructuring of an amount due to the group on terms that would not otherwise be considered by the group;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In assessing whether an investment in sovereign debt is credit-impaired, the group considers the following factors:

- the markets assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to the country as well as the intention, communicated in public statements, of governments and agencies to access those mechanisms, including an assessment of the depth of the mechanisms and the capacity to fulfil the required criteria.

Loss allowances for ECL on financial assets measured at amortised cost is deducted from the gross carrying amount of the financial assets. Loss allowances for ECL on debt investments measured at FVOCI is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off to the extent that there are no realistic prospects of recovery by the group. Financial assets that are written off may still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

12. DEFERRED TAXATION

The group calculates deferred taxation on the comprehensive basis using the liability method on a statement of financial-position-based approach. It calculates deferred tax liabilities or assets by applying corporate tax rates to the temporary differences existing at each reporting date between the tax values of assets and liabilities and their carrying amount, where such temporary differences are expected to result in taxable or deductible amounts in determining taxable income for future years when the carrying amount of the assets or liabilities are recovered or settled. The group recognises deferred tax assets if the directors consider it probable that future taxable income will be available against which the unused tax losses can be utilised.

The group offsets deferred tax assets and deferred tax liabilities if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or
- different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

13. EMPLOYEE BENEFITS

Post-employment benefits

The group operates defined contribution schemes, the assets of which are held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the relevant group companies.

For defined contribution plans, the group pays contributions to publicly or privately-administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Leave pay

The group recognises in full employees' rights to annual leave entitlement in respect of past service.

Bonuses

Management and staff bonuses are recognised as an expense in staff costs as incurred when it is probable that the economic benefits will be paid and the amount can be reliably measured.

Intellectual property bonuses

In terms of the intellectual property bonus plan, employees were paid intellectual property bonuses based on management's discretion. The beneficiaries under the plan, which included executive directors, executive management, senior and middle management employed on a full-time basis, were subject to retention periods and amounts would need to be repaid should the employee be in breach of the retention period. The intellectual property bonuses are recognised as current service costs over retention periods ranging from six months to two years and are straight-lined over the period of the contract.

14. SHARE CAPITAL

Share issue costs

Share issue costs directly related to the issue of new shares or options are shown as a deduction from equity.

Dividends paid

Dividends paid on ordinary shares are recognised against equity in the year in which they are declared. Dividends declared after the reporting date are not recognised but disclosed as a post reporting date event.

Treasury shares

Where the company or other entities within the group purchases the company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. These shares are treated as a deduction from the issued number of shares and taken into account in the calculation of the weighted average number of shares.

Distribution of non-cash assets

A dividend payable is recognised when the distributions are appropriately authorised and is no longer at the discretion of the entity. The group measures the liability to distribute the non-cash assets as a dividend to owners at fair value of the asset to be distributed. The carrying amount of the dividend payable is remeasured at the end of each reporting period and on the date of settlement, with changes recognised in equity as an adjustment to the distribution. The difference between the carrying amount of the dividend payable and the fair value of the assets on the date of settlement is recognised in profit or loss for the period.

Distributions of non-cash assets under common control are specifically excluded from the scope of *IFRIC 17* and are measured at the carrying amount of the assets to be distributed.

15. SEGMENT REPORTING

An operating segment is a component of the group that engages in business activities from which the group may earn revenues and incurs expenses. An operating segment is also a component of the group whose operating results are regularly reviewed by the chief operating decision-maker in allocating resources, assessing its performance and for which discrete financial information is available.

The chief operating decision-maker has been identified as the chief executive officer of the group. The group's identification and measurement of operating segments is consistent with the internal reporting provided to the chief executive officer. The operating segments have been identified and classified in a manner that reflects the risks and rewards related to the segments' specific products and services offered in their specific markets.

Segments with a majority of revenue earned from charges to external clients and whose revenue, results or assets are 10% or more of all the segments, are reported separately.

16. SHARE-BASED PAYMENTS

The group operates equity-settled and cash-settled share-based compensation plans.

Equity-settled

The group expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, as employee costs, with a corresponding credit to a share-based payment reserve. The total value of the services received is calculated with reference to the fair value of the options at grant date.

The fair values of the options are determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the group revises its estimate of the number of options expected to vest.

Cash-settled

The group measures the services received and liability incurred in respect of cash-settled share-based payment plans at the current fair value of the liability. The group remeasures the fair value of the liability at each reporting date until settled. The liability is recognised over the vesting period and any changes in the fair value of the liability are recognised in profit or loss.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, short-term deposits held with banks and certain money market investments, all measured at amortised cost. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition.

Short-term deposits with banks are considered to be instruments which are highly liquid and have maturity dates of not more than three months from the reporting date. Short-term deposits which cannot be accessed within this period are classified as financial assets.

18. INSURANCE CONTRACTS

Classification of insurance contracts

Contracts issued by the group are governed by the relevant insurance legislation of the country in which the group operates. Contracts under which the group accepts significant insurance risk from another party (the policyholder), by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts.

The classification of contracts is performed at the inception of each contract. The classification of the contract at inception remains the classification of the contract for the remainder of its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

Insurance contracts are classified either as short-term or long-term insurance contracts, depending on the duration of the risk.

Recognition and measurement of short-term insurance contracts

Short-term insurance provides benefits under short-term policies, typically one year or less, under which the group accepts significant insurance risks from the policyholder if the policyholder incurs losses relating to uncertain future events such as mechanical breakdown of equipment, theft, fire, weather-related events, fraud, third party claims and accidents.

Premiums

Gross premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business assumed. The earned portion of premiums received is recognised as revenue. Premiums relating to a future accounting period are included in the unearned premium provision and are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

Gross premium includes insurance-related fee income which relates to policy fees and take-on fees charged in the ordinary course of the underwriting of short-term insurance policies.

Premium receivable

Premium receivable constitutes premiums for which the collection date has passed but the premium has not yet been received.

The majority of the premium receivable balance relates to premiums under a one-year contract boundary for which a corresponding unearned premium provision has been raised.

The balance of premiums receivable for collections due, after eliminating the premium debtor referred to above (with the corresponding unearned premium reserve), is immaterial. The group has formalised procedures in place to collect or recover these amounts. Full impairment is made for non-recoverability as soon as management is uncertain as to the recovery.

Unearned premium provision

All short-term insurance contracts have even risk profiles. The provision for unearned premiums represents the proportion of the current year's premiums written that relate to risk periods extending into the following year, computed separately for each insurance contract using the 365th method.

Insurance contract claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not. Estimates are calculated based on the most recent cost experience of similar claims and includes an appropriate risk margin for unexpected variances between the actual cost and the estimate. Where applicable, deductions are made for salvage and other recoveries. Salvage proceeds are generated upon the successful salvage of damaged insured items after the settlement of the underlying claim. Recoveries are settlements from third parties as a result of involvement in a claim incident for which the third party is responsible. Recoveries are disclosed net of liabilities where the group settles a third party claim on behalf of the client, where the client is responsible for causing a loss to a third party. While the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the annual financial statements for the period in which the adjustments are made and disclosed separately.

Outstanding insurance contract claims

Provision is made for the estimated final costs of:

- claims notified but not settled at year-end, using the best information available at that time; and
- claims incurred at year-end but not reported until after that date (IBNR), using historical experience and the best information available at the time.

Estimates provide for inflation, claim handling expenses as well as a risk margin to allow for the uncertainty in the development of such claims estimates.

Claims handling expenses include all costs directly attributable to the administration of an insurance claim and includes the cost of claims assessments.

Commission and insurance-related fee income

Insurance-related fee income is linked to specific actions such as the inception and renewal of policies and the collection of premiums and is recognised when these actions have been fulfilled in the course of providing and administering insurance products. Commission income relates to commission earned on the placement of reinsurance treaties and is recognised on the placement of these treaties.

Reinsurance

The group cedes reinsurance in the normal course of business to limit its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the group from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are presented separately from the gross amounts. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such reinsurance contracts are recognised in the same year as the related claim. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the group may not recover all amounts due and that the impact of the event on the amounts that the group will receive from the reinsurer can be measured.

Reinsurance assets are held on the statement of financial position in connection with outstanding claims provisions at the amount of the expected recovery that will be made once the outstanding claim is finalised.

Liabilities adequacy test for unexpired risk liabilities

At the end of the reporting period, the adequacy of the unearned premium liabilities is assessed against the present value of the expected future cash flows resulting from potential future claims relating to unexpired periods of insurance contracts in force at the end of the reporting period, plus an additional risk margin to reflect the inherent uncertainty of the central estimate (liability adequacy test). If the unearned premium liabilities, less deferred acquisition costs, are deficient, then the resulting deficiency is recognised immediately in profit or loss. Reinsurance is taken into account, where appropriate.

The deficiency is recognised first by writing off any deferred acquisition costs and thereafter any excess is recognised as unexpired risk liabilities in the statement of financial position.

Non-claims bonuses on insurance contracts

The group provides for its contractual obligation per the contract of insurance to pay a non-claims bonus to a client in the event that the client remains claim free for a specified period of time. To derive the best estimate of the expected future cash flows, the non-claims bonus percentage per the contract of insurance is adjusted for the following factors:

- The bonus percentage is reduced to allow for the probability that the client may claim (and hence forfeit eligibility for the OUTbonus) over the OUTbonus cycle.
- The bonus percentage is reduced to allow for the probability that the client will cancel during the OUTbonus cycle.
- A risk margin is added to allow for the uncertainty relating to the above claims and lapse assumptions.
- Where the impact of discounting is considered to be material, the expected future obligation is discounted to the present value using an appropriate discount rate reflecting the time value of money.

Deferred acquisition costs

Directly attributable acquisition costs include advertising and other selling and underwriting costs incurred in generating insurance premium revenue. These acquisition costs are deferred as a deferred acquisition cost (DAC) asset and are amortised systematically over the contractual term of the policy. This amortisation is included in marketing and administration expenses in profit or loss.

Acquisition cost which is deferred is recognised as an asset. The amount of the asset is limited to the amount by which the related unearned premiums exceed the present value of future expected claims plus settlement and policy maintenance costs relating to the policies in force at the reporting date. Where a shortfall exists, the DAC asset is written down and any remaining excess is recognised as unexpired risk liabilities in the statement of financial position.

Acquisition costs on policies with an effective contractual term of one month or less are expensed as incurred.

Recognition and measurement of long-term insurance contracts

Benefits are provided under long-term policies for life protector, underwritten life and funeral plan. Benefits are recorded as an expense when they are incurred.

Policyholder liabilities

Long-term insurance contracts are valued in accordance with the Financial Soundness Valuation (FSV) method as detailed in the Standard of Actuarial Practice (SAP) 104 issued by the Actuarial Society of South Africa (ASSA).

The FSV basis is a prospective, discounted cash flow basis calculated as the difference between the present value of future benefit payments and expenses and the present value of future premiums and investment income. The liability is based on assumptions of the best estimate of future experience, plus compulsory margins as prescribed by SAP 104. In addition to the compulsory margins, discretionary margins may be added to protect against possible future adverse experience.

Discretionary margins are specifically allowed for to zerorise negative reserves which may arise from the FSV calculation. Such a margin is allowed for after allowing for the acquisition costs.

Premiums

Gross premiums comprise the premiums as received on insurance contracts during the year. Premiums are disclosed before the deduction of commission.

Gross premium includes insurance-related fee income which relates to policy fees and take-on fees charged in the ordinary course of the underwriting of long-term insurance policies.

Reinsurance

The group cedes reinsurance in the normal course of business to limit its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the group from its direct obligations to its policyholders. Premiums ceded and claims reimbursed are presented separately from the gross amounts. Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such reinsurance contracts are recognised in the same year as the related claim. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the group may not recover all amounts due and that the impact of the event on the amounts that the group will receive from the reinsurer can be measured.

Reinsurance assets are held on the statement of financial position in connection with outstanding claims provisions at the amount of the expected recovery that will be made once the outstanding claim is finalised.

Commission and insurance-related fee income

Commission and insurance-related fee income is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the company and the contractual conditions for the rendering of the related service have been met. Insurance-related fee income is linked to specific actions such as the inception and renewal of policies and the collection of premiums. This income is recognised when these actions have been fulfilled in the course of providing and administering insurance products. Commission income relates to commission earned on the placement of reinsurance treaties.

Insurance contract claims incurred

Claims payments on long-term insurance contracts, which include death, disability, critical illness and retrenchment, are charged to profit or loss on notification of a claim. The estimated liability for compensation owed to policyholders is based on the sum assured. Claims which have been reported but which are outstanding at the reporting date are recognised in insurance contract liabilities. Reinsurance recoveries are accounted for in the same period as the related claim.

Incurred but not reported claims

Provision is made in the policyholders' liabilities under insurance contracts, on the statement of financial position, for the estimated cost at the end of the year for claims incurred but not reported at that date. These liabilities are not discounted due to the short-term nature of the outstanding claims.

Liability adequacy test

At each reporting date the adequacy of the insurance liabilities is assessed. If that assessment shows that the carrying amount of its insurance liabilities (as measured under the FSV basis) net of any related intangible present value of acquired in force business (PVIF) assets is inadequate in light of the estimated future cash flows (based on the best estimate basis underlying the FSV basis, but excluding compulsory margins as described in SAP 104 as well as any additional discretionary margins), the deficiency is recognised immediately in profit or loss.

Non-claims bonuses on insurance contracts

The expected non-claims cash bonuses to be paid in the future to policyholders on fulfilment of certain claims-related conditions are taken into account in the FSV per SAP 104.

Deferred acquisition costs

Acquisition costs represent all costs directly attributable to the underwriting and acquiring of long-term insurance contracts. These costs are expensed as incurred. The FSV method for valuing insurance contracts allows for the implicit deferral of acquisition costs by valuing future policy changes/premiums levied for recouping these costs and recognising day one profits up to the amount of acquisition costs and hence no explicit deferred acquisition cost asset is recognised in the statement of financial position for these contracts.

The level of day one profits is determined with reference to directly attributable acquisition costs. The level of acquisition costs deferred is compared to the negative reserve (excluding directly attributable acquisition costs) available on each individual policy. Where the implicit DAC, the day one gains arising on the deferral of the directly attributable acquisition costs, is greater than the negative reserve available on the policy, the deferral of directly attributable acquisition costs is limited to the negative reserve. Where the DAC is less than the negative reserve, the deferral is limited to the amount of DAC.

Accounting for profit-sharing arrangements

A profit-sharing arrangement has been entered into between OUTsurance Insurance Company Limited and FirstRand Bank Limited. In terms of this profit-sharing arrangement, ninety percent of the operating profit generated on the homeowners' insurance business referred by FirstRand Bank Limited businesses is paid to FirstRand Bank Limited by way of a bi-annual preference dividend. Operating losses incurred are for OUTsurance Insurance Company Limited's account. OUTsurance Insurance Company Limited however retains the right to offset such losses against future profits generated in the determination of any preference dividends to be paid to the preference shareholder.

The profitability of the profit-sharing business is reviewed on a monthly basis to ensure that the group is not exposed to uneconomical risks over which it has no day-to-day management control.

A profit-sharing arrangement has been entered into between OUTsurance Life Insurance Company Limited and Shoprite Investments Limited. In terms of this profit-sharing arrangement, a portion of the operating profit generated on the funeral insurance business distributed through the Shoprite distribution network is paid to Shoprite Investments Limited by way of an annual preference dividend. Operating losses incurred are for the group's account.

These shareholders for preference share dividends are accounted for as a financial liability at fair value on the face of the statement of financial position. The profit attributable to the preference shareholder in the current accounting period is the fair value movement on the liability and the payment of a dividend is treated as a partial settlement of the liability. No reference is made to future profit estimates as these profit-sharing arrangements are executory in nature, i.e. the other party has certain performance obligations to satisfy in order to share in the profit.

The policy for the recognition and measurement of insurance contracts applied to the profit-sharing arrangements is similar to the policy for short-term insurance above.

19. PREFERENCE SHARES

The group issues fixed and variable rate cumulative, compulsory redeemable preference shares to fund the statutory capital requirements of its insurance subsidiaries and while the timing of the redemption is at the option of the issuer, the group has no intention to defer redemption of the various allotments of shares beyond the duration of the underlying transactions in respect of which the shares were issued. Accordingly, these preference shares are classified as long-term liabilities. The preference shares originated by the group are initially recognised at the amount equal to the proceeds received, less attributable transaction costs and subsequently carried at that value, which equals redemption value. The dividends on these shares are non-discretionary and recognised in profit or loss as a charge against the profit before taxation and disclosed separately. Provision for dividends payable is disclosed separately in the statement of financial position under current liabilities.

20. LEASES

General

Agreements where the counterparty retains control of the underlying asset are classified as leases.

Leases are recognised as a right-of-use asset with a corresponding lease liability when the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest (the incremental borrowing rate) on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis and evaluated for impairment. The right-of-use asset is therefore measured at cost less accumulated depreciation and impairment losses.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Periods covered by an option to extend the lease is included if the group is reasonably certain to exercise that option taking into account, among others, the remaining term of the original lease, refurbishments, changing technology and cost saving initiatives.

Assets and liabilities arising from leases are initially measured on a present value basis discounted using the lessee's incremental borrowing rate.

The incremental borrowing rate utilised by the group is a risk-free rate with a market risk premium/spread added to it. In determining the incremental borrowing rate, the expiry date of each individual lease contract is considered.

The above rates take into account what interest rate a lessee would have to pay to borrow over a similar term, with a similar security for an asset of similar value.

Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments, but excluding payments for service components), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is measured at amortised cost using the effective interest method. Subsequently, the lease liability is increased to reflect the interest on the lease liability, decreased to reflect lease payments made and remeasured to reflect any reassessment or lease modifications or revised in-substance fixed lease payments. Interest on the lease liability and variable lease payments not included in the measurement of the lease liability in the period in which event or condition that triggers those payments occurs, are recognised in profit or loss.

The lease liability is remeasured:

- when there is a change in future lease payments arising from a change in an index or rate;
- if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee; or
- if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group accounts for a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Right-of-use assets

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and adjusted for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised

where the group is contractually required to dismantle, remove or restore the leased asset.

Depreciation

Subsequent to initial measurement, a right-of-use asset is depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter. However, if ownership of the underlying asset transfers to the group at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the remaining economic life of the asset.

This depreciation is recognised as part of general marketing and administration expenses.

Short-term leases and low value assets

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Derecognition

When the group or lessor terminates or cancels a lease, the right-of-use asset and lease liability are derecognised.

On derecognition of the right-of-use asset and lease liability, any difference is recognised as a derecognition gain or loss together with termination or cancelation costs in profit or loss.

21. DISCONTINUED OPERATIONS

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

22. AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN THE CURRENT YEAR

During the year new accounting standards, interpretations and amendments were adopted by the group for the first time, including:

Standard	Effective date	Executive summary and impact on the group
Amendment to IFRS 3: Business combinations *Definition of a business*	1 January 2020 (published October 2018)	This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce. The new standard has not impacted the group during the financial year. This will be incorporated into the accounting process should such a transaction be entered into in the future.
IAS 1: Presentation of Financial Statements	1 January 2020	These amendments to *IAS 1* and *IAS 8* and consequential amendments to other IFRSs: • use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • clarify the explanation of the definition of material; and • incorporate some of the guidance in *IAS 1* about immaterial information. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." Management has incorporated the updated definition into its decision-making processes and applies it when considering whether a matter is material or not.

23. STANDARDS, AMENDMENTS, AND INTERPRETATIONS PUBLISHED THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

The following new standards and interpretations to the existing standards are not yet effective for the current financial year. The group has not early adopted these standards and therefore implementation date is the effective date, unless otherwise stated.

Standard	Effective date	Executive summary
Amendment to IAS 1: Presentation of Financial Statements on classification of liabilities as current or non-current	Annual periods beginning on or after 1 January 2022 (published January 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The group will incorporate this amendment when effective. At this stage the expectation is that it will not result in the current / non-current classification of liabilities to be materially affected.
Amendment to IFRS 3: Business combinations	Annual periods beginning on or after 1 January 2022 (published May 2020)	The IASB has updated *IFRS 3: Business combinations* to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the IASB added a new exception in *IFRS 3* for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to *IAS 37: Provisions, Contingent Liabilities and Contingent Assets* or *IFRIC 21: Levies* rather than the 2018 Conceptual Framework. The IASB has also clarified that the acquirer should not recognise contingent assets, as defined in *IAS 37*, at the acquisition date. The group will follow this guidance should such a transaction arise in the future after it has become effective.
Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets on onerous contracts – Cost of fulfilling a contract	Annual periods beginning on or after 1 January 2022 (published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of costs to fulfil a contract. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. The onerous assessment will be performed according to these principles once the amendment becomes effective. This assessment will be performed over and above the onerous assessment required for insurance contracts under *IFRS 17*.
Annual improvements cycle 2018 – 2020	Annual periods beginning on or after 1 January 2022 (published May 2020)	These amendments include minor changes to: *IFRS 9: Financial Instruments* has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of 'the 10% test' for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. *IFRS 16: Leases* amendment to the illustrative example 13 that accompanies *IFRS 16* to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. While the group has transactions triggering the above accounting standards, these changes are not expected to materially affect the current manner of accounting once effective.

Standard	Effective date	Executive summary
IFRS 17: Insurance contracts	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply *IFRS 9: Financial Instruments* and *IFRS 15: Revenue from Contracts with Customers*, at or before the date of initial application of *IFRS 17.* (published May 2017)	The IASB issued *IFRS 17: Insurance Contracts* in May 2017 as well as amendments to the standard on 25 June 2020. *IFRS 4*, the current accounting standard, allows insurers to use their local GAAP, whereas *IFRS 17* defines clear and consistent rules that will significantly increase the comparability of financial statements across the industry. *IFRS 17* prescribes a comprehensive model, the general model, which requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from the general model, the standard provides, as a simplification, the premium allocation approach (PAA). This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less. The liability for remaining coverage is similar to the current unearned premium reserve profile recognised over time. The principles of the general model remains applicable to the liability for incurred claims. Due to the short-term nature of the majority of contracts issued by the group, the PAA model will be applied to short-term insurance contracts and the general model will be applied to measure the life insurance contracts with a coverage period longer than one year. The group has established an *IFRS 17* project team, consisting of actuaries, accountants, data specialists and IT experts who manages and facilitates the implementation of *IFRS 17* with oversight from the audit, risk and compliance committee as well as senior management. Developments in the *IFRS 17* implementation project: • The group continuously assesses the impact of the design decisions and relevant accounting policy choices; • The design of the general ledger for short-term insurance, is currently being tested by the project team; • The group has done the first-round parallel run for the contracts qualifying for the PAA model. The results are being evaluated and the updates will be incorporated in the financial reporting process on adoption date; • The group has processed the *IFRS 17* results from the CSM engine for the first 3 cohorts. Once the amendments are incorporated from the testing phase, the process will continue to produce financial information for the remaining cohorts; and • The group has also commenced with an in-depth training programme to upskill the wider support functions. Due to the ongoing developments with regards to the implementation programme, the financial impact has not been fully assessed yet and will become clearer as progress is made.

24. CRITICAL ACCOUNTING ASSUMPTIONS

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimation of the ultimate liability arising from claims made under insurance contracts is the group's most critical accounting estimate. This liability comprises short-term insurance contracts and long-term insurance contracts. Several sources of uncertainty have to be considered in estimating the liability that the group will ultimately be exposed to for such claims. The risk environment can change quickly and unexpectedly owing to a wide range of events or influences. The group is constantly refining the tools with which it monitors and manages risks to place the group in a position to assess risk situations appropriately, despite the greatly increased pace of change. The growing complexity and dynamism of the environment in which the group operates means that there cannot be absolute certainty in the measurement of the insurance contract liability when it comes to identifying risks at an early stage.

Refer to the annual financial statements of Discovery Limited (at **www.discovery.co.za**) for more detail information on critical accounting assumptions and estimates with specific reference to: valuation of assets and liabilities arising from insurance contracts and annual assessment of goodwill for impairment.

Refer to the annual financial statements of Momentum Metropolitan Holdings Limited (at **www.momentummetropolitan.co.za**) for more detail information on critical accounting assumptions and estimates with specific reference to the valuation of insurance contract liabilities.

Refer to the annual financial statements of Hastings Group Holdings plc (at **www.hastingsplc.com**) for more detail information on critical accounting assumptions and estimates with specific reference to the valuation of insurance contract liabilities.

The critical assumptions and judgements made by Discovery, Momentum Metropolitan and Hastings impact the group only through the share of after taxation results of associates in the income statement.

The critical accounting assumptions and estimates for Discovery include the policyholder liability assumptions and estimates, including assets arising from insurance contracts and the annual assessment of goodwill for impairment. The valuation of insurance contract liabilities is also being identified by Momentum Metropolitan and Hastings as their main critical accounting assumptions and estimates.

Short-term insurance

Claims provisions

Each reported claim is assessed separately on a case-by-case basis, by either a computer algorithm based on past experience or a claims assessor with the relevant experience, taking into account information available from the insured. The estimates are updated as and when new information becomes available. The claims provision includes an estimate for claims incurred but not reported.

The claims provision is held so as to be at least sufficient at the 75th percentile of the ultimate cost distribution as indicated in the table below. The difference between this 75th percentile and the best estimate is considered to be an appropriate risk margin. Claims are considered to be the most sensitive to changes in assumptions, therefore a sensitivity analysis is performed.

Refer to **note 9** to the consolidated annual financial statements.

R million	South African short-term operations	Australian short-term operations
30 June 2021		
70th percentile	**737**	**1 477**
75th percentile	**751**	**1 500**
80th percentile	**767**	**1 525**
30 June 2020		
70th percentile	987	956
75th percentile	1 013	985
80th percentile	1 041	1 017

Liability for non-claims bonuses on insurance contracts

The provision for non-claims cash bonuses is determined with reference to the contractual obligation per the contract of insurance adjusted for expected future claims and client cancellations based on historical experience. A risk margin is added to the best estimate of the future liability to allow for the uncertainty relating to future claims and cancellation experience. The risk margin is calibrated to ensure that the provision is at least sufficient at the 75th percentile of the ultimate cost distribution.

Long-term insurance

Policyholder liabilities

The following compulsory margins were applied in the valuation of the policyholder liability as at 30 June 2021:

Assumption	Margin
Investment return	0.25% increase / decrease*
Mortality	7.5% increase
Morbidity	10% increase
Disability	10% increase
Retrenchment	15% increase
Expenses	10% increase
Expense inflation	10% increase of estimated escalation rate
Lapses	25% increase/ decrease* on best estimate

* Depending on which change increases the liability.

In addition to the above compulsory margins, discretionary margins may be added to protect against future possible adverse experience. A discretionary margin is added to allow for the zerorisation of negative Rand reserves over and above the allowance of negative Rand reserves calibrated to the costs directly attributable to acquiring a policy.

Demographic assumptions

The best estimate assumptions in respect of dread disease and disability, mortality and retrenchment rates were set taking into consideration the rates provided by the reinsurers, actual past experience and modified by expected future trends. These rates have further been reviewed and approved by the Head of Actuarial Function.

Economic assumptions

Investment return

The group calculates its investment return assumption using a full yield curve as opposed to using a point estimate on the underlying yield curve. The comparative point estimate of the current yield curve at the estimated discounted mean term at the valuation date is 10.5% (2020: 11.4%).

Inflation

The group calculates its inflation assumption using a full inflation curve as opposed to using a point estimate on the underlying inflation curve, derived from nominal and real curves. The comparative point estimate of the current inflation curve at the estimated discounted mean term at the valuation date is 5.8% (2020: 7.6%).

Taxation

The tax position is taken into account and the taxation rates, consistent with that position and the likely future changes in that position, are allowed for.

Claims provisions

In addition to the discounted cash flow liability, a claims provision was held. The claims provision includes an estimate of outstanding claims as at year-end, as well as an estimate of incurred but not yet reported claims calculated using a claims run-off model based on recent experience and best estimates.

Refer to **note 9** to the consolidated annual financial statements.

For a sensitivity analysis of the long-term and short-term insurance contract liability which illustrates the impact of the assumptions and judgements on the measurement of the insurance contract liability.

Negative Rand reserve

The level of day one profits allowed in the form of negative Rand reserves not zerorised is determined with reference to the costs directly attributable to acquiring a policy. The negative Rand reserve is then run off (amortised) over a linear amortisation period of 4 years, which is closely aligned to the discounted payback period.

Impairment assessment of intangible assets component of investments in associates

Client relationships are recognised on acquisition at fair value and are subsequently measured using the historical cost method. Historical cost is derived by reducing the original fair value by accumulated amortisation and impairment losses. These intangible assets are amortised over their useful lives and only tested for impairment if an indication of impairment arises.

The client relationships intangible assets identified in the Polar Star, Sesfikile Capital and Visio transactions are amortised over a ten-year period and the value of business intangible asset in Hastings and client relationships intangible assets in Ethos and Entersekt are amortised over five years.

Impairment assessment of associates

Hastings was delisted in November 2020. The group determined the recoverable amount of its investment in Hastings. The recoverable amount is the greater of an asset's value-in-use or its fair value less cost to sell. Its value-in-use was calculated using a discounted cash flow (DCF) valuation model.

The DCF valuation model valued the group's interest in Hastings in line with the group carrying value of R9.8 billion.

In arriving at Hastings' value-in-use, robust stress testing was performed on the input into the model and the reasonableness thereof. The main assumptions included in the DCF valuation model include:

- 2% premium inflation.
- 2% retail income inflation.
- Increase in market share in the UK motor market from the current 9% to 11.1% .
- New motor policy inceptions to grow by a compound annual growth rate of 1.8% over a 10 year horizon.
- A claims ratio of 76%.
- Expense inflation of 2.5% per annum.
- A discount rate of 10% was used.

The group has performed a sensitivity analysis based on the critical assumptions identified in the Hastings value-in-use calculation. A one percentage point lower discount rate results in a 17% higher valuation and a one percentage point higher discount rate results in a 13% lower valuation. Reasonable stress tests in the other main assumptions result in a range of valuations starting from 17% below the value-in-use calculation to 18% above the value-in-use calculation.

In addition to assumptions mentioned above, the following factors could have the largest influence on the Hastings valuation:

- A change in the Price Comparison Website (PCW) channel's share of new motor business;
- A change in Hastings' relative competitiveness in the PCW channel;
- Regulatory changes impacting product distribution and margins; and
- Loss of intellectual property which erodes the competitive advantage of Hastings.

Based on the outcome of the value-in-use calculation, the group did not impair its investment in Hastings in the 2021 financial year.

Discovery and Momentum Metropolitan, which are listed entities, traded 67% and 27% respectively above their group carrying values as at 30 June 2021.

Valuations were also performed on the associates held under RMI Investment Managers and the fintech portfolio. The main valuation assumptions used include net flows, investment returns and expense inflation. The valuations are especially sensitive to investment return assumptions which can translate in performance fees earned. The carrying amount of the associates that were impaired during the current year is R138 million.

MANAGEMENT OF INSURANCE AND FINANCIAL RISK

RISK MANAGEMENT FRAMEWORK

The group has developed an enterprise risk management framework to provide reasonable assurance that the group's risks are being prudently and soundly managed. The framework is designed according to acceptable principles on corporate governance and risk management standards. The risk management framework outlines the key risks facing the business and how these risks are monitored and mitigated.

Risk and governance oversight is provided by the board, audit and risk committee, social, ethics and transformation committee, investment committee, remuneration committee, directors' affairs and governance committee and nominations committee at the RMI holding company level. There are various other committees at investee company level overseeing risk and governance matters at operational level. The three main focus areas are the management of insurance risk, the management of financial risk and capital management.

1. MANAGEMENT OF INSURANCE RISK

1.1 Background and insurance risk management philosophy

The following table shows the gross insurance contract liabilities of the group:

	30 June	
R million	**2021**	2020
Gross insurance contracts		
Short-term insurance contracts		
– claims provision	**3 182**	3 249
– unearned premiums	**5 744**	5 293
– non-claims bonuses	**542**	524
Long-term insurance contracts	**843**	535
Total gross insurance contract liabilities	**10 311**	9 601

OUTsurance is a direct personal lines and small business short-term insurer and provides long-term insurance to individuals in the form of death, disability, critical illness, funeral and retrenchment cover.

