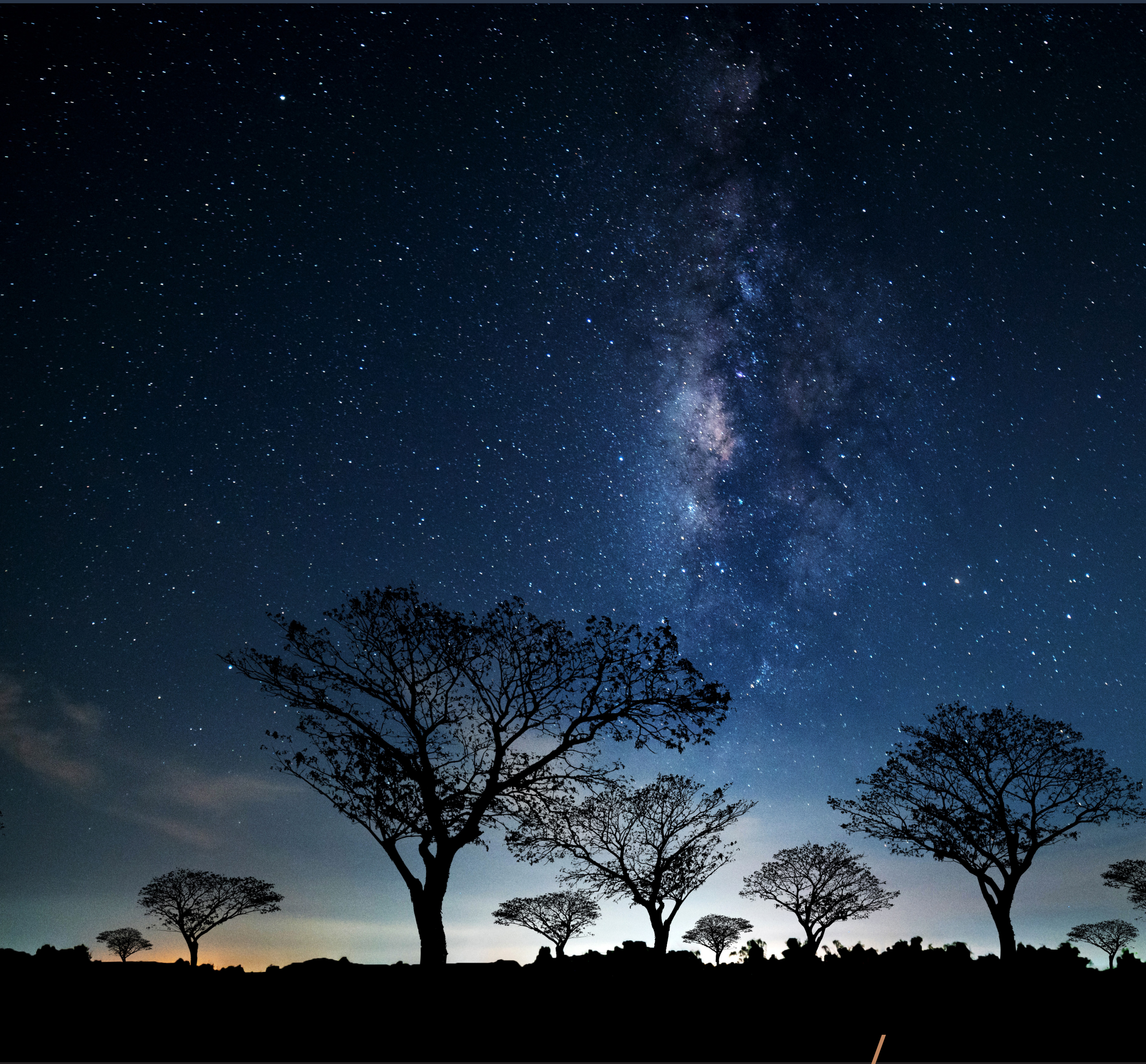
RMI



ANNUAL FINANCIAL STATEMENTS

22

FOR THE YEAR ENDED 30 JUNE 2022

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These annual financial statements have been audited in terms of the Companies Act (Act 71 of 2008) and have been prepared by Schalk Human (MCom(Acc), CA(SA)) under the supervision of Herman Bosman (LLM, CFA).

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 (Act 71 of 2008) to prepare audited consolidated and separate annual financial statements. In discharging this responsibility, the directors rely on management to prepare the audited group 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 auditors, 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 group 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 group 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 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 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 unqualified report appears on **pages 10 to 15**.

The annual financial statements of the group, which appear on **pages 16 to 121** and the separate annual financial statements of the company, which appear on **pages 122 to 141**, were approved by the board of directors on 21 September 2022 and signed on its behalf by:

JJ Durand
Chairman

HL Bosman
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
21 September 2022

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 16 to 141, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) to the best of my knowledge and belief, 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;

d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled my role and function as executive director with primary responsibility for implementation and execution of controls;

e) where I am not satisfied, I have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and

f) I am not aware of any fraud involving directors.

HL Bosman
Chief executive officer and financial director
21 September 2022

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 (Companies Act).

AUDIT AND RISK COMMITTEE MEMBERSHIP AND MEETINGS

The committee is an independent statutory committee and comprises three 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/financial director 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:

Name	March 2022	September 2021
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*
^ *Not a member at the time*

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

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 auditors.

The finance function

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

21 September 2022

DIRECTORS' REPORT

Nature of business

Over the last two years, RMI has been evaluating the creation of a portfolio of unlisted, non-competing and collaborative businesses in the short-term insurance industry. This portfolio could benefit greatly from shared best practice across markets, distribution channels and underwriting experience and represent a blend of diversified and cash-generative 'local champions'. RMI conducted a detailed country and company analysis to identify potential target investments. There were no actionable investment opportunities which meet RMI's expectations around asset quality, price and availability.

An expanded portfolio also needed to be compared to the status quo – an efficient and capitalised corporate structure almost solely representing OUTsurance which, in its own right, is a growing short-term insurance group operating across multiple geographies. OUTsurance could, in time, drive international expansion independently, should attractive opportunities arise.

The RMI board of directors has concluded that it is in the best interests of shareholders not to continue with an active investment strategy and has therefore decided to embark on an orderly and managed transition to a structure that represents an effective listing of OUTsurance.

The managed transition is expected to result in the following key benefits for RMI shareholders:

- Simpler operational structure offering a single access point to OUTsurance;
- More focused OUTsurance management team with direct accountability to shareholders;
- Higher dividend payout ratio;
- Eliminate the current operating costs incurred at the RMI head office to a large extent; and
- Enable the special dividend of R2.2 billion that was paid in April 2022.

The options available in relation to RMI Investment Managers and the AlphaCode portfolio companies are under review and RMI is in the process of engaging the management teams and co-shareholders to design the optimal future strategic outcomes for these portfolio companies and their underlying investee businesses. The RMI management team will continue to support these businesses during the transition period.

During the 2022 financial year, the following corporate activity took place:

- Effective 8 December 2021, the group sold its 30% equity stake in Hastings Group Consolidated (Hastings) for R14.6 billion and repaid its R11.5 billion preference share debt with these proceeds.
- The group finalised the unbundling of its shareholdings in Discovery and Momentum Metropolitan on 25 April 2022.
- RMI invested an additional R5 million in Guidepost.

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

Investee	30 June 2022	30 June 2021
OUTsurance Holdings Limited (OUTsurance)	**89.3%***	89.1%*
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%
Discovery Limited (Discovery)	**–**	24.8%*
Momentum Metropolitan Holdings Limited (Momentum Metropolitan)	**–**	26.8%*
Hastings Group Consolidated (Hastings)	**–**	30.0%

* *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 these 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 2022 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:

Shareholder	30 June 2022	30 June 2021
Remgro Limited	**30.6%**	30.6%
Royal Bafokeng Holdings Proprietary Limited	**14.2%**	14.2%
Public Investment Corporation	**8.5%**	7.2%
Coronation Fund Managers (on behalf of clients)	**7.9%**	3.5%

Earnings

Earnings attributable to ordinary shareholders for the year ended 30 June 2022 amounted to R22 396 million or 1 463.2 cents per share (2021: R2 893 million or 189.2 cents per share). Headline earnings amounted to R2 598 million or 169.7 cents per share (2021: R2 929 million or 191.6 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 2021 of 23.5 cents per ordinary share, declared on 16 March 2022 and paid on 25 April 2022 (31 December 2020: 22.5 cents per ordinary share, declared on 17 March 2021 and paid on 9 April 2021).
- **A special dividend** for the six months ended 31 December 2021 of 142.0 cents per ordinary share, declared on 16 March 2022 and paid on 25 April 2022 (31 December 2020: No special dividend).
- **A final dividend** for the year ended 30 June 2022 of 42.0 cents per ordinary share, declared on 21 September 2022 and payable on 24 October 2022 (30 June 2021: 22.5 cents per ordinary share, declared on 20 September 2021 and paid on 25 October 2021).

Directorate

The directorate comprises:

Non-executive directors

Name	Date of appointment
JJ Durand (Chairman)	8 December 2010
P Cooper	8 December 2010
A Kekana	6 February 2013

Independent non-executive directors

Name	Date of appointment
JP Burger	30 June 2014
P Lagerström	30 June 2014
MM Mahlare	31 March 2018
MM Morobe (lead independent)	1 August 2014
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

Messrs PK Harris, RT Mupita and O Phetwe and Ms SEN De Bruyn stepped down as directors at the annual general meeting held on 24 November 2021. Mr Dippenaar retired as a director on 14 March 2022.

Directors' interests in RMI

Details of individual directors' interests in the company are disclosed on **page 9.**

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.

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 advisory ordinary resolution at the annual general meeting.

Directors' participation in group share incentive schemes

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

Management remuneration policy as a result of the restructure

The restructure of RMI and the process of transitioning and rebranding from RMI to "OUTsurance Group Limited", marking an effective listing of OUTsurance, was a process initiated by the management of RMI as the natural evolution of RMI post the various corporate actions and a detailed strategic review in the financial year.

RMI management successfully executed the various components of the restructure of the RMI group in 2022 including:

- Supporting the life insurance businesses through COVID-19 and releasing value through the unbundling of the interests in Discovery and Momentum Metropolitan;
- Payment of a special dividend by RMI by expertly selling Hastings at a profit and in uncertain UK general insurance market conditions; and
- Positioning a listing of OUTsurance without the typical costs of an 'IPO discount' and established a meaningful empowerment shareholding within the sound operational structures embedded in OUTsurance.

In this process, R36 billion value was distributed to shareholders in 2022 and the executive positions of the management of RMI became redundant. This resulted in the payment of exit packages to the Chief Executive Officer (CEO) and the full time employees of RMI. The terms and structure of the exit packages were approved by the board on recommendation from the remuneration committee.

The restructure costs in the normalised earnings reconciliation reflected in note 43 of the consolidated annual financial statements, *inter alia*, include the payment of the exit packages to the CEO and the full time employees of RMI. The severance portion is excluded from normalised earnings and the normal increase in the IFRS2 liability is included in normalised earnings on a time apportioned methodology. RMI had a hedge in place against its share based payment liability, which was unwound in the 2022 financial year.

The components of the directors remuneration paid to the CEO as well as the impact of the directors remuneration on RMI's consolidated income statement are outlined in note 45 to the consolidated annual financial statements. Further detail on the exit arrangements for the CEO will be disclosed in RMI's integrated report to be released on or about 11 October 2022.

There are three pay components in the CEO's compensation, namely fixed remuneration, long-term incentives and management participation plan. The CEO does not participate in the discretionary short-term incentive scheme. The long-term incentives and management participation plan components seek to recognize exemplary value creation for shareholders, and compensate for RMI's atypically long-term oriented reward structure in light of the premature employment termination.

The components are considered in turn below:

- **Guaranteed compensation**
- **Short-term incentive:** In line with the policy, the CEO did not participate in the STI scheme.
- **Long-term incentives:** No LTIs were awarded during 2022. In anticipation of the exit arrangements with the CEO, the vested awards were valued at the transaction date of 18 March 2022. Unvested awards were also fair valued on 18 March 2022, adjusted for performance vesting outcomes and pro-rated for service. The unvested awards that have lapsed because of the time pro-ration for service were also fair valued using the same principles and through the remuneration committee's discretion, taking cognisance of the total shareholder value that has been delivered since inception of RMI in 2011 including the value recovery since the commencement of COVID-19.
- **Management participation plan:** None of the awards attributable to the management participation plan vest as a result of the exit of the CEO and will continue on original terms for a remaining period of 3 years post the CEO's exit.

The total pay outcomes, including the payments relating to the CEO's exit are disclosed below:

Payments not related to the CEO's exit
Comprising of his normal cash package and other benefits and cash-settled share appreciation rights (Cash SARs) that were awarded in 2014 and exercised before they were due to lapse in 2022. This was the first time the CEO exercised Cash SARs.

	Cash package R'000	Other benefits R'000	Instruments exercised during the year R'000	Total R'000
HL Bosman	10 652	1 373	31 868	43 893

Contractual exit payments
Comprising:

- A severance payment (benchmarked for industry practice);
- Vested unexercised Cash SARs that were fair valued and automatically settled; and
- Unvested Cash SARs, equity settled SARs and nil-cost options (NCOs) that were fair valued, and in accordance with the applicable share plan rules, adjusted for performance and prorated downwards to consider the time that the CEO was in office relative to the total number of months in the vesting periods.

	Severance payment R'000	Fair value of vested instruments R'000	Fair value of unvested pro-rated instruments R'000	Total R'000
HL Bosman	9 977	16 347	40 915	67 239

Discretionary exit payment
Comprising of a severance payment that was awarded to compensate the CEO for the portion of his unvested SARs that lapsed due to the downward adjustment for time served of the vesting period.

	Severance payment R'000
HL Bosman	61 916

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 Avenues, Rosebank, 2196.

Management contract

RMI and RMB Holdings Limited (RMH) rendered management services to each other during the 2022 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 24 November 2021:

- Approval of non-executive directors' remuneration with effect from 1 December 2021;
- 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 16 November 2021:

- 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.

Directors' interests in the ordinary shares of RMI

Directors have disclosed the following interest in the ordinary shares of RMI as at 30 June 2022:

000's	Direct beneficial	Indirect beneficial	Held by related persons	Total 2022
HL Bosman	**–**	**800**	**–**	**800**
JP Burger	**–**	**1 184**	**–**	**1 184**
P Cooper	**795**	**–**	**3 061**	**3 856**
JJ Durand	**–**	**–**	**–**	**–**
DA Frankel (alternate)	**–**	**–**	**–**	**–**
A Kekana	**–**	**–**	**–**	**–**
F Knoetze (alternate)	**–**	**–**	**–**	**–**
P Lagerström	**–**	**–**	**–**	**–**
UH Lucht (alternate)	**–**	**–**	**–**	**–**
MM Mahlare	**–**	**–**	**–**	**–**
MM Morobe	**–**	**–**	**–**	**–**
JA Teeger	**42**	**54**	**–**	**96**
Total interest	**837**	**2 038**	**3 061**	**5 936**

Directors have disclosed the following interest in the ordinary shares of RMI as 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:

Class and number of securities:	
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

From 30 June 2022 to the date of this report, the interest of directors remained unchanged.

Events subsequent to the reporting date

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

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 2022, 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 16 to 141 comprise:

- the consolidated and separate statements of financial position as at 30 June 2022;
- 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

- R303,8 million, which represents 1% of the consolidated total assets.

Group audit scope

- We performed a full scope audit on the financially significant component.
- For certain components we performed audits of certain account balances due to the financial significance of these accounts to the consolidated financial statements as a whole.
- We performed analytical procedures on non-significant components.

Key audit matter

- Valuation of insurance contract liabilities relating to short term and long term insurance contracts.

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	R303,8 million
How we determined it	1% of the consolidated total assets
Rationale for the materiality benchmark applied	We chose consolidated total assets as the benchmark because, in our view, it is the key benchmark against which the performance of the group is most commonly measured by users of the financial statements. We chose 1% based on our professional judgement and after consideration of the range of quantitative materiality thresholds that we would typically apply when using total assets to compute materiality.

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.

A full scope audit was performed on the group's financially significant component and the holding company. For certain 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 insignificant components in order to obtain sufficient appropriate audit evidence on which to base the group audit opinion.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team and component auditor. Where the work was performed by the component auditor, we determined the level of involvement we needed to have in the audit work at the component to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We reviewed the reporting deliverables received from the component auditor 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 level, 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.

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regards to the audit of the separate financial statements of the company for the current period.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities relating to short term and long term insurance contracts Refer to the following accounting policies and notes to the consolidated financial statements for detail: ■ Accounting policies note 18, Insurance contracts. ■ Accounting policies note 24, Critical accounting assumptions. ■ Notes to the consolidated annual financial statements note 9, Insurance contracts and reinsurance contracts. Insurance contract liabilities relating to short term contracts include a net outstanding claims provision of R2,9 billion and an insurance contract non-claims bonuses provision of R554 million. Insurance contract liabilities relating to long term contracts include a net policyholder liabilities provision of R669 million. The inherent uncertainty in future projections requires an additional layer of protection known as a risk margin in order to meet future obligations with a satisfactory level of confidence. The risk margin is calibrated to at least the 75th percentile in any given time period. Insurer-specific parameters (ISPs) are used in determining the risk margin held above the best estimate for the motor and property classes of business. For smaller classes, standardised reserve risk factors are used. The provision for non-claims 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. The long-term 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. In addition to the 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.	Our audit procedures included the following: Evaluated the design and operating effectiveness of the controls used in the calculation of the insurance contract liabilities. We noted no exceptions. Short term insurance contracts: To assess the validity of the 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 from 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). No inconsistencies to underlying documentation were noted; ■ 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. No material exceptions were noted; ■ We utilised our actuarial expertise to assess the methodology and assumptions used 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 of our independent calculations. Utilising our actuarial expertise, we performed the following procedures on the provision for non-claims bonuses: ■ We evaluated the appropriateness of the methodology and assumptions applied by management with reference to IFRS 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 found the methodology and assumptions applied by management to be reasonable and noted that the methodology was consistently applied from the prior year; ■ We 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 bonuses, taking into account the nature of the benefit. Based on our work performed, we deemed the actuarial approach applied to be reasonable; ■ We 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 bonuses to obtain an independent value for the provision. We compared this to management's provision and noted no material differences.

Key audit matter	How our audit addressed the key audit matter
We considered the valuation of insurance contract liabilities relating to short term and long 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 and complex in nature; ■ Significant judgement and estimation are applied by management; and ■ The magnitude of the liabilities to the consolidated financial statements.	Long term insurance contracts: Utilising our actuarial expertise, we performed the following procedures over the valuation of the long term insurance contract policyholder liabilities: ■ Tested the appropriateness of the valuation methodology given the nature, scale and complexity of the business, consistency with the entity's accounting policies, as well as applicable actuarial guidance issued by the Actuarial Society of South Africa; ■ Assessed the reasonability of the valuation assumptions taking into consideration experience investigations performed, expected future experience and industry trends, as well as applicable actuarial guidance issued by the Actuarial Society of South Africa; ■ Assessed the data used to value the provisions from a completeness and accuracy perspective. No material differences were noted; ■ Assessed the analysis of surplus for reasonability of the movements in the policyholder liabilities year on year; and ■ Assessed the final valuation results, including a review of the model output and movements in the results from last year, which were reviewed for reasonability given our knowledge of changes over the year and explanations from management's actuarial department. Based on the procedures performed, no areas requiring additional consideration were noted.