Due to the appropriate use of reinsurance and catastrophe cover, the RMI group believes that there is no single risk or event that represents a significant concentration of insurance risk for the group. The management of insurance risk is presented separately for short-term and long-term insurance.

1.2 Short-term insurance

Terms and conditions of insurance contracts

OUTsurance conducts short-term insurance business in different classes of short-term insurance risk. The table below indicates the risk and the percentage premium written per risk category:

	30 June 2021	
	Percentage of gross written premium	
Types of insurance contracts written	**Personal lines**	**Commercial**
Personal accident	**<1.0%**	**<1.0%**
Liability	**–**	**7.5%**
Miscellaneous	**–**	**–**
Motor	**64.5%**	**64.8%**
Property	**35.1%**	**24.3%**
Transportation	**<1.0%**	**3.4%**

	30 June 2020	
	Percentage of gross written premium	
Types of insurance contracts written	Personal lines	Commercial
Personal accident	<1.0%	<1.0%
Liability	–	11.3%
Miscellaneous	<1.0%	<1.0%
Motor	63.9%	57.9%
Property	35.6%	28.0%
Transportation	<1.0%	2.4%

The personal lines segment of the business provides insurance to the general public allowing them to cover their personal possessions and property. The commercial segment of the business targets medium and small businesses in South Africa. Insurance products are sold with either a monthly or an annual premium payable by the covered party or entity. The following gives a brief explanation of each risk:

Personal accident

Provides compensation arising out of the death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this accident.

Liability

Provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Miscellaneous

Provides cover relating to all other risks that are not covered more specifically under another insurance contract. This class includes pet and motor warranty products as well as certain agricultural products related to livestock.

Motor

Provides indemnity cover relating to the possession, use or ownership of a motor vehicle. The cover includes comprehensive cover, third party, fire, theft and liability to other parties.

Property

Provides indemnity relating to damage to movable and immovable property caused by perils including fire, explosion, earthquakes, acts of nature, burst geysers and pipes and malicious damage.

Transportation

Provides cover to risks relating to stock in transit.

Engineering

Provides cover to risks related to engineering projects.

Insurance risks

Insurance risk is a risk other than a financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

The primary activity of the group relates to the assumption of possible loss arising from risks to which the group is exposed through the sale of short-term insurance products. Insurance risks to which the group is exposed relate to property, personal accident, liability, motor, transportation, engineering and other miscellaneous perils that may result from a contract of insurance. The group is exposed to uncertainty regarding the timing, magnitude and frequency of such potential losses.

The theory of probability forms the core base of the risk management model. Through the continuous sale of insurance products and subsequent growth in the pool of insured risks, the group can diversify its portfolio of risks and therefore minimise the impact of variability of insurance losses affecting that portfolio. Insurance perils are unpredictable in nature, timing and extent which expose the group to a risk that the effect of future insured losses could exceed the expected value of such losses.

Along with its underwriting approach, the group also manages its insurance risk through its reinsurance programme which is structured to protect the group against material losses to either a single insured risk, or a group of insured risks in the case of a catastrophe where there would tend to be a concentration of insured risks. The reinsurance programme also provides protection against the occurrence of multiple catastrophe events.

The underwriting of insurance risk and the passing on of excessive insurance risk to reinsurers is further described below.

Underwriting strategy

The group aims to diversify the pool of insured perils through writing a balanced portfolio of insurance risks over a large geographical area. Products are priced using statistical regression techniques which identify risk factors through correlations identified in past loss experiences. Risk factors would typically include factors such as age of the insured person, past loss experiences, past insurance history, type and value of asset covered, security measures taken to protect the asset, major use of the covered item and so forth. Risks are priced and accepted on an individual basis. Insurance premiums charged for a certain pool of risks are adjusted frequently according to the normalised loss ratios experienced on that pool of risks.

Insurance risk is monitored within the group on a daily basis to ensure that risks accepted by the group for its own account are within the limits set by the board of directors. Exception reporting is used to identify areas of concentration of risk so that management is able to consider the levels adopted in the reinsurance programme covering that pool of risk.

Risks are rated individually by programmes loaded onto the computer system based on information captured by staff for each risk. Conditions and exclusions are also automatically set at an individual risk level. Individual risks are only automatically accepted up to predetermined thresholds which vary by risk type. Risks with larger exposure than the thresholds are automatically referred and underwritten individually by the actuarial department. These limits are set at a substantially lower level than the reinsurance retention limits. No risks which exceed the upper limits of the reinsurance can be accepted without the necessary facultative cover being arranged. No-claims bonuses which rewards clients for not claiming also form part of the group's underwriting strategy.

Multi-claimants are also monitored and managed by tightening conditions of cover or ultimately cancelling cover.

Reinsurance strategy

The group reinsures a portion of the risk it assumes through its reinsurance programme to control the exposure of the group to losses arising from insurance contracts and to protect the profitability of the group and its capital. A suite of treaties are purchased to limit losses suffered from individual and aggregate insurance risks.

OUTsurance

OUTsurance makes use of two non-proportional reinsurance arrangements to mitigate risk.

Risk excess-of-loss cover is utilised for the property and liability risk classes. The deductible, layer limits and number of reinstatements for each layer vary based on class and are governed by the OUTsurance reinsurance policy. Additionally, advice from OUTsurance's reinsurance broker and internal investigations are considered. For property risks, any risk in excess of the risk XL top limit of R100 million will be placed facultatively. The same is true for liability risks over R50 million. The following key measures define OUTsurance's risk appetite when determining reinsurance for single large losses:

- Maximum event retention (per Risk) should not exceed 0.18% of the expected annual gross earned premium (GEP) for the particular treaty year;
- Maximum event retention (multiple Risks) should not exceed 2% of the expected annual gross earned premium (GEP) for the particular treaty year; and
- The probability of an insufficient number of reinstatements for each layer should be less than 0.5% (1-in-200 year return period).

Limits are also placed on exposure to individual counterparties based on credit rating and jurisdiction equivalency.

Catastrophe excess-of-loss cover is utilised to help manage accumulation risk. The key classes exposing OUTsurance to catastrophe risk include property, motor and engineering of which property is the primary contributor. The deductible, layer limits and number of reinstatements are determined following intensive catastrophe modelling conducted both internally and by OUTsurance's reinsurance broker in conjunction with consideration of the OUTsurance Reinsurance Policy. The following key measures define OUTsurance's risk appetite when determining reinsurance for catastrophes:

- MER (per catastrophe) should not exceed 2% of the expected annual gross earned premium (GEP) for the particular treaty year. Catastrophe cover attaches at a R50 million deductible;
- MER (multiple catastrophes) should not exceed 5% of the expected annual gross earned premium (GEP) for the particular treaty year; and
- The probability of an insufficient number of reinstatements for each layer should be less than 0.5% (1-in-200 year return period).

Limits are also placed on exposure to individual counterparties based on credit rating and jurisdiction equivalency.

Youi

Youi makes use of proportional and non-proportional reinsurance arrangements in order to mitigate risk.

Individual risk reinsurance is purchased up to the maximum sums insured via quota share and risk excess of loss reinsurance.

Quota share reinsurance is purchased for:

- New South Wales Comprehensive Third Party Motor (CTP) – 80% is ceded to reinsurers;
- BZI Personal Lines Portfolio – 35% is ceded to reinsurers; and
- BZI SME and Commercial Motor – 25% ceded to reinsurers.

Risk excess of loss cover is utilised for the property and liability risk classes. The deductible, layer limits and number of reinstatements for each layer vary based on class and are governed by the Youi reinsurance strategy and reinsurance management strategy. Additionally, advice from Youi's broker and internal investigations are considered.

For property risks, in the event that any risk might exceed the risk XL top limit of AUS$10 million (quota share and risk excess) cover would be placed facultatively. The same is true for liability risks over AUS$20 million (AUS$30 million for BZI Home and Motor). The following key measures define Youi's risk appetite when determining reinsurance for single large losses:

- MER (per risk) may not exceed $1 million;
- Per risk excess of loss cover is purchased to protect Youi's net retention under the New South Wales CTP quota share;
- Multiple reinstatements are purchased in advance to minimise the possibility of insufficient cover for a frequency of losses. Unlimited reinstatements are provided for liability classes (including CTP);
- Because the property per risk programme is relatively small, limits are not placed on exposure to individual counterparties other than insomuch as Youi aims to use more than one reinsurer on any one contract; and
- On the long tail liability contract reinsurer participations are monitored by credit rating and APRA authorisation status.

Catastrophe excess of loss reinsurance is utilised to help manage accumulation risk. The key classes exposing Youi to catastrophe risk include property, SME commercial property and motor. Property is the primary contributor. The deductible, layer limits and the number of reinstatements are determined following intensive catastrophe modelling conducted by Youi's broker and take into consideration the guidelines set by the regulator for the company's capital adequacy assessment. The following key measures define Youi's risk appetite when determining reinsurance for catastrophes:

- Maximum event retention (per catastrophe) should not exceed AUS$30 million;
- Sufficient catastrophe cover is purchased to cover the company up to its 1:200 year event as determined by the aforementioned exposure analysis. In purchasing reinsurance, Youi buys additional cover above the 1:200 level as a buffer against, for example, greater than anticipated growth, modelling uncertainty and post loss inflation;
- A single reinstatement is purchased for the catastrophe programme with an additional reinstatement purchased behind the first layer as a capital protection against a frequency of losses;
- Limits are also placed on exposure to individual counterparties by layer and over the whole programme reinsurer participations are monitored by credit rating and APRA authorisation status; and
- Youi manages volatility through the purchase of underlying third and fourth event and aggregate excess of loss reinsurances which cap its net retained natural perils losses greater than AUS$2 million per event at AUS$60 million in aggregate.

The group only enters into reinsurance agreements with reinsurers which have credit ratings above a certain threshold as approved by the board in the group's reinsurance policy.

Concentrations of risk and mitigating policies

Risk concentrations are monitored by means of exception reporting. When large risks are underwritten individually, the impacts which they could have on risk concentrations are considered before they are accepted. Marketing efforts are also coordinated to attract business from a wide geographical spread. Risks which could lead to an accumulation of claims as the result of a single event are declined due to inadequate diversification and overall pool of risk covered. Attention is paid to attract large numbers of relatively small independent risks which would lead to very stable and predictable claims experience.

Based on gross written premiums, the short-term insurance is split 47.2% in South African and 52.8% in Australia (2020: 54.4% in South Africa and 45.6% in Australia). The South African operation is exposed to a concentration of insurance risk in terms of sum assured in Gauteng (2021: 49.0%; 2020: 49.7%), Western Cape (2021: 22.2%; 2020: 21.7%) and KwaZulu-Natal (2021: 10.6%; 2020: 10.6%). The Australian operation (including BZI) is exposed to a concentration of insurance risk in terms of sum assured in Queensland (2021: 28.9%; 2020: 31.2%), New South Wales (2021: 28.4%; 2020: 28.9%) and Victoria (2021: 25.7%; 2020: 23.4%). The concentration risk which arises in each insurance entity is mitigated through the catastrophe excess of loss programme entered into by that entity.

Exposure to catastrophes and policies mitigating this risk

Catastrophe modelling is performed to determine the impact of different types of catastrophe events (including natural disasters) in different geographical areas, at different levels of severity and at different times of the day. Catastrophe limits are set so as to render satisfactory results to these simulations. The catastrophe cover is also placed with reinsurers with a reputable credit rating and cognisance is taken of the geographical spread of the other risks underwritten by the reinsurers in order to reduce correlation of the group's exposure with the balance of reinsurers' exposure. These reinsurance models are run at least annually to take account of changes in the portfolio and to take the latest potential loss information into account.

Profit-sharing arrangements

A profit-sharing arrangement exists between OUTsurance Insurance Company Limited and FirstRand Bank Limited. In terms of this profit-sharing arrangement, 90% of the operating profit generated on the homeowners' insurance business referred by FirstRand Bank Limited businesses is paid to FirstRand Bank Limited by way of a bi-annual preference dividend. Where operating losses arise, OUTsurance remains liable for such losses in full, but these losses may be offset against future profit distributions.

1.3 Long-term insurance

Terms and conditions of insurance contracts

The group conducts long-term insurance business on various classes of long-term insurance risk. Products are only sold to the South African retail market. The types of insurance products sold are as follows:

- Underwritten Life;
- Life Protector;
- Funeral Plan; and
- Endowment

The following gives a brief explanation of each product:

Underwritten Life

The Underwritten Life Insurance product is a fully underwritten product and covers the following insurance risks:

- death cover;
- disability cover;
- critical illness cover; and
- family funeral cover.

In the event of a valid death, permanent disability (occupational disability) or critical illness claim, OUTsurance Life Insurance Company Limited (OUTsurance Life) pays the contractual sum assured.

An optional OUTbonus is also available to policyholders. This allows the policyholder to receive all premiums paid over a period of 15 years if all terms and conditions are met.

Life Protector

The Life Protector product is a limited underwritten product and covers the following insurance risks:

- death cover;
- disability cover;
- critical illness cover;
- retrenchment cover;
- temporary disability cover;
- family funeral cover; and
- premium waiver.

In the event of a valid death, permanent disability (occupational disability) or critical illness claim, OUTsurance Life pays the contractual sum assured. The policyholder's OUTsurance Personal cover premiums will also be waived following a valid claim. In the event of a valid temporary disability or retrenchment claim, OUTsurance Life undertakes to pay the policyholder a monthly instalment of a specified percentage of the sum assured as well as the premium for the specified period.

Funeral Plan

The OUTsurance Funeral Plan product is a limited underwritten product and provides the following cover:

- death cover;
- stillborn benefit;
- premium waiver; and
- repatriation benefit;

Endowment

OUTsurance Life offers a linked endowment policy with a term of 5 years, which is structured as a life insurance policy. The investment risk is referenced to a zero-coupon deposit issued by a large South African bank.

Insurance risks

The primary activity of OUTsurance Life relates to the assumption of loss arising from risks to which it is exposed through the sale of long-term insurance products. It is exposed to uncertainty regarding the timing, magnitude and frequency of such potential losses.

The theory of probability forms the core base of the risk management model. Through the continuous sale of insurance products and subsequent growth in the pool of insured risks, OUTsurance Life can diversify its portfolio of risks and therefore minimise the impact of variability of insurance losses affecting that portfolio.

Along with its underwriting approach, OUTsurance Life also manages its retention of insurance risk through its quota share and excess of loss reinsurance programme which is structured to protect it against material losses on single insured risks.

The underwriting of insurance risk and the passing on of excessive insurance risk to reinsurers is further described below:

Mortality and morbidity risk

Mortality risk is the risk of loss arising due to actual death rates on life insurance business being higher than expected. Morbidity risk is the risk of loss arising due to policyholder health-related claims being higher than expected.

The following processes and procedures are in place to manage mortality and morbidity risk:

- premium rates are differentiated by factors which historical experience has shown are significant determinants of mortality and morbidity claims experience such as medical history and condition, age, gender, smoker status and HIV/Aids status;
- the expertise of reinsurers is used for pricing where adequate claims history is not available; and
- reinsurance arrangements are put in place to reduce the mortality and morbidity exposure per individual policy and provide cover in catastrophic events.

Underwriting experience risk

There is a risk that actual mortality and morbidity experience is higher than expected. This could arise as a result of the number of claims or the value of the claims being higher than expected within a period. Selection risk is the risk that worse than expected risks are attracted and charged inadequate premiums. There is also a risk that the number of claims can increase due to the emergence of a new disease or pandemic.

Underwriting experience risk is managed through:

- Product design and pricing
  Rating factors are applied to different premium rates to differentiate between different levels of risk. Among other, premiums are differentiated by age, gender, smoking status and medical history. Premium rates are approved and reviewed by the Head of Actuarial function.
- Underwriting
  Underwriting ensures that only insurable risks are accepted and that premiums accurately reflect the unique circumstances of each risk. The group has developed an advanced medical underwriting system which captures detailed information regarding the clients' medical history and condition which is used for premium adjustments and to indicate where further underwriting is required by experienced medical underwriters. To verify the accuracy of client data, all new clients are subject to various medical tests. Quality audits are performed on the underwriting process to ensure underwriting rules are strictly followed.
- Reinsurance
  OUTsurance Life's quota share and excess of loss reinsurance programme mitigates claims volatility and risk accumulation. Reinsurers also assist with pricing and product design decisions.

  OUTsurance Life makes use of proportional reinsurance to mitigate risk given its growing nature and exposure to multiple product lines in the early stages of development. The percentage ceded varies based on product and is determined based on various factors including maturity of the line of business as well as inherent risk exposure for each line. Certain lines of business employ surplus reinsurance over and above conventional quota share reinsurance to introduce an upper bound to the risk exposure faced on large policies.
- Experience monitoring
  Experience investigations are conducted and corrective action is taken where adverse experience is noted.

Lapse risk

Policyholders have the right to cancel their policies at any given time during the policy duration. There is a risk of financial loss and reduced future profitability due to the lapse experience being higher than expected. Lapse risk is managed by ensuring:

- appropriate product design and pricing;
- providing high-quality service; and
- continuous experience monitoring.

Modelling and data risk

Modelling risk is the risk that discounted cash flow models used to calculate actuarial liabilities and valuations do not accurately project the policy cash flows into the future. Data risk is the risk that the data which is used by the above models is inaccurate relative to actual experience.

Modelling risk is mitigated by way of employing specialist actuarial software which is widely used by industry participants. The services of the Head of Actuarial function are also employed to ensure models are accurately set up.

Data risk is managed by using internal systems and warehouse technology which is used by all companies within the group. Data reports are readily available and frequently used by management to track performance and verify experience variables.

Expense risk

Expense risk is the risk that actual expenses are higher than the budgeted expenses on which premium rates are calculated. Expenses are monitored on a monthly basis against budgeted expenses. Any deviation from budget is investigated, reported and remedial action taken where necessary.

Non-claims bonus risk

Non-claims bonus risk is the risk that the future contractual bonus payments are higher than assumed in the calculation of the policyholder liability (lapse risk) or that the investment return received is lower than expected (economic risk). A decrease in the lapse rate will result in an increase in the non-claims bonus risk. This risk is managed by applying an appropriate lapse assumption to allow for uncertainty.

A decrease in interest rates would result in a lowering of the investment return achieved on the assets backing the bonus liabilities, increasing the economic risk. This risk is mitigated by a zero-coupon deposit matching strategy, where the investment return on the zero-coupon deposit matches the required investment return in both timing and amount.

Interest rate risk

Interest rate risk is mitigated by an asset-liability matching strategy which is executed by the use of interest rate derivative structures which are partially collateralised.

Profit-sharing arrangements

A profit-sharing arrangement has been entered into between OUTsurance Life and Shoprite Investments Limited. In terms of this profit-sharing arrangement, a portion of the operating profit generated on the funeral insurance business distributed through the Shoprite distribution network is paid to Shoprite Investments Limited by way of an annual preference dividend. Operating losses incurred are for OUTsurance Life's account.

2. MANAGEMENT OF FINANCIAL RISK

Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable, that the variable is not specific to a party to the contract.

The group is exposed to various financial risks in connection with its current operating activities, such as market risk (including equity price risk, interest rate risk and currency risk), credit risk, liquidity risk and capital adequacy risk. These risks contribute to the key financial risk that the proceeds from the group's financial assets might not be sufficient to fund the obligations arising from insurance and investment policy contracts.

To manage these risks the subsidiary and associate boards established sub-committees to which it has delegated some of its responsibilities in meeting its corporate governance and fiduciary duties. The sub-committees include an audit and risk committee, a compliance committee, an investment committee, an actuarial committee and a remuneration committee. Each committee adopted a charter, which sets out the objectives, authority, composition and responsibilities of the committee. The boards approved the charters of these committees.

Additional information on the management of financial risks is provided below.

2.1 Market risk

Market risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The methods and assumptions used in calculating the sensitivity of the group to these elements of market risk have remained unchanged from the previous year. The following sensitivities are deemed to be reasonably possible scenarios in the South African economic environment over a one year period:

- a 10% appreciation or depreciation of the Rand against the foreign currency;
- a 200 bps movement in interest rates; and
- a 10% market movement to evaluate sensitivity of other price risk.

2.1.1 Currency risk

Currency risk is the risk that the value of the financial instrument denominated in a currency other than the functional currency may fluctuate due to changes in the foreign currency exchange rate between the functional currency and the currency in which such instrument is denominated.

The group's exposure to currency risk is mainly in respect of foreign investments made. The group had invested in foreign subsidiaries operating in Australia and New Zealand. The insurance operations in New Zealand were sold in the previous financial year. The group had also invested in Hastings during the 2017 financial year and funded a portion of the acquisition price with a £150 million loan, of which £50 million was repaid in the 2020 financial year and £100 million was repaid on 30 June 2021.

The operations as described expose the group to foreign currency translation risk. The board monitors these exposures on a quarterly basis. Any significant changes in the foreign currency balances are followed up throughout the period and are reported to the board. The table below lists the group's exposure to foreign currency risk:

30 June 2021

R million	Rand	Australian Dollar	Total
Total assets	**40 430**	**13 634**	**54 064**
Total liabilities	**15 610**	**9 440**	**25 050**
Exchange rates:			
Closing rate		**10.71**	
Average rate		**11.46**	

30 June 2020

R million	Rand	Australian Dollar	New Zealand Dollar	British Pound	Total
Total assets	38 527	12 808	46	–	51 381
Total liabilities	13 077	8 595	21	2 143	23 836
Exchange rates:					
Closing rate		11.96	11.19	21.42	
Average rate		10.54	9.99	19.57	

Currency translation risk

The potential effect on the group profit or loss and the equity of the group after an appreciation or depreciation in the Rand is provided in the following table:

	30 June 2021			
R million	**AUD 10% Appreciation**	**AUD 10% Depreciation**	**GBP 10% Appreciation**	**GBP 10% Depreciation**
Profit or loss	**(75)**	**75**	**(39)**	**39**
Equity	**(419)**	**419**	**(420)**	**420**

	30 June 2020					
R million	AUD 10% Appreciation	AUD 10% Depreciation	NZD 10% Appreciation	NZD 10% Depreciation	GBP 10% Appreciation	GBP 10% Depreciation
Profit or loss	(67)	67	(12)	12	(50)	50
Equity	(399)	399	(2)	2	(448)	448

Risk management strategy

The group has a foreign currency (GBP) investment in Hastings which is included under investments in associates in the statement of financial position. The conversion of the group's portion of the net asset value of Hastings for equity accounting purposes from the functional currency to presentation currency gives rise to a foreign currency translation movement recognised through other comprehensive income with the cumulative balance included under equity accounted reserves in the statement of financial position. A depreciation in the presentation currency increases the equity accounted reserve and investment in associate, while an appreciation in the presentation currency decreases the equity accounted reserve and investment in associate.

The group also had a foreign currency (GBP) denominated liability until 30 June 2021 and foreign exchange contracts included under interest-bearing loans and derivative liabilities in the statement of financial position respectively. The liability is converted at each reporting date from GBP to the functional currency of ZAR. This gives rise to a foreign currency gain or loss which is dependent on whether the ZAR appreciates or depreciates relative to the GBP.

The group recognises its exposure to foreign currency fluctuations arising on the changes in the carrying value of the net investment in Hastings on translation from GBP to ZAR and changes in the carrying value of the GBP-denominated liability and forward exchange contracts and follow an active risk management strategy to manage this risk through hedging. The group has applied net investment hedging of the foreign currency risk associated with the foreign currency operation by formally designating the full amount of the foreign currency denominated financial liabilities and derivative liability ('hedging instruments') as net investment hedges. The gain or loss on the hedging instruments that are determined to be effective hedges of the net investment are recognised in other comprehensive income and included with the foreign exchange differences arising on translation of the results and financial position of the foreign operation.

In terms of the derivative liability, the group has designated the forward rate as a net investment hedge. The hedge ratio is 1:1. The nominal value of the hedge is £54.9 million and the forward rate is R18.69/£, with a close-out date of October 2024. The following potential main sources of ineffectiveness are identified:

- The fair value of the hedging instrument on the hedge relationship designation date (not zero), so the fixed rate of the hypo is slightly different. This will be the main source of ineffectiveness expected during the life of the trade.
- A change in the credit risk of RMI or the counterparty.

The potential impact on the group profit or loss and the equity of the group in respect of the £100 million loan (until 30 June 2021 when the loan was repaid) (2020: £100 million) incurred to partially fund the investment in Hastings and the derivative liability is provided in the following table. There is no impact on profit or loss as net investment hedge accounting is applied where the movement in the loan and the derivative liability due to currency movement is offset against the currency movement of RMI's share in the net asset value of Hastings.

	30 June 2021	
R million	**GBP 10% Appreciation**	**GBP 10% Depreciation**
Profit or loss	**–**	**–**
Equity	**51**	**(51)**

	30 June 2020	
R million	GBP 10% Appreciation	GBP 10% Depreciation
Profit or loss	–	–
Equity	214	(214)

A hedging loss of R16 million (2020: a hedging gain of R3 million) was recognised as a fair value loss in profit or loss (ineffective portion) and R85 million (2020: R80 million) was recognised against the foreign currency translation portion of equity accounted reserves.

The table below provides further information on hedging instruments.

	2021	2020
Carrying value of hedging instruments (R million)	**58**	2 246
Nominal value of hedging instruments (gross GBP exposure)	**53.4**	154.9
Maturity date	**October 2019 to October 2024**	October 2019 to October 2024
Hedge ratio	**1:1**	1:1
Change in fair value of hedging instruments since inception (R million)	**(453)**	(668)

2.1.2 Interest rate risk

Interest rate risk is when the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The group makes use of asset managers and internal resources to invest in securities exposed to interest rate risk. The securities managed by asset managers are contractually agreed with specific risk levels. The internally managed money market investments are managed in line with the mandate approved by the investment committee. The investment committee monitors the performance of all the investments and reports to the board on a quarterly basis.

The table below reflects the exposure to interest rate risk, which represents a fair value risk for fixed rate instruments and a cash flow risk for variable rate instruments. An increase or decrease in the market interest rate would result in the following changes in profit or loss before tax or other comprehensive income of the group:

	30 June 2021		30 June 2020	
R million	**200 bps increase**	**200 bps decrease**	200 bps increase	200 bps decrease
Financial assets				
Fixed rate instruments				
Government, municipal and public utility securities (impact on OCI)	**(10)**	**10**	(3)	3
Unsecured loan	**(2)**	**2**	(3)	3
Money market instruments (impact on OCI)	**(5)**	**5**	(7)	7
Variable rate instruments				
Government, municipal and public utility securities	**(2)**	**2**	(3)	3
Money market instruments	**(41)**	**44**	(76)	79
Cash and cash equivalents	**47**	**(47)**	45	(45)
Derivative instruments			–	–
Financial liabilities				
Preference shares	**(129)**	**129**	(59)	59

2.1.3 Other price risk

Equity risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity securities are mandated to stockbrokers and asset managers. Asset managers' mandates include benchmarks by which performance is measured based on fee structures. The investment committee monitors the performance for each asset manager against benchmarks and reports to the board on a quarterly basis.

All equities are split between listed and unlisted securities. The table below reflects the shareholders' exposure to equity price risk. A hypothetical 10% increase or decrease in the equity prices would result in the following changes in profit or loss (P or L) or other comprehensive income (OCI) of the group:

	30 June 2021		30 June 2020	
R million	**10% increase**	**10% decrease**	10% increase	10% decrease
Financial assets				
Listed preference shares (P or L)	**31**	**(31)**	30	(30)
Collective investment scheme (P or L)	**14**	**(14)**	11	(11)
Listed equity shares (P or L)	**129**	**(129)**	114	(114)
Financial liabilities				
Derivative liability (P or L)	**7**	**(7)**	–	–

2.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The key areas where the group is exposed to credit risk are:

- unlisted preference shares;
- debt securities;
- insurance and other receivables;
- reinsurance contracts; and
- cash and cash equivalents.

Significant concentrations of credit risk are disclosed in the annual financial statements. The credit exposure to any one counterparty is managed by the board in accordance with the requirements of the Insurance Act, 18 of 2017, by setting transaction/exposure limits, which are reviewed at each board and audit and risk committee meeting. The credit worthiness of existing and potential clients is monitored quarterly at the board meeting and bi-annually by the actuarial committee and investment committee.

The table below provides information on the credit risk exposure by credit ratings at the year-end (if available):

30 June 2021

R million	AAA	AA	A	BBB	BB	B	Not rated	Total
Collective investment schemes	–	–	–	–	–	–	135	135
Zero-coupon deposits	–	–	37	–	708	–	–	745
Term deposits	–	5 810	–	–	–	–	–	5 810
Unsecured loans	–	–	–	–	–	–	154	154
Money market instruments	–	–	–	–	3 903	1 091	–	4 994
Debt securities	–	–	–	–	220	19	656	895
Convertible loan	–	–	–	–	–	–	13	13
Insurance and other receivables[(1)]	–	3	19	6	–	–	3 731	3 759
Reinsurance contracts	–	20	726	34	163	–	197	1 140
Cash and cash equivalents	–	1 546	–	–	1 045	27	–	2 618
Total	–	7 379	782	40	6 039	1 137	4 886	20 263

30 June 2020

R million	AAA	AA	A	BBB	BB	B	Not rated	Total
Collective investment schemes	–	–	–	–	–	–	124	124
Zero-coupon deposits	–	–	24	–	835	–	–	859
Term deposits	–	5 782	–	–	–	–	–	5 782
Unsecured loans	–	–	–	–	–	–	149	149
Money market instruments	–	–	93	62	2 920	22	–	3 097
Debt securities	–	–	–	–	104	24	601	729
Convertible loan	–	–	–	–	–	–	11	11
Insurance and other receivables[(1)]	–	39	5	4	1		3 407	3 456
Reinsurance contracts	119	768	333	119	–	–	–	1 339
Cash and cash equivalents	–	688	–	–	1 726	–	–	2 414
Total	119	7 277	455	185	5 586	46	4 292	17 960

1. The majority of insurance and other receivables not rated relates to premium debtors that are backed by a corresponding unearned premium reserve liability. The premium debtors are subject to credit risk management processes applied when a policyholder's credit risk is assessed at inception.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset in the tables above.

The group utilises the credit ratings per counterparty as provided by each of the major credit rating agencies to determine the credit quality of a specific instrument.

In instances where the credit rating for the counterparty is not available, the group utilises the credit rating provided by a service provider amended to take into account the credit risk appetite of the group. The internal methodology of the service provider provides a credit rating which assesses the counterparty's credit quality based on its financial standing. This methodology has been approved by the group's internal investment committee. Should the service provider not provide a credit rating, the counterparty is shown as unrated. The ratings disclosed are long-term international scale, local currency ratings.

The ratings are defined as follows:

Long-term ratings

AAA	Highest credit quality. The ratings denote the lowest expectation of credit risk. 'AAA' ratings are assigned only in the case of exceptionally strong capacity or payment of financial commitments.
AA	Very high credit quality. 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. The capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
BBB	Good credit quality. 'BBB' rating indicates a low expectation of credit risk. They indicate adequate capacity for timely payment of financial commitments. Changes in circumstances or in economic conditions are more likely to impair this capacity than is the case for higher ratings.
BB	Speculative quality. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.
B	Highly speculative. 'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met, however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

Impairment of financial assets

Calculation of Expected Credit Losses (ECL)

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk has occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD). Of equal importance is sound correlation between these parameters and forward-looking economic conditions.

ECL reflects the group's own expectations of credit losses discounted to its present value. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating ECL, the group also considers observable market information about the credit risk of the particular financial instrument or similar financial instruments.

The ECL loss allowances are measured on either of the following bases:

- 12-month ECL: ECL that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECL: ECL that result from all possible default events over the expected life of a financial instrument.

The group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Exposures are assessed on a per instrument type basis unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on future cash flows. Where such evidence exists, the exposure is assessed on an individual instrument basis. Financial assets are also grouped according to the type of financial asset. The group makes use of estimates of PDs, LGDs and EADs to calculate the ECL balance for financial assets.

Depending on the relevant information available, PDs are based on historic default rate factors and linked to national scale credit ratings assigned to the issuing parties.

LGDs are derived from a free cash flow (FCF) forecast taking into account the interest rate spreads attached to the instruments. The FCF is discounted at the discount rates provided by the regulating authority which takes the current and expected macro-economic conditions into account. The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money.