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 2022", 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 2022", 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 12 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: C Volschenk
Registered Auditor

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

21 September 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June

R million	Note	Group 2022	Group 2021
ASSETS			
Property and equipment	1	**1 065**	1 056
Intangible assets	2	**236**	213
Right-of-use assets	3	**70**	104
Investments in associates	4	**692**	29 301
Financial assets			
Equity securities			
– fair value through profit or loss	5	**1 536**	1 741
– fair value through other comprehensive income	5	**383**	365
Debt securities			
– fair value through profit or loss	5	**2 037**	3 090
– fair value through other comprehensive income	5	**5 317**	3 338
– amortised cost	5	**7 233**	6 122
Derivative asset	6	**68**	133
Insurance and other receivables	7	**4 858**	3 803
Deferred acquisition cost	8	**681**	513
Reinsurance contracts	9	**2 765**	1 140
Deferred taxation	10	**425**	502
Taxation		**3**	25
Assets held for sale	41	**503**	–
Cash and cash equivalents	11	**2 508**	2 618
Total assets		**30 380**	54 064
EQUITY			
Share capital and premium	12	**15 431**	15 353
Reserves	13	**(3 944)**	11 885
Total shareholders' equity		**11 487**	27 238
Non-controlling interests	39	**1 465**	1 776
Total equity		**12 952**	29 014
LIABILITIES			
Financial liabilities			
Preference shares	14	**–**	11 514
Financial liabilities at fair value through profit or loss	15	**72**	125
Derivative liability	6	**6**	130
Investment contracts at fair value through profit or loss	16	**64**	37
Insurance contracts	9	**13 638**	10 311
Lease liabilities	17	**82**	118
Share-based payment liability	18	**297**	258
Employee benefit liabilities	19	**251**	237
Insurance and other payables	20	**2 777**	1 909
Deferred taxation	10	**29**	270
Taxation		**163**	141
Liabilities directly associated with assets held for sale	41	**49**	–
Total liabilities		**17 428**	25 050
Total equity and liabilities		**30 380**	54 064

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June

R million	Note	Group 2022	Group 2021
Gross insurance premiums	21	**23 532**	20 570
Less: Reinsurance premiums	21	**(2 314)**	(1 658)
Net insurance premiums	21	**21 218**	18 912
Gross change in provision for unearned premiums	21	**(1 264)**	(1 043)
Reinsurance relating to provision for unearned premiums	21	**243**	182
Net insurance premiums earned	21	**20 197**	18 051
Fee and other income	22	**471**	85
Investment income	23	**320**	152
Interest income on financial assets using the effective interest rate method	23	**341**	333
Realised losses		**–**	(6)
Net fair value gains on financial assets	24	**118**	406
Fair value gain on loss of control of subsidiary		**37**	–
Expected credit losses on financial assets	25	**(5)**	(2)
Net income		**21 479**	19 019
Gross claims paid	26	**(13 352)**	(10 019)
Reinsurance recoveries received	26	**2 577**	1 276
Provision for non-claims bonuses	26	**(550)**	(509)
Transfer to policyholder liabilities under insurance contracts	9,4	**(3)**	(249)
Fair value adjustment to financial liabilities	40	**(147)**	(140)
Marketing and administration expenses	27	**(6 868)**	(5 598)
Profit before finance costs, results of associates and taxation		**3 136**	3 780
Finance costs	29	**(432)**	(626)
Share of after-taxation results of associates	4	**27**	64
Profit before taxation		**2 731**	3 218
Taxation	30	**(1 027)**	(1 139)
Profit for the year from continuing operations		**1 704**	2 079
Profit for the year from discontinued operations	42	**21 187**	1 143
Profit for the year		**22 891**	3 222
Attributable to:			
Equity holders of the company		**22 396**	2 893
Non-controlling interests		**495**	329
Profit for the year		**22 891**	3 222
Earnings per share (continuing and discontinued operations)	32	**1 463.2**	189.2
Diluted earnings per share (continuing and discontinued operations)	32	**1 460.4**	188.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	Group 2022	Group 2021
Profit for the year	**22 891**	3 222
Other comprehensive income/(losses) for the year		
Items that may subsequently be reclassified to profit or loss		
Exchange differences on translation of foreign operations[1]	**202**	(502)
Fair value gains/(losses) on other comprehensive income financial instruments[2]	**38**	(67)
Deferred tax on fair value gains on other comprehensive income financial instruments	**3**	–
Share of comprehensive income of associates	**(739)**	(761)
Items that may subsequently be reclassified to profit or loss, after taxation	**809**	(901)
Reclassification of accumulated comprehensive income of discontinued operation	**(1 430)**	–
Movement on liabilities accounted for as net investment hedge	**(77)**	215
Items that will not be reclassified to profit or loss, after taxation	**(41)**	(75)
Other comprehensive loss for the year	**(496)**	(1 330)
Total comprehensive income for the year	**22 395**	1 892
Attributable to:		
Equity holders of the company	**21 864**	1 682
Non-controlling interests	**531**	210
Total comprehensive income for the year	**22 395**	1 892
Total comprehensive income from continuing operations	**1 923**	1 510
Total comprehensive income from discontinued operations	**20 472**	382

1 *This amount may subsequently be classified to profit or loss.*
2 *R10 million (2021: (R75 million)) of this amount may subsequently be reclassified to profit or loss and R28 million (2021: R8 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 1 July 2020	15 342	7 463	(3 856)	727	6 172	1 697	27 545
Income statement	–	–	–	–	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**
Income statement	**–**	**–**	**–**	**–**	**22 396**	**495**	**22 891**
Other comprehensive income	**–**	**(726)**	**–**	**194**	**–**	**36**	**(496)**
Dividends paid	**–**	**–**	**–**	**–**	**(2 880)**	**(594)**	**(3 474)**
Dividend in specie – unbundling of associates	**–**	**–**	**–**	**–**	**(34 644)**	**–**	**(34 644)**
Income of associate companies retained	**–**	**(7 154)**	**–**	**–**	**7 154**	**–**	**–**
Movement in treasury shares	**78**	**3**	**–**	**–**	**(68)**	**1**	**14**
Transactions with non-controlling interest	**–**	**5**	**(248)**	**–**	**(1)**	**(271)**	**(515)**
Issue of share capital to non-controlling interests by subsidiaries	**–**	**–**	**–**	**–**	**–**	**63**	**63**
Share-based payment reserve	**–**	**36**	**–**	**1**	**(3)**	**–**	**34**
Derecognition of retained earnings on loss of control of subsidiary	**–**	**–**	**–**	**–**	**82**	**(41)**	**41**
Reserve adjustment of associates	**–**	**24**	**–**	**–**	**–**	**–**	**24**
Balance as at 30 June 2022	**15 431**	**(309)**	**(4 180)**	**420**	**125**	**1 465**	**12 952**
Note	12	13	13	13	13	39	

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June

R million	Note	Group 2022	Group 2021
Cash flows from operating activities			
Cash generated from operations	31	**3 893**	4 424
Interest income		**366**	308
Dividends received		**233**	256
Cash flows on assets backing policyholder liabilities		**(156)**	(244)
Purchase of financial assets		**(12 005)**	(7 986)
Proceeds on disposal of financial assets		**9 108**	7 558
Income tax paid		**(1 185)**	(1 116)
Dividends received from discontinued operations		**326**	397
Net cash generated from operating activities		**580**	3 597
Cash flows from investing activities			
Purchase of property and equipment		**(95)**	(81)
Disposal of property and equipment		**6**	1
Purchase of financial assets		**(431)**	(3 112)
Proceeds on disposal of financial assets		**1 965**	1 395
Acquisition of associates		**(161)**	(226)
Proceeds on disposal of associate		**14 576**	11
Acquisition of shares in discontinued operation		**(402)**	–
Net cash inflow/(outflow) from investing activities		**15 458**	(2 012)
Cash flows from financing activities			
Redemption of preference share debt	14	**(11 514)**	–
Purchase of shares from non-controlling interest		**(728)**	–
Proceeds from the issue of preference share debt		**–**	2 000
Borrowings raised		**245**	–
Borrowings repaid		**(245)**	(2 108)
Repayment of lease liability		**(43)**	(41)
Cost of funding		**(14)**	(68)
Dividends paid on preference shares in issue		**(511)**	(560)
Dividends paid by subsidiaries to non-controlling interests		**(594)**	(226)
Cash dividends paid to shareholders		**(2 880)**	(345)
Proceeds on issue of shares to non-controlling interest		**63**	40
Net cash outflow from financing activities		**(16 221)**	(1 308)
Net (decrease)/increase in cash and cash equivalents for the year		**(183)**	277
Decrease in cash due to disposal of subsidiary		**(5)**	–
Unrealised foreign currency translation adjustment on cash and cash equivalents		**78**	(73)
Cash and cash equivalents at the beginning of the year		**2 618**	2 414
Cash and cash equivalents at the end of the year		**2 508**	2 618

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 Guide 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 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 is 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 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 the reporting date, the actual outcome may differ from those estimates. Where appropriate, details of estimates are presented in the accompanying notes to the financial statements.

All monetary information and figures presented in these 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 section 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 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 are 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 group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Separate financial statements

In RMI's separate 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 and 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 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 tax 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 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 a 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 21.

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, if these financial assets are not designated at fair value through profit or loss (FVPL). 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 are not subsequently reclassified to profit or loss but may, however, 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 settlement of the net investment or 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 expire, 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 benefits 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 the 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 residual values and useful lives of the assets 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 market's 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 are deducted from the gross carrying amount of the financial assets. Loss allowances for ECL on debt investments measured at FVOCI are recognised in OCI and do 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 expenses 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 distribution is 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 the 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. Segmental 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 are 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 customers 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 the 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 include 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. Whilst 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 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 include 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 protection, 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 biannual 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 whilst 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 are 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 the 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 cancellation 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
IFRS 16 Leases COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 April 2021 (early adoption is permitted) (Published March 2021)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. The group did not receive any rent concessions and therefore the amendment will not impact the group.
Amendments to *IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts* and *IFRS 16 Leases – interest rate benchmark (IBOR) reform (Phase 2)*	Annual periods beginning on or after 1 January 2021 (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. The group does not use the IBOR as an interest rate benchmark and therefore the amendment is not applicable to the group.

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 of 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
IFRS 17 Insurance contracts	Annual periods beginning on or after 1 January 2023 (Published May 2017, amendments published in June 2020)	The IASB issued *IFRS 17 Insurance contracts,* whereas the current standard, *IFRS 4,* allows insurers to use their local GAAP. *IFRS 17* defines clear and consistent rules that will significantly increase the comparability of financial statements. The transition to *IFRS 17* will have an impact on the presentation of our financial statements, measurement of the insurance liabilities and on key performance indicators. OUTsurance Life will apply the General Measurement Model which requires entities to measure an insurance contract at initial recognition as the total of the present value of the best estimate cash flows to fulfil the insurance contract with an explicit risk adjustment for non-financial risk and the contractual service margin (CSM) which represents the unearned profit. The fulfilment cash flows are revised on a current basis each reporting period. The CSM is recognised over the coverage period. OUTsurance Life will make use of its existing cash flow projection software to calculate the fulfilment cash flows and a vendor solution for its CSM engine. The accounting functionality of the CSM engine will also be utilised as a sub-ledger which will feed into the group's general ledger. OUTsurance Life expects a change in the insurance contract liability resulting from the move from the *IFRS 4* compulsory risk margin to the *IFRS 17* risk adjustment which only requires an entity to disclose its targeted confidence level. Although the CSM is a significant change resulting from *IFRS 17,* the impact of this change is limited by *IFRS 4's* zerorisation of negative Rand reserves. *IFRS 17* also requires us to allocate a portfolio of insurance contracts into an appropriate profitability grouping at initial recognition and to track and measure those groups separately over the boundary of the contract. OUTsurance Life has established an approach and is in process to incorporate the procedures to comply with this requirement. OUTsurance Life will apply the fully retrospective transitional approach with the adoption of *IFRS 17.* For the short-term business of the group, which includes OUTsurance and Youi Australia, the majority of the contracts issued have a coverage period of 12 months or less and thus the Premium Allocation Approach (PAA) will be applied. The remaining contracts also qualify for the PAA with the use of the eligibility criteria. Due to the similarities between the PAA and the existing unearned premium methodology under *IFRS 4,* the group will make use of current software and processes in place and incorporate adjustments where required. The group will apply the fully retrospective transition approach for the short-term business with the adoption of *IFRS 17.*

Standard	Effective date	Executive summary
		The most material accounting policy decisions for the short-term business have been finalised with the following impacts in the following areas noted: ■ The net impact on the NAV is expected to be minimal with the biggest potential impact being as a result of the discounting of the liability for incurred claims. ■ Other expected changes on the statement of financial position for the short-term business are merely reclassifications of the deferred acquisition costs and insurance-related receivables which will no longer be presented separately, but as part of the insurance liabilities. This will lead to a reduction in total assets, offset by a reduction in total liabilities. ■ When applying the PAA, the group can assume the contracts are profitable unless facts and circumstances indicate otherwise. If a group of portfolio of contracts is loss-making, *IFRS 17* requires us to measure and separately track the run-off of loss component separately. The processes and procedures to comply with this requirement are currently being operationalised. The next steps for both OUTsurance Life and the short-term business is to focus on refining and establishing the monthly reporting and accounting processes for the parallel run and continue with training and familiarising senior management with results 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 1 First-time adoption of IFRS* has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. This amendment does not impact the group. This guidance will be followed should such a transaction arise in the future after it has become effective. ■ *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. Whilst there were no modifications to financial liabilities during the current financial year this guidance will be followed should such a transaction arise in the future after it has become effective.
Amendments to *IAS 37 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. Any onerous contract assessment will be performed according to these principles where applicable. This assessment will be performed over and above the onerous assessment required for insurance contracts under *IFRS 17.*
Amendments to *IAS 16 Property, Plant and Equipment: Proceeds before Intended Use*	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to *IAS 16* prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss. This amendment does not impact the group as the group is not in the industry of producing and manufacturing goods for re-selling.

Standard	Effective date	Executive summary
Amendment to *IFRS 3 Business combinations Asset or liability in a business combination clarity*	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The Board 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 Board 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 Board has also clarified that the acquirer should not recognise contingent assets, as defined in *IAS 37,* at the acquisition date. No business combinations are being entered into by the group. This will be incorporated into the accounting process should such a transaction be entered into in the future.
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 2023 (Published Jan 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. A number of requirements are required to be met in conjunction with this amendment. The group will incorporate this amendment when effective. The current expectation is that it will not result in the current/non-current classification of liabilities to be materially affected.
Amendments to *IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. With the current assessment performed, this amendment will not impact the group. This will however be considered in the continuous deferred tax calculation.
Narrow scope amendments to *IAS 1 Presentation of Financial Statements, Practice statement 2* and *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. The group is in process of re-assessing and refining its accounting policies to only disclose the relevant and material policies applicable to the group.

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.

Short-term insurance

Claims provisions

Each claim is recorded at a detailed level such that the various components making up the total claim amount can be separated out and projected. The estimation of provisions requires the subdivision of the data into groups of claims exhibiting similar characteristics. However, a balance needs to be obtained between the additional accuracy of having more homogenous groupings and having sufficient data for a credible analysis.

Once claims have been appropriately mapped, various methodologies are applied to determine the expected ultimate claim amount. Methodologies will differ depending on the company, claim type and cash-flow type.

In summary, the following methodologies are used:

- Development Factor Method (DFM);
- Cape Cod Method (CC);
- Bornhuetter-Ferguson Method (BF);
- Loss Ratio Method (LR); and
- Holding incurred amounts.

In essence, each method attempts to predict the progression of claims incurred and/or reported through a combination of various development factors, loss ratios and dependency factors. The method chosen depends on the materiality and data credibility of the various sub-classes as well as correlations between various sub-classes. When determining the various sub-components of the calculation, it is assumed at a high level that past claims development can be used as a reasonable guide for future expected claim development. Additionally, it is assumed, in some cases, that the earliest loss year is fully run-off and/or can be estimated with confidence. Where it is not fully run-off, a tail factor is assumed. In all cases, judgement is applied in order to appropriately allow for expected future experience.

Allocated loss adjustment expenses (ALAE) for costs directly attributable to claims are loaded on claims explicitly and included in the analysis of claims data. An unallocated loss adjustment expense (ULAE) for costs indirectly attributable to claims management is also allowed for by expressing total claims-related management expenses as a proportion of gross claims paid, for the 12 months preceding the calibration date.

The inherent uncertainty in future projections requires an additional layer of protection known as a risk margin in order to meet future obligations with a satisfactory level of confidence. The risk margin is calibrated to at least the 75th percentile in any given time period in accordance with our accounting policy. Insurer-specific parameters (ISPs) are used in order to determine the risk margin held above the best estimate for the motor and property classes of business. For smaller classes, standardised reserve risk factors are used.

Although the July riots in KZN caused large-scale damage, the reserves and results are unaffected by the event as the exposure is passed directly through in its entirety to SASRIA. Any KZN riot-related claim was isolated and set aside so as to ensure it had no undue impact on the policyholder liabilities.

For the South African operations, the KZN floods experienced during the latter half of the financial year represent the most severe Catastrophe event experienced to date with an expected ultimate loss of R442 million. OUTsurance has paid out a total of R301 million and has a remaining reserve of R141 million. Similarly to previous Catastrophes, the claims related to the KZN floods were isolated and reserved for separately.

The Australian operations experienced a number of weather events such as storm and flood events in the East Coast Floods during the second and third quarter of the year and were able to settle the outstanding claims from these events during the fourth quarter without an influx of new natural peril claims.

The impact of the COVID-19 pandemic and its subsequent economic and societal impacts were closely considered throughout the reserving exercise.

At year-end, a detailed assessment was performed on the impact of macro-economic concerns related to inflation, economic slow-down, normalisation of the impact of the pandemic and supply shortages on the various components of claims reserves. Any past experience that was afflicted by COVID-19 was isolated in order to avoid unduly allowing it to filter into normalised future experience (where normalisation is expected). In light of additional information observed over the year, judgement was applied on specific cash flow types in order to better allow for any remaining uncertainty observed.

Due to the increased uncertainty relating to the reserving, particularly for the negative cash flow components of the reserve, an associated increase has been made in the confidence interval at which the risk margin has been set. This confidence interval for the South African operations increased from the 85th percentile in 2021 to the 90th percentile in 2022.

The confidence interval for the Australian operations was calibrated at the 75th percentile, unchanged from 2021.

The table below shows the claims reserve balance at various confidence intervals. The sensitivity below is done on a gross basis for the South African business and for the Australian operations its net of the proportional reinsurance.

R million	South African short-term operations	Australian short-term operations
30 June 2022		
70th percentile	**–**	**2 011**
75th percentile	**–**	**2 043**
80th percentile	**909**	**2 080**
85th percentile	**934**	**–**
90th percentile	**965**	**–**
95th percentile	**1 011**	**–**
30 June 2021		
70th percentile	–	1 477
75th percentile	–	1 500
80th percentile	865	1 525
85th percentile	889	–
90th percentile	920	–
95th percentile	966	–

The table below illustrates the percentage of what prior year claims, including risk margin, represents of the total OCR balance. The development of prior year claims do not have a material impact on the group:

Jurisdiction	2022	2021
South African operations	**9%**	13%
Australian operations	**13%**	11%

Unearned premium provision on insurance contracts

Premium income (per policy, date, product type, etc.) is captured on the system and an unearned premium provision (UPP) is calculated automatically according to the 365th method. The 365th method assumes a uniform distribution of the exposure to risk over an annual period. This method places an appropriate value on the liabilities concerned according to the incidence of risk for the policies covered. The only exception to the above is the Contractor's All Risk Engineering risks (CAS risks), where an earnings curve is deployed and utilised due to the fact that the exposure may be up to 3 years, however, this is an immaterial portion of the overall book.

Bonus provision 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. The provision takes account of the various types of no-claims bonuses available to clients. 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 2022:

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.

As at 30 June 2021, OUTsurance Life set up a 12-month COVID-19 provision of R47 million in response to the expected effect of the COVID-19 pandemic on policyholders.