EADs are determined with reference to expected amortisation schedules, historical payment patterns and taking into account credit conversion factors as applicable for undrawn or revolving facilities.

The market risk capital calculation prescribed under the current regulatory regime is used as a reference point in the above calculations.

The maximum period considered when estimating ECL is the maximum contractual period over which the group is exposed to credit risk. The ECL calculation of a financial instrument takes into account both the contractual and available behavioural repayment patterns over the relevant estimation period.

The gross carrying value of instruments subject to ECL is written off and reduced when there is no reasonable expectation of recovering a financial instrument in its entirety or a portion thereof.

Significant increase in credit risk and default

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the group considers quantitative and qualitative information based on the group's historical experience, credit assessment and forward-looking information. The group's assessment of a significant increase in credit risk subsequent to initial recognition is performed through credit quality assessments of the debt instruments as well as that of the issuing party throughout the financial year. This includes the use of market indicators.

The credit quality of debt instruments is assessed on a monthly basis by means of ensuring that the credit rating of an individual instrument has not deteriorated to a point where it breaches the group's investment policy. The group's investment policy allows for investments to be made in high-quality debt instruments. If the investment policy is breached, the impact on the ECL will be assessed.

The assessment described above is part of the group's ongoing monitoring of its investment portfolios. When making a quantitative assessment, the group uses the change in the PD occurring over the expected life of the financial instrument. This requires a measurement of the PD at initial recognition and at the reporting date.

The group deems that a significant increase in credit risk arises when a debtor is 30 days past due in making a contractual payment.

A financial asset is in default when the financial asset is credit-impaired or if the financial asset is 90 days past due.

Forward-looking information

The yield curves and discount rates utilised to project the forward rate spreads on the financial instruments takes macro-economic conditions into account. Macro-economic market conditions are based on the expectations of the debt market such as economic, political and market liquidity risks. These yield curves and discount rates are utilised to calculate the present value of future cash flows taking into account the unsystematic risk for future periods. This, coupled with the credit outlook attached to a specific financial instrument, is utilised to calculate the PD and LGD based on the formulas prescribed by the current regulatory regime.

Analysis of credit risk and allowance for expected credit losses (ECL)

The following table provides an overview of the allowance for ECL provided for on the types of financial assets held by the group where credit risk is prevalent:

R million	Gross carrying amount subject to 12-month ECL	Gross carrying amount subject to lifetime ECL	Allowance for ECL	Net amount
As at 30 June 2021				
Cash and cash equivalents	**2 618**	**–**	**–**	**2 618**
Term deposits	**5 810**	**340**	**(26)**	**6 124**
Government, municipal, public utility and money market securities	**239**	**21**	**(6)**	**254**
Money market securities	**4 995**	**–**	**(14)**	**4 981**
Total	**13 662**	**361**	**(46)**	**13 977**
As at 30 June 2020				
Cash and cash equivalents	2 414	–	–	2 414
Term deposits	6 114	–	(24)	6 090
Government, municipal, public utility and money market securities	128	–	(1)	127
Money market securities	3 097	–	(19)	3 078
Total	11 753	–	(44)	11 709

The following table sets out information about the credit quality of financial assets at 30 June 2021 where it carries credit risk. The total carrying amounts represent the maximum exposure to credit risk at the reporting date:

R million	12-month ECL	Lifetime ECL	Total ECL
As at 30 June 2021			
Term deposits	**–**	**26**	**26**
Government, municipal, public utility securities	**1**	**5**	**6**
Money market securities	**14**	**–**	**14**
Total (ECL)	**15**	**31**	**46**
As at 30 June 2020			
Term deposits	–	24	24
Government, municipal, public utility securities	1	–	1
Money market securities	19	–	19
Total (ECL)	20	24	44

Reinsurance credit exposures

Under the terms of reinsurance agreements, reinsurers agree to reimburse the ceded amount in the event that the gross claim is paid. However, the group remains liable to its policyholders regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the group is exposed to credit risk. The group reviews its reinsurance agreements on an annual basis and ensures the appropriate credit quality of any reinsurer prior to renewing or entering an agreement. The group's reinsurers have credit ratings of between BBB and AAA, measured on an international scale. Reinsurance credit exposures are determined using the incurred loss model which was adopted when *IFRS 4* came into effect.

Loan commitments and guarantees

As disclosed in **note 36**, the group has provided loan commitments to an associate for a total amount of R209 million, of which R100 million has been advanced by 30 June 2021.

The remaining amount of the loan commitment of R109 million could expose the group to additional credit exposure. The expected credit loss on this exposure is not deemed to be material. The liquidity risk is deemed to be within one year.

The group has also provided a guarantee to an associate amounting to R28 million. The expected credit loss on this exposure is not deemed to be material The liquidity risk is deemed to be within one year.

2.3 Liquidity risk

Liquidity risk is the risk that the group, although solvent, is not able to settle its obligations as they fall due because of insufficient liquid assets in the group. To ensure that the group's operating entities are able to meet their liabilities when they fall due, the liquidity profile of the various balance sheets are actively managed with a defined investment mandate. The table below provides a liquidity profile of the group's financial assets. The liquidity profile assumes that instruments can be traded in the ordinary course of business and in markets with sufficient liquidity. The preference share liability and interest-bearing loans are the only two significant liabilities which are presented on an undiscounted basis.

In addition to the financial assets presented in the tables below, the group has significant investments in large listed entities (Discovery and Momentum Metropolitan), with a combined market value of R 28.6 billion (2020: R32.0 billion including Hastings). Should the need arise, the group can sell a portion of these shares to repay the debt raised with the acquisition of the initial 29.9% stake in Hastings. During the 2020 financial year, the group extended the remaining period on all its preference share and GBP loan funding and on 30 June 2021 the group repaid its outstanding GBP funding by issuing an additional R2 billion preference shares with a maturity date of three years and one day.

R million	2021	2020
Liquid financial assets		
Realisable within 30 days		
Cash and cash equivalents	**2 618**	2 414
Collective investment schemes	**135**	124
Government, municipal and public utility securities	**260**	128
Money market securities	**4 995**	3 077
Exchange traded funds – ordinary shares	**1 204**	1 023
Listed equities	**81**	112
Realisable between one and 12 months		
Term deposits	**5 810**	5 782
Loans and receivables	**3 760**	3 460
Derivative asset	**68**	–
Total liquid financial assets	**18 963**	16 120
Illiquid financial assets		
Realisable in more than 12 months		
Zero-coupon deposits	**745**	858
Listed perpetual preference shares	**310**	303
Unlisted equities	**375**	475
Debt securities	**593**	423
Derivative asset	**33**	–
Convertible loan	**13**	11
Unsecured loan	**154**	149
Total illiquid financial assets	**2 223**	2 219
Total financial assets held	**21 186**	18 339
Insurance contract assets		
Realisable within 30 days	**212**	299
Realisable between one and 12 months	**733**	879
Realisable after more than 12 months	**195**	160
Total insurance contract assets held	**1 140**	1 338
Total assets (excluding non-monetary assets)	**22 326**	19 677

Maturity profile of liabilities

R million	2021 Total	Call to 12 months	1–5 years	> 5 years
Expected discounted cash flows				
Insurance contract liabilities – Life	843	(67)	(1 071)	1 981
Insurance contract liabilities – Non-life	9 468	8 836	604	28
Derivative financial instruments	72	71	31	(30)
	10 383	8 840	(436)	1 979
Contractual undiscounted cash flows				
Preference shares	16 041	641	15 400	–
Lease liabilities	143	37	56	50
Financial liabilities at fair value through profit or loss	125	86	–	39
Insurance and other payables	1 471	1 471	–	–
Loan commitment	109	109	–	–
Guarantee	28	28	–	–
	17 917	2 372	15 456	89
Other liabilities				
Share-based payment liability	257	54	203	–
Provisions	237	237	–	–
Tax liabilities	133	133	–	–
Insurance and other payables	138	104	34	–
Derivative liability	58	–	58	–
	823	528	295	–
Total liabilities	29 123	11 740	15 315	2 068
Liquid asset coverage ratio	0.65	1.62		
Financial assets coverage ratio	0.73			

R million	2020 Total	Call to 12 months	1–5 years	> 5 years
Expected discounted cash flows				
Insurance contract liabilities – Life	536	(133)	(893)	1 562
Insurance contract liabilities – Non-life	9 046	8 484	550	12
Derivative financial instruments	150	3	40	107
	9 732	8 354	(303)	1 681
Contractual undiscounted cash flows				
Preference shares	11 407	566	10 841	–
Interest-bearing loans	2 315	56	2 259	–
Lease liabilities	94	41	49	4
Financial liabilities at fair value through profit or loss	104	65	–	39
Insurance and other payables	1 108	1 108	–	–
Loan commitment	109	109	–	–
Guarantee	28	28	–	–
	15 165	1 973	13 149	43
Other liabilities				
Share-based payment liability	121	100	21	–
Provisions	191	191	–	–
Tax liabilities	73	73	–	–
Insurance and other payables	410	377	33	–
Derivative liability	133	–	133	–
	928	741	187	–
Total liabilities	25 825	11 068	13 033	1 724
Liquid asset coverage ratio	0.62	1.46		
Financial assets coverage ratio	0.71			

The liquid asset coverage ratio is the total liquid assets divided by the total liabilities.

The financial assets coverage ratio is the total financial assets divided by the total liabilities.

3. CAPITAL MANAGEMENT

Since 2014, RMI has actively pursued a strategy to optimise, diversify and modernise its portfolio of financial services assets. RMI's ambitions to diversify geographically, add to its existing portfolio of significant stakes in financial services companies and to facilitate ongoing growth initiatives in its existing portfolio companies imply additional investment and use of financial leverage.

The change in strategy has required RMI to become a more agile holding company and for ease of raising funding, to comply with the norms familiar to the funding market. RMI ensures that best pricing is obtained through the following structure:

- a wholly-owned subsidiary, RMI Treasury Company Proprietary Limited (RMI Treasury Company), raises funds for investment activities; and
- a wholly-owned investment holding company, RMI Asset Holdings Proprietary Limited (RMI Asset Holdings), houses RMI's investments.

The group raised preference share funding amounting to R9.7 billion in RMI Treasury Company during the 2017 financial year. R2.3 billion of this money was utilised to redeem existing preference share funding in RMI, and the remaining R7.4 billion together with a GBP-denominated loan of R2.4 billion (£150 million) was utilised to fund RMI's acquisition of a 29.9% stake in Hastings on 1 March 2017 for R8.6 billion and to create capacity for additional acquisitions. In the 2020 financial year £50 million of the GBP-denominated debt was repaid by raising preference share funding amounting to R934 million and in the 2021 financial year the remaining £100 million GBP-denominated debt was repaid by raising preference share funding amounting to R2 billion.

The board is monitoring the group's debt ratios and debt covenants to ensure that the group is not exposed to unacceptable risks from a capital management perspective. As at 30 June 2021, the group was not close to breaching any of its debt covenants and the level of debt was considered to be appropriate . The board will continuously assess RMI's dividend policy through its investment phase and may, when appropriate, resume the utilisation of the scrip distribution alternative and the reinvestment option to support investment activity. The scrip distribution alternative and reinvestment option are effective methods of managing the balance sheet post the acquisition of the investment in Hastings. Furthermore, the scrip distribution alternative and the reinvestment option each provide a cost-effective opportunity for shareholders to increase their shareholding in RMI.

Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience that is worse than what has been assumed in conducting insurance business and to facilitate growth and strategic objectives.

The group's objectives when managing capital are:

- to comply with the higher of the regulatory solvency capital requirements for each entity and the group, or the internal assessment of the capital requirement for each entity and the group;
- to safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return for shareholders by pricing insurance commensurately with the level of risk; and
- to retain sufficient surplus capital to facilitate future growth and strategic expansion.

The group and its insurance entities assesses the solvency capital requirement as follows:

- **Non-life underwriting risk:** The risk that arises from insurance obligations for short-term insurance business and includes reserve, premium, catastrophe and lapse risk.
- **Life underwriting risk:** The risk that arises from insurance obligations for long-term insurance business and includes lapse, mortality, morbidity, catastrophe and expense risks.
- **Market risk:** The risk of loss arising from movements in market prices on the value of the insurer's assets and liabilities or of loss arising from the default of the insurer's counterparties.
- **Operational risk:** The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

In each country in which the group operates, the local insurance regulator specifies the minimum amount and the type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities.

The group and its insurance entities sets a target solvency coverage multiple of the regulated minimum for each jurisdiction and the group in aggregate to act as a buffer against uncertainty. These target multiples are derived from considering the unique risk characteristics of each entity and the group in aggregate. These risk characteristics include the impact of stress and scenario tests, the level and variability of profits and the accepted risk appetite. The target multiple is maintained at all times throughout the year.

Qualifying regulatory capital or own funds, include retained earnings, contributed share capital and distributable reserves. Adjustments are made for non-qualifying or inadmissible assets and for differences between the fair value and book value of assets and liabilities.

The table below summarises the solvency coverage ratio for each of the regulated group companies and the actual solvency achieved:

	Jurisdiction	SCR ratio 2021	SCR ratio 2020	Target SCR[1]
Group		**2.2**	2.5	1.4
Short-term insurance				
OUTsurance Insurance Company Limited	South Africa	**1.8**	1.9	1.2
OUTsurance Insurance Company of Namibia (associate)	Namibia	**2.3**	2.3	1.2
Youi Holdings Limited Group	Australia	**3.0**	3.5	2.0
Long-term insurance				
OUTsurance Life Insurance Company Limited	South Africa	**2.7**	3.0	1.5

1. This represents an internally set minimum SCR target which is higher than the regulatory minimum SCR level.

The regulated solvency capital requirement for the various regulated entities are calculated as follows:

Southern African operations

The financial soundness for insurers and financial soundness for groups prudential standards prescribe certain measures which insurers and groups measure their eligible own funds and prescribes the manner in which the solvency capital requirement (SCR) needs to be calculated. The group and solo entities apply the standard formula approach to determine the SCR.

The prescribed SCR is the level of eligible own funds required to ensure the value of assets will exceed technical provisions and other liabilities at a 99.5% level of certainty over a one-year time horizon. The SCR is calculated based on the following key risk categories:

- Non-life underwriting risk;
- Life underwriting risk;
- Market risk; and
- Operational risk.

OUTsurance Holdings Limited is regulated as an insurance group. The deduction and aggregation method is used to assess capital adequacy on a group-wide basis. This method sums the solo capital requirements and aims to calculate the relevant adjustments to avoid double or multiple gearing of capital. Excess or deficits of capital existing at the level of each entity in the group, i.e. on a solo basis, are aggregated (net of intragroup transactions) in order to measure the own funds surplus (or deficit) at a group level.

Australian operations – Short-term insurance operations

The Australian Prudential Regulation Authority (APRA) imposes capital requirements on Australian subsidiaries which are licensed general insurers calculated in accordance with Prudential Standards GPS 110 Capital Adequacy. The prudential capital requirement (PCR) is equal to the sum of the prescribed capital amount (PCA) and any supervisory adjustment determined by APRA.

The PCA is calculated in accordance with the Standard Method as the sum of:

- Insurance risk charge;
- Insurance concentration risk charge;
- Asset risk charge;
- Asset concentration risk charge;
- Operational risk charge; and
- Aggregation benefit.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. PROPERTY AND EQUIPMENT

R million	Land and buildings	Leasehold improve-ments	Furniture, fittings and equipment	Motor vehicles	Total
30 June 2021					
Net book value at the beginning of the year	**979**	**18**	**158**	**5**	**1 160**
Additions	**–**	**16**	**65**	**–**	**81**
Disposals	**–**	**–**	**(8)**	**–**	**(8)**
Foreign exchange adjustments	**(79)**	**(1)**	**(4)**	**–**	**(84)**
Depreciation (note 27)	**(36)**	**(5)**	**(51)**	**(1)**	**(93)**
Net book value at the end of the year	**864**	**28**	**160**	**4**	**1 056**
Cost	**1 095**	**50**	**549**	**8**	**1 702**
Accumulated depreciation	**(231)**	**(22)**	**(389)**	**(4)**	**(646)**
Net book value at the end of the year	**864**	**28**	**160**	**4**	**1 056**
30 June 2020					
Net book value at the beginning of the year	879	4	157	1	1 041
Additions	3	16	74	5	98
Disposals	–	–	(4)	–	(4)
Reclassification	–	–	(25)	–	(25)
Foreign exchange adjustments	132	–	7	–	139
Depreciation (note 27)	(35)	(2)	(51)	(1)	(89)
Net book value at the end of the year	979	18	158	5	1 160
Cost	1 180	36	559	8	1 783
Accumulated depreciation	(201)	(18)	(401)	(3)	(623)
Net book value at the end of the year	979	18	158	5	1 160

Land and buildings are utilised by the group in the normal course of operations to provide services. The South African head office of OUTsurance is situated in Centurion, Gauteng. The Australian head office for the Youi group is situated on the Sunshine Coast. Both these properties are owner-occupied.

Information regarding land and buildings is kept at the group's registered offices. This information is open for inspection in terms of section 20 of the Companies Act.

Refer to **note 44** for the current/non-current split.

R million	Internally developed computer software	Purchased computer software	Intellectual property bonuses	Total

2. INTANGIBLE ASSETS

R million	Internally developed computer software	Purchased computer software	Intellectual property bonuses	Total
30 June 2021				
Net book value at the beginning of the year	**91**	**22**	**4**	**117**
Additions	**113**	**4**	**8**	**125**
Settlements	**–**	**–**	**2**	**2**
Service cost relating to intellectual property (amortisation) (note 27)	**–**	**–**	**(6)**	**(6)**
Foreign exchange adjustments	**(5)**	**–**	**–**	**(5)**
Amortisation charge (note 27)	**(11)**	**(9)**	**–**	**(20)**
Net book value at the end of the year	**188**	**17**	**8**	**213**
Cost	**201**	**132**	**188**	**521**
Accumulated amortisation	**(13)**	**(115)**	**(180)**	**(308)**
Net book value at the end of the year	**188**	**17**	**8**	**213**
30 June 2020				
Net book value at the beginning of the year	14	–	87	101
Additions	75	4	43	122
Reclassification	–	25	–	25
Accruals	–	–	(28)	(28)
Settlements	–	–	(2)	(2)
Service cost relating to intellectual property (amortisation) (note 27)	–	–	(96)	(96)
Foreign exchange adjustments	4	1	–	5
Amortisation charge (note 27)	(2)	(8)	–	(10)
Net book value at the end of the year	91	22	4	117
Cost	93	148	184	425
Accumulated amortisation	(2)	(126)	(180)	(308)
Net book value at the end of the year	91	22	4	117

The intellectual property bonuses are recognised as current service costs in the income statement over a range of retention periods from six months to two years.

Internally developed software relates to a project to redevelop the core insurance technology of the group's insurance operations. This intangible asset will be amortised once the software development is substantially completed and used in production.

In addition to the above, internally developed software also includes banking software that will be sold as Software as a Service, which will be amortised once it is completed and ready for sale.

The estimated useful life of the computer software ranges between 2 to 10 years.

Refer to **note 44** for the current/non-current split.

3. RIGHT-OF-USE ASSETS

R million	Properties	Motor Vehicles	Total
30 June 2021			
Net book value at the beginning of the year	**58**	**25**	**83**
Additions	**66**	**2**	**68**
Depreciation (note 27)	**(28)**	**(15)**	**(43)**
Foreign currency adjustments	**(3)**	**(1)**	**(4)**
Net book value at the end of the year	**93**	**11**	**104**
Cost	**134**	**34**	**168**
Accumulated depreciation	**(41)**	**(23)**	**(64)**
Net book value at the end of the year	**93**	**11**	**104**
30 June 2020			
Net book value at the beginning of the year	–	–	–
Additions on adoption of *IFRS 16*	67	23	90
Adjusted net book value at the beginning of the year	67	23	90
Additions	11	14	25
Depreciation (note 27)	(21)	(15)	(36)
Terminations/cancellations	(7)	(1)	(8)
Foreign currency adjustments	8	4	12
Net book value at the end of the year	58	25	83
Cost	78	38	116
Accumulated depreciation	(20)	(13)	(33)
Net book value at the end of the year	58	25	83

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

4. INVESTMENTS IN ASSOCIATES

R million	2021	2020
Shares at cost	**21 366**	21 162
Treasury shares	**(79)**	(90)
Equity accounted reserves	**8 014**	8 216
Investments in associates	**29 301**	29 288
Analysis of the movement in the carrying value of associates:		
Balance at the beginning of the year	**29 288**	28 337
Additional acquisition of associates	**226**	127
Sale of associate	**(11)**	–
Dilution of investment in subsidiary to investment in associate	**–**	12
Treasury shares	**11**	(17)
Equity accounted earnings for the year	**1 207**	259
Dividends received for the year	**(557)**	(1 094)
Share of associates' other reserves	**(863)**	1 664
Balance at the end of the year	**29 301**	29 288
Carrying value comprises:		
Discovery Limited	**12 482**	12 017
Hastings Group Consolidated	**9 811**	–
Hastings Group Holdings plc	**–**	10 028
Momentum Metropolitan Holdings Limited	**6 149**	6 305
OUTsurance associates	**89**	89
RMI Investment Managers associates	**593**	659
AlphaCode associates	**177**	190
Total carrying value	**29 301**	29 288
Market value of listed associates (RMI's share)		
Discovery Limited as per closing price on the JSE on the last trading date of the financial year	**20 811**	17 231
Hastings Group Holdings plc as per closing price on the LSE on the last trading date of the financial year	**–**	8 117
Momentum Metropolitan Holdings Limited as per closing price on the JSE on the last trading date of the financial year	**7 820**	7 062
Total market value of listed associates	**28 631**	32 410

4. INVESTMENTS IN ASSOCIATES continued

R million	2021	2020
The group's interests in associates are as follows:		
Discovery Holdings Limited – Number of shares	**164 810 590**	164 810 590
Discovery Holdings Limited – % of equity *	**25.1**	25.1
Hastings Group Consolidated Limited – Number of shares	**199 939 120**	–
Hastings Group Consolidated Limited – % of equity	**30.0**	–
Hastings Group Holdings plc – Number of shares	**–**	196 508 074
Hastings Group Holdings plc – % of equity	**–**	29.7
Momentum Metropolitan Holdings Limited – Number of shares	**401 048 075**	401 048 075
Momentum Metropolitan Holdings Limited – % of equity *	**28.2**	27.7
OUTsurance Insurance Company of Namibia Limited – Number of shares	**1 960 000**	1 960 000
OUTsurance Insurance Company of Namibia Limited – % of equity	**49**	49
AutoGuru Australia Proprietary Limited – Number of shares	**2 752 278**	2 752 278
AutoGuru Australia Proprietary Limited – % of equity	**30**	30
Truffle Capital Proprietary Limited – Number of shares	**6 876**	6 876
Truffle Capital Proprietary Limited – % of equity	**29.3**	27.7
Northstar Asset Management Proprietary Limited – Number of shares	**16 216**	16 216
Northstar Asset Management Proprietary Limited – % of equity	**30**	30
Tantalum Capital Proprietary Limited – Number of shares	**–**	960
Tantalum Capital Proprietary Limited – % of equity	**–**	30
Sentio Capital Management Proprietary Limited – Number of shares	**284**	246
Sentio Capital Management Proprietary Limited – % of equity	**30**	30
Polar Star Management – Number of shares	**155 000**	155 000
Polar Star Management – % of equity	**25**	25
CoreShares Holdings Proprietary Limited – Number of shares	**74 768**	57 556
CoreShares Holdings Proprietary Limited – % of equity	**55.4**	55.4
Royal Investment Managers Proprietary Limited – Number of shares	**1 764 342**	1 764 342
Royal Investment Managers Proprietary Limited – % of equity	**50.0**	50.0
Ethos Private Equity Proprietary Limited – Number of shares	**32 141**	32 141
Ethos Private Equity Proprietary Limited – % of equity	**14**	14
Merchant Capital Advisory Services Proprietary Limited – Number of shares	**333 430**	333 430
Merchant Capital Advisory Services Proprietary Limited – % of equity	**24.8**	24.8
Entersekt Proprietary Limited – Number of shares	**128 467**	128 467
Entersekt Proprietary Limited – % of equity	**28.2**	28.2
Sancreed Proprietary Limited (Guidepost) – Number of shares	**96 138**	49 338
Sancreed Proprietary Limited (Guidepost) – % of equity	**39.5**	25.1
Perpetua Investment Managers Proprietary Limited – Number of shares	**300**	300
Perpetua Investment Managers Proprietary Limited – % of equity	**15**	15
Granate Asset Management Proprietary Limited – Number of shares	**10 020**	10 020
Granate Asset Management Proprietary Limited – % of equity	**30**	30

* After consolidation of share trusts.

During the year under review the group, through its investment in Main Street, restructured its investment in Hastings. Main Street swapped its current 29.7% shareholding in Hastings for 29.7% shares in HGC and purchased an additional 0.3% shares in HGC for R205 million.

HGC is a newly established company through which Main Street, together with Sampo, privatised Hastings and delisted the company. Sampo has a 70% equity stake in HGC.

In substance, Main Street retained its 29.7% share in Hastings through the share swap as it only changed the vehicle through which the shares are held; therefore, no additional identifiable assets were recognised for the existing 29.7% equity stake.

A purchase price allocation was performed on the additional 0.3% acquired by Main Street in HGC and additional intangible assets worth R29 million were recognised relating to the additional shares purchased in HGC. The effective date of the acquisition was 16 November 2020.

Main Street retained significant influence through its representation on the board of HGC. Sampo controls the operating activities of HGC with the majority vote.

Main Street has an option to purchase an additional 10% of the shares of HGC from Sampo. This option expires in May 2022.

The group does not control CoreShares Holdings Proprietary Limited nor Royal Investment Managers Proprietary Limited, notwithstanding the fact that it owns 55.4% and 50% of the issued share capital respectively. In terms of a shareholders' agreement, the group is unable to appoint the majority of the directors or to dominate the nominations process. The shareholders' agreement also stipulates the minimum percentage vote required from shareholders for certain key decisions.

The group is believed to exercise significant influence over Ethos Private Equity Proprietary Limited and Perpetua Investment Managers Proprietary Limited through board representation, notwithstanding the fact that it owns less than 20% of the issued share capital.

Further details of significant associates are disclosed in **note 38**.

Refer to **note 44** for the current/non-current split.

R million	2021	2020
5. FINANCIAL ASSETS – EQUITY AND DEBT SECURITIES		
The group's equity and debt securities are summarised by measurement category below:		
Fair value through other comprehensive income	**3 703**	3 669
– Equity	**365**	464
– Debt	**3 338**	3 205
Fair value through profit or loss	**4 831**	2 886
– Equity	**1 741**	1 563
– Debt	**3 090**	1 323
Amortised cost – Debt[1]	**6 122**	6 089
Total financial assets – Equity and debt securities	**14 656**	12 644

1 Due to the short-term nature of these debt securities at amortised cost the carrying value approximates the fair value.

Refer to **note 44** for the current/non-current split.

	2021	2020
The assets included in each of the categories above are detailed below:		
Fair value through other comprehensive income		
Equity securities		
– Unlisted shares	**365**	464
Debt securities		
– Government, municipal and public utility securities	**260**	128
– Money market securities	**3 078**	3 077
Total debt securities	**3 338**	3 205
Total financial assets through other comprehensive income	**3 703**	3 669

Equity securities at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise unlisted equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group consider this classification to be more relevant.

These unlisted equity securities relate to the group's investments in fintech businesses where the group does not exercise significant influence and therefore does not equity account the investments.

On disposal of these equity investments, any related balance within the FVOCI reserve will be reclassified to retained earnings.

During the current financial year, equities amounting to R97 million were sold. No dividends were received.

R million	2021	2020

5. FINANCIAL ASSETS–EQUITY AND DEBT SECURITIES continued

	2021	2020
Financial assets at fair value through profit or loss		
Equity securities		
– Listed	**1 596**	1 439
– Unlisted	**145**	124
Total equity securities	**1 741**	1 563
Debt securities		
– Collective investment scheme assets	**–**	11
– Zero-coupon deposits	**745**	858
– Unsecured loans	**63**	61
– Convertible loans	**13**	11
– Money market securities	**1 897**	–
– Other fixed rate debt securities	**372**	382
Total debt securities	**3 090**	1 323
Total equity and debt securities at fair value through profit or loss	**4 831**	2 886

Listed equity securities are ordinary shares listed on the JSE Securities Exchange (JSE). The carrying amount represents the quoted bid prices on the JSE at the close of business on the last day of the financial year.

Refer to **note 40** for information relating to the fair value of investment securities.

	2021	2020
Financial assets at amortised cost		
Debt securities – interest-bearing instruments	**6 122**	6 089

The following is a reconciliation of movements in equity and debt security balances:

R million	Fair value through profit or loss	Amortised cost	Fair value through OCI	Total
30 June 2021				
Financial assets at the beginning of the year	**2 886**	**6 089**	**3 669**	**12 644**
Reclassification*	**855**	**–**	**–**	**855**
Additions (including net interest accruals)	**1 753**	**6 217**	**2 517**	**10 487**
Interest accrued	**59**	**9**	**–**	**68**
Dividends accrued	**–**	**13**	**–**	**13**
Disposals (sales and redemptions)	**(992)**	**(5 547)**	**(2 414)**	**(8 953)**
Unrealised fair value adjustment through profit or loss	**298**	**–**	**–**	**298**
Unrealised fair value adjustment through other comprehensive income	**–**	**–**	**(65)**	**(65)**
Foreign exchange difference	**(28)**	**(657)**	**(4)**	**(689)**
Expected credit loss	**–**	**(2)**	**–**	**(2)**
Financial assets at the end of the year	**4 831**	**6 122**	**3 703**	**14 656**
30 June 2020				
Financial assets at the beginning of the year	2 714	5 496	3 213	11 423
Additions (including net interest accruals)	455	5 140	3 060	8 655
Interest accrued	–	7	–	7
Dividends accrued	–	24	–	24
Disposals (sales and redemptions)	(55)	(5 595)	(2 494)	(8 144)
Unrealised fair value adjustment through profit or loss	(254)	–	–	(254)
Unrealised fair value adjustment through other comprehensive income	–	–	(108)	(108)
Foreign exchange difference	26	1 033	2	1 061
Expected credit loss	–	(16)	(4)	(20)
Financial assets at the end of the year	2 886	6 089	3 669	12 644

* The group has historically invested in certain collective investment schemes. These investments amounting to R855 million have historically been classified as cash and cash equivalents. The nature of these investments now include longer-dated financial instruments and, as such, have been reclassified as financial assets. This has resulted in an increase in financial assets with a corresponding decrease in cash and cash equivalents.

6. DERIVATIVE FINANCIAL INSTRUMENTS

The group utilises derivative financial instruments for the following:

- to reduce the impact of the interest rate risk contained in the policyholder liabilities in its long-term insurance business;
- to reduce the impact of the currency risk contained in its open foreign currency exposures; and
- to provide price certainty related to future equity investments.

The group undertakes transactions involving derivative financial instruments with other financial institutions. Management has established limits commensurate with the credit quality of the institutions it deals with and manages the resulting exposures such that a default by any individual counterparty is unlikely to have a materially adverse impact on the group.

R million	2021	2020
Derivative assets	133	–
Derivative liabilities	(130)	(283)
Total	3	(283)

The following table provides a detailed breakdown of the group's derivative financial instruments outstanding at year-end.

R million	Assets	Liabilities	Net derivatives
30 June 2021			
Interest rate swap	394	(466)	(72)
Effect of assets relating to the floating rate swap	394	–	394
Effect of liability relating to the fixed rate swap	–	(466)	(466)
Collateralised swap	–	68	68
Forward exchange contracts	–	(58)	(58)
Equity options	65	–	65
Total	459	(456)	3

R million	Assets	Liabilities	Net derivatives
30 June 2020			
Interest rate swap	284	(419)	(135)
Effect of assets relating to the floating rate swap	284	–	284
Effect of liability relating to the fixed rate swap	–	(419)	(419)
Collateralised swap	–	(46)	(46)
Forward exchange contracts	125	(227)	(102)
Total	409	(692)	(283)

R million	2021	2020
Movement analysis		
Balance at the beginning of the year	(283)	(63)
Additions (purchased and issued)	108	2
Settlement	19	53
Fair value adjustments	159	(275)
Balance at the end of the year	3	(283)

Of the R72 million derivative financial asset related to the interest rate swap, R3 million is recoverable within 12 months from reporting date. The collateralised swap is recoverable in more than 12 months.

The collateralised swap arrangement is intended to match payments due to policyholders in the future, after a specified date. The portion of the policyholder liability that this arrangement has been matched to is R324 million at 30 June 2021 (2020: R549 million).

Currency derivatives fair values are calculated using standard market calculation conventions with reference to the relevant closing spot exchange rates and forward foreign exchange rates.

On 12 May 2020 Youi purchased a 4% equity investment in Blue Zebra Insurance Proprietary Limited for a consideration of A$1.1 million. The fair value of Blue Zebra Insurance Proprietary Limited (BZI) investment is supported by an equal put option agreement with another shareholder who acquired 29.2% of BZI at the same valuation price as Youi's investment. In addition, Youi has a call option to acquire additional shares in BZI over the next 3 years. As at 30 June 2021 this option is not considered to be substantive and the fair value is determined to be nil. No option premium was payable by Youi to participate in this option.

RMI has an option to acquire another 10% in Hastings Group Consolidated by May 2022. The value of this option is immaterial considering the current Hastings valuation price, the strike price of the option, the low volatility in the valuation and the short period remaining.

Refer to **note 44** for the current/non-current split.

R million	2021	2020

7. INSURANCE AND OTHER RECEIVABLES

R million	2021	2020
Receivables arising from insurance and reinsurance contracts:		
– Due from policyholders	**3 203**	3 077
– Due from reinsurers	**214**	212
Other receivables:		
– Other receivables and prepayments	**386**	257
Total insurance and other receivables	**3 803**	3 546

Insurance receivables are recognised and carried at the contractual amount less any allowance for uncollectible amounts. Non-insurance receivables are carried at the amount which approximates the contractual cash flows due to the group. Where the effects of discounting are deemed material, the receivables are reflected at the discounted amounts.

Insurance and other receivables are considered current assets.

Included in other receivables and prepayments are amounts due by related parties.

Refer to **note 35** for further details thereof.

The carrying amount of insurance and other receivables approximates the fair value based on the short-term nature of this asset.

8. DEFERRED ACQUISITION COST

R million	2021	2020
Balance at the beginning of the year	**463**	360
DAC raised	**999**	865
DAC charged to the income statement	**(893)**	(833)
Foreign exchange movement	**(56)**	78
Discontinued operations	**–**	(7)
Balance at the end of the year	**513**	463

In order to better align the initial acquisition expenses with the premium portions designed to cover the initial expenses, IFRS allows us to set up an asset (a Deferred Acquisition Cost, or DAC, asset) equal to the initial acquisition expenses incurred, leading to a closer alignment of cash flows. The DAC is then run off (amortised) over time as the premium portions are received to cover the initial expenses. For OUTlife, a linear amortisation over 4 years was chosen, which is closely aligned to the Discounted Payback Period. Any DAC created from commission payments is amortised in line with regulated commission earned percentages.

Refer to **note 44** for the current/non-current split.

9. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS

R million	2021	2020
Gross insurance contracts		
Short-term insurance contracts		
– Claims provisions	**3 181**	3 249
– Unearned premium provision	**5 744**	5 293
– Insurance contract non-claims bonuses provision	**542**	524
Total short-term insurance contracts	**9 467**	9 066
Long-term insurance contracts	**844**	535
Total gross insurance liabilities	**10 311**	9 601
Recoverable from reinsurers		
Short-term insurance contracts		
– Claims provisions	**(762)**	(1 186)
– Unearned premium provision	**(201)**	(34)
Total short-term insurance contracts	**(963)**	(1 220)
Long-term insurance contracts	**(177)**	(118)
Total recoverable from reinsurers	**(1 140)**	(1 338)
Net insurance contracts		
Short-term insurance contracts		
– Claims provisions	**2 419**	2 063
– Unearned premium provision	**5 543**	5 259
– Insurance contract non-claims bonuses provision	**542**	524
Total short-term insurance contracts	**8 504**	7 846
Long-term insurance contracts	**667**	417
Total net insurance liabilities	**9 171**	8 263

Refer to **note 44** for the current/non-current split.

R million	Gross	Re-insurance	Net
9. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS continued			
9.1 Analysis of movement in claims provisions			
30 June 2021			
Balance at the beginning of the year	**3 249**	**(1 186)**	**2 063**
Current year	**2 554**	**(489)**	**2 065**
– Claims incurred	**9 384**	**(949)**	**8 435**
– Claims paid	**(7 523)**	**509**	**(7 014)**
– Claims handling expenses raised	**437**	**–**	**437**
– Risk margins raised	**256**	**(49)**	**207**
Prior year	**(2 385)**	**809**	**(1 576)**
– Claims incurred	**90**	**(249)**	**(159)**
– Claims paid	**(2 031)**	**985**	**(1 046)**
– Claims handling expenses released	**(115)**	**–**	**(115)**
– Risk margins released	**(329)**	**73**	**(256)**
Foreign exchange movement	**(237)**	**104**	**(133)**
Balance at the end of the year	**3 181**	**(762)**	**2 419**
30 June 2020			
Balance at the beginning of the year	2 347	(530)	1 817
Current year	2 422	(953)	1 469
– Claims incurred	8 775	(1 547)	7 228
– Claims paid	(7 102)	670	(6 432)
– Claims handling expenses raised	433	–	433
– Risk margins raised	316	(76)	240
Prior year	(1 831)	443	(1 388)
– Claims incurred	(107)	(1)	(108)
– Claims paid	(1 440)	429	(1 011)
– Claims handling expenses released	(55)	–	(55)
– Risk margins released	(229)	15	(214)
Foreign exchange movement	348	(173)	175
Discontinued operations	(37)	27	(10)
Balance at the end of the year	3 249	(1 186)	2 063

9. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS continued

9.2 Analysis of movement in unearned premium provision

R million	Gross	Re-insurance	Net
30 June 2021			
Balance at the beginning of the year	**5 293**	**(34)**	**5 259**
UPP raised	**10 955**	**(1 458)**	**9 497**
UPP earned	**(9 925)**	**1 276**	**(8 649)**
Foreign exchange movement	**(579)**	**15**	**(564)**
Balance at the end of the year	**5 744**	**(201)**	**5 543**
30 June 2020			
Balance at the beginning of the year	4 152	(56)	4 096
UPP raised	8 385	(600)	7 785
UPP earned	(7 933)	570	(7 363)
Foreign exchange movement	811	52	863
Discontinued operations	(122)	–	(122)
Balance at the end of the year	5 293	(34)	5 259

9.3 Analysis of movement in insurance contract non-claims bonuses provision

R million	2021	2020
Balance at the beginning of the year	**524**	470
Charge to profit or loss for the year	**499**	498
Cash bonuses paid during the year	**(481)**	(444)
Balance at the end of the year	**542**	524

9. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS continued

9.4 Analysis of movement in long-term insurance contract liabilities

The policyholder liability represents the present value of the expected cash outflow to existing policyholders at measurement date. The policyholder liability is calculated by present valuing the expected future cash flows derived from the best estimates of the variables which influence these cash flows.

R million	Gross long-term insurance contract liabilities	Reinsurer's share of policyholder liabilities	Net long-term insurance contract liabilities	Negative Rand reserve	Net long-term insurance contract liabilities including deferral of acquisition costs
30 June 2021					
Balance at the beginning of the year	**705**	**(118)**	**587**	**(170)**	**417**
Policyholder liability	**647**	**(98)**	**549**	**(170)**	**379**
Claims provision	**58**	**(20)**	**38**	**–**	**38**
Transfer to policyholder liabilities under insurance contracts	**350**	**(59)**	**291**	**(42)**	**249**
Unwind of discount rate and release of profits	**52**	**16**	**68**	**–**	**68**
Experience variance	**23**	**(4)**	**19**	**–**	**19**
Modelling methodology changes	**(1)**	**–**	**(1)**	**–**	**(1)**
Change in non-economic assumptions	**(57)**	**14**	**(43)**	**–**	**(43)**
Change in economic assumptions	**214**	**(30)**	**184**	**–**	**184**
New business	**7**	**(6)**	**1**	**–**	**1**
Change in claims provision	**32**	**(15)**	**17**	**–**	**17**
Change in negative Rand reserve	**–**	**–**	**–**	**(42)**	**(42)**
COVID-19 adjustment	**80**	**(34)**	**46**	**–**	**46**
Balance at the end of the year	**1 055**	**(177)**	**878**	**(212)**	**666**
Policyholder liability	**966**	**(143)**	**823**	**(212)**	**611**
Claims provision	**89**	**(34)**	**55**	**–**	**55**
30 June 2020					
Balance at the beginning of the year	649	(105)	544	(161)	383
Policyholder liability	590	(86)	504	(161)	343
Claims provision	59	(19)	40	–	40
Transfer to policyholder liabilities under insurance contracts	56	(13)	43	(9)	34
Unwind of discount rate and release of profits	138	9	147	–	147
Experience variance	25	(20)	5	–	5
Modelling methodology changes	63	(15)	48	–	48
Change in non-economic assumptions	(11)	1	(10)	–	(10)
Change in economic assumptions	(213)	32	(181)	–	(181)
New business	1	(1)	–	–	–
Change in claims provision	(1)	(1)	(2)	–	(2)
Change in negative Rand reserve	–	–	–	(9)	(9)
COVID-19 adjustment	54	(18)	36	–	36
Balance at the end of the year	705	(118)	587	(170)	417
Policyholder liability	647	(98)	549	(170)	379
Claims provision	58	(20)	38	–	38

9. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS continued

9.4 Analysis of movement in long-term insurance contract liabilities continued

The following sensitivities are provided on insurance risk assumptions:

Short-term insurance

The table below illustrates the sensitivity of the total short-term insurance contract liability and profit and loss in respect of a 10% increase or decrease in the following components of this liability net of reinsurance:

R million	Short-term insurance contract liability	10% increase	10% decrease
30 June 2021			
Claims provision	**8 504**	**242**	**(242)**
Insurance contract non-claims bonuses provision	**8 504**	**54**	**(54)**
30 June 2020			
Claims provision	7 846	206	(206)
Insurance contract non-claims bonuses provision	7 846	52	(52)

Long-term insurance

The following sensitivities are provided on insurance risk assumptions:

Assumption	Margin
Lapses	10% increase/decrease
Investment return	1% increase/decrease
Mortality, morbidity, disability	5% – 10% increase/decrease
Retrenchment	5% – 10% increase/decrease
Expenses	10% increase/decrease

Insurance risk sensitivities are applied as a proportional percentage change to the assumptions made in the measurement of policyholder liabilities and the impact is reflected as the change in policyholder liabilities.

Each sensitivity is applied in isolation with all other assumptions left unchanged.

The sensitivities shown in the table below are based on the assumption that negative reserves, amounting to R747 million (2020: R901 million), are not eliminated in order to derive sensitivity stresses which are more closely aligned with economic reality. An increase in liability will result in a reduction in profit and a decrease in liability will result in an increase in profit in the income statement.

	Change in variable	Increase/ (decrease) in policyholder liabilities R million	Increase/ (decrease) in policyholder liabilities %
30 June 2021			
Lapses	**+10%**	**(6)**	**(2%)**
	-10%	**12**	**3%**
Interest rate environment	**+1%**	**(78)**	**(22%)**
	-1%	**114**	**33%**
Mortality, morbidity, disability, retrenchment	**+10%**	**196**	**56%**
	-10%	**(199)**	**(57%)**
Mortality, morbidity, disability, retrenchment	**+1%**	**98**	**28%**
	-1%	**(99)**	**(28%)**
Expenses	**+10%**	**54**	**15%**
	-10%	**(54)**	**(15%)**
30 June 2020			
Lapses	+10%	–	0%
	-10%	2	1%
Interest rate environment	+1%	(7)	(2%)
	-1%	29	8%
Mortality, morbidity, disability, retrenchment	+10%	156	44%
	-10%	(158)	(45%)
Mortality, morbidity, disability, retrenchment	+1%	78	22%
	-1%	(79)	(22%)
Expenses	+10%	44	12%
	-10%	(44)	(12%)

10. DEFERRED TAXATION

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

R million	2021	2020
Deferred taxation assets		
Provisions	**426**	370
Special transfer credit	**20**	20
Fair value adjustment	**19**	24
Service cost on employee benefits	**14**	18
Difference between accounting and tax values of assets	**6**	3
Short-term lease charges	**16**	1
Financial assets at fair value through other comprehensive income	**1**	1
Set-off in same legal entities	**(6)**	(139)
Expected loss adjustment	**6**	6
Total deferred taxation assets	**502**	304
Deferred taxation liabilities		
Deferred acquisition costs	**(175)**	(168)
Prepayments	**(11)**	(8)
Set-off in same legal entities	**6**	139
Financial assets at fair value through other comprehensive income	**–**	(14)
Unrealised fair value on investment in equity instruments	**(90)**	(25)
Total deferred taxation liabilities	**(270)**	(76)
Reconciliation of movement		
Deferred taxation asset at the beginning of the year	**304**	220
Deferred taxation charge for the year	**101**	44
Prior year adjustment	**9**	(2)
Dilution of holding in subsidiary to associate	**–**	(1)
Foreign exchange movement	**(37)**	51
Unrealised fair value adjustment through profit or loss	**–**	–
Deferred tax asset before set-off in same legal entities	**377**	312
Set-off in same legal entities	**125**	(8)
Total deferred taxation asset at the end of the year	**502**	304
Deferred taxation liability at the beginning of the year	**(76)**	(69)
Deferred taxation charge for the year	**(101)**	7
Foreign exchange movement	**18**	(24)
Financial assets at fair value through other comprehensive income (1)	**14**	2
Deferred tax liability before set-off in same legal entities	**(145)**	(84)
Set-off in same legal entities	**(125)**	8
Total deferred taxation liabilities at the end of the year	**(270)**	(76)

1 These amounts have been charged directly to other comprehensive income.

The group reviews the carrying amount of deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

A deferred tax asset amounting to R209 million (2020: R195 million) relating to the individual policyholder tax fund in OUTsurance Life Insurance Company has not been recognised.

Refer to **note 44** for the current/non-current split.

11. CASH AND CASH EQUIVALENTS

R million	2021	2020
Cash at bank and in hand	**2 524**	1 518
Money market investments	**94**	896
Total cash and cash equivalents	**2 618**	2 414

The carrying value of cash and cash equivalents approximates the fair value.

12. SHARE CAPITAL AND SHARE PREMIUM

R million	Number of shares after treasury shares million	Ordinary share capital*	Share premium	Treasury shares	Total
30 June 2021					
Balance at the beginning of the year	**1 529**	**–**	**15 431**	**(89)**	**15 342**
Movement in treasury shares	**–**	**–**	**–**	**11**	**11**
Balance at the end of the year	**1 529**	**–**	**15 431**	**(78)**	**15 353**
30 June 2020					
Balance at the beginning of the year	1 530	–	15 431	(72)	15 359
Movement in treasury shares	(1)	–	–	(17)	(17)
Balance at the end of the year	1 529	–	15 431	(89)	15 342

* Amount less than R500 000.

Ordinary shares

The total authorised number of ordinary shares is 2 000 000 000, with a par value of R0.0001 per share. The total number of issued ordinary shares as at 30 June 2021 was 1 531 807 770 shares (2020: 1 531 807 770 shares).The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting.

Preference shares

The total authorised number of cumulative, redeemable, par value preference shares is 100 000 000 with a par value of R0.0001 per share. The issued number of par value preference shares is nil (2020: nil).

The total authorised number of cumulative, redeemable, no par value preference shares is 100 000 000. The issued number of no par value preference shares is nil (2020: nil).

The company created a new class of 100 000 000 authorised, cumulative, redeemable, no par value preference shares in the 2016 financial year in terms of its debt programme. None of these preference shares have been issued yet.

RMI had no issued preference shares as at 30 June 2021. If any of these preference shares would be issued, it would be classified as debt.

Treasury shares

The life insurance businesses of the associates acquired RMI shares as part of their investment programme aimed at meeting policyholders' liabilities. These shares are treated as treasury shares and any gains or losses are reversed from group earnings. The number of treasury shares as at 30 June 2021 was 2 525 637 (2020: 2 878 468).

R million	2021	2020
Number of treasury shares held at 30 June (million)	**3**	3
Weighted number treasury of shares held during the year (million)	**3**	3
The treasury sharers are eliminated from the weighted number of shares in issue for the purposes of calculating earnings and headline earnings per share:		
Weighted number of issued shares (million)	**1 532**	1 532
Less: Weighted number of treasury shares (million)	**(3)**	(3)
Weighted number of shares in issue	**1 529**	1 529

R million	2021	2020
13. RESERVES		
Distributable reserves		
Retained earnings	**8 089**	6 172
Equity accounted reserves		
Balance at the beginning of the year	**7 463**	7 107
Income from associates retained	**651**	(828)
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss, after taxation	**(901)**	1 548
Non-controlling interest	**6**	(13)
Items that will not be reclassified to profit or loss, after taxation	**(75)**	71
Movement in liabilities accounted for as net investment hedge	**114**	(380)
Movement in derivative liability accounted for as a net investment hedge	**133**	(80)
Other movement in reserves	**112**	56
Change in accounting policies	**–**	(18)
Balance as at the end of the year	**7 503**	7 463
Included in equity accounted reserves is the following hedging reserve as disclosed under the management of currency risk:		
Balance at the beginning of the year	**(668)**	(208)
Movement as per the statement of other comprehensive income	**215**	(460)
Balance as at the end of the year	**(453)**	(668)
Transactions with non-controlling interests	**(3 932)**	(3 856)
Other reserves		
Currency translation reserve	**392**	781
Other comprehensive income reserve	**(180)**	(65)
Share-based payments reserve	**13**	11
Total other reserves	**225**	727
Total reserves	**11 885**	10 506

Nature and purpose of reserves

Equity accounted reserves

All equity accounted earnings less dividends received plus the group's portion of other reserve movements of investments in associates, net of the net investment hedge accounting are allocated to the equity accounted reserves.

Transactions with non-controlling interests

Cumulative profits and losses on transactions with non-controlling interests are reflected in this reserve.

Currency translation reserve

All foreign currency translation gains and losses arising upon the consolidation of foreign operations are included in this reserve.

Other comprehensive income reserve

The cumulative fair value movement on financial instruments through other comprehensive income is included in this reserve.

Share-based payments reserve

The cumulative value of the equity-settled share incentive scheme is reflected in this reserve.

14. PREFERENCE SHARES

R million	2021	2020
Unlisted preference shares issue by RMI Treasury Company Limited		
Class B cumulative redeemable non-participating preference shares	**1 130**	1 130
Class C cumulative redeemable non-participating preference shares	**2 650**	2 650
Class D cumulative redeemable non-participating preference shares	**1 800**	1 800
Class E cumulative redeemable non-participating preference shares	**3 000**	3 000
Class F cumulative redeemable non-participating preference shares	**934**	934
Class G cumulative redeemable non-participating preference shares	**2 000**	–
Total cumulative redeemable non-participating preference shares	**11 514**	9 514

RMI Treasury Company Limited issued 1 130 class B cumulative redeemable non-participating preference shares on 22 February 2017. These preference shares were initially redeemable at the discretion of the company at any time and compulsorily redeemable on 22 February 2022. During the 2020 financial year, the compulsory redeemable date was extended to 31 October 2024 and the rate was fixed at an annual rate of 7.3346%, compounded semi-annually. Dividends are payable on 30 April and 31 October every year.

RMI Treasury Company Limited issued 5 650 class C cumulative redeemable non-participating preference shares on 27 February 2017. These preference shares were initially redeemable at the discretion of the company at any time and compulsorily redeemable on 28 February 2020. During the 2020 financial year, the compulsory redeemable date was extended to 31 October 2022 and R3 000 million of these class C preference shares were reallocated to class E preference shares with a fixed rate of 6.67%, compounded semi-annually. The remaining R2 650 million of the class C preference shares continue to pay preference dividends at a floating rate of 66% of the prime rate, compounded monthly in arrears. Dividends are payable on 30 April and 31 October every year.

RMI Treasury Company Limited issued 1 800 class D cumulative redeemable non-participating preference shares on 27 February 2017. These preference shares were initially redeemable at the discretion of the company at any time and compulsorily redeemable on 27 February 2022. During the 2020 financial year, the compulsory redeemable date was extended to 31 October 2024. These preference shares pay dividends at a floating rate of 68% of the prime rate, compounded monthly in arrears. Dividends are payable on 30 April and 31 October every year.

RMI Treasury Company Limited issued 934 class F cumulative redeemable non-participating preference shares on 30 October 2019. These preference shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 31 October 2024. These preference shares pay dividends at a fixed rate of 7.06%, compounded semi-annually. Dividends are payable on 30 April and 31 October every year.

RMI Treasury Company Limited issued 2 000 class G cumulative redeemable non-participating preference shares on 30 June 2021. These preference shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 30 June 2024. These preference shares pay dividends at a floating rate of 67% of the prime rate, compounded monthly in arrears. Dividends are payable on 30 April and 31 October every year.

The fair value of the unlisted preference shares is R182 million higher than the carrying amount. These preference shares are classified as level 2 instruments in terms of the fair value hierarchy described in note 40.

Refer to **note 44** for the current/non-current split.

R million	2021	2020
15. INTEREST-BEARING LOANS		
Bank borrowings at amortised cost	–	2 142
Bank loan facility at amortised cost	–	100
Total interest-bearing loans	–	2 242
Bank borrowings at amortised cost		
Balance at the beginning of the year	**2 142**	2 697
Interest accrued	**56**	72
Interest paid	**(56)**	(72)
Loans repaid	**(2 008)**	(935)
Foreign currency movement	**(134)**	380
Balance at the end of the year	–	2 142

On 22 March 2017, Main Street 1353 Proprietary Limited incurred a loan of £150 million (R2 367 million at that time) as part of the funding raised to acquire a 29.9% stake in Hastings Group Holdings pls, comprising a £75 million Facility A which was a 3-year loan and a £75 million Facility B which was a 5-year loan. During the 2020 financial year, an amount of £50 million of the Facility B loan was repaid and on 30 June 2021 the Facility A and remaining £25 million of the Facility B loan was repaid. The interest rate on the £75 million Facility A loan was LIBOR plus a margin of 1.85% (2020: 1.85%) and the interest rate on the Facility B loan was LIBOR plus a margin of 2.45% (2020: 2.45%).

These interest-bearing loans were classified as level 2 instruments in terms of the fair value hierarchy described in note 40. The fair value is approximated by the carrying value.

R million	2021	2020
Bank loan facility at amortised cost		
Balance at the beginning of the year	**100**	–
Amount (repaid)/accessed during the year	**(100)**	100
Balance at the end of the year	–	100

The rate of interest charged on each loan is calculated on the relevant quarterly JIBAR plus a margin of 100bps.

During the current financial year the group repaid the full amount of the previously accessed facility of R100 million of the funds available from 'Facility A', before entering into a new agreement with the previous counterparty as well as an additional one (two lenders).

The RCF agreement stipulates the availability of a new revolving credit facility to the group to the value of R1 billion. The rate of interest charged on any draw down of the facility is calculated on the relevant quarterly JIBAR plus a margin of 160bps. Interest is split and payable equally to each lender. During the current financial year, there was no amount drawn down on the new facility. The facility expires in May 2022.

Refer to **note 44** for the current/non-current split.

R million	2021	2020
16. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		
Shareholders for preference dividends on profit-share arrangement	**86**	65
Other loans at fair value through profit or loss	**39**	39
Total financial liabilities at fair value through profit or loss	**125**	104

Financial liabilities at fair value through profit or loss relate to the preference shares issued by OUTsurance and OUTsurance Life for the profit-sharing arrangements. Profits arising from these arrangements are distributed by way of preference dividends payable bi-annually in February and August by OUTsurance and annually in August by OUTsurance Life. The preference dividend attributable to the profit share for the year is recognised in profit or loss as a fair value adjustment to the liability. The portion of the unpaid preference dividend at 30 June is recognised as a financial liability at fair value through profit or loss.

The other loans have no fixed terms of repayment and carry no interest.

Refer to **note 44** for the current/non-current split.

R million	2021	2020

17. INVESTMENT CONTRACTS AT FAIR VALUE THROUGH PROFIT OR LOSS

R million	2021	2020
Balance at the beginning of the year	**24**	–
Investment contract receipts	**12**	21
Fair value adjustments	**(1)**	2
Interest income	**2**	1
Balance at the end of the year	**37**	24

18. LEASE LIABILITIES

R million	2021	2020
Balance at the beginning of the year	**89**	91
Cash movements		
Lease payments	**(45)**	(38)
Non-cash movements		
New leases entered into and lease extensions during the year	**74**	25
Termination of leases	**–**	(6)
Interest	**6**	4
Foreign exchange adjustments	**(6)**	13
Balance at the end of the year	**118**	89

The incremental borrowing rate utilised by the group for the various lease assets is as follows:

- Properties – a risk-free rate with a market risk premium/spread added to it.
- Vehicles – the prime lending rate.
- Equipment – the prime lending rate.

The following table summarises the contractual maturity dates for lease. The maturity analysis is represented on a discounted contractual cash flow basis.

R million	Within 1 year	1 – 5 years	More than 5 years	Total
30 June 2021				
Lease liability	**32**	**43**	**43**	**118**
30 June 2020				
Lease liability	37	46	6	89

The following table summarises the contractual maturity dates for lease liabilities. The maturity analysis is represented on an undiscounted contractual cash flow basis.

R million	Within 1 year	1 – 5 years	More than 5 years	Total
30 June 2021				
Lease liability	**36**	**57**	**50**	**143**
30 June 2020				
Lease liability	41	47	6	94

R million	2021	2020
There were no extension or termination options, residual value guarantees or leases committed to that have not yet commenced.		
Refer to **note 3** for information on the right-of-use assets.		
The expense relating to payments not included in the measurement of the lease liability is as follows:		
Short-term leases	**4**	8

Short-term leases are leases that have a duration of 12 months or less from date of inception.

At 30 June 2021 the group was committed to short-term leases and the total commitment at that date was R0.1 million (2020: R3 million).

R million	2021	2020
19. SHARE-BASED PAYMENT LIABILITY		
RMI share appreciation rights	**34**	30
OUTsurance Holdings Limited cash-settled share scheme	**224**	91
Total share-based payments liability	**258**	121
Balance at the beginning of the year	**121**	103
Charge for the year	**160**	35
Liability settled	**(23)**	(17)
Balance at the end of the year	**258**	121

Refer to **note 44** for the current/non-current split.

The income statement charge for share-based payments comprise:		
Equity-settled scheme	**–**	(6)
Cash-settled scheme	**(160)**	(35)
Total share-based payment expense	**(160)**	(41)

RMI

RMI operates a share scheme as part of its remuneration philosophy, which tracks the company's share price and settles in cash.

RMI Holdings share appreciation rights

The purpose of this scheme is to provide identified employees, including executive directors, with the opportunity of receiving incentive remuneration payments based on the increase in the market value of the shares in RMI.

Appreciation rights may only be exercised by the third, fourth and fifth anniversary of the grant date in equal tranches of one third each, provided that the performance objectives set for the grant have been achieved. All share appreciation rights tranches issued since September 2015 have performance conditions that have to be met before vesting, but the exercise period has been increased from five to seven years. The performance condition for 90% of the share appreciation rights is growth in normalised earnings of the established investments of at least the real GDP growth rate. The remaining 10% of the vesting of the share appreciation rights is dependent on the performance of the new investments, at the discretion of the remuneration committee. The share appreciation rights issued since September 2015 also vest in equal tranches of one third each by the third, fourth and fifth anniversary.

The performance conditions for share appreciation rights tranches issued since September 2018 have changed so that 45% of vesting is dependent on growth in normalised earnings of nominal CPI, 45% of vesting is dependent on total shareholders' return of nominal GDP and 10% of vesting dependent on the discretion of the remuneration committee based on the performance of new investments.

Qualitative measures have been included as part of the performance conditions for the share appreciation rights issued in October 2020. A score of between 0% and 40% will allocated at the discretion of the remuneration committee. This will be added to a quantitative score of between 0% and 120% calculated with reference to growth in normalised earnings measured against CPI and total shareholders' return measured against nominal GDP growth.

Valuation methodology

The share appreciation rights scheme issues are valued using the Cox Rubenstein binomial tree. The scheme is cash-settled and will thus be repriced at each reporting date.

Market and dividend data consist of the following:

- Volatility is the expected volatility over the period of the option. Historic volatility was used as a proxy for expected volatility.
- The interest rate is the risk free rate of return, as recorded on the last day of the financial year, on a swap curve of a term equal to the expected life of the share appreciation right.
- A fixed dividend yield was assumed.

Employee statistic assumptions

- No forfeiture rate is used due to the limited number of employees participating in the scheme.

RMI Holdings forfeitable shares

The remuneration committee recognises the lasting impact of the COVID-19 pandemic on the medium-term incentive structure and historical grants. The FSAs are conditional and a discretionary extraordinary award with the aim of ensuring retention. The forfeitable shares coming up for vesting will be compared to the SARS coming up for vesting in the same period and only the higher of the two amounts will vest with the other one lapsing.

19. SHARE-BASED PAYMENT LIABILITY continued

OUTsurance

The various share schemes are as follows:

- OUTsurance Holdings cash-settled share scheme
- Youi Holdings equity-settled share scheme
- OUTsurance Holdings Divisional Incentive cash-settled scheme
- CloudBadger cash-settled scheme

The purpose of these schemes is to attract, incentivise and retain managers within the group by providing them with an option to acquire shares.

OUTsurance Holdings Limited cash-settled share scheme

In terms of the current trust deed, 12% of the issued share capital of the company is potentially available to the employees under the scheme. The OUTsurance Holdings Share Trust and employees currently hold 7.6% (2020: 7.6%) of the shares in OUTsurance Holdings Limited.

Under the cash-settled scheme, participants receive notional shares which have a value equal to the market value of an OUTsurance Holdings Limited ordinary share. Participants will receive the after-tax gain in the market value over the vesting period as a cash payment. Participants of this scheme have the option to purchase one ordinary share for each vested notional share from the OUTsurance Holdings Share Trust at the ruling market price on the date of purchase.

Valuation methodology

The cash-settled scheme issues are valued using a Black Scholes option pricing model with all notional shares (share appreciation rights) vesting in one tranche at the end of year three. The scheme is cash-settled and will thus be repriced at each reporting date.

Market data consists of the following:

- Since OUTsurance Holdings Limited is not listed, 'expected volatility' is derived with reference to the volatility of RMI. The volatility reflects a historic period matching the duration of the option.
- The 'risk-free interest rate' input is derived from government bonds with a remaining term equal to the term of the option being valued.

Dividend data consists of the following:

- The dividend growth assumption is based on the historic annual dividend paid on OUTsurance Holdings Limited ordinary shares.

Employee statistic assumptions

- The number of rights granted is reduced by the actual staff turnover at year-end. This turnover is then assumed to be constant over the period of the grant and used to estimate the expected number of rights which will vest on the vesting date.

Youi Holdings Proprietary Limited equity-settled share scheme

The Youi Holdings employee share option plan was established in 2008. In terms of the plan rules, 20% of the issued share capital of the company is available under the plan for the granting of options to employees. Employees of the Youi Holdings Group currently own 15.5% (2020: 15.5%) of the issued ordinary shares of the Group.

Valuation methodology

The fair value of share options is determined at grant date and expensed over the vesting period. The fair value of options at grant date is determined by the use of the Black-Scholes share option pricing model.

A share-based payment expense is only recognised if the options issued have a positive intrinsic value, therefore, if the market value of the underlying shares is expected to rise above the strike price over the vesting period of the options.

The 'option duration' is the number of years before the options expire.

Market data consists of the following:

- Since Youi Holdings Proprietary Limited is not listed, 'expected volatility' is derived with reference to similar listed peers and volatility of RMI. The volatility reflects a historic period matching the duration of the option.
- The 'risk-free interest rate' input is derived from government bonds with a remaining term equal to the term of the option being valued.

Dividend data consists of the following:

- 'Dividend growth' is based on the best estimate of expected future dividends.

Employee statistic assumptions

- The average 'annual employee turnover' estimates the number of participants in the option schemes that will leave before the options have vested.