During the current financial year, OUTsurance Life has tracked COVID-19-related claims, by isolating these claims from total claims. The mortality, morbidity and retrenchment claims marked as COVID-19-specific claims over the last 12 months were assessed against the expected COVID-19 claims to calculate the utilisation of the COVID-19 provision.

Based on these investigations, R24 million of the overall COVID-19 provision set up as at 30 June 2021 was released as at 30 June 2022.

The assumptions used to set the COVID-19 provisions were based on the most recent observable experience, as well as expectations of the future impact of the pandemic.

The total provision for COVID-19 as at 30 June 2022 is R22.6 million.

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 11.51% (2021: 10.5%).

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 7.9% (2021: 5.8%).

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 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.

Measurement of intangible assets component of investments in associates

Customer 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 customer 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 assets in Hastings and customer relationships intangible assets in Ethos and Entersekt are amortised over five years.

The group did not adjust the intangible assets as calculated in prior years in the 2022 financial year.

Impairment assessment of associates

The group sold its equity stake in Hastings in December 2021 and unbundled its equity stakes in Discovery and MMH in April 2022. These represented the most material investments in associates of the group in the past that were tested for potential impairment.

Discounted cash flow valuations were performed on the associates held under RMI Investment Managers and the fintech portfolio. The total impairment charge was R15 million in the RMI Investment Managers portfolio, mainly as a result of the loss of assets under management.

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 of 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 the 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:

R million	30 June 2022	30 June 2021
Gross insurance contracts		
Short-term insurance contracts		
– claims provision	**5 004**	3 182
– unearned premiums	**7 252**	5 744
– non-claims bonuses	**554**	542
Long-term insurance contracts	**828**	843
Total gross insurance contract liabilities	**13 638**	10 311

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:

Type of insurance contract written	South Africa Personal lines	South Africa Commercial	Australia Personal lines	Australia Commercial
30 June 2022				
Personal accident	**<1.0%**	**<1.0%**	**3.9%**	**–**
Liability	**–**	**6.3%**	**–**	**62.2%**
Motor	**65.2%**	**58.1%**	**55.0%**	**22.9%**
Property	**34.2%**	**31.9%**	**40.3%**	**14.9%**
Transportation	**<1.0%**	**3.6%**	**<1.0%**	**–**

Type of insurance contract written	South Africa Personal lines	South Africa Commercial	Australia Personal lines	Australia Commercial
30 June 2021				
Personal accident	<1.0%	<1.0%	2.1%	–
Liability	–	7.5%	–	87.5%
Motor	64.5%	64.8%	58.0%	12.5%
Property	35.1%	24.3%	39.0%	–
Transportation	<1.0%	3.4%	<1.0%	–

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.

Climate risk is an emerging risk which increases the group's insurance risk exposure to natural perils. This remains a top risk of the group as it exposes the group to more volatile earnings. This not only increases the cost of reinsurance but also the risk of availability of reinsurance at the pricing and terms required by the group. The group can reprice for climate risk and it will remain a watch item as part of the underwriting and reinsurance strategy of the group.

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

Underwriting strategy
The group aims to diversify the pool of insured perils by 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 the 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 facilitative cover being arranged. No-claims bonuses, which reward 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 is 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.

Restatement premiums are payable to the extent that reinsurance cover for catastrophe events is utilised, on a pro-rata basis.

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 (10% from 1 July 2022); and
- BZI SME and Commercial Motor – 25% ceded to reinsurers (10% from 1 July 2022).

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 $10 million (quota share and risk excess) cover would be placed facultatively. The same is true for liability risks over $20 million ($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 $30 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 $35 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 $2.5 million per event at $95 million in aggregate. The aggregate treaty provides an estimated $10 million to $15 million of cover.

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.

The South African operation is exposed to a concentration of insurance risk in terms of sum assured in Gauteng (2022: 48.2%; 2021: 49.0%), Western Cape (2022: 22.8%; 2021: 22.2%) and KwaZulu-Natal (2022: 10.6%; 2021: 10.6%). The Australian operation (including BZI) is exposed to a concentration of insurance risk in terms of sum insured in Queensland (2022: 23.1%; 2021: 28.9%), New South Wales (2022: 28.0%; 2021: 28.4%) and Victoria (2022: 33.5%; 2021: 25.7%). 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 the 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. This arrangement is currently in run-off.

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.

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 are 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 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.

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 client's 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.

There are two Key Risk Indicators (KRI's) that define the risk appetite for OUTsurance Life:

Risk type	Key risk indicator
Appropriate cover	Single risk loss (net of reinsurance) should be less than 5% of net monthly premiums.
Counterparty default risk	Exposure to counterparties with a credit quality step (CQS) higher than 6.

In order to assess the exposure that OUTsurance Life has to a single large loss, the retained exposures of the biggest risks are measured and compared to the earned monthly premium net of reinsurance. The CQS of the participating reinsurers is determined in line with the credit rating methodology. The risk appetite for reinsurer counterparties is currently a CQS of 6 and this is monitored on a quarterly basis.

- **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. Risk is further mitigated through periodic third line reviews.

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.

Higher-than-expected inflation is one potential cause of a deviation between actual and budgeted expenses. The group therefore introduced an inflation-linked derivative structure as part of the asset-liability matching strategy, where bond forward asset instruments are purchased to mitigate this risk. The aim is to provide protection against volatility in real cash flows (expenses) arising from changes in the inflation curve.

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 collaterised.

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 the 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 a foreign subsidiary operating in Australia. 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 group sold its 30% equity stake in Hastings effective 8 December 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:

R million	Rand	Australian Dollar	Total
30 June 2022			
Total assets	**12 563**	**17 817**	**30 380**
Total liabilities	**3 822**	**13 606**	**17 428**
Exchange rates			
Closing rate		**11.24**	
Average rate		**11.09**	
30 June 2021			
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	

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:

R million	AUD 10% Appreciation	AUD 10% Depreciation
30 June 2022		
Profit or loss	**(42)**	**42**
Equity	**(421)**	**421**

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

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:

R million	**30 June 2022** 200 bps increase	**30 June 2022** 200 bps decrease	30 June 2021 200 bps increase	30 June 2021 200 bps decrease
Financial assets				
Fixed-rate instruments				
Government, municipal and public utility securities (impact on OCI)	**(9)**	**9**	(10)	10
Unsecured loan	**–**	**–**	(2)	2
Money market instruments	**(9)**	**9**	(5)	5
Variable rate instruments				
Government, municipal and public utility securities	**–**	**–**	(2)	2
Money market instruments	**(58)**	**60**	(41)	44
Cash and cash equivalents	**49**	**(49)**	47	(47)
Financial liabilities				
Preference shares	**–**	**–**	(129)	129

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 of 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:

R million	**30 June 2022** 10% increase	**30 June 2022** 10% decrease	30 June 2021 10% increase	30 June 2021 10% decrease
Financial assets				
Listed preference shares (P or L)	**34**	**(34)**	31	(31)
Collective investment scheme (P or L)	**37**	**(37)**	14	(14)
Listed equity shares (P or L)	**82**	**(82)**	129	(129)
Derivative asset (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 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 creditworthiness 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):

R million	AA	A	BBB	BB	B	Not rated	Total
30 June 2022							
Collective investment schemes	**–**	**–**	**–**	**–**	**–**	**1 593**	**1 593**
Zero-coupon deposits	**–**	**–**	**–**	**632**	**217**	**–**	**849**
Term deposits	**7 011**	**–**	**–**	**–**	**–**	**–**	**7 011**
Unsecured loans	**–**	**–**	**–**	**–**	**–**	**58**	**58**
Money market instruments	**2**	**–**	**–**	**3 395**	**1 180**	**–**	**4 577**
Debt securities	**–**	**–**	**–**	**–**	**–**	**583**	**583**
Convertible loan	**–**	**–**	**–**	**–**	**–**	**4**	**4**
Insurance and other receivables[1]	**22**	**517**	**4**	**61**	**3**	**4 251**	**4 858**
Reinsurance contracts	**96**	**2 188**	**18**	**159**	**–**	**304**	**2 765**
Cash and cash equivalents	**1 554**	**23**	**–**	**331**	**600**	**–**	**2 508**
Total	**8 685**	**2 728**	**22**	**4 578**	**2 000**	**6 793**	**24 806**
30 June 2021							
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

1 *The majority of insurance and other receivables not rated relate 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 12-month ECL for 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.

The group measures loss allowances at an amount equal to lifetime ECL for financial assets:

- Where there was a significant increase in credit risk since initial recognition, or
- If the financial assets are assessed to be credit impaired.

The group does not have any assets which are deemed to be credit impaired.

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 amount 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 take 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 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. The group has no financial assets which are considered to be credit impaired.

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 2022				
Cash and cash equivalents	**2 508**	**–**	**–**	**2 508**
Term deposits	**7 011**	**251**	**(30)**	**7 232**
Government, municipal and public utility securities	**268**	**13**	**(4)**	**277**
Money market securities	**4 594**	**–**	**(17)**	**4 577**
Total	**14 381**	**264**	**(51)**	**14 594**
As at 30 June 2021				
Cash and cash equivalents	2 618	–	–	2 618
Term deposits	5 810	340	(26)	6 124
Government, municipal and public utility securities	239	21	(6)	254
Money market securities	4 995	–	(14)	4 981
Total	13 662	361	(46)	13 977

The following table sets out information about the credit quality of financial assets at 30 June 2022 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[1]	Lifetime ECL[2]	Total ECL
As at 30 June 2021			
Term deposits	**–**	**30**	**30**
Government, municipal and public utility securities	**1**	**3**	**4**
Money market securities	**17**	**–**	**17**
Total	**18**	**33**	**51**
As at 30 June 2021			
Term deposits	–	26	26
Government, municipal and public utility securities	1	5	6
Money market securities	14	–	14
Total	15	31	46

1 Financial assets subject to 12-month ECL have an investment grade credit rating of AA to BB.
2 Financial assets subject to lifetime ECL have a sub-investment grade of B and lower.

The movement in the ECL balance is directly linked to the growth in the segregated portfolio. The counterparty exposure remained relatively similar to prior year with a slight increase of 7% to banking counterparties and a 6% decrease in exposure to corporate companies. The total government exposure decreased by 1%.

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.

The group provided a guarantee to an associate amounting to R28 million. 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 is 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 December 2021, the group sold its 30% equity stake in Hastings for a total cash consideration of R14.6 billion. The group repaid its R11.5 billion preference share debt with these proceeds. This significantly reduced the liquidity risk for the group.

R million	2022	2021
Liquid financial assets		
Realisable within 30 days		
Cash and cash equivalents	**2 508**	2 618
Collective investment schemes	**1 593**	135
Government, municipal and public utility securities	**281**	260
Money market securities	**4 643**	4 995
Exchange-traded funds – ordinary shares	**817**	1 204
Listed equities	**–**	81
Realisable between one and 12 months		
Term deposits	**7 011**	5 810
Loans and receivables	**4 753**	3 760
Derivative asset	**2**	68
Total liquid financial assets	**21 608**	18 931
Illiquid assets		
Realisable in more than 12 months		
Zero-coupon deposits	**849**	745
Listed perpetual preference shares	**341**	310
Unlisted equities	**393**	375
Debt securities	**583**	593
Derivative asset	**60**	33
Convertible loan	**4**	13
Unsecured loan	**69**	154
Total illiquid assets	**2 299**	2 223
Total financial assets held	**23 907**	21 154
Insurance contract assets		
Realisable within 30 days	**660**	212
Realisable between one and 12 months	**1 663**	733
Realisable after more than 12 months	**442**	195
Total insurance contract assets held	**2 765**	1 140
Total assets (excluding non-monetary assets)	**26 672**	22 294

R million	2022 Total	Call to 12 months	1–5 years	> 5 years
Expected discounted cash flows				
Insurance contract liabilities – Life	**828**	**(190)**	**(1 109)**	**2 127**
Insurance contract liabilities – Non-life	**12 810**	**11 857**	**811**	**142**
	13 638	**11 667**	**(298)**	**2 269**
Contractual undiscounted cash flows				
Financial liabilities at fair value through profit or loss	**111**	**72**	**–**	**39**
Insurance and other payables	**2 360**	**2 360**	**–**	**–**
Guarantee	**28**	**28**	**–**	**–**
	2 499	**2 460**	**–**	**39**
Other liabilities				
Share-based payment liability	**297**	**93**	**204**	**–**
Provisions	**259**	**259**	**–**	**–**
Tax liabilities	**163**	**163**	**–**	**–**
Insurance and other payables	**419**	**382**	**37**	**–**
	1 138	**897**	**241**	**–**
Total liabilities	**17 275**	**15 024**	**(57)**	**2 308**
Liquid asset coverage ratio	**1.25**	**1.44**		
Financial assets coverage ratio	**1.38**			

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			

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

In September 2021, RMI announced its intention to unbundle its equity stakes in Discovery and Momentum Metropolitan. The sale of the group's 30% interest in Hastings in December 2021 negated the need to raise additional capital to repay debt. The R14.6 billion proceeds from the sale of Hastings were utilised to repay the group's R11.5 billion preference share debt, retain sufficient funds to fund OUTsurance's offshore expansion plans and to pay a special dividend of R2.2 billion to shareholders.

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 regulatory solvency capital requirements 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 assess 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 set 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. The group target multiple for 2022 and 2021 was set as the weighted average of the target SCRs of each entity.

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:

Company	Jurisdiction	SCR ratio 2022	Target SCR[1]	SCR ratio 2021	Target SCR[1]
Group		**2.2**	1.6	2.2	1.4
Short-term insurance					
OUTsurance Insurance Company Limited	South Africa	**1.7**	1.3	1.8	1.2
OUTsurance Insurance Company of Namibia (associate)	Namibia	**1.7**	1.3	2.3	1.2
Youi Holdings Limited Group	Australia	**2.3**	2.0	3.0	2.0
Long-term insurance					
OUTsurance Life Insurance Company Limited	South Africa	**3.0**	1.3 – 1.7	2.7	1.5

1 *Solvency Coverage Ratio, which is defined as the ratio of regulatory admissible net assets to the solvency capital requirement. The target ratio is before foreseeable dividends.*

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

Group and Southern African operations

The financial soundness for insurers and financial soundness for groups' prudential standards prescribe certain measures by which insurers and groups measure their eligible own funds and prescribe 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.

R million	Assets under construction	Land and buildings	Leasehold improvements	Furniture, fittings and equipment	Motor vehicles	Total
1. Property and equipment						
30 June 2022						
Net book value at the beginning of the year	**–**	**864**	**28**	**160**	**4**	**1 056**
Additions	**12**	**–**	**–**	**82**	**1**	**95**
Disposals	**–**	**–**	**(6)**	**(1)**	**–**	**(7)**
Reclassification	**–**	**–**	**(6)**	**1**	**–**	**(5)**
Foreign exchange adjustments	**–**	**33**	**–**	**–**	**–**	**33**
Depreciation (note 27)	**–**	**(36)**	**(9)**	**(61)**	**(1)**	**(107)**
Net book value at the end of the year	**12**	**861**	**7**	**181**	**4**	**1 065**
Cost	**12**	**1 132**	**23**	**629**	**9**	**1 805**
Accumulated depreciation	**–**	**(271)**	**(16)**	**(448)**	**(5)**	**(740)**
Net book value at the end of the year	**12**	**861**	**7**	**181**	**4**	**1 065**
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

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.

2. Intangible assets

R million	Internally developed computer software	Purchased computer software	Intellectual property bonuses	Total
30 June 2022				
Net book value at the beginning of the year	**188**	**17**	**8**	**213**
Additions	**95**	**6**	**–**	**101**
Reclassification to equipment	**–**	**(1)**	**–**	**(1)**
Settlements	**–**	**–**	**1**	**1**
Service cost relating to intellectual property (amortisation) (note 27)	**–**	**–**	**(6)**	**(6)**
Foreign exchange adjustments	**2**	**–**	**–**	**2**
Amortisation charge	**(24)**	**(5)**	**–**	**(29)**
Derecognition due to loss of control of subsidiary	**(44)**	**–**	**(1)**	**(45)**
Net book value of intangible assets at the end of the year	**217**	**17**	**2**	**236**
Cost	**239**	**140**	**188**	**567**
Accumulated amortisation	**(22)**	**(123)**	**(186)**	**(331)**
Net book value of intangible assets at the end of the year	**217**	**17**	**2**	**236**
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	(11)	(9)	–	(20)
Net book value of intangible assets at the end of the year	188	17	8	213
Cost	201	132	188	521
Accumulated amortisation	(13)	(115)	(180)	(308)
Net book value of intangible assets at the end of the year	188	17	8	213

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.

The banking platform developed by CloudBadger was derecognised when the group lost control over CloudBadger.

The estimated useful life of the computer software ranges between 2 to 7 years.

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

3. Right-of-use assets

R million	Properties	Motor vehicles	Total
30 June 2022			
Net book value at the beginning of the year	**93**	**11**	**104**
Additions	**49**	**5**	**54**
Depreciation (note 27)	**(35)**	**(13)**	**(48)**
Terminations/cancellations	**(41)**	**–**	**(41)**
Foreign currency adjustments	**1**	**–**	**1**
Net book value of right-of-use assets at the end of the year	**67**	**3**	**70**
Cost	**117**	**32**	**149**
Accumulated depreciation	**(50)**	**(29)**	**(79)**
Net book value right-of-use assets at the end of the year	**67**	**3**	**70**
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 right-of-use assets at the end of the year	93	11	104
Cost	134	34	168
Accumulated depreciation	(41)	(23)	(64)
Net book value right-of-use assets at the end of the year	93	11	104

The right-of-use assets' titles are restricted.

Refer to **note 17** for information on the related lease liabilities.

4. Investments in associates

R million	2022	2021
Shares at cost	**904**	21 366
Treasury shares	**–**	(79)
Equity-accounted reserves	**(212)**	8 014
Investments in associates	**692**	29 301
Analysis of the movement in the carrying value of associates		
Balance at the beginning of the year	**29 301**	29 288
Additional acquisition of associates	**161**	226
Sale of associate (note 42)	**(10 063)**	(11)
Unbundling of associates (note 42)	**(20 017)**	–
Dilution of investment in subsidiary to investment in associate	**123**	–
Treasury shares	**(11)**	11
Equity-accounted earnings for the year from continuing operations	**27**	64
Equity-accounted earnings for the year from discontinued operations	**(59)**	1 143
Dividends received for the year from continuing operations	**1 023**	(557)
Dividends received for the year from discontinued operations	**(186)**	–
Share of associates' other reserves	**835**	(863)
Transfer to non-current assets held for sale	**(442)**	–
Balance at the end of the year	**692**	29 301
Carrying value comprises:		
Discovery Limited	**–**	12 482
Hastings Group Consolidated	**–**	9 811
Momentum Metropolitan Holdings Limited	**–**	6 149
OUTsurance associates	**261**	89
RMI Investment Managers associates	**212**	593
AlphaCode associates	**219**	177
Total carrying value of associates	**692**	29 301
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
Momentum Metropolitan Holdings Limited as per closing price on the JSE on the last trading date of the financial year	**–**	7 820
Total market value of listed associates	**–**	28 631

R million	2022	2021

4. Investments in associates continued

The group's interests in associates are as follows:

Discovery Holdings Limited – Number of shares	**–**	164 810 590
Discovery Holdings Limited – % of equity *	**–**	25.1
Hastings Group Consolidated Limited – Number of shares	**–**	199 939 120
Hastings Group Consolidated Limited – % of equity	**–**	30.0
Momentum Metropolitan Holdings Limited – Number of shares	**–**	401 048 075
Momentum Metropolitan Holdings Limited – % of equity*	**–**	28.2
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	**8 940**	6 876
Truffle Capital Proprietary Limited – % of equity	**38.1**	29.3
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	**–**	–
Tantalum Capital Proprietary Limited – % of equity	**–**	–
Sentio Capital Management Proprietary Limited – Number of shares	**284**	284
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**	74 768
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	**23 520**	32 141
Ethos Private Equity Proprietary Limited – % of equity	**18.1**	14
Merchant Capital Advisory Services Proprietary Limited – Number of shares	**333 430**	333 430
Merchant Capital Advisory Services Proprietary Limited – % of equity	**21.2**	24.8
Entersekt Proprietary Limited – Number of shares	**128 467**	128 467
Entersekt Proprietary Limited – % of equity	**25.8**	28.2
Sancreed Proprietary Limited (Guidepost) – Number of shares	**122 839**	96 138
Sancreed Proprietary Limited (Guidepost) – % of equity	**45.5**	39.5
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*

On 8 December 2021, the group sold its 30% equity stake in Hastings for a cash consideration of R14.6 billion.