19. SHARE-BASED PAYMENT LIABILITY continued

OUTsurance Holdings Divisional cash-settled scheme

With effect 1 July 2019, a new Divisional Incentive Scheme (DIS) was implemented with the objective to incentivise senior management based on the success of new and emerging business units which are in the South African and Australian operations. These new and emerging business units include OUTsurance Business, OUTsurance Life, OUTvest and Youi Business and are considered to be growth catalysts for the group over the next decade. The Youi incentive scheme was launched during the current financial year.

The scheme is designed to closely align management and shareholders by mirroring an equity participation in these business units.

The mechanics of the DIS are as follows:

- The DIS is exposed to the net economic value created by the business unit. This gain is calculated as the difference between increase in the valuation of the business unit and a capital charge levied, on a cumulative basis, on the valuation of the business unit at 1 July 2019. The capital charge is referenced to weighted average cost of capital and reduced for any dividend distributions deemed to have been made form the business unit. Subsequent capital contributions also attract the capital charge.
- Notional Incentive Units have been created to reference individual participation in each of the business units. These Notional Incentive Units are valued bi-annually in accordance with the net measurement above. The Notional Incentive Units are valued by means of a Black-Scholes option pricing model. The eventual strike price at each of the vesting dates is variable in nature. To derive this value a Monte Carlo simulation has been designed to create a normal distribution of eventual strike prices. The normal distribution allows for a mean value of the eventual strike prices to be estimated which was included in the Black-Scholes option pricing model.
- The scheme vests as follows:
  - » 50% of the Notional Incentive Units vest on the 5th anniversary
  - » 25% of the Notional Incentive Units vest on the 6th anniversary
  - » 25% of the Notional Units vest on the 7th anniversary

Participants may elect to defer the exercise of the vested Notional Incentive Units up the 10th anniversary of the DIS.

Upon exercise, participants will receive either OUTsurance Holdings or Youi Holdings ordinary shares depending on the gain released and their participation in the Business Units.

These shares will be held for a year before it can be disposed of at the ruling market value of the shares on date of disposal. The following conditions apply:

- Minimum group and company normalised earnings hurdles as vesting conditions.
- The DIS allows for the claw-back of vested gains where warranted by the conduct of the participants.

The scheme is accounted for as a cash-settled scheme for the purposes of *IFRS 2* at a group level. This accounting approach results in the cost of the scheme being expensed through profit and loss over the lifetime thereof. A corresponding liability is recognised until settlement.

The fair value of the scheme is updated bi-annually and calculated with reference to the Black-Scholes option valuation model.

The respective subsidiaries participating in the DIS are allocated the cost associated with the Business Units represented by such entities.

To determine the *IFRS 2* charge for the financial year ending 30 June 2021, the following input assumptions were used for the Business Units which have commenced trading:

	OUTsurance Business	OUTsurance Life/Invest	Youi CTP	Youi BZI
30 June 2021				
Risk-free rate[1]	6.22% – 9.39%	6.22% – 9.39%	0.30% – 1.31%	0.30% – 1.31%
Volatility (reduced by 13% cost of capital charge)	20%	12%	30%	30%
Dividend yield (0% yield as cost of capital charge will be reduced by dividends distributed)	10%	0%	0%	0%
Employee exit rate	10%	10%	10%	10%

1 The vesting date that is being calculated will determine which risk-free rate is used within the disclosed range.

19. SHARE-BASED PAYMENT LIABILITY continued

	OUTsurance Business	OUTsurance Life/Invest
30 June 2020		
Risk-free rate	9.24%	9.24%
Volatility (reduced by 13% cost of capital charge)	15%	15%
Dividend yield (0% yield as cost of capital charge will be reduced by dividends distributed)	0%	0%
Employee exit rate	10%	10%

CloudBadger cash-settled share scheme

The Scheme comprises the Option Scheme and the Notional Share Scheme. The purpose of the Scheme is to retain and incentivise Employees by giving them the opportunity to:

- acquire shares in the company, in terms of the Option Scheme; and
- participate in the growth in value of the company's shares, in terms of the Notional Share Scheme.

In terms of the current scheme agreement, 24.99% of the issued share capital of the company is potentially available to employees under the scheme.

Under the cash-settled scheme, participants receive notional shares in terms of the Notional Share Scheme and, if applicable, Options in terms of the Option Scheme. The value of a Notional Share on a Vesting Date (or at any other point in time) will be equal to the market value of a CloudBadger Technologies Proprietary Limited Ordinary Share as at the immediately preceding Valuation Date. Participants will receive the after-tax gain in the market value of a vested notional share over the vesting period as a cash payment.

Valuation methodology

The cash-settled scheme issues are valued using a Black Scholes option pricing model with all notional shares (share appreciation rights) and options, if applicable, vesting in four equal tranches, with 25% of the total number of Notional Shares and, if applicable, Options vesting on the first, second, third and fourth anniversaries of the Award. The scheme is cash-settled and will thus be repriced at each reporting date.

Market data consists of the following:

- Since CloudBadger Technologies Proprietary Limited is not listed, 'expected volatility' is derived with reference to similar listed peers, as well as taking into account the specific circumstances affecting the growth of the company.
- The 'risk-free interest rate' input is derived from government bonds with a remaining term equal to the term of the option being valued.

Dividend data consists of the following:

- The dividend yield assumption is set to zero as the company has no history of paying a dividend.

19. SHARE-BASED PAYMENT LIABILITY continued

Employee statistic assumptions

- The number of rights granted is reduced by the expected staff turnover over the vesting period.

The table below summarises the options issued under the various schemes as at 30 June 2021:

	RMI	OUTsurance cash-settled	Youi equity-settled	CloudBadger cash-settled scheme: Equity options	CloudBadger cash-settled scheme: Notional shares
Number of options at the beginning of the year (000's)	6 980	97 960	72 300	172	77
Adjustment to number of options in force at the beginning of the year (000's)	–	200	–	–	–
Range of strike prices of opening balances (cents)	2 645 – 4 341	930 – 1 034	AUS$ 0.41 – AUS$0.47	6 175	6 175
Number of options granted/transferred during the year (000's)	1 888	60 006	22 600	14	–
Strike price of options granted/transferred during the year (cents)	2 937	1 034	AUS$ 0.49	12 640	–
Number of options delivered during the year (000's)	–	(23 910)	(933)	(13)	–
Range of strike prices on date of delivery (cents)	–	930 – 1 034	AUS$ 0.41 – AUS$0.47	–	–
Number of options cancelled/forfeited during the year (000's)	(227)	(8 330)	(8 634)	–	–
Range of strike prices of forfeited options (cents)	3 091 – 4 341	930 – 1 034	AUS$ 0.41 – AUS$0.47	–	–
Number of options in force at the end of the year (000's)	8 641	125 926	85 333	173	77
Range of strike prices of closing balances (cents)	2 645 – 4 341	1 008 – 1 034	AUS$ 0.41– AUS$0.49	6 175 – 12 640	6 175
Price per ordinary share*		1 091	AUS$ 0.52	23 750	23 750
Number of scheme participants	7	194	89	17	15
Weighted average remaining vesting period (years)	1.30	1.22	2.17	2.05	2.00

	OUTsurance Holdings divisional incentive cash-settled scheme: OUTsurance Business	OUTsurance Life/OUTvest	Youi CTP	Youi Commercial
Number of options at the beginning of the year (000's)	925	920	–	–
Range of strike prices of opening balances (cents)	14 048 – 28 934	14 048 – 28 934	–	–
Number of options granted/transferred during the year (000's)	75	75	930	890
Strike price of options granted/transferred during the year (cents)	31 161 – 54 812	16 712 – 29 373	AUS$1.02 – AUS$1.12	AUS$1.85 – AUS$2.04
Range of strike prices on date of delivery (cents)	25 856	13 864	AUS$1.01	AUS$1.84
Number of options in force at the end of the year (000's)	1 000	995	930	890
Range of strike prices of closing balances (cents)	31 161 – 54 812	16 712 – 29 373	AUS$1.02 – AUS$1.12	AUS$1.85 – AUS$2.04
Price per ordinary share*	25 856	13 864	AUS$1.01	AUS$1.84
Number of scheme participants	27	26	20	20
Weighted average remaining vesting period (years)	5.25	5.25	5.25	5.25

* The price of ordinary shares resets six-monthly on 1 July and 1 January each year.

19. SHARE-BASED PAYMENT LIABILITY continued

The table below summarises the options issued under the various schemes as at 30 June 2020:

	RMI	OUTsurance cash-settled	Youi equity-settled	OUTsurance Holdings Divisional Incentive cash-settled scheme	CloudBadger cash-settled scheme: Equity options	CloudBadger cash-settled scheme: Notional shares
Number of options at the beginning of the year (000's)	5 937	73 410	41 800	–	–	–
Adjustment to number of options in force at the beginning of the year (000's)	–	40	–	–	–	–
Range of strike prices of opening balances (cents)	2 645 – 4 341	848 – 1 028	AUS$ 0.10 – AUS$ 0.53	–	–	–
Number of options granted/ transferred during the year (000's)	1 114	44 665	39 550	1 845	172	77
Strike price of options granted/transferred during the year (cents)	3 091	1 034	AUS$ 0.47	14 048 – 28 934	6 175	6 175
Number of options delivered during the year (000's)	–	(17 120)	–	–	–	–
Range of strike prices on date of delivery (cents)	–	848 – 1 028	–	–	–	–
Number of options cancelled/ forfeited during the year (000's)	(71)	(3 035)	(9 050)	–	–	–
Range of strike prices of forfeited options (cents)	3 941 – 4 341	848 – 1 028	AUS$ 0.10 – AUS$ 0.53	–	–	–
Number of options in force at the end of the year (000's)	6 980	97 960	72 300	1 845	172	77
Range of strike prices of closing balances (cents)	2 645 – 4 341	930 – 1 034	AUS$ 0.41 – AUS$0.47	14 048 – 28 934	6 175	6 175
Price per ordinary share*		979	AUS$ 0.41 – AUS$0.47	13 195 – 22 180	3 525	3 525
Number of scheme participants	9	177	77	53	17	15
Weighted average remaining vesting period (years)	1.14	1.35	1.88	5.25	2	2

OUTsurance Holdings Share Trust

OUTsurance Holdings Limited shares are issued to the Trust on the share option grant date. The Trust's investment in OUTsurance Holdings Limited for the year ending 30 June was as follows:

R million	2021	2020
Number of shares and market value		
Number of shares in portfolio at the beginning of the year ('000)	**83 704**	54 639
Number of shares purchased during the year ('000)	**14 199**	41 180
Number of shares released during the year ('000)	**(34 456)**	(12 115)
Number of shares held in portfolio at the end of the year ('000)	**63 447**	83 704
Market value per share held in portfolio at year-end (Rand)*	**10.91**	9.79
Market value of portfolio at year-end	**692**	819
Cost price of treasury shares		
Cost price of shares held in portfolio at the beginning of the year	**532**	229
Cost price of shares purchased during the year	**149**	428
Cost price of shares released during the year	**(139)**	(125)
Cost price of shares held in portfolio at the end of the year	**542**	532
Loans to the share trust		
Value of loans made to the trust at the beginning of the year	**532**	229
Value of loans made to the trust at the end of the year	**542**	532

* The market value of ordinary shares resets six-monthly on 1 July and 1 January each year.

19. SHARE-BASED PAYMENT LIABILITY continued

Youi Holdings Share Trust

Youi Holdings shares are issued to the Trust on the share option grant date. The Trust's investment in Youi Holdings for the year ending 30 June was as follows:

AUS $'000	2021	2020
Number of shares and market value		
Number of shares in portfolio at the beginning of the year ('000)	**2 809**	–
Number of shares purchased during the year ('000)	**4 605**	2 809
Number of shares released during the year ('000)	**(200)**	–
Number of shares held in portfolio at the end of the year ('000)	**7 214**	2 809
Market value per share held in portfolio at year-end (Rand)*	**0,519**	0,485
Market value of portfolio at year-end	**3 744**	1 362
Cost price of treasury shares		
Cost price of shares held in portfolio at the beginning of the year	**1 399**	–
Cost price of shares purchased during the year	**2 282**	1 399
Cost price of shares released during the year	**(98)**	–
Cost price of shares held in portfolio at the end of the year	**3 583**	1 399
Loans to the share trust		
Value of loans made to the trust at the beginning of the year (AUS$'000)	**1 399**	–
Value of loans made to the trust at the end of the year (AUS$'1000)	**3 583**	1 399

* The market value of ordinary shares resets six-monthly on 1 July and 1 January each year.

Assumptions:

The following assumptions were applied in determining the payment liability:

	OUTsurance Holdings cash-settled scheme	
	2021	2020
Share price (cents)	**1 137**	979
Exercise price range (cents)	**1 137**	979
Remaining duration (years)	**0 to 3**	0 to 3
Expected volatility	**22.0%**	22.0%
Risk-free interest rate	**7.55%**	7.65%
Dividend yield	**4.8%**	7.0%
Annual employee turnover	**7.0%**	7.0%

19. SHARE-BASED PAYMENT LIABILITY continued

The following assumptions were applied in determining the cash-settled share-based payment liability:

	2021 Divisional Incentive cash-settled scheme			
	OUTsurance Business	**OUTsurance Life/OUTvest**	**Youi CTP**	**Youi BZI**
Share price (cents)	**25 856**	**13 864**	**AU$1.01**	**AU$1.84**
Exercise price range (cents)	**31 161–54 812**	**16 712–29 373**	**AU$1.02–AU$1.12**	**AU$1.85–AU$2.04**
Remaining duration	**3 to 5 years**	**3 to 5 years**	**3 to 5 years**	**3 to 5 years**
Expected volatility (reduced by 13% capital charge)	**20.00%**	**12.00%**	**30.00%**	**30.00%**
Risk-free interest rate	**6.22%–9.39%**	**6.22%–9.39%**	**0.30%–1.31%**	**0.30%–1.31%**
Dividend yield (0% yield as cost of capital charge will be reduced by dividends distributed)	**10.00%**	**–**	**–**	**–**
Annual employee turnover	**10.00%**	**10.00%**	**10.00%**	**10.00%**

	2020 Divisional Incentive cash-settled scheme	
	OUTsurance Business	OUTsurance Life/OUTvest
Share price (cents)	31 028	15 269
Exercise price (cents)	31 028	15 269
Remaining duration	4 to 6 years	4 to 6 years
Expected volatility (reduced by 13% capital charge)	15.00%	15.00%
Risk-free interest rate	9.24%	9.24%
Dividend yield (0% yield as cost of capital charge will be reduced by dividends distributed)	–	–
Annual employee turnover	10.00%	10.00%

	CloudBadger cash-settled scheme	
	Equity options	**Notional shares**
Share price (cents)	**23 750**	**3 125**
Exercise price (cents)	**6 175 to 12 650**	**6 175**
Remaining duration (years)	**2.05**	**3**
Expected volatility	**35.0%**	**40.0%**
Risk-free interest rate	**4.00%**	**5.15%**
Annual employee turnover	**15.0%**	**10.0%**

The fair value of the equity options and notional shares range from R2.56 to R3.50 per share.

The inputs to the share option pricing model to determine the fair value of equity-settled grants were as follows:

	Youi Holdings equity-settled scheme	
	2021	2020
Share price (AUS $)	**AUS $ 0.49**	AUS $ 0.47
Exercise price range (AUS $)	**AUS $ 0.49**	AUS $ 0.47
Remaining duration (years)	**3**	5
Expected volatility	**13.0%**	15.0%
Risk-free interest rate	**0.43%**	6.92%
Annual employee turnover	**5.74%**	6.0%

RMI management ownership participation structure

The aim of the structure is to align the interests of management with those of shareholders and establish a long-term focus. The *IFRS 2* liability as at 30 June 2021 was Rnil (2020: Rnil).

Description of the scheme

The purpose of this scheme was to provide participants, including executive directors with the opportunity to participate in the creation of the long-term value in the fintech and asset management portfolios after RMI has been compensated for the capital it had provided.

19. SHARE-BASED PAYMENT LIABILITY continued

Vesting occurs on day one and the structure has no exercise period. There are no further performance conditions attached other than the valuation methodology.

Monetisation of the structure occur after 10 years through a put option to RMI, (only available for 365 days) or through the realisation of the underlying investment, whichever occurs first. The remuneration committee has discretion concerning:

- the allocation per individual participant;
- the hurdle rate per individual participant per individual allocation;
- good leaver principles if a participant should leave before the monetisation of the underlying investment; and
- the maximum exposure provided to the participants.

Valuation methodology

(i) Underlying investments are valued using market-related valuation methodologies like discounted cash flow models where a discount rate is determined taking into account specific risks of the underlying investments or a price/earnings methodology where a market-related ratio is applied. Investments can be valued using a combination of valuation methodologies dependent on the nature of the underlying investment.

(ii) A value per share is determined by dividing the value of the underlying investment by the number of shares.

(iii) A cost per share is calculated by taking the capital amount injected and accruing the hurdle rate. This amount is divided by the number of shares.

(iv) The value of the liability is the value per share minus the cost per share, multiplied by the total number of shares. An increase in the liability results in a share-based payment expense in profit or loss and a decrease in the liability results in a negative share-based payment expense in profit or loss.

	2021	2020
Number of shares issued at the beginning of the year	**34 030**	29 302
Number of shares allocated during the year at zero value	**831**	5 908
Number of shares bought back from participants at zero value	**(1 696)**	(1 180)
Number of shares issued to participants at the end of the year	**33 165**	34 030

The shares have a cumulative value of Rnil as at 30 June 2021 (2020: Rnil).

R million	2021	2020
20. EMPLOYEE BENEFIT LIABILITY		
Short-term employee benefits		
Staff incentive bonus		
Balance at the beginning of the year	**191**	119
Dilution of holding in subsidiary to associate	**–**	(2)
Additional provisions	**248**	220
Amount utilised during the year	**(197)**	(154)
Foreign translation difference	**(5)**	8
Balance at the end of the year	**237**	191

The staff incentive bonus provision is a provision for payments to staff in recognition of their performance during the financial year. The final amount paid may differ from the amount provided due to the fact that staff may resign before the allocated bonus become payable.

All amounts are expected to be settled within 12 months and are therefore considered to be current.

R million	2021	2020
21. INSURANCE AND OTHER PAYABLES		
Insurance-related payables		
Due to intermediaries	**2**	2
Due to reinsurers	**353**	118
Other payables	**13**	10
Non-insurance-related payables		
Trade creditors and accrued expenses	**117**	124
Short-term employee benefits – leave pay liability	**249**	242
Redeemable preference share dividends payable	**93**	95
VAT liability	**77**	79
Indirect tax on debtors	**453**	462
Other payables	**552**	386
Total insurance and other payables	**1 909**	1 518

The outstanding balance of the leave pay liability represents the value of leave due to employees currently in the employ of companies within the group.

The carrying value of payables approximates the fair value due to its short-term nature.

Refer to **note 44** for the current/non-current split.

R million	2021	2020
22. NET INSURANCE PREMIUMS EARNED		
Long-term insurance contracts		
– Premiums received	**638**	539
– Policyholders' fees written	**12**	13
Short-term insurance contracts		
– Premiums written	**19 901**	16 778
– Policyholders' fees written	**19**	19
– Change in unearned premium provision	**(1 043)**	(452)
Premium revenue arising from insurance contracts issued	**19 527**	16 897
Long-term reinsurance contracts		
– Premiums payable	**(65)**	(48)
Short-term reinsurance contracts		
– Premiums payable	**(1 593)**	(726)
– Change in unearned premium provision	**182**	30
Premium revenue ceded to reinsurers on insurance contracts issued	**(1 476)**	(744)
Net insurance premiums earned	**18 051**	16 153
23. FEE AND OTHER INCOME		
Commission earned from reinsurers, net of deferred acquisition revenue	**9**	–
Software subscription fees	**19**	–
Other income	**57**	64
Total fee and other income	**85**	64
During the current financial year, the group qualified for a job-creation incentive associated with offshored call centre activities of the Youi Holdings Group, offshored to South Africa. The incentive is accounted for based on the actual incentive qualified for during the year under review.		
24. INVESTMENT INCOME		
Investment income	**152**	252
– Interest – financial assets at fair value through profit or loss	**43**	86
– Dividends – listed equities	**76**	80
– Dividends – other financial assets	**33**	86
Interest income on financial assets using the effective interest rate method	**333**	458
– Interest – financial assets measured at amortised cost	**68**	134
– Interest – financial assets at fair value through other comprehensive income	**265**	324
Total investment income	**485**	710
25. NET FAIR VALUE GAINS/(LOSSES) ON FINANCIAL ASSETS		
Fair value gains	**406**	20
Fair value losses	**–**	(441)
Net fair value gains/(losses) on financial assets	**406**	(421)
Net fair value gains/(losses) comprise:		
Equity securities		
– Fair value gains/(losses)	**308**	(175)
Debt securities	**–**	–
– Fair value losses	**(4)**	(69)
Derivative instruments	**102**	(177)
Net fair value gains/(losses) on financial assets	**406**	(421)

26. INSURANCE BENEFITS AND CLAIMS INCURRED

R million	Gross	Re-insurance	Net
30 June 2021			
Short-term insurance	**(9 725)**	**1 174**	**(8 551)**
Claims paid net of salvages and recoveries	**(9 555)**	**1 493**	**(8 062)**
Change in claims provisions	**(170)**	**(319)**	**(489)**
Long-term insurance			
Claims paid	**(294)**	**102**	**(192)**
Life claims	**(274)**	**98**	**(176)**
Disability claims	**(7)**	**1**	**(6)**
Retrenchment claims	**(3)**	**1**	**(2)**
Critical illness claims	**(10)**	**2**	**(8)**
Total insurance benefits and claims incurred	**(10 019)**	**1 276**	**(8 743)**
30 June 2020			
Short-term insurance	(9 133)	1 609	(7 524)
Claims paid net of salvages and recoveries	(8 546)	1 100	(7 446)
Change in claims provisions	(587)	509	(78)
Long-term insurance			
Claims paid	(177)	55	(122)
Life claims	(154)	51	(103)
Disability claims	(7)	1	(6)
Retrenchment claims	(2)	–	(2)
Critical illness claims	(14)	3	(11)
Total insurance benefits and claims incurred	(9 310)	1 664	(7 646)

R million	2021	2020
Provision for non-claims bonuses		
– Short-term insurance business	**(500)**	(500)
– Long-term insurance business	**(9)**	–
Provision for non-claims bonuses	**(509)**	(500)

R million	2021	2020
27. MARKETING AND ADMINISTRATION EXPENSES		
Expenses by nature:		
Employee benefit expenses	**(3 625)**	(3 289)
Professional fees and regulatory compliance costs	**(138)**	(176)
Depreciation (note 1)	**(156)**	(135)
Short-term lease expenditure	**(4)**	(8)
Research and development costs relating to internally generated intangible assets	**(2)**	(2)
Acquisition costs	**(116)**	(32)
Release of deferred acquisition costs	**106**	32
Asset management services	**(9)**	(10)
Audit fees	**(24)**	(22)
Loss on sale of property and equipment	**(7)**	(1)
Other expenses	**(1 623)**	(1 216)
Total marketing and administration expenses	**(5 598)**	(4 859)
Employee benefit expenses		
Salaries and incentive bonuses	**(3 089)**	(2 829)
Retirement funding	**(232)**	(217)
Service cost relating to intellectual property (amortisation) (note 2)	**(6)**	(96)
Share-based payment charge (including *IAS 19* share liability charge)	**(165)**	(25)
Medical aid contributions	**(133)**	(122)
Total employee benefit expenses	**(3 625)**	(3 289)

The following reclassifications were made within marketing and administration expenses to better reflect the nature of the expenses in line with the current year classifications:

R million	Previous classification 30 June 2020	Amount as reclassified 30 June 2020	Difference	Explanation for reclassification
Marketing and administration expenses note				
Employee benefit expenses	(2 907)	(3 289)	(382)	Cost to company (CTC) bonus expense reclassified from other expenses to salaries and incentive bonuses. DIS expense reclassified from other expenses to share-based payment charge.
Research and development costs relating to internally generated intangible assets	–	(2)	(2)	Reclassified from other expenses.
Short-term lease expenditure	–	(8)	(8)	Reclassified from other expenses.
Acquisition costs	–	(32)	(32)	Reclassified from acquisition expenses previously shown separately on the consolidated income statement, grossed up for the release of deferred acquisition costs.
Release of deferred acquisition costs	–	32	32	Reclassified from acquisition expenses previously shown separately on the consolidated income statement, net of the release of deferred acquisition costs. These amounts are now disclosed on a gross basis under marketing and administration expenses.
Other expenses	(1 608)	(1 216)	392	CTC bonus expense reclassified from other expenses to salaries and incentive bonuses. DIS expense reclassified from other expenses to share-based payment charge. Research and development costs related to internally generated intangible assets reclassified from other expenses. Expenses relating to short-term leases reclassified from other expenses. These reclassifications were made to reflect the nature of the expenses and the reason for these expenses being incurred.
Employee benefit expenses				
Salaries and incentive bonuses	(2 467)	(2 829)	(362)	CTC bonus expense reclassified from other expenses to salaries.
Share-based payment charge	(5)	(25)	(20)	DIS expense reclassified from other expenses to share-based payment expenses.

R million	2021	2020
27. MARKETING AND ADMINISTRATION EXPENSES continued		
Depreciation		
Buildings	**(36)**	(35)
Leasehold improvements	**(5)**	(2)
Furniture, fittings and equipment	**(51)**	(51)
Motor vehicles	**(1)**	(1)
Total depreciation (note 1)	**(93)**	(89)
Depreciation (right-of-use assets)		
Properties	**(28)**	(21)
Motor vehicles	**(15)**	(15)
Total depreciation (note 3)	**(43)**	(36)
Amortisation		
Purchased computer software	**(9)**	(8)
Internally generated computer software	**(11)**	(2)
Total amortisation (note 2)	**(20)**	(10)
Audit fees		
Statutory audit – Current year	**(18)**	(16)
Fees for other services	**(6)**	(6)
Total audit fees	**(24)**	(22)

28. RETIREMENT BENEFITS

Group companies are participants in a defined contribution pension fund and a defined contribution provident fund.

To the extent that the company is responsible for contributions to these funds, such contributions are charged against profit or loss as incurred. The funds are registered in terms of the Pension Funds Act, 24 of 1956.

R million	2021	2020
29. FINANCE COSTS		
Interest on bank borrowings	**(62)**	(76)
Dividends on redeemable preference shares	**(558)**	(609)
Interest charge relating to lease liabilities	**(6)**	(4)
Total finance costs	**(626)**	(689)

30. TAXATION

R million	2021	2020
30. TAXATION		
South African normal taxation		
Current taxation		
– Current year	**(780)**	(773)
Deferred taxation		
– Current year	**(26)**	31
– Prior year	**9**	–
Australian taxation		
Current taxation		
– Current year	**(369)**	(309)
– Prior year	**1**	2
Deferred taxation		
– Current year	**26**	20
– Prior year	**–**	(2)
Total taxation	**(1 139)**	(1 031)
The tax on the group's profit before taxation differs from the theoretical amount that would arise using the basic tax rate of South Africa as follows:		
Profit before taxation (including profit from discontinued operations)	**4 361**	2 941

	%	%
Effective tax rate	**26.12**	34.36
Income not subject to taxation	**0.88**	2.59
Finance costs not deductible	**(3.90)**	(5.20)
Expenses not deductible due to the large proportion of dividends received in a holding company structure	**(1.04)**	(2.03)
Fair value adjustments	**(0.92)**	(1.18)
Income taxation rate differential	**(0.50)**	(0.64)
Capital gains tax	**(0.17)**	(1.29)
Deferred tax asset not recognised	**(0.22)**	(1.62)
Associates equity accounted using after-taxation profits	**7.75**	3.01
Standard income taxation rate in South Africa	**28.00**	28.00

R million	2021	2020

31. CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of profit before taxation to cash generated from operations:		
Profit before taxation (including profit from discontinued operations)	**4 361**	2 941
Adjusted for:		
Loss on sale of property and equipment	**7**	1
Profit on sale of New Zealand insurance business	**–**	(103)
Foreign currency translation difference	**479**	(724)
Equity accounted earnings	**(1 207)**	(259)
Depreciation – Property and equipment	**93**	89
Depreciation – Right of use asset	**43**	36
Amortisation of intangible assets	**20**	10
Service cost relating to intellectual property	**6**	96
Intellectual property bonuses paid	**(127)**	(120)
Provisions	**46**	100
Share option expenses	**162**	35
Cash paid in terms of share option liability	**(23)**	(13)
Investment income	**(485)**	(710)
Finance costs	**626**	689
Termination of leases	**–**	2
Net fair value losses on assets at fair value through profit or loss	**(603)**	578
Fair value adjustment to financial liabilities	**21**	–
Purchase of treasury shares of subsidiary by share scheme participants	**139**	125
Purchase of treasury shares of subsidiary by share trust from share scheme participants	**(149)**	(428)
Other non-cash items	**8**	(12)
Changes in insurance balances:		
– Gross provision for unearned premiums	**1 043**	330
– Reinsurers' share of provisions for unearned premiums	**(182)**	(30)
– Provision for cash bonus on insurance contracts	**500**	498
– Cash bonus paid on insurance contracts	**(481)**	(444)
– Insurance contracts	**28**	1 143
– Deferred acquisition costs	**(50)**	(103)
Investment contracts	**13**	24
Changes in working capital		
– Current receivables and prepayments	**(257)**	(775)
– Current payables and provisions	**393**	212
Cash generated from operations	**4 424**	3 188
Net debt reconciliation		
Opening balance	**(9 343)**	(9 675)
Movement in cash and cash equivalents	**204**	811
Movement in gross borrowings–fixed rate	**2 143**	(4 509)
Movement in gross borrowings–variable rate	**(1 900)**	4 030
Net debt	**(8 896)**	(9 343)
Current	**2 618**	2 413
Due within 1 year	**–**	(100)
Due within 2 to 5 years	**(11 514)**	(11 656)
Net debt	**(8 896)**	(9 343)

R million	2021	2020
32. EARNINGS PER SHARE		
Earnings per share is calculated by dividing the earnings attributable to shareholders by the weighted number of ordinary shares in issue during the year.		
Continuing and discontinued operations		
Earnings attributable to ordinary shareholders	**2 893**	1 592
Weighted average number of ordinary shares in issue (full amount)	**1 529 087 895**	1 529 280 375
Earnings per share (cents)	**189.2**	104.1
Earnings attributable to ordinary shareholders	**2 893**	1 592
Dilution on earnings from associates	**(11)**	(21)
Diluted earnings attributable to ordinary shareholders	**2 882**	1 571
Weighted average number of ordinary shares in issue (full amount)	**1 529 087 895**	1 529 280 375
Diluted earnings per share (cents)	**188.5**	102.7
Continuing operations		
Earnings attributable to ordinary shareholders	**2 893**	1 512
Weighted average number of ordinary shares in issue (full amount)	**1 529 087 895**	1 529 280 375
Earnings per share (cents)	**189.2**	98.9
Earnings attributable to ordinary shareholders	**2 893**	1 512
Dilution on earnings from associates	**(11)**	(21)
Diluted earnings attributable to ordinary shareholders	**2 882**	1 491
Weighted average number of ordinary shares in issue (full amount)	**1 529 087 895**	1 529 280 375
Diluted earnings per share (cents)	**188.5**	97.5
33. HEADLINE EARNINGS PER SHARE		
Headline earnings per share is calculated by dividing the adjusted earnings attributable to shareholders by the weighted number of ordinary shares in issue during the year.		
Headline earnings reconciliation		
Earnings attributable to ordinary shareholders	**2 893**	1 592
Adjustments for:	**36**	364
– Impairment of intangible assets by associates	**138**	192
– (Gain)/loss on dilution and disposal of equity accounted investments	**(84)**	62
– Profit on sale of subsidiary	**(41)**	(111)
– Derecognition of intangible assets and property and equipment	**10**	38
– Adjustments within equity accounted earnings	**9**	–
– Loss on disposal of property and equipment	**4**	1
– FCTR reversal on sale of foreign subsidiary	**(4)**	12
– Impairment of owner-occupied building below cost	**3**	152
– Loss on dilution of joint venture	**1**	–
– Impairments relating to held for sale entities	**–**	14
– Impairment of goodwill	**–**	2
– Loss on step-up of joint venture	**–**	2
Headline earnings attributable to ordinary shareholders	**2 929**	1 956
Continuing and discontinued operations		
Headline earnings attributable to ordinary shareholders	**2 929**	1 956
Weighted average number of ordinary shares in issue (full amount)	**1 529 087 895**	1 529 280 375
Headline earnings per share (cents)	**191.6**	127.9
Headline earnings attributable to ordinary shareholders	**2 929**	1 956
Dilution on earnings from associates	**(11)**	(26)
Diluted headline earnings attributable to ordinary shareholders	**2 918**	1 930
Weighted average number of ordinary shares in issue (full amount)	**1 529 087 895**	1 529 280 375
Diluted headline earnings per share (cents)	**190.9**	126.2
Continuing operations		
Headline earnings attributable to ordinary shareholders	**2 929**	1 954
Weighted average number of ordinary shares in issue (full amount)	**1 529 087 895**	1 529 280 375
Headline earnings per share (cents)	**191.6**	127.8
Headline earnings attributable to ordinary shareholders	**2 929**	1 954
Dilution on earnings from associates	**(11)**	(26)
Diluted headline earnings attributable to ordinary shareholders	**2 918**	1 928
Weighted average number of ordinary shares in issue (full amount)	**1 529 087 895**	1 529 280 375
Diluted headline earnings per share (cents)	**190.9**	126.1

R million	2021	2020
34. DIVIDEND PER SHARE		
Total dividends paid during the year	**345**	1 685
Total dividends declared relating to the profit for the year	**689**	689
Number of issued shares at the end of the year	**1 531 807 770**	1 531 807 770
Dividend declared per share (cents)	**45.0**	45.0

35. RELATED PARTIES

Principal shareholders

Details of major shareholders are disclosed in the directors' report. The principal shareholders are Remgro Limited and Royal Bafokeng Holdings Proprietary Limited (2020: Remgro Limited and Royal Bafokeng Holdings Proprietary Limited).