On 25 April 2022, the group unbundled its shareholdings in Discovery and Momentum Metropolitan to RMI shareholders.

Hastings represented a major geographical area of operation and both Discovery and Momentum Metropolitan represent major lines of business. The results of all these investee companies have therefore been treated as discontinued operations in the RMI group results. The results of Hastings were equity accounted until 8 December 2021, the effective date of the sale. The results of Discovery and Momentum Metropolitan have also been equity accounted until 8 December 2021, the date on which the unbundling of these assets met the accounting definition of being highly probable. At this date, Discovery and Momentum Metropolitan were classified as held for distribution.

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. The shareholders' agreement also stipulates the minimum percentage vote required from shareholders for certain key decisions.

The group has 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	2022	2021
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	**5 700**	3 703
– Equity	**383**	365
– Debt	**5 317**	3 338
Fair value through profit or loss	**3 573**	4 831
– Equity	**1 536**	1 741
– Debt	**2 037**	3 090
Amortised cost – Debt	**7 233**	6 122
Total financial assets – Equity and debt securities	**16 506**	14 656

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

R million	2022	2021
The assets included in each of the categories above are detailed below:		
Fair value through other comprehensive income		
Equity securities		
– Unlisted shares	**383**	365
Debt securities		
– Government, municipal and public utility securities	**281**	260
– Money market securities	**3 811**	3 078
– Collective investment scheme assets	**1 225**	–
Total debt securities	**5 317**	3 338
Total financial assets through other comprehensive income	**5 700**	3 703

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.

R million	2022	2021
Financial assets at fair value through profit or loss		
Equity securities		
– Listed	**1 158**	1 596
– Unlisted	**378**	145
Total equity securities	**1 536**	1 741
Debt securities		
– Zero-coupon deposits	**849**	745
– Unsecured investment in development fund	**58**	63
– Convertible loans	**4**	13
– Money market securities	**766**	1 897
– Other fixed rate debt securities	**360**	372
Total debt securities	**2 037**	3 090
Total equity and debt securities at fair value through profit or loss	**3 573**	4 831

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.

R million	2022	2021
Financial assets at amortised cost		
Debt securities – interest-bearing instruments	**7 233**	6 122

5. Financial assets – Equity and debt securities continued

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 2022				
Financial assets at the beginning of the year	**4 831**	**6 122**	**3 703**	**14 656**
Additions (including net interest accruals)	**592**	**6 917**	**5 055**	**12 564**
Interest accrued	**79**	**5**	**22**	**106**
Dividends accrued	**–**	**15**	**–**	**15**
Disposals (sales and redemptions)	**(1 810)**	**(6 123)**	**(3 049)**	**(10 982)**
Unrealised fair value adjustment through profit or loss	**(86)**	**–**	**–**	**(86)**
Unrealised fair value adjustment through other comprehensive income	**–**	**–**	**18**	**18**
Foreign exchange difference	**12**	**307**	**2**	**321**
Transfer to derivative financial instruments	**–**	**–**	**(7)**	**(7)**
Reclassification on investment becoming an associate	**–**	**–**	**(13)**	**(13)**
Derecognition due to loss of control of subsidiary	**–**	**–**	**(30)**	**(30)**
Expected credit losses	**–**	**(10)**	**(1)**	**(11)**
Reclassification to assets classified as held for sale	**(45)**	**–**	**–**	**(45)**
Financial assets at the end of the year	**3 573**	**7 233**	**5 700**	**16 506**
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 losses	–	(2)	–	(2)
Financial assets at the end of the year	4 831	6 122	3 703	14 656

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	2022	2021
– Derivative assets	**68**	133
– Derivative liabilities	**(6)**	(130)
Net derivative financial instruments	**62**	3

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 2022			
Interest rate swap	**919**	**(912)**	**7**
Effect of assets relating to the floating rate swap	**919**	**–**	**919**
Effect of liability relating to the fixed rate swap	**–**	**(912)**	**(912)**
Collateralised swap	**61**	**–**	**61**
Bond forward contract	**–**	**(6)**	**(6)**
Total derivative financial instruments	**980**	**(918)**	**62**
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 derivative financial instruments	459	(456)	3

R million	2022	2021
Movement analysis		
Balance at the beginning of the year	**3**	(283)
Additions (purchases and issues)	**(91)**	108
Settlement	**28**	19
Fair value adjustments	**115**	159
Transfer from financial assets	**7**	–
Balance at the end of the year	**62**	3

The R7 million (2021: R72 million) net position of the derivative financial liability related to the interest rate swap, is recoverable in more than 12 months from reporting date. In prior year R3 million was 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 R344 million at 30 June 2022 (2021: R324 million).

The Bond forward contract has a fair value of R6.2 million which is exercisable within 12 months of reporting date. The interest on the underlying bonds is linked to inflation and which is intended to offset the inflation risk in the policyholder liability of OUTsurance Life.

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.

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

R million	2022	2021
7. Insurance and other receivables		
Receivables arising from insurance and reinsurance contracts:		
– Due from policyholders	**4 016**	3 203
– Due from reinsurers	**644**	214
Other receivables:		
– Fees receivable from contact centre services[1]	**27**	17
– Other receivables and prepayments	**171**	369
Total insurance and other receivables	**4 858**	3 803

[1] *Fees receivable from contact centre services are presented separately in the current financial year to better reflect the nature of the items included the 'Other receivables and prepayments' balance. The prior period was updated accordingly.*

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.

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	2022	2021
Movement analysis		
Balance at the beginning of the year	**513**	463
DAC raised	**1 379**	999
DAC charged to the income statement	**(1 239)**	(893)
Foreign exchange movement	**28**	(56)
Balance at the end of the year	**681**	513

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	2022	2021
Gross insurance contracts		
Short-term insurance contracts		
– Claims provisions	**5 004**	3 181
– Unearned premium provision	**7 252**	5 744
– Insurance contract non-claims bonuses provision	**554**	542
Total short-term insurance contracts	**12 810**	9 467
Long-term insurance contracts	**828**	844
Total gross insurance liabilities	**13 638**	10 311
Recoverable from reinsurers		
Short-term insurance contracts		
– Claims provisions	**(2 138)**	(762)
– Unearned premium provision	**(468)**	(201)
Total short-term insurance contracts	**(2 606)**	(963)
Long-term insurance contracts	**(159)**	(177)
Total recoverable from reinsurers	**(2 765)**	(1 140)
Net insurance contracts		
Short-term insurance contracts		
– Claims provisions	**2 866**	2 419
– Unearned premium provision	**6 784**	5 543
– Insurance contract non-claims bonuses provision	**554**	542
Total short-term insurance contracts	**10 204**	8 504
Long-term insurance contracts	**669**	667
Total net insurance liabilities	**10 873**	9 171

9. Insurance contracts and reinsurance contracts continued

Analysis of movement in claims reserves

R million	Gross	Re-insurance	Net
30 June 2022			
Balance at the beginning of the year	**3 181**	**(762)**	**2 419**
Current year	**4 442**	**(1 922)**	**2 521**
– Claims incurred	**12 587**	**(2 380)**	**10 207**
– Claims paid	**(9 153)**	**568**	**(8 585)**
– Claims handling expenses raised	**593**	**–**	**593**
– Risk margins raised	**415**	**(109)**	**306**
Prior year	**(2 741)**	**600**	**(2 142)**
– Claims incurred	**(230)**	**23**	**(207)**
– Claims paid	**(2 105)**	**523**	**(1 582)**
– Claims handling expenses released	**(98)**	**–**	**(98)**
– Risk margins released	**(308)**	**54**	**(255)**
Foreign exchange movement	**122**	**(54)**	**68**
Balance at the end of the year	**5 004**	**(2 138)**	**2 865**
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

The claims handling expenses raised in the current year and released in the prior year used to be disclosed as a single line called 'change in claims handling cost'. Similarly, the risk margins raised in the current year and risk margins released in the prior year used to be disclosed as a single line called 'change in risk margin'. The additional analysis provides a better understanding of the movement in the claims reserves.

9. Insurance contracts and reinsurance contracts continued

Analysis of movement in unearned premium provision

R million	Gross	Re-insurance	Net
30 June 2022			
Balance at the beginning of the year	**5 744**	**(201)**	**5 543**
UPP raised	**12 937**	**(2 257)**	**10 958**
UPP earned	**(11 673)**	**2 014**	**(9 937)**
Foreign exchange movement	**244**	**(24)**	**219**
Balance at the end of the year	**7 252**	**(468)**	**6 784**
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

R million	2022	2021
Analysis of movement in insurance contract non-claims bonuses		
Balance at the beginning of the year	**542**	524
Charge to profit or loss for the year	**532**	499
Cash bonuses paid during the year	**(521)**	(481)
Balance at the end of the year	**553**	542

9. Insurance contracts and reinsurance contracts continued

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 2022					
Balance at the beginning of the year	**1 055**	**(177)**	**878**	**(212)**	**666**
Policyholder liability	**966**	**(143)**	**823**	**(212)**	**611**
Claims provision	**89**	**(34)**	**55**	**–**	**55**
Transfer to policyholder liabilities under insurance contracts	**(7)**	**18**	**11**	**(8)**	**3**
Unwind of discount rate and release of profits	**57**	**32**	**89**	**–**	**89**
Experience variance	**18**	**(4)**	**15**	**–**	**15**
Change in non-economic assumptions	**(6)**	**4**	**(2)**	**–**	**(2)**
Change in economic assumptions	**(126)**	**13**	**(113)**	**–**	**(113)**
New business	**10**	**(7)**	**3**	**–**	**3**
Change in claims provision	**(1)**	**(3)**	**(4)**	**–**	**(4)**
Change in negative Rand reserve	**–**	**–**	**–**	**(8)**	**(8)**
COVID-19 adjustment	**40**	**(17)**	**23**	**–**	**23**
Balance at the end of the year	**1 048**	**(159)**	**889**	**(220)**	**669**
Policyholder liability	**959**	**(121)**	**838**	**(220)**	**618**
Claims provision	**89**	**(38)**	**51**	**–**	**51**
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

9. Insurance contracts and reinsurance contracts continued

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 or 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 2022			
Claims provision	**10 203**	**287**	**(287)**
Insurance contract non-claims bonuses provision	**10 203**	**55**	**(55)**
30 June 2021			
Claims provision	8 504	242	(242)
Insurance contract non-claims bonuses provision	8 504	54	(54)

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 R1 093 million (2021: R747 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.

9. Insurance contracts and reinsurance contracts continued

Analysis of movement in long-term insurance contract liabilities continued

	Change in variable	Increase/ (decrease) in policyholder liabilities R million	Increase/ (decrease) in policyholder liabilities %
30 June 2022			
Lapses	**+10%**	**13**	**3%**
	–10%	**(11)**	**(2%)**
Interest rate environment	**+1%**	**(53)**	**(11%)**
	–1%	**78**	**16%**
Mortality, morbidity, disability, retrenchment	**+10%**	**179**	**38%**
	–10%	**(182)**	**(38%)**
Mortality, morbidity, disability, retrenchment	**+1%**	**90**	**19%**
	–5%	**(91)**	**(19%)**
Expenses	**+10%**	**54**	**11%**
	–10%	**(54)**	**(11%)**
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%)

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

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.

The Minister of Finance announced the change in the corporate tax rate from 28% to 27% in the Budget speech on 23 February 2022, on which date it's deemed to be substantively enacted. It will be effective for years of assessment ending on or after 31 March 2023.

The decreased tax rate of 27% was applied to the temporary differences that will realise when the new rate is effective in the June 2023 year of assessment. The effect of the tax rate change results in a decrease of R6.0 million in the deferred tax assets and a decrease of R7.1 million in the deferred tax liabilities.

The impact of the change in tax rate has been recognised in tax expense in profit or loss, as there are no items previously recognised outside profit or loss.

R million	2022	2021
Deferred taxation assets		
Provisions	**646**	426
Special transfer credit	**20**	20
Fair value adjustment	**18**	19
Service cost on employee benefits	**(2)**	14
Difference between accounting and tax values of assets	**23**	6
Operating lease charges	**17**	16
Pre-trade expenditure	**2**	–
Effect of change in statutory tax rate for companies	**(6)**	–
Derecognition of subsidiary to associate	**(8)**	–
Financial assets at fair value through other comprehensive income	**–**	1
Set-off in same legal entities	**(294)**	(6)
Expected loss adjustment	**9**	6
Total deferred taxation assets	**425**	502
Deferred taxation liabilities		
Deferred acquisition costs	**(218)**	(175)
Investment in associates	**(3)**	–
Prepayments	**(7)**	(11)
Operating lease charges	**4**	–
Set-off in same legal entities	**294**	6
Effect of change in statutory tax rate for companies	**7**	–
Unrealised fair value on investment in equity instruments	**(106)**	(90)
Total deferred taxation liabilities	**(29)**	(270)
Reconciliation of movement		
Deferred taxation asset at the beginning of the year	**502**	304
Deferred taxation charge for the year	**203**	101
Effect of change in statutory tax rate for companies	**–**	9
Dilution of holding in subsidiary to associate	**(8)**	–
Foreign exchange movement	**19**	(37)
Reclassification to Assets classified as held for sale	**3**	–
Deferred tax asset before set-off in same legal entities	**719**	377
Set-off in same legal entities	**(294)**	125
Total deferred taxation asset at the end of the year	**425**	502

R million	2022	2021
10. Deferred taxation continued		
Deferred taxation liability at the beginning of the year	**(270)**	(76)
Deferred taxation charge for the year	**(50)**	(101)
Effect of change in statutory tax rate for companies	**7**	
Foreign exchange movement	**(10)**	18
Financial assets at fair value through other comprehensive income*	**–**	14
Deferred tax liability before set-off in same legal entities	**(323)**	(145)
Set-off in same legal entities	**294**	(125)
Total deferred taxation liabilities at the end of the year	**(29)**	(270)

* *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 (2021: R209 million) relating to the individual policyholder tax fund in OUTsurance Life Insurance Company has not been recognised due to the uncertainty of the future utilisation thereof.

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

11. Cash and cash equivalents

R million	2022	2021
Cash at bank and in hand	**2 269**	2 524
Short-dated money market investments	**239**	94
Total cash and cash equivalents	**2 508**	2 618

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

12. Share capital and share premium

	Number of shares after treasury shares million	Ordinary share capital* R million	Share premium R million	Treasury shares R million	Total R million
30 June 2022					
Balance at the beginning of the year	**1 529**	**–**	**15 431**	**(78)**	**15 353**
Movement in treasury shares	**–**	**–**	**–**	**78**	**78**
Balance at the end of the year	**1 529**	**–**	**15 431**	**–**	**15 431**
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

** 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 2022 was 1 531 807 770 shares (2021: 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 (2021: 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 (2021: 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 2022. 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 2022 was nil (2021: 2 525 637).

Million	2022	2021
Number of treasury shares held at 30 June	**–**	3
Weighted number treasury of shares held during the year	**1**	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	**1 532**	1 532
Less: Weighted number of treasury shares	**(1)**	(3)
Weighted number of shares in issue	**1 531**	1 529

R million	2022	2021

13. Reserves

Distributable reserves		
Retained earnings	**125**	8 089
Equity-accounted reserves		
Balance at the beginning of the year	**7 503**	7 463
Income from associates retained	**(7 154)**	651
Reclassification of accumulated comprehensive income of discontinued operation	**(1 430)**	
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss, after taxation	**809**	(901)
Non-controlling interest	**13**	6
Items that will not be reclassified to profit or loss, after taxation	**(41)**	(75)
Movement in liabilities accounted for as net investment hedge	**–**	114
Movement in derivative liability accounted for as a net investment hedge	**(77)**	133
Other movement in reserves	**68**	112
Balance as at the end of the year	**(309)**	7 503
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	**(453)**	(668)
Movement as per the statement of other comprehensive income	**(77)**	215
Sale of investment in Hastings and unwind of derivative liability	**530**	–
Balance as at the end of the year	**–**	(453)
Transactions with non-controlling interests	**(4 180)**	(3 932)
Other reserves		
Currency translation reserve	**545**	392
Other comprehensive income reserve	**(139)**	(180)
Share-based payments reserve	**14**	13
Total other reserves	**420**	225
Total reserves	**(3 944)**	11 885

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.

R million	2022	2021
14. Preference shares		
Unlisted preference shares issue by RMI Treasury Company Limited		
Class B cumulative redeemable non-participating preference shares	–	1 130
Class C cumulative redeemable non-participating preference shares	–	2 650
Class D cumulative redeemable non-participating preference shares	–	1 800
Class E cumulative redeemable non-participating preference shares	–	3 000
Class F cumulative redeemable non-participating preference shares	–	934
Class G cumulative redeemable non-participating preference shares	–	2 000
Total cumulative redeemable non-participating preference shares	–	11 514

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. The group redeemed these preference shares on 10 December 2021. A breakage dividend of R47 million was applicable due to the early redemption of these fixed rate preference shares.

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 group redeemed these preference shares on 10 December 2021. A breakage dividend of R50 million was applicable due to the early redemption of fixed rate preference shares. 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. The group redeemed these preference shares on 14 December 2021.

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. The group redeemed these preference shares on 10 December 2021.

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. The group redeemed these preference shares on 10 December 2021. A breakage dividend of R28 million was applicable due to the early redemption of these fixed rate preference shares.

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 group redeemed these preference shares on 10 December 2021.

The fair value of the unlisted preference shares is approximated by 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	2022	2021

15. Financial liabilities at fair value through profit or loss

	2022	2021
Shareholders for preference dividends on profit-share arrangement	**72**	86
Other loans at fair value through profit or loss	**–**	39
Total financial liabilities at fair value through profit or loss	**72**	125

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, carry no interest and have been reclassified to assets classified as held for sale.

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

16. Investment contracts at fair value through profit or loss

	2022	2021
Balance at the beginning of the year	**37**	24
Investment contract receipts	**28**	12
Fair value adjustments	**(4)**	(1)
Interest income	**3**	2
Balance at the end of the year	**64**	37

The investment contract liability relates to the endowment products sold by the group.

17. Lease liabilities

	2022	2021
Balance at the beginning of the year	**118**	89
Cash movements		
Lease payments	**(43)**	(45)
Non-cash movements		
New leases entered into and lease extensions during the year	**49**	74
Termination of leases	**(51)**	–
Interest	**8**	6
Foreign exchange adjustments	**2**	(6)
Balance at the end of the year	**82**	118

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.

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 2022				
Lease liabilities	**36**	**44**	**2**	**82**
30 June 2021				
Lease liabilities	32	43	43	118

17. Lease liabilities 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 2022				
Lease liabilities	**50**	**48**	**2**	**100**
30 June 2021				
Lease liabilities	36	57	50	143

There were no 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 liabilities is as follows:

R million	2022	2021
Short-term leases	**1**	4

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

As at 30 June 2022, the group was committed to short-term leases and the total commitment at that date was R1.8 million (2021: R0.1 million). Low-value leases are immaterial.