Key management personnel

RMI's directors and prescribed officers are key management personnel. Information on the remuneration of the prescribed officers, directors' emoluments and their shareholding in the company appears in note 45 and the directors' report.

Subsidiaries

Details of income from and investments in RMI's main subsidiaries are disclosed in **note 39**.

The following companies are associates of RMI:

- OUTsurance Holdings Limited
- OUTsurance Insurance Company Limited
- OUTsurance Life Insurance Company Limited
- OUTsurance International Holdings Proprietary Limited
- OUTsurance Shared Services Proprietary Limited
- OUTsurance Properties Proprietary Limited
- OUTvest Nominees RF Proprietary Limited
- OUTvest Proprietary Limited
- CloudBadger Technologies Proprietary Limited
- Youi Proprietary Limited (South Africa)
- Youi Holdings Proprietary Limited
- Youi Proprietary Limited (Australia)
- Youi New Zealand Proprietary Limited
- Youi Properties Proprietary Limited
- RMI Treasury Company Limited
- RMI Asset Holdings Proprietary Limited
- Firness International Proprietary Limited
- AlphaCode Proprietary Limited
- RMI Investment Managers Group Proprietary Limited
- RMI Investment Managers Affiliates 1 Proprietary Limited
- RMI Investment Managers Affiliates 2 Proprietary Limited
- RMI Investment Holdings Proprietary Limited
- RMI Invest One Proprietary Limited
- RMI Invest Two Proprietary Limited
- RMI Invest Three Proprietary Limited
- RMI Invest Four Proprietary Limited
- RMI Invest Five Proprietary Limited
- RMI Invest Six Proprietary Limited
- Main Street 1353 Proprietary Limited

35. RELATED PARTIES continued

Associates

Details of income from and investments in RMI's main associates are disclosed in **note 38**.

The following companies are associates of RMI:
- Discovery Limited
- Momentum Metropolitan Holdings Limited
- OUTsurance Insurance Company of Namibia Limited
- AutoGuru Australia Proprietary Limited
- Truffle Capital Proprietary Limited
- Northstar Asset Management Proprietary Limited
- Sentio Capital Management Proprietary Limited
- Polar Star Management SEZC
- Polar Star Management Proprietary Limited
- CoreShares Holdings Proprietary Limited
- Granate Asset Management Proprietary Limited
- Ethos Private Equity Proprietary Limited
- Royal Investment Managers Proprietary Limited
- Merchant Capital Advisory Services Proprietary Limited
- Entersekt Proprietary Limited
- Entersekt International Limited
- Sancreed Proprietary Limited (Guidepost)
- Hastings Group Holdings plc
- Perpetua Investment Managers Proprietary Limited

R million	2021	2020
Related party transactions		
Transactions of RMI and its subsidiary companies with:		
Principal shareholders		
Dividends paid	**154**	762
Key management personnel		
Salaries and other benefits	**15**	14
Value of share appreciation rights vesting	**3**	2
	18	16
Transactions of RMI's key management with associates of the group		
Investment products		
Balance at the beginning of the year	**1 034**	1 217
Net withdrawals	**(283)**	(203)
Net investment return	**45**	23
Commission and other transaction fees	**(2)**	(3)
Balance at the end of the year	**794**	1 034
Associates		
Income statement effect:		
– Dividends received	**557**	1 094
– Investment income	**4**	5
– Administration fees received	**249**	222
– Retirement fund contributions	**113**	110
– Group life	**11**	10
– Disability premiums	**11**	10
– Medical aid premiums paid	**132**	121
The contributions to retirement funds, group life, disability and medical aid premiums relate to products provided by related parties in the Group.		
Effect on the statement of financial position:		
– Preference share investment	**41**	34
– Administration fee receivable	**–**	3
– Loan[1]	**109**	104
– Collective investment scheme investment	**135**	124

1 The loan is shown net of an ECL of R7 million and is unsecured.

35. RELATED PARTIES continued

The preference share investment in Discovery Holdings Limited consists of non-cumulative, non-redeemable preference shares listed on the JSE. The dividend rate is 100% of the ruling prime interest rate.

OUTsurance International Proprietary Limited (OUTsurance International) issued a guarantee to the Common Wealth Bank of Australia for the loan obtained by the Youi ESOP trust to fund the shares issued to employees. OUTsurance International has full recourse against employees who defaults on their loan repayments. As part of the guarantee OUTsurance International also provided a cash collateral in advance to the value of 20% of the loan facility amount. The cash collateral is included in cash and cash equivalents. The fair value of the guarantee is deemed to be immaterial.

All related party transactions are entered into on an arm's length basis.

36. SUBSEQUENT EVENTS, CONTINGENCIES AND COMMITMENTS

Proposed strategic restructure of RMI

Corporate actions after 30 June 2021

On 20 September 2021, RMI announced its intention to unbundle its shareholdings in Discovery and Momentum Metropolitan. A consequence of the unbundling is that RMI will require an equity raise of up to R6.5 billion via a *pro rata* rights issue to optimise the capital structure. This is a non-adjusting event.

Dividend

RMI declared a dividend of 22.5 cents per share on 20 September 2021, payable on 25 October 2021. This is a non-adjusting event.

Acquisition of shares in Youi Holdings

The group has exercised its call option to purchase 109 375 000 Youi Holdings original shares from Howard Aron, a former executive of Youi Holdings. The option was exercised on 5 August 2021 and will be payable in October 2021. The strike price per share is A$0.55 per share and fixed at R10.71 per Australian Dollar with an FEC instrument. The group's effective ownership in Youi Holdings will increase from 84.5% to 89.6% as a result of this transaction. The financial effect of this transaction will be the inclusion of a loss of R194 million being recorded in the transactions with non-controlling interests reserve in the statement of changes in equity. This is a non-adjusting event.

Contingent liabilities and contingent assets

The purchase agreement between RMI and Merchant Capital Advisory Services Proprietary Limited (Merchant Capital) stipulates that RMI would be a debt and equity investor that comprise the following:

- RMI acquired a 25.1% equity stake in Merchant Capital in September 2015.
- A junior loan facility to Merchant Capital of not more than R9 228 000.
- A senior loan facility to Merchant Capital of not more than R200 000 000.

The long-term growth from the equity investment in Merchant Capital is expected to offset the cost of debt to Merchant Capital.

As at 30 June 2021, R95 million (2020: R95 million) of the senior loan facility and R5 million (2020: R5 million) of the junior loan facility has been issued to Merchant Capital.

RMI guarantees a liability of one of its associates, limited to a maximum amount of R28 million (2020: R28 million).

Commitments

Details of the group's obligations in respect of leases can be found in **note 18**.

37. EFFECTIVE INTEREST IN SUBSIDIARIES AND ASSOCIATES

There is a difference between the actual and effective holdings in associates and subsidiaries as a result of the consolidation by such entities of:

- treasury shares held by them;
- shares held in them by their share incentive trusts;
- deemed treasury shares held in them by policyholders and mutual funds managed by them; and
- deemed treasury shares arising from broad-based black economic empowerment (B-BBEE) transactions entered into.

The effective interest held can be compared to the actual interest held by RMI in the statutory share capital of the companies as follows:

%	2021	2020
Discovery effective	**25.1%**	25.1%
Discovery actual	**24.8%**	25.0%
Hastings Group Consolidated effective	**30.0%**	–
Hastings Group Consolidated actual	**30.0%**	–
Hastings effective	**–**	29.7%
Hastings actual	**–**	29.7%
Momentum Metropolitan effective	**28.2%**	27.7%
Momentum Metropolitan actual	**26.8%**	27.3%
OUTsurance effective	**90.6%**	91.1%
OUTsurance actual	**89.1%**	89.1%
RMI Investment Managers effective	**100.0%**	100.0%
RMI Investment Managers actual	**100.0%**	100.0%
Merchant Capital effective	**24.8%**	24.8%
Merchant Capital actual	**24.8%**	24.8%
Entersekt effective	**28.2%**	28.2%
Entersekt actual	**28.2%**	28.2%
Guidepost effective	**39.5%**	25.1%
Guidepost actual	**39.5%**	25.1%

38. ASSOCIATES

Listed associates

All the investments in associates are strategic, long-term investments. RMI exercises significant influence through board representation and strategic dialogue with senior management. RMI's aim with these investments is to achieve maximum return for its shareholders by investing in companies in the financial services industry.

Refer to **note 43** for a description of the business activities of Discovery, Momentum Metropolitan and Hastings.

R million	2021	2020
DISCOVERY LIMITED		
Financial year	**30 June**	30 June
Year used for equity accounting	**30 June**	30 June
Country of incorporation	**RSA**	RSA
Number of shares held ('000)	**164 811**	164 811
Interest held (%) (after consolidation of share trust)	**25.1%**	25.1%
Total net asset value of Discovery Limited	**46 419**	44 553
Non-controlling interest	**(4)**	(4)
Total equity	**46 415**	44 549
Perpetual preference share capital	**(779)**	(779)
Net asset value attributable to ordinary shareholders	**45 636**	43 770
RMI's effective interest in net asset value	**11 451**	10 986
Notional goodwill	**1 031**	1 031
Group carrying value	**12 482**	12 017
The group carrying value comprises:		
RMI's effective interest in at acquisition net asset value	**4 083**	4 083
Notional goodwill	**1 031**	1 031
Cost price of investment	**5 114**	5 114
RMI's effective interest in post-acquisition movement in net asset value	**7 368**	6 903
Group carrying value	**12 482**	12 017
Market value of the 25% stake (actual holding)	**20 811**	17 231
Income attributable to RMI for the year	**790**	25
Less: Dividends received	**–**	(354)
Share of retained income/(loss) for the year	**790**	(329)

R million	2021	2020

38. ASSOCIATES continued

DISCOVERY LIMITED continued		
Statement of financial position		
Assets		
Assets arising from insurance contracts	**50 483**	48 042
Property and equipment	**4 188**	4 643
Intangible assets and deferred acquisition costs	**6 956**	7 013
Assets arising from contracts with clients	**1 248**	954
Goodwill	**4 879**	5 070
Investment in associates	**3 459**	2 713
Financial assets	**150 684**	119 891
Deferred taxation	**3 948**	3 511
Current income tax asset	**391**	182
Reinsurance contracts	**445**	400
Cash and cash equivalents	**20 013**	17 909
Total assets	**246 694**	210 328
Shareholders' equity and liabilities		
Total equity	**46 419**	44 553
Liabilities arising from insurance contracts	**100 977**	82 411
Liabilities arising from reinsurance contracts	**12 525**	12 465
Financial liabilities	**61 595**	46 267
Deferred taxation	**8 814**	8 514
Contract liabilities to clients	**776**	808
Employee benefits	**315**	284
Trade and other payables	**14 904**	14 233
Current income tax liability	**369**	793
Total shareholders' equity and liabilities	**246 694**	210 328
Net insurance premium revenue	**47 383**	43 467
Statement of comprehensive income		
Profit for the year	**3 220**	176
Other comprehensive income for the year	**(1 628)**	2 663
Total comprehensive income for the year	**1 592**	2 839
Contingencies and commitments	**464**	577
Reconciliation of headline earnings to normalised earnings[1]		
Headline earnings	**2 986**	296
Economic assumption adjustments net of discretionary margin and interest rate derivative	**383**	3 584
Unrealised losses/(gains) on foreign exchange contracts not designated as a hedge	**219**	(189)
Deferred tax asset raised on assessed losses	**(152)**	(275)
Time value of money movement of swaption contract in VitalityLife	**(113)**	97
Amortisation of intangible assets relating to business combinations	**53**	60
Restructuring costs: VitalityLife	**27**	80
Transaction costs related to VitalityLife	**3**	37
Initial expenses related to Prudential Book transfer	**–**	57
Normalised earnings (refer to note 43 – Segmental report)	**3 406**	3 747

1 Normalised earnings is headline earnings adjusted for non-recurring items and accounting anomalies.

R million	2021	2020
38. ASSOCIATES continued		
MOMENTUM METROPOLITAN HOLDINGS LIMITED		
Financial year	**30 June**	30 June
Year used for equity accounting	**30 June**	30 June
Country of incorporation	**RSA**	RSA
Number of shares held ('000)	**401 048**	401 048
Interest held (%) (after consolidation of share trust)	**28.2%**	27.7%
Total net asset value of Momentum Metropolitan Holdings Limited	**21 923**	22 947
Non-controlling interest	**(348)**	(410)
Net asset value attributable to ordinary shareholders	**21 575**	22 537
RMI's effective interest in net asset value	**6 083**	6 242
Notional goodwill	**153**	153
Treasury shares	**(87)**	(90)
Group carrying value	**6 149**	6 305
The group carrying value comprises:		
RMI's effective interest in at acquisition net asset value	**6 142**	6 142
Notional goodwill	**153**	153
Cost price of investment	**6 295**	6 295
RMI's effective interest in post-acquisition movement net asset value	**(59)**	100
Treasury shares	**(87)**	(90)
Group carrying value	**6 149**	6 305
Market value of the 27.6% stake (actual holding) (2020: 27.3%)	**7 820**	7 062
Income attributable to RMI for the year	**108**	39
Less: Dividends received	**(100)**	(301)
Share of retained profit/(loss) for the year	**8**	(262)
Statement of financial position		
Assets		
Intangible assets	**9 888**	10 339
Owner-occupied properties	**3 033**	3 598
Property and equipment	**404**	387
Investment properties	**8 938**	9 042
Properties under development	**163**	118
Investments in associates	**1 156**	905
Employee benefits assets	**697**	652
Financial instrument assets	**475 878**	436 630
Insurance and other receivables	**6 406**	5 371
Deferred taxation	**756**	862
Reinsurance contracts	**6 717**	6 142
Current tax asset	**456**	371
Assets relating to disposal groups held for sale	**171**	229
Cash and cash equivalents	**38 121**	31 747
Total assets	**552 784**	506 393

R million	2021	2020
38. ASSOCIATES continued		
MOMENTUM METROPOLITAN HOLDINGS LIMITED continued		
Shareholders' equity and liabilities		
Total equity	**21 923**	22 947
Insurance contract liabilities	**142 238**	125 841
Reinsurance contract liabilities	**2 347**	2 277
Financial instrument liabilities	**363 369**	330 730
Deferred taxation	**2 722**	2 926
Employee benefits obligations	**1 148**	1 228
Other payables	**18 829**	19 979
Provisions	**38**	76
Liabilities relating to disposal groups held for sale	**–**	151
Current tax liability	**170**	238
Total shareholders' equity and liabilities	**552 784**	506 393
Net insurance premiums	**36 832**	33 281
Statement of comprehensive income		
Profit for the year	**544**	286
Other comprehensive (loss)/income for the year	**(738)**	665
Total comprehensive (loss)/income for the year	**(194)**	951
Contingencies and commitments	**666**	924
Reconciliation of headline earnings to normalised earnings		
Headline earnings	**445**	1 036
Amortisation of intangible assets relating to business combinations	**406**	466
Momentum Metropolitan shares held by policyholder funds	**54**	(18)
Adjustments for iSabelo	**40**	–
B-BBEE cost	**25**	–
Normalised earnings (refer to note 43 – Segmental report)	**970**	1 484
Finance costs – convertible preference shares	**37**	37
Diluted normalised earnings[1]	**1 007**	1 521

1 Diluted normalised earnings is headline earnings adjusted for non-recurring items and accounting anomalies as well as the impact on earnings relating to convertible preference shares.

R million	2021	2020
38. ASSOCIATES continued		
Unlisted associate		
HASTINGS GROUP CONSOLIDATED (2020: HASTINGS GROUP HOLDINGS PLC)		
Financial year	**31 December**	31 December
	Year to	Year to
Period used for equity accounting	**30 June 2021**	30 June 2020
Country of incorporation	**UK**	UK
Number of shares held ('000)	**199 939**	196 508
Interest held (%)	**30.0%**	29.7%
Net asset value attributable to ordinary shareholders of Hastings (including intangible assets recognised)	**13 994**	15 094
RMI's effective interest in net asset value	**4 198**	4 484
Notional goodwill	**5 613**	5 544
Group carrying value	**9 811**	10 028
The group carrying value comprises:		
RMI's effective interest in at acquisition net asset value	**3 365**	3 228
Hastings dividend forming part of acquisition price	**(216)**	(216)
Notional goodwill	**5 613**	5 544
Cost price of investment	**8 762**	8 556
RMI's effective interest in post-acquisition net asset value	**1 049**	1 472
Group carrying value	**9 811**	10 028
Valuation of the 30.0% stake (2020: Market value of the 29.7% stake)[1]	**9 779**	8 117
Income attributable to RMI for the year	**390**	347
Less: Dividends received	**(297)**	(412)
Share of retained income/(loss) for the year	**93**	(65)
HASTINGS GROUP HOLDINGS PLC		
Statement of financial position as at 30 June		
Assets		
Goodwill	**9 269**	10 070
Intangible assets	**2 454**	1 990
Property and equipment	**325**	510
Deferred income tax assets	**288**	161
Current tax assets	**93**	116
Reinsurance assets	**28 185**	29 395
Deferred acquisition costs	**649**	771
Inventory	**12**	–
Prepayments	**252**	221
Insurance and other receivables	**8 676**	9 264
Financial assets at fair value	**15 665**	13 074
Cash and cash equivalents	**3 683**	5 148
Total assets	**69 551**	70 720
Shareholders' equity and liabilities		
Total equity	**13 994**	14 276
Loans and borrowings	**4 869**	5 266
Insurance contract liabilities	**42 911**	43 875
Insurance and other payables	**7 174**	7 097
Deferred income tax liabilities	**193**	206
Current tax liabilities	**77**	–
Share-based payment liability	**333**	–
Total shareholders' equity and liabilities	**69 551**	70 720
Net earned premiums	**4 441**	4 281

1 An impairment test was performed on the basis of calculating the recoverable amount as the higher of the fair value less cost to sell and the value-in-use. The value-in-use was calculated on a discounted cash flow basis which indicated that the asset was not impaired as at 30 June 2021 (2020: No impairment).

R million	2021	2020
38. ASSOCIATES continued		
HASTINGS GROUP HOLDINGS PLC continued		
Statement of comprehensive income for the six months ended 30 June		
Profit for the six months	**1 430**	1 072
Other comprehensive income for the six months	**(114)**	43
Total comprehensive income for the six months	**1 316**	1 115
Contingencies and commitments	**844**	728
Reconciliation of headline earnings to normalised earnings[1]		
Headline earnings for the six months	**1 430**	1 072
Amortisation of intangible assets relating to business combinations	**–**	18
Normalised earnings for the six months	**1 430**	1 090

1 Normalised earnings is headline earnings adjusted for non-recurring items and accounting anomalies.

Other investments in associates

Total comprehensive income, assets and liabilities of other investments in associates

The associates listed below do not have discontinued operations.

R million	RMI Investment Managers associates	AlphaCode associates	OUTsurance associates
30 June 2021			
Profit/(loss) after tax[1]	**94**	**(37)**	**9**
Other comprehensive income[1]	**–**	**21**	**–**
Current assets	**558**	**543**	**154**
Non-current assets	**784**	**239**	**98**
Current liabilities	**524**	**423**	**112**
Non-current liabilities	**20**	**264**	**8**
Technical provisions	**–**	**–**	**37**
30 June 2020			
Profit/(loss) after tax[1]	(108)	(56)	21
Other comprehensive income[1]	–	1	–
Current assets	355	413	173
Non-current assets	785	238	94
Current liabilities	224	293	92
Non-current liabilities	45	246	21
Technical provisions	–	–	41

1 The profit/(loss) after tax and other comprehensive income includes the group's portion of after-tax profits and losses, including impairment charges and amortisation of intangible assets and other comprehensive income.

R million	2021	2020
39. SUBSIDIARIES		
Unlisted subsidiaries		
OUTSURANCE HOLDINGS LIMITED[1]		
Financial year	**30 June**	30 June
Year used for consolidation	**30 June**	30 June
Country of incorporation	**RSA**	RSA
Number of shares held ('000)	**3 385 573 803**	3 385 573 803
Interest held (%) (after consolidation of share trust)	**90.6%**	91.1%
Equity shares at cost	**8 271**	8 271
Net profit for the year	**2 703**	2 540
Valuation of RMI's investment	**38 480**	33 145
Results for the year ended 30 June		
Income statement		
Gross insurance premiums	**20 570**	17 349
Less: Reinsurance premiums	**(1 658)**	(774)
Net insurance premiums	**18 912**	16 575
Change in provision for unearned premiums net of reinsurance	**(861)**	(422)
Net insurance premiums earned	**18 051**	16 153
Fee income	**62**	26
Investment income	**116**	132
Interest income on financial assets using the effective interest rate method	**241**	389
Net fair value gains/(losses) on financial assets	**382**	(295)
Net income	**18 852**	16 405
Gross claims paid	**(10 019)**	(9 310)
Reinsurance recoveries received	**1 276**	1 664
Provision for non-claims bonuses	**(509)**	(500)
Transfer to policyholder liabilities under insurance contracts	**(249)**	(34)
Acquisition expenses	**–**	(41)
Fair value adjustment to financial liabilities	**(140)**	(139)
Marketing and administration expenses	**(5 451)**	(4 734)
Result of operating activities	**3 760**	3 311
Finance costs	**(9)**	(8)
Share of after-tax results of associates	**68**	120
Profit before taxation	**3 819**	3 423
Taxation	**(1 116)**	(988)
Profit for the year from continuing operations	**2 703**	2 435
Profit for the year from discontinued operations	**–**	104
Profit for the year	**2 703**	2 539

1 Held via Firness International Proprietary Limited and RMI Asset Holdings Proprietary Limited.

R million	2021	2020
39. SUBSIDIARIES continued		
Non-controlling interest relating to Youi Holdings Proprietary Limited		
Balance at the beginning of the year	**636**	484
Profit attributable to non-controlling interests (15.5% in underlying subsidiary (2020: 15.5%))	**115**	122
FCTR attributable to non-controlling interests	**(74)**	107
Dividends paid	**(44)**	(70)
Transactions with non-controlling interests	**(8)**	(7)
Total non-controlling interest in respect of Youi Holdings Proprietary Limited	**625**	636
Non-controlling interest relating to CloudBadger		
Balance at the beginning of the year	**–**	–
Loss attributable to non-controlling interests	**(3)**	–
Shares issued to non-controlling interest	**49**	–
Total non-controlling interest in respect of CloudBadger	**46**	–
Non-controlling interest relating to OUTsurance Holdings Limited		
Balance at the beginning of the year	**936**	976
Profit attributable to non-controlling interests (9.4% (2020: 9.3%))	**233**	225
Dividends paid	**(182)**	(245)
Non-controlling interest in other reserves	**17**	70
Movement in treasury shares	**(9)**	(90)
Total non-controlling interest in respect of OUTsurance Holdings Limited	**995**	936
Current assets	**17 946**	14 089
Non-current assets	**6 835**	9 222
Current liabilities	**11 016**	10 092
Non-current liabilities	**2 170**	1 732
Cash inflow/(outflow) from operating activities	**1 284**	(944)
Cash (outflow)/inflow from investing activities	**(156)**	65
Cash outflow from financing activities	**(101)**	(224)
RMI INVESTMENT MANAGERS GROUP		
Financial year	**30 June**	30 June
Year used for consolidation	**30 June**	30 June
Country of incorporation	**RSA**	RSA
Number of shares held ('000)	**149**	149
Interest held (%)	**100.0%**	100.0%
Equity shares at cost	**719**	719
Net profit for the year	**89**	3
Valuation of RMI's investment	**746**	719
Results for the year ended 30 June		
Fee and other income	**7**	5
Investment income	**4**	1
Net fair value losses	**(1)**	(1)
Realised losses	**(6)**	–
Marketing and administration expenses	**(21)**	(21)
Result of operating activities	**(17)**	(16)
Finance costs	**–**	(1)
Share of after-tax results of associates	**106**	21
Profit before taxation	**89**	4
Taxation	**–**	(1)
Profit for the year	**89**	3

R million	2021	2020
39. SUBSIDIARIES continued		
Non-controlling interest relating to RMI Investment Managers Group Proprietary Limited relating to its 51%-held subsidiary, RMI Investment Managers Affiliates 2 Proprietary Limited		
Balance at the beginning of the year	**125**	142
Loss attributable to non-controlling interests (49% in underlying subsidiary (2020: 49%))	**(16)**	(28)
Transactions with non-controlling interest	**1**	11
Total non-controlling interest in respect of RMI Investment Managers Group Proprietary Limited	**110**	125
Current assets	**175**	15
Non-current assets	**715**	882
Current liabilities	**12**	11
Non-current liabilities	**39**	49
Cash inflow/(outflow) from operating activities	**68**	(18)
Cash inflow/(outflow) from investing activities	**10**	(11)
Cash outflow from financing activities	**(10)**	(2)
Total non-controlling interests		
Youi Holdings Proprietary Limited	**625**	636
CloudBadger	**46**	–
OUTsurance Holdings Limited	**995**	936
RMI Investment Managers Group Proprietary Limited	**110**	125
Total non-controlling interests	**1 776**	1 697

40. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The table below analyses financial instruments carried at fair value by level in the fair value hierarchy. The different levels are based on the extent that observable prices and / or data are used in the calculation of the fair value of the financial instruments. These levels are defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured on the reporting date.

Level 2 – fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly (for example prices) or indirectly (for example derived from prices).

Level 3 – fair value is determined from inputs for the asset or liability that are not based on observable market data.

The following table presents the group's financial assets and liabilities that are measured at fair value:

R million	Level 1	Level 2	Level 3	Total carrying amount
30 June 2021				
Financial assets				
Equity securities				
– Exchange traded funds	952	253	–	1 205
– Listed preference shares	310	–	–	310
– Collective investment schemes	–	135	–	135
– Listed equity securities	81	–	–	81
– Unlisted equity securities	–	–	375	375
Debt securities				
– Unsecured loans	–	18	47	65
– Zero-coupon deposits	–	708	–	708
– Convertible loan	–	–	13	13
– Government, municipal and public utility securities	–	260	–	260
– Money market securities	–	4 995	–	4 995
– Other debt securities at fair value through profit or loss	–	37	372	409
Derivate assets	–	133	–	133
Total financial assets recognised at fair value	1 343	6 539	807	8 689
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	125	125
Investment contract liability	–	37	–	37
Derivative liability	–	130	–	130
Total financial liabilities recognised at fair value	–	167	125	292

40. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE continued

R million	2021	2020
Reconciliation of movement in level 3 assets		
Balance at the beginning of the year	**912**	696
Reclassification to amortised cost	**–**	–
Additions in the current year	**90**	396
Disposals (sales and redemptions)	**(118)**	(46)
Fair value movement	**(77)**	(134)
Balance at the end of the year	**807**	912
The level 3 financial assets at fair value through profit or loss represent loans and preference share investments, the value of which is not significantly sensitive to an increase or decrease in the counterparty credit rating due to the collateralised nature of the transaction.		
Reconciliation of movement in level 3 liabilities		
Balance at the beginning of the year	**104**	104
Preference dividends charged to profit or loss	**140**	139
Preference dividends paid	**(119)**	(139)
Balance at the end of the year	**125**	104

The level 3 financial liabilities at fair value through profit or loss represent profits arising out of profit-sharing arrangements on ring-fenced insurance business that accrue on a monthly basis.

R million	Level 1	Level 2	Level 3	Total carrying amount
30 June 2020				
Financial assets				
Equity securities				
– Exchange traded funds	1 023	–	–	1 023
– Listed preference shares	303	–	–	303
– Collective investment schemes	–	114	–	114
– Listed equity securities	112	–	–	112
– Unlisted equity securities	–	–	475	475
Debt securities				
– Unsecured loans	–	18	42	60
– Zero-coupon deposits	–	858	–	858
– Convertible loan	–	–	11	11
– Government, municipal and public utility securities	–	128	–	128
– Money market securities	–	3 077	–	3 077
– Collective investment schemes	–	10	–	10
– Other debt securities at fair value through profit or loss	–	–	384	384
Total financial assets recognised at fair value	1 438	4 205	912	6 555
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	104	104
Investment contract liability	–	24	–	24
Derivative liability	–	283	–	283
Total financial liabilities recognised at fair value	–	307	104	411

The fair values of the above instruments were determined as follows:

Level 1

The fair value of financial instruments traded in an active market is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The listed preference share investments comprise instruments which are listed on a securities exchange. The fair values of these investments are calculated based on the quoted closing prices of the individual investments on reporting date. These instruments are included in Level 1 and comprise mainly equity and debt instruments classified as trading securities. The investment in the exchange traded funds track the performance of the top fifty companies listed on the JSE.

40. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE continued

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are market observable, the instrument is included in Level 2.

Level 2 instruments comprise the following, with a description of their valuation techniques provided:

- Collective investment schemes: These instruments are fair valued monthly by multiplying the number of units held by the closing market price which is based on the most recently available observable inputs.
- Zero-coupon deposits: These instruments are not traded actively during a financial reporting period. The group uses zero-coupon deposits to offset the interest rate risk inherent in some of the life insurance products underwritten by OUTsurance Life. The counterparties to these deposits are the large South African banks. The zero-coupon deposits have been structured to allow for the payment of the notional initial deposit to be spread over the specified term to enable cash flow matching. The maturity dates of the accreting zero-coupon deposits are long-term, with maturity dates at the various trading dates not exceeding 15 years. The fair values of the accreting zero-coupon deposits are determined monthly based on observable market inputs. To determine the fair values of the accreting zero-coupon deposits, a risk-free Swap Yield Curve produced every business day by the Johannesburg Securities Exchange is referenced. The instruments are designated at fair value through profit or loss, with both the interest accrual and fair value accounted for in profit or loss. The entire balance of the zero-coupon deposits is exposed to credit risk.

  Refer to item **2.2 Credit risk** in the 'Management of insurance and financial risk' section on **page 41**.

- The zero-coupon deposit has specifically remained classified as fair value through profit or loss under the 'accounting mismatch' rule as these financial assets have specifically been acquired to match the non-claims bonus portion of the policyholder liability.
- Government, municipal and public utility securities and money market securities: The fair value of money market instruments and government, municipal and public utility securities is determined based on observable market inputs. These instruments consist of fixed and floating rate notes held in segregated portfolios and are typically listed on the JSE Interest Rate Market. These listed instruments are not as actively traded as Level 1 instruments. The fair value of these instruments are determined by using market observable inputs. The fair value yield, term-to-maturity, coupon payments and maturity value are used to discount the expected cash flows of these instruments to their present value in determining the fair value at the financial year-end.