18. Share-based payments

R million	2022	2021
RMI share appreciation rights cash-settled scheme	**–**	34
OUTsurance Holdings Limited cash-settled share scheme	**297**	224
Total share-based payments liability	**297**	258
Balance at the beginning of the year	**258**	121
Charge for the year relating to cash-settled share scheme	**274**	160
Liability settled	**(81)**	(23)
Transfer to other payables	**(107)**	–
Derecognition of share-based liability due to loss of control of subsidiary	**(48)**	–
Balance at the end of the year	**297**	258

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

RMI

RMI operated a share scheme as part of its remuneration philosophy, which tracks the company's share price and settles in cash. Due to the change in group strategy not to pursue new investment opportunities and to hand over the management of RMI to OUTsurance, a final calculation was made up to 18 March 2022 to calculate amounts owing to employees who will be retrenched in phases up to 31 March 2023. The scheme was terminated effective 18 March 2022, with the liability owed to participants remaining fixed and payable on the last day of employment.

18. Share-based payments continued

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.

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

The purpose of these schemes is to attract, incentivise and retain managers within the group by exposing them to growth in the group's equity value and providing them with an option to acquire shares.

18. Share-based payments continued

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 9.62% (2021: 9.25%) 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.

Modification of the share option scheme

- Following the payment of a special dividend in December 2021 of 82 cents per share, the strike price of all open OUTsurance Share Options in issue was reduced by 82 cents to align shareholder and option holder returns. This reduction in the strike price resulted in an increase in the fair value of the share-based liability of R77.3 million for the 2022 year. This increase was recognised in total in December 2021 to match it to the recognition of the profit on sale of Hastings flowing through from Main Street.

The fair value of the modified options was determined using the same models and principles as described above, with the reduction in the strike price included in the unwind of the liability.

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, 15% (2021: 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 10.2% (2021: 15.5%) of the issued ordinary shares of the Youi Holdings Proprietary Limited.

Valuation methodology

The fair value of share options is determined at grant date and expensed over the vesting period of three years. 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 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.

18. Share-based payments 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 prior 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 from 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 fifth anniversary
  - 25% of the Notional Incentive Units vest on the sixth anniversary
  - 25% of the Notional Units vest on the seventh anniversary

Participants may elect to defer the exercise of the vested Notional Incentive Units up to 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 or 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 2022, the following input assumptions were used for the Business Units which have commenced trading:

Assumptions	OUTsurance Business	OUTsurance Life/Invest	Youi CTP	Youi BZI
30 June 2022				
Risk-free rate*	**7.78% – 11.07%**	**7.78% – 11.07%**	**3.08% – 4.00%**	**3.08% – 4.00%**
Volatility (reduced by 13% cost of capital charge)	**22%**	**22%**	**30%**	**30%**
Dividend yield (0% yield as cost of capital charge will be reduced by dividends distributed)	**0%**	**0%**	**0%**	**0%**
Employee exit rate	**10%**	**10%**	**10%**	**10%**

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

18. Share-based payments continued

OUTsurance Holdings Divisional cash-settled scheme continued

Assumptions	OUTsurance Business	OUTsurance Life/Invest	Youi CTP	Youi BZI
30 June 2021				
Risk-free rate	6.22% – 9.39%	6.22% – 9.39%	0.30% – 1.31%	0.30% – 1.31%
Volatility (reduced by 13% cost of capital charge)	22%	22%	30%	30%
Dividend yield (0% yield as cost of capital charge will be reduced by dividends distributed)	0%	0%	0%	0%
Employee exit rate	10%	10%	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.

Employee statistic assumptions

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

18. **Share-based payments** continued

The table below summarises the options issued under the various schemes as at 30 June 2022:

Assumptions	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)	8 641	125 926	85 333	–	–
Adjustment to number of options in force at the beginning of the year (000's)	–	–	–	–	–
Range of strike prices of opening balances (cents)	2 645 – 4 341	1 008 – 1 034	AUS$ 0.41 – AUS$0.49	–	–
Number of options granted/transferred during the year (000's)	1 591	64 362	26 600	–	–
Strike price of options granted/transferred during the year (cents)	0 – 3 598	1 025 – 1 182	AUS$ 0.55	–	–
Number of options delivered during the year (000's)	(10 232)	(28 855)	(7 183)	–	–
Range of strike prices on date of delivery (cents)	0 – 4 341	952 – 1 182	AUS$ 0.407 – AUS$0.546	–	–
Number of options cancelled/forfeited during the year (000's)	221	(12 359)	(12 250)	–	–
Range of strike prices of forfeited options (cents)	3 091 – 4 341	1 025 – 1 182	AUS$ 0.55	–	–
Number of options in force at the end of the year (000's)	–	149 074	92 500	–	–
Range of strike prices of closing balances (cents)	–	952 – 1 182	AUS$ 0.407 – AUS$0.546	–	–
Price per ordinary share*		1 182	AUS$ 0.407 – AUS$0.546	–	–
Number of scheme participants	7	194	43	–	–
Weighted average remaining vesting period (years)	1.30	1.63	1.39	–	–

Assumptions	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)	1 000	995	930	890
Range of strike prices of opening balances (cents)	31 161 – 54 812	16 712 – 29 373	AUS$1.02 – AUS$1.12	AUS$1.85 – AUS$2.04
Number of options granted/transferred during the year (000's)	–	–	30	30
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 fair value of options granted during the year	25 856	13 864	AUS$1.01	AUS$1.84
Number of options cancelled/forfeited during the year (000's)	(20)	(5)	(110)	(110)
Number of options in force at the end of the year (000's)	980	990	850	810
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*	34 437	16 074	AUS$2.22	AUS$1.08
Number of scheme participants	27	27	17	15
Weighted average remaining vesting period (years)	3.00	3.00	3.00	3.00

18. **Share-based payments** continued

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

Assumptions	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$0.47	–	–
Number of options cancelled/forfeited during the year (000's)	(227)	(8 330)	(8 633)	–	–
Range of strike prices of forfeited options (cents)	3 091 – 4 341	930 – 1 034	AUS$ 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$0.49	6175 – 12 640	6 175
Price per ordinary share*		1 091	AUS$ 0.55	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

Assumptions	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 fair value of options granted during the year	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	37	32	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 the 1st July and 1st January each year.*

18. Share-based payments continued

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	2022	2021
Number of shares and market value		
Number of shares in portfolio at the beginning of the year ('000)	**63 447**	83 704
Number of shares purchased during the year ('000)	**25 465**	14 199
Number of shares released during the year ('000)	**(22 446)**	(34 456)
Number of shares held in portfolio at the end of the year ('000)	**66 466**	63 447
Market value per share held in portfolio at year-end (Rand)*	**11.82**	10.91
Market value of portfolio at year-end	**786**	692
Cost price of treasury shares		
Cost price of shares held in portfolio at the beginning of the year	**542**	532
Cost price of shares purchased during the year	**183**	149
Cost price of shares released during the year	**(376)**	(139)
Cost price of shares held in portfolio at the end of the year	**348**	542
Loans to the share trust		
Value of loans made to the trust at the beginning of the year	**542**	532
Value of loans made to the trust at the end of the year	**348**	542

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

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 $'000	2022	2021
Number of shares and market value		
Number of shares in portfolio at the beginning of the year ('000)	**7 214**	2 809
Number of shares purchased during the year ('000)	**675**	4 605
Number of shares released during the year ('000)	**(3 337)**	(200)
Number of shares held in portfolio at the end of the year ('000)	**4 552**	7 214
Market value per share held in portfolio at year-end (AUS$)	**0.564**	0.519
Market value of portfolio at year-end	**2 567**	3 744
Cost price of treasury shares		
Cost price of shares held in portfolio at the beginning of the year	**3 583**	1 399
Cost price of shares purchased during the year	**378**	2 282
Cost price of shares released during the year	**(1 822)**	(98)
Cost price of shares held in portfolio at the end of the year	**2 139**	3 583
Loans to the share trust		
Value of loans made to the trust at the beginning of the year (AUS$'000)	**3 583**	1 399
Value of loans made to the trust at the end of the year (AUS$'1000)	**2 139**	3 583

18. Share-based payments continued

Youi Holdings Share Trust continued

Assumptions

The following assumptions were applied in determining the payment liability:

Assumptions	OUTsurance Holdings cash-settled scheme 2022	OUTsurance Holdings cash-settled scheme 2021
Share price (cents)	**1 182**	1 137
Exercise price range (cents)	**1 182**	1 137
Remaining duration (years)	**0 to 3**	0 to 3
Expected volatility	**22.0%**	22.0%
Risk-free interest rate	**9.01%**	7.55%
Dividend yield	**4.5%**	4.8%

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

Assumptions	Divisional Incentive cash-settled scheme OUTsurance Business	OUTsurance Life/ OUTvest	Youi CTP	Youi BZI
2022				
Share price (cents)	**34 437**	**16 074**	**AUS $2.22**	**AUS $1.80**
Exercise price range (cents)	**44 609 – 85 236**	**21 461 – 44 226**	**AU$2.36 – AUS $2.94**	**AUS $1.15 – AUS $1.43**
Remaining duration (years)	**3 to 5**	**3 to 5**	**3 to 5**	**3 to 5**
Expected volatility (reduced by 13% capital charge)	**22.00%**	**22.00%**	**30.00%**	**30.00%**
Risk-free interest rate	**7.78% – 11.07%**	**7.78% – 11.07%**	**3.08% – 4.00%**	**3.08% – 4.00%**
Dividend yield (0% yield as cost of capital charge will be reduced by dividends distributed)	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Annual employee turnover	**10.00%**	**10.00%**	**10.00%**	**10.00%**
2021				
Share price (cents)	25 856	13 864	AUS $1.01	AUS $1.84
Exercise price range (cents)	31 161 – 54 812	16 712 – 29 373	AU$1.02 – AUS $1.12	AUS $1.85 – AUS $2.04
Remaining duration (years)	3 to 5	3 to 5	3 to 5	3 to 5
Expected volatility (reduced by 13% capital charge)	22.00%	20.00%	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%	0.0%	0.0%	0.0%
Annual employee turnover	10.00%	10.00%	10.00%	10.00%

18. **Share-based payments** continued

Youi Holdings Share Trust continued

Assumptions	CloudBadger cash-settled scheme Equity options	 Notional shares
2021		
Share price (cents)	23 750	3 125
Exercise price range (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%

OUTsurance has lost control over CloudBadger and no longer consolidate it as a subsidiary. Therefore no information is disclosed for the year ended 30 June 2022.

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:

Assumptions	Youi Holdings equity-settled scheme 2022	 2021
Share price (AUS $)	**AUS $ 0.55**	AUS $ 0.49
Exercise price range (AUS $)	**AUS $ 0.55**	AUS $ 0.49
Remaining duration (years)	**2**	3
Expected volatility	**13.0%**	13.0%
Risk-free interest rate	**0.26%**	0.43%
Annual employee turnover	**6.23%**	5.74%

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 2022 was Rnil (2021: 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.

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.

18. Share-based payments continued

RMI management ownership participation structure continued

Valuation methodology

(i) Underlying investments are valued using market accepted 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.

Number	2022	2021
Number of shares issued at the beginning of the year	**33 165**	34 030
Number of shares allocated during the year at zero value	**–**	831
Number of shares bought back from participants at zero value	**–**	(1 696)
Number of shares issued to participants at the end of the year	**33 165**	33 165

The shares have a cumulative value of Rnil as at 30 June 2022 (2021: Rnil) .

R million	2022	2021
19. Employee benefit liabilities		
Short-term employee benefits		
Staff incentive bonus		
Balance at the beginning of the year	**237**	191
Additional provisions	**197**	248
Amount utilised during the year	**(179)**	(197)
Foreign translation difference	**3**	(5)
Reclassification to assets classified as held for sale	**(7)**	–
Balance at the end of the year	**251**	237

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.

20. Insurance and other payables

R million	2022	2021
Insurance-related payables		
Due to intermediaries	**7**	2
Due to reinsurers	**1 078**	353
Other payables	**3**	13
Non-insurance-related payables		
Trade creditors and accrued expenses	**65**	117
Short-term employee benefits – leave pay liability	**272**	249
Redeemable preference share dividends payable	**–**	93
VAT liability	**75**	77
Indirect tax on debtors	**520**	453
Stamp duty payable	**108**	85
Employee taxes payable	**199**	178
Employee related liability transferred from share-based payment liabilities	**107**	–
Other payables	**343**	289
Total insurance and other payables	**2 777**	1 909

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 amount of payables approximates the fair value.

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

R million	2022	2021

21. Net insurance premiums earned

Long-term insurance contracts		
– Premiums received	**787**	638
– Policyholders' fees written	**11**	12
Short-term insurance contracts		
– Premiums written	**22 717**	19 901
– Policyholders' fees written	**17**	19
– Change in unearned premium provision	**(1 264)**	(1 043)
Premium revenue arising from insurance contracts issued	**22 268**	19 527
Long-term reinsurance contracts		
– Premiums payable	**(94)**	(65)
Short-term reinsurance contracts		
– Premiums payable	**(2 220)**	(1 593)
– Change in unearned premium provision	**243**	182
Premium revenue ceded to reinsurers on insurance contracts issued	**(2 071)**	(1 476)
Net insurance premiums earned	**20 197**	18 051

22. Fee and other income

Commission earned from reinsurers, net of deferred acquisition revenue	**34**	9
Fees received from contact centre services	**320**	–
Software subscription fees	**38**	19
Other income	**79**	57
Total fee and other income	**471**	85

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.

23. Investment income

Investment income	**320**	152
Interest – financial assets at fair value through profit or loss	**131**	43
Dividends – listed equities	**97**	76
Dividends – other financial assets	**92**	33
Interest income on financial assets using effective interest rate method	**341**	333
Interest – financial assets measured at amortised cost	**113**	68
Interest – financial assets at fair value through other comprehensive income	**228**	265
Total investment income	**661**	485

24. Net fair value gains/(losses) on financial assets

Equity securities at fair value through profit or loss		
– Fair value gains	**94**	308
Debt securities at fair value through profit or loss		
– Fair value losses	**(37)**	(4)
Derivative instruments	**61**	102
Net fair value gains	**118**	406

25. Expected credit losses on financial assets

Financial assets at amortised cost		
– Expected credit loss expense	**(10)**	(2)
– Expected credit loss reversal	**5**	–
Total expected credit losses	**(5)**	(2)

26. Insurance benefits and claims incurred

R million	Gross	Re-insurance	Net
30 June 2022			
Short-term insurance	**(12 959)**	**2 413**	**(10 546)**
Claims paid net of salvages and recoveries	**(11 259)**	**1 091**	**(10 168)**
Change in claims provisions	**(1 700)**	**1 322**	**(378)**
Long-term insurance			
Claims paid	**(393)**	**164**	**(229)**
Life claims	**(371)**	**160**	**(211)**
Disability claims	**(9)**	**2**	**(7)**
Retrenchment claims	**(1)**	**–**	**(1)**
Critical illness claims	**(12)**	**2**	**(10)**
Total insurance benefits and claims incurred	**(13 352)**	**2 577**	**(10 775)**
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 reserves	(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)

R million	2022	2021
Provision for non-claims bonuses		
– Short-term insurance business	**(532)**	(500)
– Long-term insurance business	**(18)**	(9)
Total provision for non-claims bonuses	**(550)**	(509)

R million	2022	2021

27. Marketing and administration expenses

R million	2022	2021
Expenses by nature		
Employee benefit expenses	**(4 313)**	(3 625)
Professional fees and regulatory compliance costs	**(169)**	(138)
Depreciation	**(184)**	(156)
Short-term lease expenditure	**(1)**	(4)
Research and development costs relating to internally generated intangible assets	**(9)**	(2)
Acquisition costs	**(431)**	(116)
Release of deferred acquisition costs	**139**	106
Asset management services	**(11)**	(9)
Audit fees	**(27)**	(24)
Loss on sale of property and equipment	**(1)**	(7)
Other expenses	**(1 861)**	(1 623)
Total marketing and administration expenses	**(6 868)**	(5 598)
Employee benefit expenses		
Salaries and incentive bonuses	**(3 449)**	(3 089)
Retirement funding	**(263)**	(232)
Severance expense	**(165)**	–
Service cost relating to intellectual property (amortisation) (note 2)	**(7)**	(6)
Share-based payment charge (including *IAS 19* share liability charge)	**(276)**	(165)
Medical aid contributions	**(153)**	(133)
Total employee benefit expenses	**(4 313)**	(3 625)
Depreciation		
Buildings	**(36)**	(36)
Leasehold improvements	**(9)**	(5)
Furniture, fittings and equipment	**(61)**	(51)
Motor vehicles	**(1)**	(1)
Total depreciation (note 1)	**(107)**	(93)
Depreciation (right-of-use assets)		
Properties	**(35)**	(28)
Motor vehicles	**(13)**	(15)
Total depreciation (note 3)	**(48)**	(43)
Amortisation		
Purchased computer software	**(5)**	(9)
Internally generated computer software	**(24)**	(11)
Total amortisation (note 2)	**(29)**	(20)
Audit fees		
Statutory audit – Current year	**(21)**	(18)
Fees for other services	**(6)**	(6)
Total audit fees	**(27)**	(24)

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, 1956.

29. Finance costs

R million	2022	2021
Interest on bank borrowings	**(7)**	(62)
Dividends on redeemable preference shares	**(418)**	(558)
Interest charge relating to lease liabilities	**(7)**	(6)
Total finance costs	**(432)**	(626)

R million	2022	2021

30. Taxation

The Minister of Finance announced the change in the corporate tax rate from 28% to 27% in the Budget speech on 23 February 2022, on which date it's deemed to be substantively enacted. It will be effective for years of assessment ending on or after 31 March 2023.

The decreased tax rate of 27% was applied to the temporary differences that will realise when the new rate is effective in the June 2023 year of assessment. The effect of the tax rate change results in a decrease of R6.0 million in the deferred tax assets and a decrease of R7.1 million in the deferred tax liabilities.

The impact of the change in tax rate has been recognised in tax expense in profit or loss, as there are no items previously recognised outside profit or loss.

R million	2022	2021
Continuing operations		
South African normal taxation		
Current taxation		
– Current year	**(833)**	(780)
Deferred taxation		
– Current year	**(5)**	(26)
– Prior year	**26**	9
– Deferred taxation rate change	**1**	–
Securities transfer tax	**(36)**	–
Australian taxation		
Current taxation		
– Current year	**(316)**	(369)
– Prior year	**2**	1
Deferred taxation		
– Current year	**134**	26
– Prior year	**–**	–
Total taxation	**(1 027)**	(1 139)
Profit before taxation (continuing operations)	**2 731**	3 218

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:

%	2022	2021
Effective tax rate	**37.61**	35.39
Income not subject to taxation	**1.83**	1.19
Finance costs not deductible	**(4.28)**	(5.29)
Expenses not deductible due the large proportion of dividends received in a holding company structure	**(3.59)**	(1.41)
Fair value adjustments	**(4.13)**	(1.25)
Income taxation rate differential	**(0.50)**	(0.68)
Capital gains tax	**(0.43)**	(0.23)
Deferred tax asset not recognised	**(0.23)**	(0.30)
Associates equity accounted using after taxation profits	**2.95**	0.56
Loss due to loss of control of subsidiary	**(0.21)**	–
Reversal of deferred tax asset	**(0.21)**	–
Deferred tax rate change	**0.05**	–
Assessed loss utilised	**0.03**	–
Other permanent differences	**0.29**	–
Securities transfer tax	**(1.32)**	–
Withholding taxation incurred	**(0.13)**	–
Prior year over provision	**0.32**	–
Expected credit losses	**(0.05)**	–
Standard income taxation rate in South Africa	**28.00**	28.00

R million	2022	2021
Discontinued operations		
South African normal taxation		
Current taxation		
– Current year	**(45)**	–
Profit before taxation (discontinued operations)	**21 232**	1 143

30. Taxation continued

%	2022	2021
Effective tax rate	**0.21**	–
Associates equity accounted using after taxation profits	**1.32**	28.00
Gain on distribution	**18.94**	–
Profit on sale of Hastings	**5.95**	–
Reclassification of accumulated comprehensive income to the income statement	**1.88**	–
Transaction costs not subject to taxation	**(0.09)**	–
Capital gains tax on distribution to disqualified shareholders	**(0.21)**	–
	28.00	28.00

The profit realised on the sale on Hastings had no tax consequence and the gain on distribution of Discovery and Momentum Metropolitan to shareholders of the group only attracted capital gains tax on the portion distributed to disqualifying shareholders.

31. Cash flows from operating activities

R million	2022	2021
Reconciliation of profit before taxation to cash generated from operations:		
Profit before taxation (including profit from discontinued operations)	**23 963**	4 361
Adjusted for:		
Profit on sale of associate	**(4 513)**	–
Gain on distribution of associates	**(14 365)**	–
Recycling of OCI to the income statement	**(1 430)**	–
Loss on sale of property and equipment	**1**	7
Foreign currency movements	**(289)**	479
Equity accounted earnings – Continuing operations	**(27)**	(1 207)
Equity accounted earnings – Discontinued operations	**(1 023)**	–
Depreciation – Property and equipment	**107**	93
Depreciation – Right of use asset	**48**	43
Amortisation of intangible assets	**29**	20
Service cost relating to intellectual property	**6**	6
Intellectual property bonuses paid	**(102)**	(127)
Provisions	**22**	46
Share option expenses	**275**	162
Cash paid in terms of share option liability	**(80)**	(23)
Investment income	**(661)**	(485)
Finance costs	**440**	626
Termination of leases	**(11)**	–
Net fair value losses on assets at fair value through profit or loss	**41**	(603)
Fair value adjustment to financial liabilities	**(14)**	21
Purchase of treasury shares of subsidiary by share scheme participants	**376**	139
Purchase of treasury shares of subsidiary by share trust from share scheme participants	**(183)**	(149)
Other non-cash items	**(75)**	8
Changes in insurance balances:		
Gross provision for unearned premiums	**1 508**	1 043
Reinsurers' share of provisions for unearned premiums	**(267)**	(182)
Provision for cash bonus on insurance contracts	**532**	500
Cash bonus paid on insurance contracts	**(521)**	(481)
Insurance contracts	**450**	28
Deferred acquisition costs	**(168)**	(50)
Investment contracts	**27**	13
Changes in working capital		
Current receivables and prepayments	**(1 059)**	(257)
Current payables and provisions	**856**	393
Cash generated from operations	**3 893**	4 424
Net debt reconciliation		
Opening balance	**(8 896)**	(9 343)
Movement in cash and cash equivalents	**(110)**	204
Movement in gross borrowings – fixed rate	**5 064**	2 143
Movement in gross borrowings – variable rate	**6 450**	(1 900)
Net debt	**2 508**	(8 896)
Current	**2 508**	2 618
Due within 1 year	**–**	–
Due within 2 to 5 years	**–**	(11 514)
Net debt	**2 508**	(8 896)

R million	2022	2021

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.

R million	2022	2021
Continuing and discontinued operations		
Earnings attributable to ordinary shareholders	**22 396**	2 893
Weighted average number of ordinary shares in issue (full amount)	**1 530 544 951**	1 529 087 895
Earnings per share (cents)	**1 463.2**	189.2
Earnings attributable to ordinary shareholders	**22 396**	2 893
Dilutory impact on earnings	**(44)**	(11)
Diluted earnings attributable to ordinary shareholders	**22 352**	2 882
Weighted average number of ordinary shares in issue (full amount)	**1 530 544 951**	1 529 087 895
Diluted earnings per share (cents)	**1 460.4**	188.5
Continuing operations		
Earnings attributable to ordinary shareholders	**1 440**	1 761
Weighted average number of ordinary shares in issue (full amount)	**1 530 544 951**	1 529 087 895
Earnings per share (cents)	**94.1**	115.2
Earnings attributable to ordinary shareholders	**1 440**	1 761
Dilution on earnings from associates	**(32)**	–
Diluted earnings attributable to ordinary shareholders	**1 408**	1 761
Weighted average number of ordinary shares in issue (full amount)	**1 530 544 951**	1 529 087 895
Diluted earnings per share (cents)	**92.0**	115.2

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.

R million	2022	2021
Headline earnings reconciliation		
Earnings attributable to ordinary shareholders	**22 396**	2 893
Adjustments for:	**(19 798)**	36
– Gain on distribution of associates	**(15 227)**	–
– Profit on disposal of equity-accounted investments	**(4 780)**	–
– Intangible assets and other impairments	**206**	138
– Gain on dilution and disposal of equity-accounted investments	**(38)**	(84)
– Loss of control of subsidiary	**19**	–
– Impairment of owner-occupied building below cost	**17**	3
– Adjustments within equity-accounted earnings	**4**	9
– Loss on disposal of property and equipment	**1**	4
– Profit on sale of subsidiary	**–**	(41)
– Derecognition of assets	**–**	10
– FCTR reversal on sale of foreign subsidiary	**–**	(4)
– Loss on dilution of joint venture	**–**	1
Headline earnings attributable to ordinary shareholders	**2 598**	2 929
Continuing and discontinued operations		
Headline earnings attributable to ordinary shareholders	**2 598**	2 929
Weighted average number of ordinary shares in issue (full amount)	**1 530 544 951**	1 529 087 895
Headline earnings per share (cents)	**169.7**	191.6
Headline earnings attributable to ordinary shareholders	**2 598**	2 929
Dilution on earnings from associates	**(32)**	(11)
Diluted headline earnings attributable to ordinary shareholders	**2 566**	2 918
Weighted average number of ordinary shares in issue (full amount)	**1 530 544 951**	1 529 087 895
Diluted headline earnings per share (cents)	**167.6**	190.9
Continuing operations		
Headline earnings attributable to ordinary shareholders	**1 454**	1 829
Weighted average number of ordinary shares in issue (full amount)	**1 530 544 951**	1 529 087 895
Headline earnings per share (cents)	**95.0**	119.6
Headline earnings attributable to ordinary shareholders	**1 454**	2 929
Dilution on earnings from associates	**(17)**	–
Diluted headline earnings attributable to ordinary shareholders	**1 437**	2 929
Weighted average number of ordinary shares in issue (full amount)	**1 530 544 951**	1 529 087 895
Diluted headline earnings per share (cents)	**93.9**	119.6

R million	2022	2021
34. Dividend per share		
Total dividends paid during the year	**2 880**	345
Total dividends declared relating to the profit for the year	**1 003**	689
Number of issued shares for the year	**1 531 807 770**	1 531 807 770
Dividend declared per share – Normal (cents)	**65.5**	45.0
Dividend declared per share – Special (cents)	**142.0**	–
Total dividend	**207.5**	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 (2021: 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 and directors' emoluments are disclosed in note 45. Their shareholding in the company appears in the directors' report.

Subsidiaries

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

The following companies are subsidiaries of RMI as at 30 June 2022:

- AlphaCode Proprietary Limited (100%)
- Firness International Proprietary Limited (100%)
- Main Street 1353 Proprietary Limited (100%)
- OUTsurance Holdings Limited (89.3%)
- OUTsurance Insurance Company Limited (100%)
- OUTsurance International Holdings Proprietary Limited (100%)
- OUTsurance Life Insurance Company Limited (100%)
- OUTsurance Properties Proprietary Limited (100%)
- OUTsurance Shared Services Proprietary Limited (100%)
- OUTvest Nominees RF Proprietary Limited (100%)
- OUTvest Proprietary Limited (100%)
- RMI Asset Holdings Proprietary Limited (100%)
- RMI Invest Five Proprietary Limited (100%)
- RMI Invest Four Proprietary Limited (100%)
- RMI Invest One Proprietary Limited (100%)
- RMI Invest Six Proprietary Limited (100%)
- RMI Invest Three Proprietary Limited (100%)
- RMI Invest Two Proprietary Limited (100%)
- RMI Investment Holdings Proprietary Limited (100%)
- RMI Investment Managers Affiliates 1 Proprietary Limited (100%)
- RMI Investment Managers Group Proprietary Limited (100%)
- RMI Treasury Company Limited (100%)
- Youi Holdings Proprietary Limited (90%)
- Youi New Zealand Proprietary Limited (90%)
- Youi Properties Proprietary Limited (90%)
- Youi Proprietary Limited (Australia) (90%)

The following companies were subsidiaries of RMI as at 30 June 2021 but no longer as at 30 June 2022:

- CloudBadger Technologies Proprietary Limited (became an associate with effect from 1 May 2022)
- RMI Investment Managers Affiliates 2 Proprietary Limited (reclassified to assets held for sale) (51%)
- RMI Investment Managers Affiliates 2B Proprietary Limited (reclassified to assets held for sale) (70%)

35. **Related parties** continued

Associates

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

The following companies are associates of RMI as at 30 June 2022:

- AutoGuru Australia Proprietary Limited
- CloudBadger Technologies Proprietary Limited
- Entersekt International Limited
- Entersekt Proprietary Limited
- Merchant Capital Advisory Services Proprietary Limited
- Polar Star Management Proprietary Limited
- Polar Star Management SEZC
- Sancreed Proprietary Limited (Guidepost)

The following companies were associates of RMI as at 30 June 2021 but were disposed during the current year:

- Discovery Limited (distributed as dividend in specie in April 2022)
- Momentum Metropolitan Holdings Limited (distributed as dividend in specie in April 2022)
- Hastings Group Holdings plc (sold in December 2021)

The following companies were associates of RMI as at 30 June 2021 but were reclassified to assets held for sale during the current year:

- CoreShares Holdings Proprietary Limited
- Ethos Private Equity Proprietary Limited
- Granate Asset Management Proprietary Limited
- Northstar Asset Management Proprietary Limited
- OUTsurance Insurance Company of Namibia Limited
- Perpetua Investment Managers Proprietary Limited
- Royal Investment Managers Proprietary Limited
- Sentio Capital Management Proprietary Limited
- Truffle Capital Proprietary Limited

R million	2022	2021
Related party transactions		
Transactions of RMI and its subsidiary companies with:		
Principal shareholders		
Dividends paid	**1 290**	154
Dividend in specie distributed	**15 523**	–
Key management personnel		
Salaries and other benefits	**16**	15
Value of share appreciation rights vesting	**89**	3
Severance expense	**72**	–
Total key management personnel expenses	**177**	18
Transactions of RMI's key management with associates of the group		
Investment products		
Balance at the beginning of the year	**794**	1 034
Unbundling of associate (no longer a related party)	**(794)**	–
Net withdrawals	**–**	(283)
Net investment return	**–**	45
Commission and other transaction fees	**–**	(2)
Balance at the end of the year	**–**	794

35. Related parties continued

R million	2022	2021
Associates		
Income statement effect:		
– Dividends received	**119**	557
– Investment income	**4**	4
– Administration fees received	**20**	249
– Retirement fund contributions	**107**	113
– Group life	**12**	11
– Disability premiums	**12**	11
– Medical aid premiums paid	**130**	132
Effect on the statement of financial position:		
– Preference share investment	**–**	41
– Loan[1]	**4**	109
– Collective investment scheme investment	**142**	135

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 of R6 million is deemed to be immaterial.

[1] *The loan is shown net of an ECL of R0.3 million (2021: R7 million) and is unsecured.*

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

36. Subsequent events, contingencies and commitments

Subsequent events

Dividend

RMI declared a dividend of 42.0 cents per share on 21 September 2022, payable on 24 October 2022. This is a non-adjusting event.

Contingent liabilities and contingent assets

RMI guarantees a liability of one of its associates, limited to a maximum amount of R28 million (2021: R28 million).

Commitments

Details of the group's obligations in respect of leases can be found in **note 17.**

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 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:

%	2022	2021
Discovery effective	–	25.1
Discovery actual	–	24.8
Hastings Group Consolidated effective	–	30.0
Hastings Group Consolidated actual	–	30.0
MMH effective	–	28.2
MMH actual	–	26.8
OUTsurance effective	**90.9**	90.6
OUTsurance actual	**89.3**	89.1
RMI Investment Managers effective	**100.0**	100.0
RMI Investment Managers actual	**100.0**	100.0
Merchant Capital effective	**21.2**	24.8
Merchant Capital actual	**21.2**	24.8
Entersekt effective	**25.8**	28.2
Entersekt actual	**25.8**	28.2
Guidepost effective	**46.5**	39.5
Guidepost actual	**46.5**	39.5

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		2022	2021
Discovery Limited			
Financial year	30 June		
Year used for equity accounting	30 June		
Country of incorporation	RSA		
Number of shares held ('000)			164 811
Interest held (%) (after consolidation of share trust)			25.1%
Total net asset value of Discovery Limited			46 419
Non-controlling interest			(4)
Total net asset value of Discovery Limited			46 415
Perpetual preference share capital			(779)
Net asset value attributable to ordinary shareholders			45 636
RMI's effective interest in net asset value			11 451
Notional goodwill			1 031
Group carrying value			12 482

38. Associates continued

Discovery Limited continued

R million	2022	2021
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	**8 622**	7 368
Group carrying value as at 8 December 2021 (2021: 30 June 2021)	**13 736**	12 482
Transfer to assets held for distribution	**(13 736)**	–
Group carrying value as at the end of the year	**–**	12 482
Market value of the 25% stake (actual holding)	**–**	20 811
Income attributable to RMI up to 8 December 2021 (2021: for the year ended 30 June 2021)	**716**	790
Less: Dividends received	**–**	–
Share of retained income for the year	**716**	790
Statement of financial position		
Assets		
Assets arising from insurance contracts		50 483
Property and equipment		4 188
Intangible assets and deferred acquisition costs		6 956
Assets arising from contracts with customers		1 248
Goodwill		4 879
Investment in associates		3 459
Financial assets		150 684
Deferred taxation		3 948
Current income tax asset		391
Reinsurance contracts		445
Cash and cash equivalents		20 013
Total assets		246 694
Shareholders' equity and liabilities		
Total equity		46 419
Liabilities arising from insurance contracts		100 977
Liabilities arising from reinsurance contracts		12 525
Financial liabilities		61 595
Deferred taxation		8 814
Contract liabilities to customers		776
Employee benefits		315
Trade and other payables		14 904
Current income tax liability		369
Total shareholders' equity and liabilities		246 694
Net insurance premium revenue		47 383
Statement of comprehensive income		
Profit for the year		3 220
Other comprehensive loss for the year		(1 628)
Total comprehensive income for the year		1 592
Contingencies and commitments		464
Reconciliation of headline earnings to normalised earnings*		
Headline earnings		2 986
Economic assumption adjustments net of discretionary margin and interest rate derivative		383
Unrealised losses on foreign exchange contracts not designated as a hedge		219
Deferred tax asset raised on assessed losses		(152)
Time value of money movement of swaption contract in VitalityLife		(113)
Amortisation of intangible assets relating to business combinations		53
Restructuring costs: VitalityLife		27
Transaction costs related to VitalityLife		3
Initial expenses related to Prudential Book transfer		–
Normalised earnings (refer to note 43 – Segmental reporting)		3 406

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

38. Associates continued

Momentum Metropolitan Holdings Limited

R million	2022	2021
Financial year 30 June		
Year used for equity accounting 30 June		
Country of incorporation RSA		
Number of shares held ('000)		401 048
Interest held (%) (after consolidation of share trust)		28.2%
Total net asset value of Momentum Metropolitan Holdings Limited		21 923
Non-controlling interest		(348)
Net asset value attributable to ordinary shareholders		21 575
RMI's effective interest in net asset value		6 083
Notional goodwill		153
Treasury shares		(87)
Group carrying value		6 149
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	**84**	(59)
Treasury shares	**(98)**	(87)
Group carrying value as at 8 December 2021 (2021: 30 June 2021)	**6 281**	6 149
Transfer to assets held for distribution	**(6 281)**	–
Group carrying value as at the end of the year	**–**	6 149
Market value of the 27.6% stake (actual holding)	**–**	7 820
Income attributable to RMI up to 8 December 2021 (2021: for the year ended 30 June 2021)	**146**	108
Less: Dividends received	**(60)**	(100)
Share of retained profit for the year	**86**	8
Statement of financial position		
Assets		
Intangible assets		9 888
Owner-occupied properties		3 033
Property and equipment		404
Investment properties		8 938
Properties under development		163
Investments in associates		1 156
Employee benefits assets		697
Financial instrument assets		475 878
Insurance and other receivables		6 406
Deferred taxation		756
Reinsurance contracts		6 717
Current tax asset		456
Assets relating to disposal groups held for sale		171
Cash and cash equivalents		38 121
Total assets		552 784

R million	2022	2021
38. Associates continued		
Momentum Metropolitan Holdings Limited continued		
Shareholders' equity and liabilities		
Total equity		21 923
Insurance contract liabilities		142 238
Reinsurance contract liabilities		2 347
Financial instrument liabilities		363 369
Deferred taxation		2 722
Employee benefits obligations		1 148
Other payables		18 829
Provisions		38
Liabilities relating to disposal groups held for sale		–
Current tax liability		170
Total shareholders' equity and liabilities		552 784
Net insurance premiums		36 832
Statement of comprehensive income		
Profit for the year		544
Other comprehensive income for the year		(738)
Total comprehensive income for the year		(194)
Contingencies and commitments		666
Reconciliation of headline earnings to normalised earnings		
Headline earnings		445
Amortisation of intangible assets relating to business combinations		406
Momentum Metropolitan shares held by policyholder funds		54
Adjustments for iSabelo		40
B-BBEE cost		25
Normalised earnings (refer to note 43 – Segmental reporting)		970
Finance costs – convertible preference shares		37
Diluted normalised earnings*		1 007

* *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.*

38. Associates continued

Hastings Group Consolidated

R million		2022	2021
Financial year	31 December		
Period used for equity accounting	Year to 30 June 2021		
Country of incorporation	UK		
Number of shares held ('000)			199 939
Interest held (%)			30.0%
Net asset value attributable to ordinary shareholders of Hastings (including intangible assets recognised)			13 994
RMI's effective interest in net asset value			4 198
Notional goodwill			5 613
Group carrying value			9 811
The group carrying value comprises:			
RMI's effective interest in at acquisition net asset value		**3 365**	3 365
Hastings dividend forming part of acquisition price		**(216)**	(216)
Notional goodwill		**5 613**	5 613
Cost price of investment		**8 762**	8 762
RMI's effective interest in post-acquisition net asset value		**1 301**	1 049
Group carrying value as at 8 December 2021 (2021: 30 June 2021)		**10 063**	9 811
Transfer to assets held for sale		**(10 063)**	–
Group carrying value as at the end of the year		**–**	9 811
Valuation of the 30.0% stake		**–**	9 779
Income attributable to RMI up to 8 December 2021 (2021: for the year ended 30 June 2021)		**137**	390
Less: Dividends received		**(126)**	(297)
Share of retained income for the year		**11**	93

Hastings Group Holdings plc

Statement of financial position as at 30 June

R million	2022	2021
Assets		
Goodwill		9 269
Intangible assets		2 454
Property and equipment		325
Deferred income tax assets		288
Current tax assets		93
Reinsurance assets		28 185
Deferred acquisition costs		649
Inventory		12
Prepayments		252
Insurance and other receivables		8 676
Financial assets at fair value		15 665
Cash and cash equivalents		3 683
Total assets		69 551
Shareholders' equity and liabilities		
Total equity		13 994
Loans and borrowings		4 869
Insurance contract liabilities		42 911
Insurance and other payables		7 174
Deferred income tax liabilities		193
Current tax liabilities		77
Share-based payment liability		333
Total shareholders' equity and liabilities		69 551
Net earned premiums		4 441

R million	2022	2021

38. Associates continued

Hastings Group Holdings plc continued

Statement of comprehensive income for the six months ended 30 June

R million	2022	2021
Profit for the six months		1 430
Other comprehensive income for the six months		(114)
Total comprehensive income for the six months		1 316
Contingencies and commitments		844
Reconciliation of headline earnings to normalised earnings*		
Headline earnings for the six months		1 430
Amortisation of intangible assets relating to business combinations		–
Normalised earnings for the six months		1 430

* *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 any discontinued operations.