  Refer to item **2.2 Credit risk** in the 'Management of insurance and financial risk' section on **page 41** (included in debt securities).

- Zero-coupon deposits backing endowment policies and the investment contract liability backing the asset: These instruments related to a linked endowment policy. The fair value is based on the quoted interest rates provided in each contract. The group is not the ultimate counterparty to these endowment policies but rather acts as an agent to the arrangement between the client and third party. As such the asset and liability are designed to set off against each other.
- Interest rate swaps: These swap arrangements consists of fixed for floating instruments. The fixed leg is priced at a fixed percentage plus a contractually agreed basis point adjustment and the floating leg is priced at 3 month JIBAR. The fair value is calculated using a discounted cash flow valuation
- Collateralised swaps: The fair value of collateralised swap arrangement, whereby the R2048 government bond serves as collateral and is the underlying, is determined in the same manner as other money market instruments described above.
- Forward exchange contracts: The group makes use of forward exchange contracts to reduce the impact of the currency risk contained in its open foreign currency exposure. The fair value of forward exchange contracts is determined using the difference between the spot closing exchange rate and the forward exchange rate at the statement of financial position date multiplied by the number of currency units purchased.

The group makes use of an interest rate swap as well as a collateralised swap arrangement to manage the interest rate risk contained in the non-bonus policyholder liability.

While the above instruments are not traded on an active market, the variable inputs relating to their valuation are readily available in the market place. The remaining inputs have been contractually agreed and are reflective of market-related terms and conditions.

40. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE continued

Level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. The financial instruments at fair value through profit or loss represent the following:

- Unlisted equity: The fair of the equity investment is determined based on standard valuation techniques where the net asset value is a key input.
- Unsecured loan: This is a loan made to the ASISA Enterprise Development Fund to the value of R49 million. This loan relates to funding provided for a B-BBEE supplier development scheme that the group is partaking in. The loan has a five-year term with no contractual interest rate. In calculating the fair value of the loan at 30 June 2021, the interest rate attached to a risk-free government bond with a term based on the remaining contract period at the date of fair value measurement was utilised as the discount rate. This resulted in the value of R49 million being discounted at 5.33% (2020: 5.04%), arriving at a fair value of R44 million (2020: R42 million). This discount will unwind over the remaining maturity period.

The fair value of the loan is sensitive to movements in the interest rate of the risk-free government bond utilised in the calculation. A 1% movement in the interest rate would result in the following fair value being recognised at 30 June 2021:

R million	Current	1% increase in interest rate	1% decrease in interest rate
30 June 2021			
Fair value	**44**	**43**	**45**
30 June 2020			
Fair value	42	41	44

- Convertible loan: The loan with AutoGuru Australia Proprietary Limited (AutoGuru). The only significant unobservable inputs in the calculation are the market value of the AutoGuru shares, as this is an unlisted private company, and the underlying interest rate. Due to the fact that the loan is convertible into shares of AutoGuru, it exposes the group to equity price risk. As a result of the absence of quoted prices for the shares when the convertible bond was issued it fails the SPPI criteria, therefore the loan is designated as fair value through profit or loss.

R million	Current	1% increase in interest rate	1% decrease in interest rate
30 June 2021			
Fair value	**13**	**14**	**13**
30 June 2020			
Fair value	11	11	11

The fair value is determined based on a present value calculation taking into account the term to maturity, underlying interest rate and the share price of AutoGuru. The fair value of R13 million (2020: R11 million) at 30 June 2021 is derived from an interest rate of 6.6% (2020: 6.7%). This interest rate has been contractually agreed and is adjusted for the prevailing BBSR applicable at valuation date.

- For other debt securities at fair value through profit or loss a discounted cash flow valuation method was used.
- Financial liabilities at fair value through profit and loss: A specific valuation technique is used to value this Level 3 financial instrument which represents an accrued profit related to the FirstRand Limited Homeowners profit-sharing arrangement.

Profits arising out of the profit-sharing arrangements that accrue on a monthly basis and which are distributed as preference dividends bi-annually to FirstRand Limited Group. The only significant unobservable input in the calculation of the preference dividend is the historic profit of the profit-sharing arrangements and there are no other inputs that determine the value of these instruments. Should the profit of the profit-sharing arrangement increase or decrease by 10%, for instance, the preference dividend will also increase or decrease by 10%.

No assumptions or adjustments or any other inputs are made to the profits before or after distribution. Distribution of the profits arising are made in the form of preference dividends.

The profit or loss of these profit-sharing arrangements is sensitive to:
- claims ratio of the pool of business;
- expense ratio of the pool of business; and
- investment income on this pool of business.

41. DISCONTINUED OPERATIONS

On 25 September 2019 OUTsurance Holdings Limited agreed to transfer the New Zealand insurance portfolio business to Tower Insurance Limited, New Zealand's third largest general insurer for consideration of N$12.6 million. Following regulatory approval by the Reserve Bank of New Zealand, the transfer was effected on 31 December 2019.

The associated assets and liabilities have consequently been presented as discontinued operations in the 30 June 2020 annual financial statements.

The insurance business was not previously classified as held for sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been represented to show the discontinued operation separately from continuing operations.

The sale provides an opportunity for Youi to unlock value on favourable terms and, going forward, will allow the Youi group to focus on its Australian business where the greater scale and diversity of the market offers more growth opportunities for a challenger brand like Youi.

R million	2020
Income statement	
Gross insurance premium	106
Outward reinsurance premiums	(89)
Net premiums	17
Change in provision for unearned premiums	8
Earned premiums, net of reinsurance	25
Commission income	33
Interest income on financial assets using the effective interest rate method	1
Income	59
Policyholder benefits on insurance contract net of reinsurance	(14)
Gross policyholder benefits under insurance contract	(54)
Reinsurers' share of insurance contract claims	40
Marketing and administration expenses	(44)
Result of operating activities	1
Profit on sale of business unit	103
Net profit for the year from discontinued operations	104

There were no items that affected other comprehensive income and therefore the reconciliation of other comprehensive income has not been disclosed.

R million	2019
Statement of financial position	
Carrying value amounts of assets and liabilities as at date of sale were:	
Assets	
Reinsurance share of insurance contract provisions	23
Financial assets – Amortised cost	42
Insurance and other receivables	92
Total assets	157
Liabilities	
Insurance contract liabilities	145
Insurance and other payables	12
Total liabilities	157

42. IMPACT OF THE COVID-19 PANDEMIC AND GOING CONCERN POSITION

Material subsidiary – OUTsurance

The considerations below relate to the South African and Australian operations of OUTsurance, including OUTsurance Life.

Operational impact

OUTsurance continues to deliver a resilient operational and financial performance within the ongoing pandemic environment. Systems and processes continue to operate successfully on a combined work- from-home and work-from-office operational model. OUTsurance is well equipped to continue working remotely and maintain operations in a protracted pandemic scenario.

It is likely that an increasing number of employees will return to the office as the vaccination programme progresses. New business volumes, lapse experience and overall service levels continued to perform in line with expectations and budget. Motor claims frequency continues to revert to more normal levels as the lockdown conditions have become less restrictive compared to 2020. OUTsurance Life has been subject to much higher mortality experience linked to the pandemic. Management continues to roll forward COVID-19-specific provisions for increased mortality. The vaccination programme is expected to reduce the pandemic related mortality rate in the coming months.

Financial impact

The solvency position of OUTsurance has remained highly resilient since the outbreak of the pandemic. The strong solvency position overlaid with the high rate of capital production, provides capacity to absorb financial shocks and supports the continued payment of ordinary dividends.

The geographically diverse nature of the group mitigates against the risk of depreciation of the Rand and provides a diverse earnings base in hard currency. The regulatory capital position of the short-term insurance operations is highly correlated to the size of the in force book. Financial scenarios which result in a reduction in the client base is therefore unlikely to result in solvency pressure.

The risk margins applied to the insurance liabilities of OUTsurance and Youi remain prudent compared to historic norms. Business interruption claims related to Tourist Attraction Losses have been settled which reduces the overall reserving uncertainty compared to the prior year.

Extensive stress testing has been performed for the operating entities and the group as part of the annual Own Risk and Solvency Assessment (ORSA) which demonstrates the resilience of the respective solvency positions.

The group performs an impairment assessment of its associate investments on an annual basis. These assessments are based on discounted cash flow models with company forecasts that have considered the impact of COVID-19.

The group's financial instruments recovered the fair value lost due to the market collapse that occurred during March 2020 as a result of the COVID-19 pandemic by 30 June 2021, specifically those losses related to equity instruments. Across all of the instrument types held by the group the fair values have increased or remained stable since the financial year-end.

The group's expected credit losses (ECL) provision has also remained stable since 30 June 2020 but management is continuously monitoring the credit quality of the counterparties that it is exposed to.

The target solvency capital ratio of the group is informed by various stress scenarios which cover financial and operational risk scenarios which are deemed appropriate given the nature of each business. The group has limited exposure to the equity markets within the context of earnings and its balance sheet. The group continuously assessed the solvency capital requirement during the COVID-19 pandemic. The group achieved a solvency coverage ratio of 2.2 at year-end, exceeding the target ratio of 1.4.

Refer item **3. Capital management** in the 'Management of insurance and financial risk' section on **page 46**.

The liquidity note demonstrates the strong liquidity position of the group at 30 June 2021. The liabilities of the group remain adequately covered by the liquid assets. The liquidity of the financial markets are being monitored. The majority of the financial assets of the group and the operating entities are largely invested in highly liquid money markets and bank deposits. Liquidity stress testing performed as part of the ORSA illustrates that the liquidity of the short-term insurance operations is adequate to support a 1 in 200 year catastrophe event.

Going concern

The group and its operating entities have considered various stress scenarios related to the pandemic. These risk scenarios indicate that the pandemic will not change the going concern status of the group and its operating entities. The group and its operating entities trade from strong capital positions and is expected to remain financially resilient under various financial and operational stress scenarios.

Material associates – Momentum Metropolitan, Discovery and Hastings

Momentum Metropolitan and Discovery recognised significant provisions for the expected future effects of COVID-19 which strained equity accounted earnings from these two associates for the financial year ended 30 June 2021. Hastings performed exceptionally well under the difficult trading conditions, with a lower claims ratio contributing to higher profitability. All three of these material associates of the group have continued to service clients and maintain all key operational processes and the business continuity processes operated as planned.

Momentum Metropolitan, Discovery and Hastings remain adequately capitalised.

43. SEGMENTAL REPORT

The chief operating decision-maker regards normalised earnings as the appropriate basis to evaluate business performance as it eliminates the impact of non-recurring items and accounting anomalies. The segmental analysis is based on the management accounts prepared for the group.

R million	OUTsurance	Hastings	Discovery	Momentum Metropolitan	Other[1]	RMI group
Year ended 30 June 2021						
Net income	**18 568**	**–**	**–**	**–**	**75**	**18 643**
Interest received	**284**	**–**	**–**	**–**	**92**	**376**
Policyholder benefits and transfer to policyholder liabilities	**(9 501)**	**–**	**–**	**–**	**–**	**(9 501)**
Depreciation	**(129)**	**–**	**–**	**–**	**(7)**	**(136)**
Amortisation	**(20)**	**–**	**–**	**–**	**–**	**(20)**
Other expenses	**(5 302)**	**–**	**–**	**–**	**(140)**	**(5 442)**
Finance costs	**(9)**	**–**	**–**	**–**	**(617)**	**(626)**
Fair value adjustment to financial liabilities	**(140)**	**–**	**–**	**–**	**–**	**(140)**
Share of after-tax results of associates	**68**	**184**	**790**	**108**	**57**	**1 207**
Profit/(loss) before taxation	**3 819**	**184**	**790**	**108**	**(540)**	**4 361**
Taxation	**(1 115)**	**–**	**–**	**–**	**(24)**	**(1 139)**
Profit/(loss) for the year	**2 704**	**184**	**790**	**108**	**(564)**	**3 222**
Hastings included in OUTsurance	**(61)**	**61**	**–**	**–**	**–**	**–**
Profit/(loss) for the year	**2 643**	**245**	**790**	**108**	**(564)**	**3 222**
Normalised earnings	**2 779**	**341**	**850**	**269**	**(694)**	**3 545**
Hastings included in OUTsurance	**(244)**	**244**	**–**	**–**	**–**	**–**
Normalised earnings	**2 535**	**585**	**850**	**269**	**(694)**	**3 545**
As at 30 June 2021						
Assets	**20 853**	**–**	**–**	**–**	**3 697**	**24 550**
Associates	**3 716**	**6 184**	**12 482**	**6 149**	**770**	**29 301**
Intangible assets	**213**	**–**	**–**	**–**	**–**	**213**
Total assets	**24 782**	**6 184**	**12 482**	**6 149**	**4 467**	**54 064**
Hastings included in OUTsurance	**(3 627)**	**3 627**	**–**	**–**	**–**	**–**
Total assets	**21 155**	**9 811**	**12 482**	**6 149**	**4 467**	**54 064**
Total liabilities	**13 186**	**–**	**–**	**–**	**11 864**	**25 050**
Year ended 30 June 2020						
Net income	16 405	–	–	–	81	16 486
Policyholder benefits and transfer to policyholder liabilities	(8 180)	–	–	–	–	(8 180)
Depreciation	(124)	–	–	–	(1)	(125)
Amortisation	(10)	–	–	–	–	(10)
Other expenses	(4 641)	–	–	–	(124)	(4 765)
Finance costs	(8)	–	–	–	(681)	(689)
Fair value adjustment to financial liabilities	(139)	–	–	–	–	(139)
Share of after-tax results of associates	120	231	49	24	(165)	259
Profit/(loss) before taxation	3 423	231	49	24	(890)	2 837
Taxation	(988)	–	–	–	(43)	(1 031)
Profit/(loss) for the year from continuing operations	2 435	231	49	24	(933)	1 806
Profit for the year from discontinued operations	104	–	–	–	–	104
Profit/(loss) for the year	2 539	231	49	24	(933)	1 910
Hastings included in OUTsurance	(116)	116	–	–	–	–
Profit/(loss) for the year	2 423	347	49	24	(933)	1 910
Normalised earnings	2 411	293	933	407	(958)	3 086
Hastings included in OUTsurance	(193)	193	–	–	–	–
Normalised earnings	2 218	486	933	407	(958)	3 086
As at 30 June 2020						
Assets	19 462	–	–	–	2 514	21 976
Associates	3 732	6 388	12 017	6 305	846	29 288
Intangible assets	117	–	–	–	–	117
Total assets	23 311	6 388	12 017	6 305	3 360	51 381
Hastings included in OUTsurance	(3 640)	3 640	–	–	–	–
Total assets	19 671	10 028	12 017	6 305	3 360	51 381
Total liabilities	11 825	–	–	–	12 011	23 836

1 'Other' includes RMI, RMI Investment Managers, Merchant Capital, Entersekt, Prodigy, Guidepost and consolidation entries.

43. SEGMENTAL REPORT continued

Reconciliation of normalised earnings to headline earnings attributable to ordinary shareholders as per note 33.

R million	2021	2020
Normalised earnings as per segment report	**3 545**	3 086
RMI's share of normalised adjustments made by associates:	**(610)**	(1 153)
Amortisation of intangible assets relating to business combinations	**(289)**	(305)
Restructuring costs	**(219)**	(20)
Economic assumption adjustments net of discretionary margin and interest rate derivative	**(95)**	(897)
Unrealised gains on foreign exchange contracts not designated as a hedge	**(54)**	47
Deferred tax asset raised on assessed losses	**38**	69
Time value of money movement of swap contract in VitalityLife	**28**	(24)
Adjustments for iSabelo	**(11)**	–
B-BBEE cost	**(7)**	–
Transaction costs related to VitalityLife interest rate derivatives	**(1)**	(9)
Initial expenses related to Prudential Book transfer	**–**	(14)
Group treasury shares	**(6)**	23
Headline earnings attributable to ordinary shareholders as per note 33	**2 929**	1 956

The normalised adjustments made by associates can be split as follows:

R million	Discovery	Momentum Metropolitan	Hastings	Other	Total
30 June 2021					
Amortisation of intangible assets relating to business combinations	**(13)**	**(111)**	**(138)**	**(27)**	**(289)**
Restructuring costs	**(7)**	**–**	**(212)**	**–**	**(219)**
Economic assumption adjustments net of discretionary margin and interest rate derivative	**(95)**	**–**	**–**	**–**	**(95)**
Unrealised gains on foreign exchange contracts not designated as a hedge	**(54)**	**–**	**–**	**–**	**(54)**
Deferred tax asset raised on assessed losses	**38**	**–**	**–**	**–**	**38**
Time value of money movement of swap contract in VitalityLife	**28**	**–**	**–**	**–**	**28**
Adjustments for iSabelo	**–**	**(11)**	**–**	**–**	**(11)**
B-BBEE cost	**–**	**(7)**	**–**	**–**	**(7)**
Transaction costs related to VitalityLife interest rate derivatives	**(1)**	**–**	**–**	**–**	**(1)**
Share of normalised adjustments	**(104)**	**(129)**	**(350)**	**(27)**	**(610)**
30 June 2020					
Economic assumption adjustments net of discretionary margin and interest rate derivative	(897)	–	–	–	(897)
Amortisation of intangible assets relating to business combinations	(15)	(127)	(136)	(27)	(305)
Deferred tax asset raised on assessed losses	69	–	–	–	69
Unrealised gains on foreign exchange contracts not designated as a hedge	47	–	–	–	47
Time value of money movement of swap contract in VitalityLife	(24)	–	–	–	(24)
Restructuring cost of VitalityLife	(20)	–	–	–	(20)
Initial expenses related to Prudential Book transfer	(14)	–	–	–	(14)
Transaction costs related to VitalityLife interest rate derivatives	(9)	–	–	–	(9)
Share of normalised adjustments	(863)	(127)	(136)	(27)	(1 153)

43. SEGMENTAL REPORT continued

Geographical segments

R million	South Africa	Australasia	United Kingdom	Total
Year ended 30 June 2021				
Net income	**10 751**	**8 268**	**–**	**19 019**
Policyholder benefits and transfer to policyholder liabilities	**(5 074)**	**(4 427)**	**–**	**(9 501)**
Other expenses	**(3 585)**	**(2 779)**	**–**	**(6 364)**
Share of after-tax results of associates	**633**	**–**	**574**	**1 207**
Profit before taxation	**2 725**	**1 062**	**574**	**4 361**
Taxation	**(796)**	**(343)**	**–**	**(1 139)**
Profit for the year	**1 929**	**719**	**574**	**3 222**
As at 30 June 2021				
Assets				
Property and equipment	**364**	**692**	**–**	**1 056**
Investments in associates	**19 490**	**–**	**9 811**	**29 301**
Financial assets	**6 788**	**6 104**	**–**	**12 892**
Other assets	**3 977**	**6 838**	**–**	**10 815**
Total assets	**30 619**	**13 634**	**9 811**	**54 064**
Liabilities				
Insurance contract liabilities	**2 785**	**7 526**	**–**	**10 311**
Other liabilities	**12 825**	**1 914**	**–**	**14 739**
Total liabilities	**15 610**	**9 440**	**–**	**25 050**
Year ended 30 June 2020				
Net income	9 475	7 011	–	16 486
Policyholder benefits and transfer to policyholder liabilities	(4 454)	(3 726)	–	(8 180)
Other expenses	(3 413)	(2 315)	–	(5 728)
Share of after-tax results of associates	538	–	(279)	259
Profit/(loss) before taxation	2 146	970	(279)	2 837
Taxation	(742)	(289)	–	(1 031)
Profit/(loss) for the year from continuing operations	1 404	681	(279)	1 806
Profit for the year from discontinued operations	–	104	–	104
Profit/(loss) for the year	1 404	785	(279)	1 910
As at 30 June 2020				
Assets				
Property and equipment	336	824	–	1 160
Investments in associates	19 260	–	10 028	29 288
Financial assets	6 650	5 994	–	12 644
Other assets	2 263	6 026	–	8 289
Total assets	28 509	12 844	10 028	51 381
Liabilities				
Insurance contract liabilities	2 617	6 984	–	9 601
Other liabilities	10 471	1 621	2 143	14 235
Total liabilities	13 088	8 605	2 143	23 836

The group's various operating segments and the details of products and services provided by each of the reportable segments are as follows:

Discovery

Discovery services the healthcare funding, insurance and banking markets in South Africa, the United Kingdom, China, Singapore, Australia, Japan, Europe and the United States. It is a pre-eminent developer of integrated financial services products and operates under the Discovery Health, Discovery Life, Discovery Insure, Discovery Invest, Discovery Vitality, VitalityHealth, VitalityLife, Ping An Health and Discovery Bank brand names.

Momentum Metropolitan

Momentum Metropolitan is a South African financial services group that provides life insurance, employee benefits, investments and savings, healthcare solutions and short-term insurance to individual clients, small and medium businesses, large companies, organisations and public enterprises in South Africa, the rest of Africa and selected international countries. It covers the lower, middle and upper income markets, principally under the Momentum and Metropolitan brand names.

43. SEGMENTAL REPORT continued

OUTsurance

OUTsurance provides short and long-term insurance products in South Africa, and short-term insurance products in Australia and Namibia, with a client-centric ethos of providing value for money insurance solutions backed by awesome client service.

Hastings

Hastings is a UK short-term insurer. It commenced operations in 1997 and is a fast-growing agile digital general insurance provider operating principally in the UK motor market. It provides private car and other forms of personal insurance cover (home, van and bike). It was listed on the London stock exchange until 16 November 2020.

44. CURRENT/NON-CURRENT SPLIT OF ASSETS AND LIABILITIES

Current refers to amounts payable/receivable within 12 months after reporting date and non-current refers to amounts payable/receivable more than 12 months after reporting date.

	30 June 2021		
R million	Total	Current	Non-current
ASSETS			
Property and equipment	1 056	–	1 056
Intangible assets	213	8	205
Right-of-use assets	104	–	104
Investments in associates	29 301	–	29 301
Financial assets			
Equity securities			
– fair value through profit or loss	1 741	1 339	402
– fair value through other comprehensive income	365	–	365
Debt securities			
– fair value through profit or loss	3 090	1 897	1 193
– fair value through other comprehensive income	3 338	3 338	–
– amortised cost	6 122	5 813	309
Derivative asset	133	100	33
Insurance and other receivables	3 803	3 803	–
Deferred acquisition cost	513	513	–
Reinsurance contracts	1 140	945	195
Deferred taxation	502	–	502
Taxation	25	25	–
Cash and cash equivalents	2 618	2 618	–
Total assets	**54 064**	**20 399**	**33 665**
LIABILITIES			
Financial liabilities			
– Preference shares	11 514	–	11 514
– Financial liabilities at fair value through profit or loss	125	86	39
– Derivative liability	130	3	127
– Investment contracts at fair value through profit or loss	37	–	37
Lease liabilities	118	31	87
Share-based payment liability	258	55	203
Employee benefit liability	237	237	–
Deferred taxation	270	–	270
Insurance and other payables	1 909	1 876	33
Insurance contracts	10 311	8 768	1 543
Taxation	141	141	–
Total liabilities	**25 050**	**11 197**	**13 853**

44. CURRENT/NON-CURRENT SPLIT OF ASSETS AND LIABILITIES continued

	30 June 2020		
R million	Total	Current	Non-current
ASSETS			
Property and equipment	1 160	–	1 160
Intangible assets	117	4	113
Right-of-use assets	83	–	83
Investments in associates	29 288	–	29 288
Financial assets			
Equity securities			
– fair value through profit or loss	1 563	–	1 563
– fair value through other comprehensive income	464	–	464
Debt securities			
– fair value through profit or loss	1 323	82	1 241
– fair value through other comprehensive income	3 205	1 827	1 378
– amortised cost	6 089	5 959	130
Insurance and other receivables	3 546	3 546	–
Deferred acquisition cost	463	463	–
Reinsurance contracts	1 338	1 178	160
Deferred taxation	304	–	304
Taxation	24	24	–
Cash and cash equivalents	2 414	2 414	–
Total assets	51 381	15 497	35 884
LIABILITIES			
Financial liabilities			
– Preference shares	9 514	–	9 514
– Interest-bearing loans	2 242	–	2 242
– Financial liabilities at fair value through profit or loss	104	65	39
– Derivative liability	283	3	280
– Investment contracts at fair value through profit or loss	24	–	24
Lease liabilities	89	37	52
Share-based payment liability	121	45	76
Employee benefit liability	191	191	–
Deferred taxation	76	14	62
Insurance and other payables	1 518	1 481	37
Insurance contracts	9 601	8 351	1 250
Taxation	73	73	–
Total liabilities	23 836	10 260	13 576

45. DIRECTORS' EMOLUMENTS

Schedule of directors' emoluments paid for services rendered to RMI in respect of the year ended 30 June 2021:

R'000	Services as director	Cash package	Other benefits[1]	Share appre-ciation rights[2]	Total 2020
Executive					
HL Bosman[3]	–	9 828	1 331	2 564	13 723
– Paid by RMI	–	10 920	1 479	–	12 399
– Recovered from RMH	–	(1 092)	(148)	–	(1 240)
– Value of share appreciation rights vesting	–	–	–	2 564	2 564
Non-executive					
JJ Durand[4]	504	–	–	–	504
JP Burger	344	–	–	–	344
P Cooper	226	–	–	–	226
SEN De Bruyn	338	–	–	–	338
LL Dippenaar	252	–	–	–	252
DA Frankel (alternate)	226	–	–	–	226
PK Harris	253	–	–	–	253
A Kekana[4]	252	–	–	–	252
F Knoetze (alternate)	–	–	–	–	–
P Lagerström	368	–	–	–	368
UH Lucht (alternate)	–	–	–	–	–
MM Mahlare	226	–	–	–	226
MM Morobe	357	–	–	–	357
RT Mupita[4]	226	–	–	–	226
O Phetwe	226	–	–	–	226
JA Teeger	287	–	–	–	287
Total	4 085	9 828	1 331	2 564	17 808

1. 'Other benefits' comprise pension fund, provident fund and medical aid contributions.
2. Includes the value of share appreciation rights issued by RMI which are due for vesting and are exercisable in the 12 months following the end of the reporting period.
3. Mr Bosman's executive remuneration is paid for by RMI. A portion of his remuneration is recovered from RMH.
4. Directors' fees for services rendered by Messrs Durand and Mupita and Ms Kekana were paid to Remgro, MTN and Royal Bafokeng respectively for their time spent on the RMI board.
5. There were no other services rendered by non-executive directors to RMI.

Directors' participation in RMI's share schemes

RMI share appreciation rights

R'000	Strike price (cents)	Vesting date	Balance 1 July 2020	Issued	Forfeited	Exercised	Balance 30 June 2021	Value 30 June 2021
HL Bosman	2 874	02/04/2017	631	–	–	–	631	3 070
HL Bosman	2 874	02/04/2018	631	–	–	–	631	3 070
HL Bosman	2 874	02/04/2019	631	–	–	–	631	3 070
HL Bosman	4 125	14/09/2018	27	–	–	–	27	121
HL Bosman	4 125	14/09/2019	27	–	–	–	27	121
HL Bosman	4 125	14/09/2020	26	–	–	–	26	120
HL Bosman	4 341	14/09/2019	167	–	–	–	167	940
HL Bosman	4 341	14/09/2020	167	–	–	–	167	940
HL Bosman	4 341	14/09/2021	167	–	–	–	167	901
HL Bosman	3 992	19/09/2020	179	–	–	–	179	682
HL Bosman	3 992	19/09/2021	180	–	–	–	180	643
HL Bosman	3 992	19/09/2022	180	–	–	–	180	514
HL Bosman	3 947	14/09/2021	249	–	–	–	249	1 020
HL Bosman	3 947	14/09/2022	249	–	–	–	249	765
HL Bosman	3 947	14/09/2023	250	–	–	–	250	608
HL Bosman	3 091	14/09/2022	130	–	–	–	130	603
HL Bosman	3 091	14/09/2023	130	–	–	–	130	450
HL Bosman	3 091	14/09/2024	131	–	–	–	131	356
HL Bosman	2 937	05/10/2023	–	355	–	–	355	1 162
HL Bosman	2 937	05/10/2024	–	355	–	–	355	871
HL Bosman	2 937	05/10/2025	–	355	–	–	355	697

45. DIRECTORS' EMOLUMENTS continued

RMI management ownership participation structure

Participant	Investment	Number of shares	Percentage of investment	Hurdle rate	Value R000's
HL Bosman	RMI IM	2 484	1.4%	Prime	–
HL Bosman	RMI Invest One (Merchant Capital)	389	3.51%	Prime	–
HL Bosman	RMI Invest Two (Entersekt)	513	3.71%	Prime	–
HL Bosman	RMI Invest Three (Prodigy)	1 787	3.67%	Prime	–
HL Bosman	RMI Invest Four (Guidepost)	485	3.64%	Prime	–
HL Bosman	AlphaCode (Luno)	370	3.65%	Prime	–

Schedule of directors' emoluments paid for services rendered to RMI in respect of the year ended 30 June 2020:

R'000	Services as director	Cash package	Other benefits[1]	Share appre-ciation rights[2]	Total 2020
Executive					
HL Bosman[3]	–	8 458	1 177	2 271	11 906
– Paid by RMI	–	11 277	1 569	–	12 846
– Recovered from RMH	–	(2 819)	(392)	–	(3 211)
– Value of share appreciation rights vesting	–	–	–	2 271	2 271
Non-executive					
JJ Durand[4]	526	–	–	–	526
JP Burger	364	–	–	–	364
P Cooper	306	–	–	–	306
SEN De Bruyn	358	–	–	–	358
LL Dippenaar	312	–	–	–	312
DA Frankel (alternate)	232	–	–	–	232
PK Harris	279	–	–	–	279
A Kekana[4]	285	–	–	–	285
F Knoetze (alternate)	–	–	–	–	–
P Lagerström	349	–	–	–	349
UH Lucht (alternate)	–	–	–	–	–
MM Mahlare	232	–	–	–	232
MM Morobe	350	–	–	–	350
RT Mupita[4]	232	–	–	–	232
O Phetwe	232	–	–	–	232
JA Teeger	291	–	–	–	291
Total	4 348	8 458	1 177	2 271	16 254

1. Other benefits comprise pension fund, provident fund and medical aid contributions.
2. Includes the value of share appreciation rights by RMI which vest and exercisable in the 12 months following the end of the reporting period.
3. Mr Bosman's executive remuneration is paid for by RMI. A portion of his remuneration is recovered from RMH.
4. Directors' fees for services rendered by Messrs Durand and Mupita and Ms Kekana were paid to Remgro, MTN and Royal Bafokeng respectively for their time spent on the RMI board.
5. There were no other services rendered by non-executive directors to RMI.

45. DIRECTORS' EMOLUMENTS continued

Directors' emoluments paid by subsidiaries and associates

Schedule of directors' emoluments paid by subsidiaries and associates in respect of the year ended 30 June 2021:

R'000	Total 2021	Total 2020
HL Bosman[1]	2 384	1 895
P Cooper[2]	1 310	1 692
SEN De Bruyn[3]	1 364	1 364
LL Dippenaar[4]	–	580
Total	5 058	5 531

1. Directors' fees for serviced rendered by Mr Bosman were paid to RMI. R1 822 000 (2020: R1 525 000) was received from Discovery and R562 000 (2020: R370 000) was received from OUTsurance for services rendered as non-executive board member of Discovery and OUTsurance respectively.
2. R1 199 000 (2020: R1 160 000) was received from Momentum Metropolitan and R111 000 (2020: R532 000) was received from OUTsurance.
3. Received from Discovery.
4. Received from OUTsurance.

Emoluments paid to prescribed officers

In addition to Mr HL Bosman, financial director and chief executive officer of RMI, Mr MC Visser, chief executive officer of OUTsurance, also meet the definition of prescribed officer as defined in the Companies Act. His emoluments are set out below:

R'000	Cash package	Performance bonus	Benefit derived from share incentive scheme	Total
30 June 2021				
MC Visser	6 045	5 743	679	12 467
30 June 2020				
MC Visser	4 945	–	1 116	6 061

OUTsurance Holdings share incentive scheme

Participant	Strike price (cents)	Vesting date	Balance 1 July 2020 000's	Issued 000's	Forfeited 000's	Exercised 000's	Balance 30 June 2021 000's	Benefit derived R000's
MC Visser	930	01/07/2017 to 01/07/2020	700	–	–	(700)	–	679
MC Visser	1 008	01/09/2018 to 01/09/2021	935	–	–	–	935	–
MC Visser	1 034	01/09/2019 to 01/09/2022	2 418	–	–	–	2 418	–
MC Visser	1 027	01/09/2020 to 01/09/2023	–	2 902	–	–	2 902	–

Mr Visser has been granted rights to participate in the Divisional Incentive Scheme as follows:

- 7.5% participation in the OUTsurance Business and OUTsurance Life/OUTvest schemes.