R million	RMI Investment Managers associates	AlphaCode associates	OUTsurance associates
30 June 2022			
Profit/(loss) after tax	**74**	**(96)**	**32**
Other comprehensive income	**–**	**21**	**–**
Current assets	**34**	**602**	**387**
Non-current assets	**154**	**166**	**223**
Current liabilities	**16**	**156**	**266**
Non-current liabilities	**5**	**302**	**77**
30 June 2021			
Profit/(loss) after tax	94	(37)	9
Other comprehensive income	–	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

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	2022	2021
39. Subsidiaries		
Unlisted subsidiaries		
OUTsurance Holdings Limited*		
Financial year 30 June		
Year used for consolidation 30 June		
Country of incorporation RSA		
Number of shares held ('000)	**3 390 919 344**	3 385 573 803
Interest held (%) (after consolidation of share trust)	**90.9%**	90.6%
Equity shares at cost	**8 334**	8 271
Net profit for the year	**4 520**	2 703
Results for the year ended 30 June		
Income statement		
Gross insurance premiums	**23 532**	20 570
Less: Reinsurance premiums	**(2 314)**	(1 658)
Net insurance premiums	**21 218**	18 912
Change in provision for unearned premiums net of reinsurance	**(1 021)**	(861)
Net insurance premiums earned	**20 197**	18 051
Fee income	**455**	62
Investment income	**148**	116
Interest income on financial assets using the effective interest rate method	**302**	241
Net fair value gains on financial assets	**78**	382
Fair value gain on loss of control of subsidiary	**37**	–
Net income	**21 218**	18 852
Gross claims paid	**(13 352)**	(10 019)
Reinsurance recoveries received	**2 577**	1 276
Provision for non-claims bonuses	**(550)**	(509)
Transfer to policyholder liabilities under insurance contracts	**(3)**	(249)
Acquisition expenses	**–**	–
Fair value adjustment to financial liabilities	**(147)**	(140)
Marketing and administration expenses	**(6 440)**	(5 451)
Result of operating activities	**3 302**	3 760
Finance costs	**(10)**	(9)
Share of after-tax results of associates	**2 458**	68
Impairment of investment in associate	**(271)**	–
Profit before taxation	**5 479**	3 819
Taxation	**(958)**	(1 116)
Profit for the year from continuing operations	**4 520**	2 703
Profit for the year from discontinued operations	**–**	–
Profit for the year	**4 520**	2 703

* *Held via Firness International Proprietary Limited and RMI Asset Holdings Proprietary Limited.*

R million	2022	2021

39. Subsidiaries continued

The principal place of business for Youi Holdings Proprietary Limited is Australia.

R million	2022	2021
Non-controlling interest relating to Youi Holdings Proprietary Limited		
Balance at the beginning of the year	**625**	636
Profit attributable to non-controlling interests (10% in underlying subsidiary (2021: 15.2%))	**57**	115
FCTR attributable to non-controlling interests	**33**	(74)
Dividends paid	**(96)**	(44)
Transactions with non-controlling interests	**(208)**	(8)
Total non-controlling interest in respect of Youi Holdings Proprietary Limited	**411**	625
Non-controlling interest relating to CloudBadger (34.8%)		
Balance at the beginning of the year	**46**	–
Loss attributable to non-controlling interests	**(1)**	(3)
Shares issued to non-controlling interest	**4**	49
Derecognition due to loss of control of subsidiary	**(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	**995**	936
Profit attributable to non-controlling interests (9.1% (2021: 9.4%))	**438**	233
Dividends paid	**(495)**	(182)
Non-controlling interest in other reserves	**194**	17
Movement in treasury shares	**(223)**	(9)
Total non-controlling interest in respect of OUTsurance Holdings Limited	**909**	995
Current assets	**23 596**	17 946
Non-current assets	**3 985**	6 835
Current liabilities	**14 905**	11 016
Non-current liabilities	**2 282**	2 170
Cash (outflow)/inflow from operating activities	**(5 018)**	1 284
Cash inflow/(outflow) from investing activities	**5 618**	(156)
Cash inflow/(outflow) from financing activities	**(501)**	(101)

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	**21**	89

39. Subsidiaries continued

Results for the year ended 30 June

R million	2022	2021
Fee and other income	**5**	7
Investment income	**10**	4
Net fair value gains/(losses)	**1**	(1)
Realised losses	**–**	(6)
Marketing and administration expenses	**(25)**	(21)
Result of operating activities	**(8)**	(17)
Finance costs	**–**	–
Share of after-tax results of associates	**32**	106
Profit before taxation	**24**	89
Taxation	**(3)**	–
Profit for the year	**21**	89
Non-controlling interest relating to RMI Investment Managers Group Proprietary Limited relating to its 51%-held subsidiary, RMI Investment Managers Affiliates 2 Proprietary Limited and 30% shareholding held by RMI Investment Managers Affiliates 2 Proprietary Limited in RMI Investment Managers Affiliates 2B Proprietary Limited		
Balance at the beginning of the year	**110**	125
Profit/(loss) attributable to non-controlling interests (49% in underlying subsidiary (2021: 49%))	**2**	(16)
Dividends paid	**(3)**	–
Transactions with non-controlling interest	**37**	1
Total non-controlling interest in respect of RMI Investment Managers Group Proprietary Limited	**145**	110
Current assets	**218**	175
Non-current assets	**627**	715
Current liabilities	**50**	12
Non-current liabilities	**–**	39
Cash inflow from operating activities	**78**	68
Cash inflow from investing activities	**(126)**	10
Cash outflow from financing activities	**56**	(10)
Total non-controlling interests		
Youi Holdings Proprietary Limited	**411**	625
CloudBadger	**–**	46
OUTsurance Holdings Limited	**909**	995
RMI Investment Managers Group Proprietary Limited	**145**	110
Total non-controlling interests	**1 465**	1 776

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 2022				
Financial assets				
Equity securities				
– Exchange-traded funds	**817**	**–**	**–**	**817**
– Listed preference shares	**341**	**–**	**–**	**341**
– Collective investment schemes	**–**	**368**	**–**	**368**
– Listed equity securities	**–**	**–**	**–**	**–**
– Unlisted equity securities	**–**	**–**	**393**	**393**
Debt securities				
– Unsecured investment in development fund	**–**	**–**	**58**	**58**
– Zero-coupon deposits	**–**	**849**	**–**	**849**
– Convertible loan	**–**	**–**	**4**	**4**
– Government, municipal and public utility securities	**–**	**281**	**–**	**281**
– Money market securities	**–**	**4 576**	**–**	**4 576**
– Collective investment schemes	**–**	**1 225**	**–**	**1 225**
– Unlisted debt securities at fair value through profit or loss	**–**	**–**	**360**	**360**
Derivative assets	**–**	**68**	**–**	**68**
Total financial assets recognised at fair value	**1 158**	**7 367**	**815**	**9 340**
Financial liabilities				
Financial liabilities at fair value through profit or loss	**–**	**–**	**72**	**72**
Investment contract liability	**–**	**64**	**–**	**64**
Derivative liability	**–**	**6**	**–**	**6**
Total financial liabilities recognised at fair value	**–**	**70**	**72**	**142**

R million	2022	2021
Reconciliation of movement in level 3 assets		
Balance at the beginning of the year	**807**	912
Reclassification on investment becoming an associate	**(13)**	–
Additions in the current year	**219**	90
Disposals (sales and redemptions)	**(186)**	(118)
Fair value movement	**(12)**	(77)
Balance at the end of the year	**815**	807
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	**125**	104
Preference dividends charged to profit or loss	**147**	140
Preference dividends paid	**(161)**	(119)
Transfer to liabilities associated with assets held for sale	**(39)**	–
Balance at the end of the year	**72**	125

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.

40. Financial instruments measured at fair value continued

R million	Level 1	Level 2	Level 3	Total carrying amount
30 June 2021				
Financial assets				
Equity securities				
– Exchange-traded funds	952	–	–	952
– Listed preference shares	310	–	–	310
– Collective investment schemes[1]	–	388	–	388
– 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
– Unlisted debt securities at fair value through profit or loss	–	37	372	409
Derivative 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

[1] *A prior year collective investment scheme to the value of R253 million was reclassified from exchange-traded funds to collective investment schemes in line with the current year presentation.*

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 the 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 tracks 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. 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 values 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.
- **Zero-coupon deposits backing endowment policies and the investment contract liability backing the asset:** These instruments relate 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 three-month JIBAR.
- **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.
- **Bond forward contract:** The fair value of the bond forward contract is derived from the fair value of the underlying bonds which are linked to the CPI index. The fair values of these bonds are calculated in the same manner as the other government and money market securities 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, a collateralised swap and a bond forward 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 marketplace. 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 value of the equity investment in Blue Zebra Insurance relating to a convertible preference share held is determined based on standard valuation techniques where the net asset value is a key input.

  The 12.5% (2021: 13.3%) shareholding held in Prodigy is carried at fair value of R351 million (2021: R321 million). Prodigy is a US based fintech platform that enables financing for international postgraduate students. The fair value is based on a present value calculation taking into account unobservable inputs of similar companies. These unobservable inputs in the calculation of the fair value of Prodigy includes a discount rate used of 14.1% (2021: 16.0%), and other inputs of significance being the loan book growth, the fee earned on loan book and disbursements. The higher the discount rate the lower the fair value of the shares held. The fair value is very sensitive to loan growth and fee earned on loan book assumptions, for instance, an increase or decrease by 1% per annum would increase or decrease the fair value by 10% and should the disbursement growth increase or decrease by 10 basis points, the fair value would increase or decrease by 7.5%. The investment is also exposed to currency risk.

- **Unsecured investment in Development Fund:** The group invested in the ASISA Enterprise Development Fund of which the objective is to make investments in underlying B-BBEE development entities. The nature of the underlying debt and equity investments are high-risk, small- and medium-sized businesses which are exposed to start-up, scale and macro-economic risk. As such gains and losses which could arise from the underlying investments are material, relative to the size of the group's investment in the fund. The group previously referred to the investment as an unsecured loan, however, the nature of the investment is similar to that of an investment in a unit trust.

The investments are fair valued by multiplying the number of units held by the closing price per unit as valued by the fund. A 20% positive or negative change in the value of the underlying investments is deemed to be a reasonable expected range of potential fluctuation of the group's investment and will result in the following fair value of the fund. Prior year sensitivities have been updated accordingly.

R million	Current	1% increase in interest rate	1% decrease in interest rate
30 June 2022			
Fair value	**58**	**70**	**47**
30 June 2021			
Fair value	44	43	45

- **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.

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 R4 million (2021: R13 million) as at 30 June 2022 is derived from an interest rate of 7.4% (2020: 6.6%). This interest rate has been contractually agreed and is adjusted for the prevailing BBSR applicable at valuation date. A 1% movement in the interest rate would result in the following fair value being recognised as at 30 June 2022:

R million	Current	1% increase in interest rate	1% decrease in interest rate
30 June 2022			
Fair value	**4**	**4**	**3**
30 June 2021			
Fair value	13	14	13

- **Financial liabilities at fair value through profit or loss:** A specific valuation technique is used to value this financial instrument which represents the accrued profit related to the FirstRand Bank Limited homeowners profit-sharing arrangement, as well as the accrued profit related to the Shoprite funeral profit-sharing arrangement.

40. Financial instruments measured at fair value continued

Level 3 continued

Profits arising out of the homeowners profit-sharing arrangement accrue on a monthly basis and are distributed as preference dividends bi-annually to FirstRand Bank Limited. Profits arising out of the funeral profit-sharing arrangement accrue on a monthly basis and are distributed as preference dividends annually to Shoprite Investment Limited. The only significant unobservable input in the calculation of the preference dividends 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 is 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. Assets held for sale/liabilities directly associated with assets held for sale

In December 2021, management committed to a plan to sell its 49% associate shareholding in OUTsurance Namibia to FirstRand Namibia as it no longer fits into the strategic direction of the group. Accordingly, the investment in OUTsurance Namibia has been classified as held for sale with an effective date of 31 December 2021 and no significant changes to the sales plan are expected. The sale is expected to be finalised once final regulatory approval has been obtained. The investment in associate is valued as at 30 June 2022 at its carrying value which is the lower of carrying value and fair value less costs to sell.

The disposal proceeds relating to OUTsurance Namibia will be 49% of the aggregate of the value of the in-force book plus the net asset value (NAV) of OUTsurance Namibia as at 31 December 2021. The investment in associate may be reduced with any dividend payments after 31 December 2021 and before the completion of the transaction.

On 1 May 2022, management committed to a plan to sell certain of its associates indirectly held by RMI Investment Managers Group as well as assets and liabilities directly associated with these associates. Accordingly, the RMI Investment Managers associates has been classified as held for sale with an effective date of 1 May 2022. These assets are valued as at 30 June 2022 at their carrying value which is the lower of carrying value and fair value less costs to sell. The carrying value of the investment in associates may be reduced with any dividend payments between 1 May 2022 and the completion of the transaction.

The associates included as held for sale comprises CoreShares Holdings Proprietary Limited, Ethos Private Equity Proprietary Limited, Granate Asset Management Proprietary Limited, Northstar Asset Management Proprietary Limited, Perpetua Investment Managers Proprietary Limited, Royal Investment Managers Proprietary Limited, Sentio Capital Management Proprietary Limited and Truffle Capital Proprietary Limited.

R million	2022	2021
Assets held for sale	**503**	–

41. Assets held for sale/liabilities directly associated with assets held for sale continued

Reconciliation of assets held for sale:

R million	RMI Investment Managers associates	OUTsurance Namibia	Total
30 June 2022			
Investment associates	**416**	**25**	**442**
Financial assets			
Debt securities			
– fair value through profit or loss	**45**	**–**	**45**
Insurance and other receivables	**5**	**–**	**5**
Deferred taxation	**2**	**–**	**2**
Cash and cash equivalents	**10**	**–**	**10**
Assets held for sale at the end of the year	**478**	**25**	**503**

Reconciliation of investment in associates held for sale:

R million	RMI Investment Managers associates	OUTsurance Namibia	Total
30 June 2022			
Balance at the beginning of the year	**396**	**47**	**442**
Additional acquisition of associates	**33**	**–**	**33**
Equity-accounted earnings for the year	**30**	**4**	**34**
Dividends received for the year	**(27)**	**(25)**	**(52)**
Impairments	**(15)**	**–**	**(15)**
Assets held for sale at the end of the year	**416**	**25**	**442**

R million	2022	2021
Liabilities directly associated with assets held for sale	**49**	–

Reconciliation of liabilities directly associated with assets held for sale:

R million	2022	2021
Financial liabilities at fair value through profit or loss	**39**	–
Employee benefit liabilities	**8**	–
Insurance and other payables	**2**	–
Liabilities directly associated with assets held for sale at the end of the year	**49**	–

42. Profit for the year from discontinued operations

R million	2022	2021
Unbundling of Discovery and Momentum Metropolitan	**16 089**	898
Sale of Hastings	**5 098**	245
Profit for the year from discontinued operations	**21 187**	1 143

On 20 September 2021 RMI announced its intention to unbundle its shareholdings in Discovery and Momentum Metropolitan. At the time it was envisaged that a rights issue of approximately R6.5 billion would be required before the unbundling could be finalised to reduce debt to a level that would be appropriate for the reduced size of the statement of financial position post-unbundling. On 8 December 2021 RMI announced the sale of the group's shareholding in Hastings. The sales proceeds were utilised to repay all the preference share debt and therefore negated the need for a rights issue prior to the unbundling of Discovery and Momentum Metropolitan.

Hastings represented a major geographical area of operation and both Discovery and Momentum Metropolitan represented major lines of business. The results of all these investee companies are therefore being treated as discontinued operations in the RMI group results. The results of Hastings were equity accounted until 8 December 2021, the effective date of the sale. The results of Discovery and Momentum Metropolitan are also being equity accounted until 8 December 2021, the date on which the unbundling of these assets met the accounting definition of being highly probable. At this date, Discovery and Momentum Metropolitan were classified as held for distribution.

On 25 April 2022, RMI finalised the unbundling of its shareholdings in Discovery and Momentum Metropolitan.

Unbundling of Discovery and Momentum Metropolitan

R million	2022	2021
Equity-accounted earnings up to 8 December 2022	**862**	898
Discovery	**716**	790
Momentum Metropolitan	**146**	108
Gain on distribution	**14 365**	–
Discovery	**13 796**	–
Momentum Metropolitan	**569**	–
Reclassification of accumulated comprehensive income to the income statement	**961**	–
Discovery	**926**	–
Momentum Metropolitan	**35**	–
Transaction costs	**(99)**	–
Profit for the year from discontinued operations due to the unbundling of Discovery and Momentum Metropolitan	**16 089**	898

Gain on distribution

R million	Discovery	Momentum Metropolitan	Total
RMI's effective interest in at acquisition net asset value	4 083	6 142	10 225
Notional goodwill	1 031	153	1 184
Cost price of investment	5 114	6 295	11 409
RMI's effective interest in post-acquisition movement in net asset value	8 622	(14)	8 608
Group carrying value as at 8 December 2021	13 736	6 281	20 017
Additional acquisition of shares	402	–	402
Dividend received after reclassification to assets held for distribution	–	(140)	(140)
Group carrying value prior to unbundling	14 138	6 141	20 279
Market value as at opening price on 20 April 2022, the first date RMI shareholders could trade their Discovery and Momentum Metropolitan shares	27 934	6 710	34 644
Gain on distribution (market value less group carrying value)	13 796	569	14 365

42. Profit for the year from discontinued operations continued

R million	2022	2021
Sale of Hastings		
Equity-accounted earnings up to 8 December 2021	**137**	245
Profit on sale of investment in Hastings	**4 513**	–
Reclassification of accumulated comprehensive income to the income statement	**468**	–
Transaction costs	**(20)**	–
Profit for the year from discontinued operations due to the sale of Hastings	**5 098**	245
Profit on sale of investment in Hastings		
RMI's effective interest in at acquisition net asset value	**3 365**	
Hastings dividend forming part of acquisition price	**(216)**	
Notional goodwill	**5 613**	
Cost price of investment	**8 762**	
RMI's effective interest in post-acquisition movement in net asset value	**1 301**	
Group carrying value as at 8 December 2021	**10 063**	
Proceeds on sale of Hastings	**14 576**	
Profit on sale of Hastings (proceeds less group carrying value)	**4 513**	