2021

SEPARATE ANNUAL FINANCIAL STATEMENTS

INDEX

The basis of preparation of this separate set of annual financial statements is outlined on **page 19**.

SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

R million	Note	2021	2020
ASSETS			
Property and equipment	1	**26**	12
Right-of-use assets	2	**56**	–
Investment in subsidiaries	3	**21 467**	20 367
Financial assets			
Equity securities			
– fair value through profit or loss	4	**91**	122
Debt securities			
– fair value through profit or loss	4	**372**	382
Derivative asset	5	**65**	–
Other receivables		**8**	6
Deferred taxation	6	**14**	8
Taxation		**3**	4
Cash and cash equivalents	7	**289**	178
Total assets		**22 391**	21 079
EQUITY			
Share capital and share premium	8	**15 432**	15 432
Reserves	9	**6 814**	5 564
Total equity		**22 246**	20 996
LIABILITIES			
Share-based payment liability	10	**34**	30
Employee benefit liability	11	**10**	4
Financial liabilities			
– Financial guarantee contract liability		**12**	18
Lease liability	12	**64**	–
Provisions	13	**–**	4
Trade and other payables	14	**25**	27
Total liabilities		**145**	83
Total equity and liabilities		**22 391**	21 079

Refer to **note 26** for the current/non-current split.

SEPARATE INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE

R million	Note	2021	2020
Revenue – Investment income	15	**1 661**	2 124
Interest income on financial assets using the effective interest rate method	15	**13**	19
Fair value gain/(loss)		**31**	(98)
Fee and other income		**18**	34
Net income		**1 723**	2 079
Marketing and administration expenses	16	**(122)**	(100)
Profit before finance costs and taxation		**1 601**	1 979
Finance costs	17	**(2)**	–
Profit before taxation		**1 599**	1 979
Taxation	18	**(4)**	(30)
Profit for the year		**1 595**	1 949
Attributable to:			
Equity holders of the company		**1 595**	1 949

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

R million	2021	2020
Profit for the year	**1 595**	1 949
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**1 595**	1 949
Attributable to:		
Equity holders of the company	**1 595**	1 949

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

R million	Share capital	Share premium	Retained earnings	Total equity
Balance as at 30 June 2019	–	15 432	5 300	20 732
Total comprehensive income for the year	–	–	1 949	1 949
Dividends paid	–	–	(1 685)	(1 685)
Balance as at 30 June 2020	**–**	**15 432**	**5 564**	**20 996**
Total comprehensive income for the year	**–**	**–**	**1 595**	**1 595**
Dividends paid	**–**	**–**	**(345)**	**(345)**
Balance as at 30 June 2021	**–**	**15 432**	**6 814**	**22 246**
Note	8	8	9	

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

R million	Note	2021	2020
Cash flows from operating activities			
Cash utilised by operations	19	**(88)**	(70)
Dividends received		**1 661**	2 124
Interest received		**13**	19
Settlement of derivative liability		**–**	(54)
Acquisition of derivative asset		**(76)**	–
Taxation paid		**(11)**	(2)
Taxation refund		**2**	–
Net cash generated from operating activities		**1 501**	2 017
Cash flows from investing activities			
Investment in debt securities		**–**	(2)
Proceeds on sale of debt securities		**7**	46
Investment in equity securities		**–**	(6)
Proceeds on sale of equity securities		**70**	–
Acquisition of property and equipment		**(18)**	(11)
Subscription for additional shares in subsidiary		**(1 100)**	(343)
Net cash outflows from investing activities		**(1 041)**	(316)
Cash flows from financing activities			
Repayment of lease liability		**(4)**	–
Dividends paid to shareholders		**(345)**	(1 685)
Net cash outflows from financing activities		**(349)**	(1 685)
Net increase in cash and cash equivalents for the year		**111**	16
Cash and cash equivalents at the beginning of the year		**178**	162
Cash and cash equivalents at the end of the year		**289**	178

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

R million	Leasehold improvements	Furniture, fittings and equipment	Total
1. PROPERTY AND EQUIPMENT			
30 June 2021			
Net book value at the beginning of the year	**11**	**1**	**12**
Additions	**16**	**2**	**18**
Depreciation (note 16)	**(3)**	**(1)**	**(4)**
Net book value at the end of the year	**24**	**2**	**26**
Cost	**41**	**6**	**47**
Accumulated depreciation	**(17)**	**(4)**	**(21)**
Net book value at the end of the year	**24**	**2**	**26**
30 June 2020			
Net book value at the beginning of the year	1	1	2
Additions	11	–	11
Depreciation (note 16)	(1)	–	(1)
Net book value at the end of the year	11	1	12
Cost	25	4	29
Accumulated depreciation	(14)	(3)	(17)
Net book value at the end of the year	11	1	12

R million	Property lease	Total
2. RIGHT-OF-USE ASSET		
30 June 2021		
Net book value at the beginning of the year	**–**	**–**
Additions	**59**	**59**
Depreciation (note 16)	**(3)**	**(3)**
Net book value at the end of the year	**56**	**56**
Cost	**59**	**59**
Accumulated depreciation	**(3)**	**(3)**
Net book value at the end of the year	**56**	**56**

R million	2021	2020
3. INVESTMENTS IN SUBSIDIARIES		
Unlisted subsidiaries		
Ordinary shares at cost		
– OUTsurance Holdings Limited	**5 365**	5 365
– RMI Treasury Company Limited	**4 376**	3 276
– RMI Asset Holdings Proprietary Limited	**11 726**	11 726
Total investments in subsidiaries	**21 467**	20 367
Balance at the beginning of the year	**20 367**	20 024
Investment in:		
Subscription for additional shares in RMI Treasury Company Limited		
– 16 October 2020	**700**	–
– 18 March 2021	**400**	–
– 8 August 2019	**–**	43
– 30 October 2019	**–**	300
Balance at the end of the year	**21 467**	20 367
OUTsurance Holdings Limited		
Number of shares[1]	**3 385 573 803**	3 385 573 803
% of equity[2]	**90.6**	91.1
Principal place of business	**Centurion**	Centurion
RMI Treasury Company Limited		
Number of shares	**21 150**	19 500
% of equity	**100.0**	100,0
Principal place of business	**Rosebank**	Sandton
RMI Asset Holdings Proprietary Limited		
Number of shares	**44 604**	44 604
% of equity	**100.0**	100.0
Principal place of business	**Rosebank**	Sandton

1 Held indirectly via Firness International Proprietary Limited and RMI Asset Holdings Proprietary Limited
2 After consolidation of share trust.

R million	2021	2020

4. EQUITY AND DEBT SECURITIES

R million	2021	2020
Equity securities		
– Listed investments		
– fair value through profit or loss	**81**	112
– Unlisted investments		
– fair value through profit or loss	**10**	10
Total equity securities	**91**	122
Debt securities		
– Unlisted investments		
– fair value through profit or loss	**372**	382
Total equity and debt securities	**463**	504
Listed equity securities carried at fair value through profit or loss		
Balance at the beginning for the year	**112**	184
Fair value movement	**39**	(72)
Disposals	**(70)**	–
Balance at the end of the year	**81**	112
Unlisted equity securities carried at fair value through profit or loss		
Balance at the beginning of the year	**10**	4
Additions	**–**	6
Total unlisted equity securities at the end of the year	**10**	10

The unlisted debt securities carried at fair value through profit or loss include an investment in the OUTsurance Investment Trust, OUTsurance Equity Trust, OUTsurance Equity Trust 2 and OUTsurance Equity Trust 3.

R million	2021	2020
Balance at the beginning for the year	**382**	469
Additions	**–**	2
Disposals	**(7)**	(46)
Fair value movement	**17**	18
Dividends received from the OUTsurance Investment Trust	**–**	(33)
Dividends received from the OUTsurance Equity Trust	**(12)**	(18)
Dividends received from the OUTsurance Equity Trust 2	**–**	–
Dividends received from the OUTsurance Equity Trust 3	**(8)**	(10)
Total debt securities at the end of the year	**372**	382

5. DERIVATIVE FINANCIAL ASSET

R million	2021	2020
Equity options		
Additions at cost	**76**	–
Fair value movement	**(11)**	–
Balance at the end of the year	**65**	–

6. DEFERRED TAXATION

R million	2021	2020
Deferred taxation asset		
Financial assets	**(3)**	(5)
Derivative financial asset	**3**	–
Share-based payment liability	**9**	9
Employee benefit liability	**3**	1
Provisions	**–**	2
Other payables	**2**	1
Balance at the end of the year	**14**	8
Reconciliation of movement		
Balance at the beginning for the year	**8**	38
Deferred taxation credit / (charge) in the income statement	**6**	(30)
Balance at the end of the year	**14**	8

7. CASH AND CASH EQUIVALENTS

R million	2021	2020
Cash at bank and in hand	**289**	178

Cash and cash equivalents represent current accounts and call deposits. The fair value approximates the carrying value.

8. SHARE CAPITAL AND SHARE PREMIUM

R million	Number of shares	Ordinary shares	Share premium	Total
Share capital and share premium as at 30 June 2019	1 532	–	15 432	15 432
Movement in the current year	–	–	–	–
Share capital and share premium as at 30 June 2020	**1 532**	**–**	**15 432**	**15 432**
Movement in the current year	**–**	**–**	**–**	**–**
Share capital and share premium as at 30 June 2021	**1 532**	**–**	**15 432**	**15 432**

Ordinary shares

The total authorised number of ordinary shares is 2 000 000 000, with a par value of R0.0001 per share. The total number of issued ordinary shares as at 1 July 2019 was 1 531 807 770 shares with no movement during the 2020 and 2021 financial years. The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting.

Preference shares

The total authorised number of cumulative, redeemable, par value preference shares is 100 000 000 with a par value of R0.0001 per share. The issued number of par value preference shares is nil (2020: nil).

The total authorised number of cumulative, redeemable, no par value preference shares is 100 000 000. The issued number of no par value preference shares is nil (2020: nil).

The company created a new class of 100 000 000 authorised, cumulative, redeemable, no par value preference shares in the 2016 financial year. None of these preference shares have been issued yet.

R million	2021	2020
9. RESERVES		
Retained earnings	**6 814**	5 564
10. SHARE-BASED PAYMENT LIABILITY		
Balance at the beginning of the year	**30**	20
Share-based payment expense accrued during the year	**4**	10
Balance at the end of the year	**34**	30
For additional information on the share scheme, refer to **note 19** to the consolidated annual financial statements.		
11. EMPLOYEE BENEFIT LIABILITY		
Balance at the beginning of the year	**4**	29
Reclassification from provisions	**4**	–
Expense raised/(credit charged)	**12**	(23)
Utilised during the year	**(10)**	(2)
Balance at the end of the year	**10**	4
12. LEASE LIABILITY		
Cash movement		
Lease payments	**(4)**	–
Non-cash movements		
New lease entered into	**66**	–
Interest	**2**	–
Balance at the end of the year	**64**	–

The following table summarises the contractual maturity dates for lease liabilities. The maturity analysis is represented on a discounted contractual cash flow basis.

R million	Within 1 year	1 – 5 years	More than 5 years	Total
30 June 2021				
Lease liability	**3**	**19**	**42**	**64**

12. LEASE LIABILITY continued

The following table summarises the contractual maturity dates for lease liabilities. The maturity analysis is represented on an undiscounted contractual cash flow basis.

R million	Within 1 year	1 – 5 years	More than 5 years	Total
30 June 2021				
Lease liability	**7**	**33**	**48**	**88**

R million	2021	2020
13. PROVISIONS		
Staff incentive bonus		
Balance at the beginning of the year	**4**	4
Reclassification to employee benefit liability	**(4)**	–
Provision	**–**	4
Utilised during the year	**–**	(4)
Balance at the end of the year	**–**	4
14. TRADE AND OTHER PAYABLES		
Trade payables and accrued expenses	**25**	27
15. REVENUE – INVESTMENT INCOME		
Revenue – Investment income	**1 661**	2 124
Dividend income from subsidiaries	**1 638**	2 059
Dividend income from investment in OUTsurance Investment Trust	**–**	33
Dividend income from investment in OUTsurance Equity Trust	**12**	18
Dividend income from investment in OUTsurance Equity Trust 3	**8**	10
Dividend income from listed fair value through profit or loss equity securities	**3**	4
Interest income on financial assets using the effective interest rate method	**13**	19
Total investment income	**1 674**	2 143
16. MARKETING AND ADMINISTRATION EXPENSES		
Expenses by nature		
Directors' remuneration	**(17)**	(14)
Personnel costs	**(47)**	(28)
Professional fees and regulatory compliance cost	**(23)**	(37)
Printing costs	**(4)**	(3)
Depreciation		
– Property and equipment	**(4)**	(1)
– Right-of-use asset	**(3)**	–
Audit fees	**(5)**	(3)
Other expenses	**(19)**	(14)
Total marketing and administration expenses	**(122)**	(100)
Audit fees		
Statutory audit – current year	**(4)**	(3)
Statutory audit – prior year	**(1)**	–
Total audit fees	**(5)**	(3)
17. FINANCE COSTS		
Interest charge relating to lease liability	**(2)**	–

R million	2021	2020
18. TAXATION		
SA normal taxation		
Current taxation		
– Current year	**(10)**	–
Deferred taxation		
– Current year	**6**	(30)
Total taxation	**(4)**	(30)
The taxation on the company's profit before taxation differs from the theoretical amount that would arise using the basic rate of taxation in South Africa as follows:		
Profit before taxation	**1 599**	1 979

	%	%
Effective tax rate	**0.25**	1.52
Dividend income not subject to taxation	**29.10**	30.05
Capital gains tax	**(0.47)**	(1.52)
Non-deductible expenses	**(0.88)**	(2.05)
Standard income taxation rate in South Africa	**28.00**	28.00

R million	2021	2020
19. CASH UTILISED BY OPERATIONS		
Reconciliation of profit before taxation to cash generated from operations:		
Profit before taxation	**1 599**	1 979
Adjusted for:		
Dividends received	**(1 661)**	(2 124)
Interest income	**(13)**	(19)
Fair value (gain)/loss	**(31)**	98
Non-cash income and expenses included in the income statement	**22**	(13)
Changes in working capital		
– Other receivables	**(2)**	(1)
– Trade and other payables	**(2)**	10
Total cash utilised by operations	**(88)**	(70)
20. DIVIDEND PER SHARE		
Total dividends paid during the year	**345**	1 685
Total dividends declared relating to the earnings for the year	**689**	689
Number of ordinary shares in issue at the end of the year	**1 531 807 770**	1 531 807 770
Dividend declared per share (cents)		
– Interim	**22.5**	45.0
– Final	**22.5**	–
Total dividend per share declared	**45.0**	45.0

21. RELATED PARTIES

Principal shareholders

Details of major shareholders are disclosed in the directors' report. The principal shareholders are Remgro Limited and Royal Bafokeng Holdings Proprietary Limited.

Key management personnel

Only RMI's directors are key management personnel. Information on directors' emoluments and their shareholding in the company appears in **note 45** to the consolidated annual financial statements and in the directors' report respectively.

Subsidiaries

Details of investments in subsidiaries are disclosed in **note 3.**

The following companies are subsidiaries of RMI:

» RMI Treasury Company Limited
» RMI Asset Holdings Proprietary Limited (which owns 8.8% of OUTsurance Holdings Limited)
» Firness International Proprietary Limited (which owns 80.3% of OUTsurance Holdings Limited)

R million	2021	2020
Related party transactions		
Transactions of RMI and its subsidiary companies with:		
Principal shareholders		
Dividends paid	**154**	762
Key management personnel		
Salaries and other benefits	**15**	14
Value of share appreciation rights vesting	**3**	2
Subsidiaries		
Income statement effect:		
– Dividends received	**1 638**	2 059
– Financial guarantee contract liability	**6**	–

The financial guarantee contract liability expense relates to the fair value loss on financial guarantees provided to certain subsidiaries of RMI in relation to external funding raised by these subsidiaries.

22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The purchase agreement between RMI and Merchant Capital Advisory Services Proprietary Limited (Merchant Capital) stipulates that RMI would be a debt and equity investor that comprise the following:

- RMI acquired a 25.1% equity stake in Merchant Capital in September 2015 via a subsidiary, RMI Invest One Proprietary Limited.
- A junior loan facility to Merchant Capital of not more than R9 228 000.
- A senior loan facility to Merchant Capital of not more than R200 000 000.

The long-term growth from the equity investment in Merchant Capital is expected to offset the cost of debt to Merchant Capital.

As at 30 June 2021, an amount of R5 million of the junior loan facility has been issued to Merchant Capital by RMI and R95 million by a subsidiary of RMI.

All the class B, C, D, E, F and G preference shares (R11 514 million in total) issued by RMI's 100%-owned subsidiary, RMI Treasury Company Limited, are guaranteed by RMI, RMI Asset Holdings Proprietary Limited and Main Street 1353 Proprietary Limited in terms of the group's domestic medium-term note and preference share programme.

23. FINANCIAL RISK MANAGEMENT

The company is exposed to various financial risks in connection with its current operating activities, such as market risk, credit risk and liquidity risk.

23.1 Market risk

The risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

23.1.1 Currency risk

Currency risk is the risk that the value of the financial instrument denominated in a currency other than the functional currency may fluctuate due to changes in the foreign currency exchange rate between the functional currency and the currency in which such instrument is denominated.

The company had no exposure to currency risk at 30 June 2021 (2020: none).

23.1.2 Interest rate risk

Interest rate risk is when the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The table below reflects the company's exposure to interest rate risk. An increase or decrease in the market interest rate would result in the following changes in the profit before taxation of the company:

R million	2021	2020
Cash and cash equivalents – 200 bps increase	**6**	4
Cash and cash equivalents – 200 bps decrease	**(6)**	(4)

23.1.3 Other price risk

Equity risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The table below reflects the company's exposure to equity price risk. A hypothetical 10% increase or decrease in the equity prices would result in the following changes in the profit before taxation of the company:

	30 June 2021		30 June 2020	
R million	10% increase	10% decrease	10% increase	10% decrease
Equity securities at fair value through profit or loss	**8**	**(8)**	11	(11)
Derivative liability	**7**	**(7)**	–	–
	15	**(15)**	11	(11)

23. FINANCIAL RISK MANAGEMENT continued

23.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The key areas where the company is exposed to credit risk are:

- Unlisted debt securities;
- Other receivables; and
- Cash and cash equivalents.

Significant concentrations of credit risk, if applicable, are disclosed in the annual financial statements. The credit exposure to any one counterparty is managed by the board of directors and by setting transaction/exposure limits, which are reviewed at each board and audit and risk committee meeting. The creditworthiness of existing and potential clients is monitored by the board.

The table below provides information on the credit risk exposure by credit ratings at year-end:

R million	BB	Not rated	Total
30 June 2021			
Debt securities			
– fair value through profit or loss–unlisted	**–**	**372**	**372**
Other receivables	**–**	**8**	**8**
Cash and cash equivalents	**289**	**–**	**289**
Total	**289**	**380**	**669**
30 June 2020			
Debt securities			
– fair value through profit or loss–unlisted	–	382	382
Other receivables	–	6	6
Cash and cash equivalents	178	–	178
Total	178	388	566

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset in the tables above.

The maximum credit exposure that the company is exposed to in relation to the financial guarantee contract liability is the nominal amount (R11.5 billion) of the loan that is guaranteed.

Where available, the company utilises the credit ratings per counterparty as provided by each of the major credit rating agencies to determine the credit quality of a specific instrument. Where the instrument credit rating is not available, the credit rating of the counterparty as provided by the major credit ratings agencies is utilised.

In instances where the credit rating for the counterparty is not available, the company utilises the credit rating provided by a service provider amended to take into account the credit risk appetite of the company. The internal methodology of the service provider provides a credit rating which assesses the counterparty's credit quality based on its financial standing. Should the service provider not provide a credit rating, the counterparty is shown as unrated. The ratings disclosed are long-term international scale, local currency ratings.

Long-term investment grade

BB Speculative quality. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

RMI has evaluated the expected credit loss (ECL) on its cash and cash equivalents and loan commitments and concluded that the amount is immaterial.

Not rated – The credit exposure for the assets listed above is considered acceptable by the board even though certain assets do not have a formal rating. The debt securities at fair value through profit or loss represent a loan provided to the OUTsurance Investment Trust and OUTsurance Equity Trust, the values of which are not significantly sensitive to an increase or decrease in the counterparty credit rating due to the collateralised nature of these transactions.

23. FINANCIAL RISK MANAGEMENT continued

Liquidity risk and asset/liability matching

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company's liabilities are matched by appropriate assets and it has significant liquid resources to cover its obligations. The company's liquidity and ability to meet such calls are monitored quarterly at the board meetings.

As disclosed in note 22, RMI has provided loan commitments and a guarantee to associates and intergroup guarantees. From a liquidity perspective, these are viewed to be a liquidity risk in the call category.

R million	Call to 6 months	7–12 months	1–5 years/no contractual maturity	Total
30 June 2021				
Assets				
Property and equipment	**–**	**–**	**26**	**26**
Right-of-use asset	**–**	**–**	**56**	**56**
Investment in subsidiaries	**–**	**–**	**21 467**	**21 467**
Equity securities – fair value through profit or loss	**–**	**–**	**91**	**91**
Debt securities – fair value through profit or loss	**–**	**–**	**372**	**372**
Derivative asset	**32**	**–**	**33**	**65**
Other receivables	**8**	**–**	**–**	**8**
Deferred taxation	**–**	**–**	**14**	**14**
Taxation	**3**			**3**
Cash and cash equivalents	**289**	**–**	**–**	**289**
Total assets	**332**	**–**	**22 059**	**22 391**
30 June 2021				
Liabilities				
Share-based payment liability	**21**	**–**	**13**	**34**
Employee benefit liability	**6**	**–**	**4**	**10**
Lease liability	**2**	**2**	**61**	**64**
Trade and other payables	**25**	**–**	**–**	**25**
Loan commitments to associate	**109**	**–**	**–**	**109**
Guarantee to associate	**28**	**–**	**–**	**28**
Intergroup guarantees	**11 514**	**–**	**–**	**11 514**
Total liabilities	**11 705**	**2**	**78**	**11 784**
30 June 2020				
Assets				
Property and equipment	–	–	12	12
Investment in subsidiaries	–	–	20 367	20 367
Equity securities – fair value through profit or loss	–	–	122	122
Debt securities – fair value through profit or loss	–	–	382	382
Other receivables	6	–	–	6
Deferred taxation	–	–	8	8
Taxation	4	–	–	4
Cash and cash equivalents	178	–	–	178
Total assets	188	–	20 891	21 079
30 June 2020				
Liabilities				
Share-based payment liability	18	–	12	30
Employee benefit liability	–	–	4	4
Provisions	4	–	–	4
Trade and other payables	27	–	–	27
Loan commitments to associate	109	–	–	109
Guarantee to associate	28	–	–	28
Intergroup guarantees	11 657	–	–	11 657
Total liabilities	11 843	–	16	11 859

24. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments. These levels are defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured at the reporting date.

Level 2 – fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly (for example prices) or indirectly (for example derived from prices).

Level 3 – fair value is determined from inputs for the asset or liability that are not based on observable market data.

R million	Level 1	Level 2	Level 3	Total carrying amount
30 June 2021				
Financial assets				
Equity securities				
– fair value through profit or loss	81	–	–	81
– unlisted equities	–	–	10	10
Debt securities				
– fair value through profit or loss	–	–	372	372
Derivative asset	–	65	–	65
Total financial assets valued at fair value	81	65	382	528
Financial liabilities				
Financial guarantee contract liability	–	12	–	12

R million	2021	2020
Reconciliation of movement in level 3 assets		
Balance at the beginning of the year	392	473
Additions in the current year	–	8
Disposals (sales and redemptions)	(7)	(45)
Fair value movement	17	17
Dividends received from the OUTsurance Investment Trust	–	(33)
Dividends received from the OUTsurance Equity Trust	(12)	(18)
Dividends received from the OUTsurance Equity Trust 2	–	–
Dividends received from the OUTsurance Equity Trust 3	(8)	(10)
Balance at the end of the year	382	392

The level 3 financial assets at fair value through profit or loss represent loans to the OUTsurance Investment Trust, OUTsurance Equity Trust, OUTsurance Equity Trust 2 and OUTsurance Equity Trust 3, the values of which are not significantly sensitive to an increase or decrease in the counterparty credit rating due to the collateralised nature of these transactions.

R million	Level 1	Level 2	Level 3	Total carrying amount
30 June 2020				
Financial assets				
Equity securities				
– fair value through profit or loss	112	–	–	112
– unlisted equities	–	–	10	10
Debt securities				
– fair value through profit or loss	–	–	382	382
Total financial assets valued at fair value	112	–	392	504
Financial liabilities				
Financial guarantee contract liability	–	18	–	18

24. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE continued

The fair values of the above instruments were determined as follows:

Level 1

The fair value of financial instruments traded in an active market is based on quoted market prices at balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. If all significant inputs required to fair value an instrument are market observable, the instrument is included in level 2. The derivative asset and derivative liability is calculated with reference to the quoted prices for shares listed on the JSE. The financial guarantee contract liability is calculated with reference to the external credit rating, exposure at risk and likelihood of default by the respective counterparties.

Level 3

The debt securities at fair value through profit or loss are repaid in the form of dividends received from the OUTsurance Investment and Equity Trusts (which are funded by the dividends received on the OUTsurance shares held by the trusts). The fair value movement on these loans are calculated with reference to the funding rate incurred by RMI to fund these loans to the OUTsurance Investment and Equity Trusts.

25. SUBSEQUENT EVENTS

Proposed strategic restructure of RMI

On 20 September 2021, RMI announced its intention to unbundle its shareholdings in Discovery and Momentum Metropolitan. A consequence of the unbundling is that RMI will require an equity raise of up to R6.5 billion via a *pro rata* rights issue to optimise the capital structure. This is a non-adjusting event.

Dividend

RMI declared a dividend of 22.5 cents per share on 20 September 2021, payable on 25 October 2021. This is a non-adjusting event.

Acquisition of shares in Youi Holdings

The group has exercised its call option to purchase 109 375 000 Youi Holdings original shares from Howard Aron, a former executive of Youi Holdings. The option was exercised on 5 August 2021 and will be payable in October 2021. The strike price per share is A$0.55 per share and fixed at R10.71 per Australian Dollar with an FEC instrument. The group's effective ownership in Youi Holdings will increase from 84.5% to 89.6% as a result of this transaction. The financial effect of this transaction will be the inclusion of a loss of R194 million being recorded in the transactions with non-controlling interests reserve in the statement of changes in equity. This is a non-adjusting event.

26. CURRENT/NON-CURRENT SPLIT OF ASSETS AND LIABILITIES

	30 June 2021		
R million	**Total**	**Current**	**Non-current**
ASSETS			
Property and equipment	26	–	26
Right-of-use assets	56	–	56
Investments in associates	21 467	–	21 467
Financial assets			
Equity securities			
– fair value through profit or loss	91	–	91
Debt securities			
– fair value through profit or loss	372	–	372
Derivative asset	65	32	33
Other receivables	8	8	–
Deferred taxation	14	–	14
Taxation	3	3	–
Cash and cash equivalents	289	289	–
Total assets	**22 391**	**332**	**22 059**
LIABILITIES			
Share-based payment liability	34	21	13
Employee benefit liability	10	10	–
Financial liabilities			
Financial guarantee contract liability	12	12	–
Lease liability	64	3	61
Trade and other payables	25	25	–
Total liabilities	**145**	**71**	**74**

	30 June 2020		
R million	Total	Current	Non-current
ASSETS			
Property and equipment	12	–	12
Investments in associates	20 367	–	20 367
Financial assets			
Equity securities			
– fair value through profit or loss	122	–	122
Debt securities			
– fair value through profit or loss	382	–	382
Other receivables	6	6	–
Deferred taxation	8	–	8
Taxation	4	4	–
Cash and cash equivalents	178	178	–
Total assets	21 079	188	20 891
LIABILITIES			
Share-based payment liability	30	18	12
Employee benefit liability	4	–	4
Financial liabilities			
Financial guarantee contract liability	18	18	–
Lease liability	–		
Provisions	4	4	–
Trade and other payables	27	27	–
Total liabilities	83	67	16

SHAREHOLDING

	As at 30 June 2021			As at 30 June 2020		
	Number of shareholders	Shares held (000's)	%	Number of shareholders	Shares held (000's)	%
Analysis of shareholding						
Financial Securities Limited (Remgro)	**1**	**469 449**	**30.6**	1	469 449	30.6
Royal Bafokeng Holdings Proprietary Limited	**2**	**216 935**	**14.2**	2	222 853	14.5
Public Investment Corporation	**6**	**109 591**	**7.2**	8	114 701	7.5
Allan Gray (on behalf of clients)	**1**	**91 068**	**5.9**	1	118 839	7.8
Total of shareholders holding more than 5%	**10**	**887 043**	**57.9**	12	925 842	60.4
Other	**25 059**	**644 765**	**42.1**	27 888	605 966	39.6
Total	**25 069**	**1 531 808**	**100.0**	27 900	1 531 808	100.0
Shareholder type						
Corporates		**686 384**	**44.8**		692 302	45.2
Unit trusts		**262 529**	**17.1**		250 330	16.4
Pension funds		**168 090**	**11.0**		173 178	11.3
Private investors		**41 040**	**2.7**		44 636	2.9
Insurance companies and banks		**53 489**	**3.5**		45 033	2.9
Other		**320 276**	**20.9**		326 329	21.3
Total		**1 531 808**	**100.0**		1 531 808	100.0
Public and non-public shareholders						
Public	**25 059**	**753 769**	**49.2**	27 890	747 851	48.8
Non-public	**10**	**778 039**	**50.8**	10	783 957	51.2
– Corporates	**3**	**686 384**	**44.8**	3	692 302	45.2
– Directors and associates	**7**	**91 655**	**6.0**	7	91 655	6.0
Total	**25 069**	**1 531 808**	**100.0**	27 900	1 531 808	100.0
Geographic ownership						
South Africa		**1 348 900**	**88.1**		1 347 571	88.0
International		**182 908**	**11.9**		184 237	12.0
Total		**1 531 808**	**100.0**		1 531 808	100.0

The information above is extracted from the shareholder analysis provided by Orient Capital Limited.

ADMINISTRATION

RAND MERCHANT INVESTMENT HOLDINGS LIMITED (RMI)

Registration number:	2010/005770/06
JSE ordinary share code:	RMI
ISIN code:	ZAE000210688

DIRECTORS

JJ Durand (chairman), HL Bosman (chief executive officer and financial director), JP Burger, P Cooper, (Ms) SEN de Bruyn, LL Dippenaar, PK Harris, (Ms) A Kekana, P Lagerström, (Ms) MM Mahlare, MM Morobe, RT Mupita, O Phetwe and JA Teeger

ALTERNATES

DA Frankel, F Knoetze and UH Lucht

SECRETARY AND REGISTERED OFFICE

JS Human

Physical address:	12th Floor, The Bank Corner Cradock and Tyrwhitt Avenues Rosebank, Johannesburg, 2196
Postal address:	Private Bag X1000, Saxonwold, 2132
Telephone:	+27 10 753 2430
Web address:	**www.rmih.co.za**

SPONSOR

(in terms of JSE Listings Requirements)

Rand Merchant Bank (a division of FirstRand Bank Limited)

Physical address:	1 Merchant Place, corner of Fredman Drive and Rivonia Road, Sandton, 2196

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

Physical address:	Rosebank Towers, 15 Biermann Avenue, Rosebank
Postal address:	PO Box 61051, Marshalltown, 2107
Telephone:	+27 11 370 5000
Telefax:	+27 11 688 5221

RMI

www.rmih.co.za