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	Discovery	Momentum Metropolitan	Hastings	OUTsurance	Other*	RMI group
Year ended 30 June 2022						
Net income	**–**	**–**	**–**	**20 862**	**145**	**21 007**
Interest received	**–**	**–**	**–**	**355**	**117**	**472**
Policyholder benefits and transfer to policyholder liabilities	**–**	**–**	**–**	**(11 328)**	**–**	**(11 328)**
Depreciation	**–**	**–**	**–**	**(136)**	**(19)**	**(155)**
Amortisation	**–**	**–**	**–**	**(29)**	**–**	**(29)**
Other expenses	**–**	**–**	**–**	**(6 275)**	**(409)**	**(6 684)**
Finance costs	**–**	**–**	**–**	**(10)**	**(422)**	**(432)**
Fair value adjustment to financial liabilities	**–**	**–**	**–**	**(147)**	**–**	**(147)**
Share of after-tax results of associates	**–**	**–**	**–**	**2 187**	**(2 160)**	**27**
Profit/(loss) before taxation	**–**	**–**	**–**	**5 479**	**(2 748)**	**2 731**
Taxation	**–**	**–**	**–**	**(958)**	**(69)**	**(1 027)**
Profit/(loss) for the year from continuing operations	**–**	**–**	**–**	**4 521**	**(2 817)**	**1 704**
Profit for the year from discontinued operations	**15 438**	**750**	**5 098**	**–**	**(99)**	**21 187**
Hastings included in OUTsurance	**–**	**–**	**–**	**(2 449)**	**2 449**	**–**
Profit/(loss) for the year	**15 438**	**750**	**5 098**	**2 072**	**(467)**	**22 891**
Normalised earnings	**620**	**370**	**124**	**2 316**	**(476)**	**2 954**
Hastings included in OUTsurance	**–**	**–**	**67**	**(67)**	**–**	**–**
Normalised earnings	**620**	**370**	**191**	**2 249**	**(476)**	**2 954**
Assets	**–**	**–**	**–**	**27 055**	**2 397**	**29 452**
Investments in associates	**–**	**–**	**–**	**290**	**402**	**692**
Intangible assets	**–**	**–**	**–**	**236**	**–**	**236**
Total assets	**–**	**–**	**–**	**27 581**	**2 799**	**30 380**
Total liabilities	**–**	**–**	**–**	**17 186**	**242**	**17 428**

* *'Other' includes RMI, RMI Investment Managers, Merchant Capital, Entersekt, Prodigy, Guidepost and consolidation entries.*

43. **Segmental report** continued

R million	Discovery	Momentum Metropolitan	Hastings	OUTsurance	Other*	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	(4)	64
Profit/(loss) before taxation	–	–	–	3 819	(601)	3 218
Taxation	–	–	–	(1 115)	(24)	(1 139)
Profit/(loss) for the year from continuing operations	–	–	–	2 704	(625)	2 079
Profit for the year from discontinued operations	790	108	245	–	–	1 143
Hastings included in OUTsurance	–	–	–	(61)	61	–
Profit/(loss) for the year	790	108	245	2 643	(564)	3 222
Normalised earnings	850	269	341	2 779	(694)	3 545
Hastings included in OUTsurance	–	–	244	(244)	–	–
Normalised earnings	850	269	585	2 535	(694)	3 545
Assets	–	–	–	20 853	3 697	24 550
Associates	12 482	6 149	6 184	3 716	770	29 301
Intangible assets	–	–	–	213	–	213
Total assets	12 482	6 149	6 184	24 782	4 467	54 064
Hastings included in OUTsurance	–	–	3 627	(3 627)	–	–
Total assets	12 482	6 149	9 811	21 155	4 467	54 064
Total liabilities	–	–	–	13 186	11 864	25 050

* *'Other' includes RMI, RMI Investment Managers, Merchant Capital, Entersekt, Prodigy, Guidepost and consolidation entries.*

Reconciliation of normalised earnings to headline earnings attributable to ordinary shareholders as per note 33

R million	2022	2021
Normalised earnings as per segment report	**2 954**	3 545
RMI's share of normalised adjustments made by associates:	**(30)**	(610)
Amortisation of intangible assets relating to business combinations	**(128)**	(289)
Economic assumption adjustments net of discretionary margin and interest rate derivative	**81**	(95)
Remeasurement gain on retained interest in CloudBadger	**53**	
Restructuring costs	**(34)**	(219)
Unrealised gains on foreign exchange contracts not designated as a hedge	**15**	(54)
Transaction costs related to VitalityLife interest rate derivatives	**(12)**	(1)
Time value of money movement of swap contract in VitalityLife	**11**	28
Adjustments for iSabelo	**(8)**	(11)
Finance costs – Convertible preference shares	**(5)**	–
Deferred tax asset raised on assessed losses	**(3)**	38
B-BBEE cost	**–**	(7)
Restructuring costs	**(318)**	–
Group treasury shares	**(8)**	(6)
Headline earnings attributable to ordinary shareholders as per note 33	**2 598**	2 929

43. **Segmental report** continued

The normalised adjustments made by associates can be split as follows:

R million	Discovery	Momentum Metropolitan	Hastings	Other	Total
30 June 2022					
Amortisation of intangible assets relating to business combinations	**(5)**	**(42)**	**(60)**	**(21)**	**(128)**
Economic assumption adjustments net of discretionary margin and interest rate derivative	**81**	**–**	**–**	**–**	**81**
Remeasurement gain on retained interest in CloudBadger	**–**	**–**	**–**	**53**	**53**
Restructuring costs	**–**	**–**	**(34)**	**–**	**(34)**
Unrealised gains on foreign exchange contracts not designated as a hedge	**15**	**–**	**–**	**–**	**15**
Transaction costs related to VitalityLife interest rate derivatives	**(12)**	**–**	**–**	**–**	**(12)**
Time value of money movement of swap contract in VitalityLife	**11**	**–**	**–**	**–**	**11**
Adjustments for iSabelo	**–**	**(8)**	**–**	**–**	**(8)**
Finance costs – Convertible preference shares	**–**	**(5)**		**–**	**(5)**
Deferred tax asset raised on assessed losses	**(3)**	**–**	**–**	**–**	**(3)**
Normalised adjustments made by associates	**87**	**(55)**	**(94)**	**32**	**(30)**
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)
Normalised adjustments made by associates	(104)	(129)	(350)	(27)	(610)

43. Segmental report continued

Geographical segments

R million	South Africa	Australia	UK	Total
Year ended 30 June 2022				
Net income	**11 874**	**9 605**	**–**	**21 479**
Policyholder benefits and transfer to policyholder liabilities	**(5 550)**	**(5 778)**	**–**	**(11 328)**
Other expenses	**(4 241)**	**(3 206)**	**–**	**(7 447)**
Share of after-tax results of associates	**27**	**–**	**–**	**27**
Profit before taxation	**2 110**	**621**	**–**	**2 731**
Taxation	**(846)**	**(181)**	**–**	**(1 027)**
Profit for the year from continuing operations	**1 264**	**440**	**–**	**1 704**
Profit for the year from discontinued operations	**15 896**	**–**	**5 291**	**21 187**
Profit for the year	**17 160**	**440**	**5 291**	**22 891**
Assets				
Property and equipment	**357**	**708**	**–**	**1 065**
Investments in associates	**692**	**–**	**–**	**692**
Financial assets	**9 306**	**7 268**	**–**	**16 574**
Other assets	**2 208**	**9 841**	**–**	**12 049**
Total assets	**12 563**	**17 817**	**–**	**30 380**
Liabilities				
Insurance contract liabilities	**2 854**	**10 784**	**–**	**13 638**
Other liabilities	**968**	**2 822**	**–**	**3 790**
Total liabilities	**3 822**	**13 606**	**–**	**17 428**
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	64	–	–	64
Profit before taxation	2 156	1 062	–	3 218
Taxation	(796)	(343)	–	(1 139)
Profit for the year from continuing operations	1 360	719	–	2 079
Profit for the year from discontinued operations	569	–	574	1 143
Profit for the year	1 929	719	574	3 222
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

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. The group unbundled its 25% equity stake in Discovery on 25 April 2022.

43. Segmental report continued

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. The group unbundled its 26.8% equity stake in Momentum Metropolitan on 25 April 2022.

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. The group sold its 30% equity stake in Hastings effective 8 December 2022.

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.

R million	Current	Non-current	Total
ASSETS			
Property and equipment	–	1 065	1 065
Intangible assets	–	236	236
Right-of-use assets	5	65	70
Investments in associates	–	692	692
Financial assets			
Equity securities			
– fair value through profit or loss	1 186	350	1 536
– fair value through other comprehensive income	–	383	383
Debt securities			
– fair value through profit or loss	766	1 271	2 037
– fair value through other comprehensive income	5 317	–	5 317
– amortised cost	7 011	222	7 233
Derivative asset	8	60	68
Insurance and other receivables	4 672	186	4 858
Deferred acquisition cost	681	–	681
Reinsurance contracts	2 323	442	2 765
Deferred taxation	21	404	425
Taxation	3	–	3
Assets held for sale	503	–	503
Cash and cash equivalents	2 508	–	2 508
Total assets	**25 004**	**5 376**	**30 380**
LIABILITIES			
Financial liabilities			
Financial liabilities at fair value through profit or loss	72	–	72
Derivative liability	6	–	6
Investment contracts at fair value through profit or loss	64	–	64
Insurance contracts	11 667	1 971	13 638
Lease liabilities	36	46	82
Share-based payment liability	93	204	297
Employee benefit liabilities	214	37	251
Insurance and other payables	2 777	–	2 777
Deferred taxation	4	25	29
Taxation	163	–	163
Liabilities directly associated with assets held for sale	49	–	49
Total liabilities	**15 145**	**2 283**	**17 428**

44. Current/non-current split of assets and liabilities continued

R million	Current	Non-current	Total
ASSETS			
Property and equipment	–	1 056	1 056
Intangible assets	8	205	213
Right-of-use assets	–	104	104
Investments in associates	–	29 301	29 301
Financial assets			
Equity securities			
– fair value through profit or loss	1 339	402	1 741
– fair value through other comprehensive income	–	365	365
Debt securities			
– fair value through profit or loss	1 897	1 193	3 090
– fair value through other comprehensive income	3 338	–	3 338
– amortised cost	5 813	309	6 122
Derivative asset	100	33	133
Insurance and other receivables	3 803	–	3 803
Deferred acquisition cost	513	–	513
Reinsurance contracts	945	195	1 140
Deferred taxation	–	502	502
Taxation	25	–	25
Cash and cash equivalents	2 618	–	2 618
Total assets	20 399	33 665	54 064
LIABILITIES			
Financial liabilities			
Preference shares	–	11 514	11 514
Financial liabilities at fair value through profit or loss	86	39	125
Derivative liability	3	127	130
Investment contracts at fair value through profit or loss	–	37	37
Lease liabilities	31	87	118
Share-based payment liability	55	203	258
Employee benefit liabilities	237	–	237
Deferred taxation	–	270	270
Insurance and other payables	1 876	33	1 909
Insurance contracts	8 768	1 543	10 311
Taxation	141	–	141
Total liabilities	11 197	13 853	25 050

45. Directors' emoluments

Schedule of directors' emoluments paid for services rendered to RMI in respect of the year ended 30 June 2022:

R'000	Services as director	Cash package	Other benefits[1]	SARs exercised during the year	Fair value of vested instruments	Fair value of unvested pro-rated instruments	Severance payment	Total 2022
Executive								
HL Bosman[2]	–	10 652	1 373	31 878	16 347	40 915	71 893	173 058
– Paid by RMI	–	11 873	1 530	–	–	–	–	13 403
– Recovered from RMH	–	(1 221)	(157)	–	–	–	–	(1 378)
– Value of share appreciation rights vesting	–	–	–	31 878	16 347	40 915	–	89 140
– Severance payment	–	–	–	–	–	–	71 893	71 893
Non-executive								
JJ Durand[3]	622	–	–	–	–	–	–	622
JP Burger	411	–	–	–	–	–	–	411
P Cooper	293	–	–	–	–	–	–	293
SEN De Bruyn	162	–	–	–	–	–	–	162
LL Dippenaar	205	–	–	–	–	–	–	205
DA Frankel (alternate)	293	–	–	–	–	–	–	293
PK Harris	114	–	–	–	–	–	–	114
A Kekana[3]	293	–	–	–	–	–	–	293
F Knoetze (alternate)	–	–	–	–	–	–	–	–
P Lagerström	477	–	–	–	–	–	–	477
UH Lucht (alternate)	22	–	–	–	–	–	–	22
MM Mahlare	293	–	–	–	–	–	–	293
MM Morobe	406	–	–	–	–	–	–	406
RT Mupita[3]	114	–	–	–	–	–	–	114
O Phetwe	114	–	–	–	–	–	–	114
JA Teeger	367	–	–	–	–	–	–	367
Total	**4 186**	**10 652**	**1 373**	**31 878**	**16 347**	**40 915**	**71 893**	**177 244**

Notes:
1. *'Other benefits' comprise pension fund, provident fund and medical aid contributions.*
2. *Mr Bosman's executive remuneration is paid for by RMI. A portion of his remuneration is recovered from RMH.*
3. *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.*
4. *There were no other services rendered by non-executive directors to RMI.*

For a complete explanation of the remuneration of Mr Bosman, refer to the information provided in the unaudited directors' report on **page 7.**

The impact of the executive director's remuneration on the consolidated income statement is outlined below:

R'000	Total amount 30 June 2022	Amount accrued in prior years[(1)]	Amount included in 30 June 2022 expenses
Cash package	**10 652**	–	10 652
Other benefits	**1 373**	–	1 373
Instruments exercised during the year	**31 878**	9 211	22 667
Fair value of vested instruments[(2)]	**16 347**	5 489	10 858
Fair value of unvested pro-rated instruments[(2)]	**40 915**	6 026	34 889
Severance payment	**71 893**	–	71 893
Total	**173 058**	20 726	152 332

(1) The value of share appreciation rights vesting in the following year have been included in the disclosure of Mr Bosman's total remuneration in prior years.
(2) The total of these amounts of R57 262 is payable to Mr Bosman on his last day of employment being 30 November 2022. This amount has been provided for in the statement of financial position as at 30 June 2022.

45. **Directors' emoluments** continued

Directors' participation in RMI'S share schemes

RMI share appreciation rights

R'000	Strike price (cents)	Vesting date	Balance 1 July 2021 000's	**Issued 000's**	**Exercised 000's**	**Exercised (payable on 30 November 2022) 000's**	**Balance 30 June 2022 000's**	Benefit derived R000's
HL Bosman	2 874	02/04/2017	631	**–**	**(631)**	**–**	**–**	10 626
HL Bosman	2 874	02/04/2018	631	**–**	**(631)**	**–**	**–**	10 626
HL Bosman	2 874	02/04/2019	631	**–**	**(631)**	**–**	**–**	10 626
HL Bosman	4 125	14/09/2018	27	**–**	**–**	**(27)**	**–**	240
HL Bosman	4 125	14/09/2019	27	**–**	**–**	**(27)**	**–**	240
HL Bosman	4 125	14/09/2020	26	**–**	**–**	**(26)**	**–**	239
HL Bosman	4 341	14/09/2019	167	**–**	**–**	**(167)**	**–**	1 688
HL Bosman	4 341	14/09/2020	167	**–**	**–**	**(167)**	**–**	1 688
HL Bosman	4 341	14/09/2021	167	**–**	**–**	**(167)**	**–**	1 688
HL Bosman	3 992	19/09/2020	179	**–**	**–**	**(179)**	**–**	2 511
HL Bosman	3 992	19/09/2021	180	**–**	**–**	**(180)**	**–**	2 511
HL Bosman	3 992	18/03/2022	180	**–**	**–**	**(180)**	**–**	2 256
HL Bosman	3 947	14/09/2021	249	**–**	**–**	**(249)**	**–**	5 542
HL Bosman	3 947	18/03/2022	249	**–**	**–**	**(249)**	**–**	4 859
HL Bosman	3 947	18/03/2022	250	**–**	**–**	**(250)**	**–**	3 885
HL Bosman	3 091	18/03/2022	130	**–**	**–**	**(130)**	**–**	4 349
HL Bosman	3 091	18/03/2022	130	**–**	**–**	**(130)**	**–**	3 258
HL Bosman	3 091	18/03/2022	131	**–**	**–**	**(131)**	**–**	2 592
HL Bosman	2 937	18/03/2022	355	**–**	**–**	**(355)**	**–**	6 125
HL Bosman	2 937	18/03/2022	355	**–**	**–**	**(355)**	**–**	4 568
HL Bosman	2 937	18/03/2022	355	**–**	**–**	**(355)**	**–**	3 622
HL Bosman	3 598	18/03/2022	–	**547**		**(547)**	**–**	2 375

The below table sets out the nil cost options awarded to the CEO:

Participant	Strike price (cents)	Vesting date	Balance 1 July 2021 000's	**Issued 000's**	**Exercised 000's**	**Exercised (payable on 30 November 2022) 000's**	**Balance 30 June 2022 000's**	Benefit derived R000's
HL Bosman	–	18/03/2022	–	**288**	**–**	**(288)**	**–**	3 026

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 2021:

R'000	Services as director	Cash package	Other benefits[1]	Share appre-ciation rights[2]	Total 2021
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

Notes:
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.*

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 2022:

R'000	Total 2022	Total 2021
Executive		
HL Bosman[1]	**1 743**	2 384
Non-executive		
P Cooper[2]	**2 280**	1 310
SEN De Bruyn[3]	**591**	1 364
Total	**4 614**	5 058

Notes:
1. *Directors' fees for serviced rendered by Mr Bosman were paid to RMI. R1 743 000 (2021: R1 822 000) was received from Discovery and Rnil (2021: R562 000) was received from OUTsurance.*
2. *R2 280 000 (2021: R1 199 000) was received from Momentum Metropolitan and Rnil (2021: R111 000) was received from OUTsurance.*
3. *Received from Discovery.*

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, 71 of 2008. His emoluments are set out below:

R'000	Cash package	Perfor-mance bonus	Benefit derived from share incentive scheme	Total
30 June 2022				
MC Visser	**6 347**	**6 690**	**1 206**	**14 243**
30 June 2021				
MC Visser	6 045	5 743	679	12 467

OUTsurance Holdings share incentive scheme

Participant	Strike price (cents)	Vesting date	Balance 1 July 2021 000's	Issued 000's	Forfeited 000's	Exercised 000's	Balance 30 June 2022 000's	Benefit derived R000's
MC Visser	1 008	01/09/2018 to 01/09/2021	935	–	–	(935)	**–**	1 206
MC Visser	952	01/09/2019 to 01/09/2022	2 418	–	–	–	**2 418**	–
MC Visser	947	01/09/2020 to 01/09/2023	2 902	–	–	–	**2 902**	–
MC Visser	1 055	01/09/2021 to 01/09/2024	–	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.
- 7.5% participation in the Youi schemes.

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SEPARATE ANNUAL FINANCIAL STATEMENTS

The basis of preparation for these separate annual financial statements is outlined on **page 21.**

SEPARATE STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Note	Company 2022	Company 2021
Assets			
Property and equipment	1	**5**	26
Right-of-use assets	2	**5**	56
Investment in subsidiaries	3	**12 445**	21 467
Investment in associate	4	**9**	–
Financial assets			
Equity securities			
– fair value through profit or loss	5	**10**	91
Debt securities			
– fair value through profit or loss	5	**357**	372
Amortised cost	5	**222**	–
Derivative asset	6	**–**	65
Other receivables		**10**	8
Deferred taxation		**41**	14
Taxation	7	**–**	3
Cash and cash equivalents	8	**64**	289
Total assets		**13 168**	22 391
Equity			
Share capital and share premium	9	**15 432**	15 432
Reserves	10	**(3 429)**	6 814
Total equity		**12 003**	22 246
Liabilities			
Share-based payment liabilities	11	**–**	34
Employee benefit liabilities	12	**108**	10
Financial liabilities			
Financial guarantee contract liability		**–**	12
Lease liabilities	13	**10**	64
Loan from subsidiary	14	**977**	–
Trade and other payables	15	**45**	25
Taxation		**25**	–
Total liabilities		**1 165**	145
Total equity and liabilities		**13 168**	22 391

SEPARATE INCOME STATEMENT

for the year ended 30 June

R million	Note	Company 2022	Company 2021
Revenue – Investment income	16	**10 720**	1 661
Interest income on financial assets using the effective interest rate method	16	**23**	13
Fair value gain		**53**	31
Fee and other income		**13**	18
Net income		**10 809**	1 723
Impairment of subsidiaries	3	**(17 384)**	–
Expected credit loss expense	5	**(10)**	–
Marketing and administration expenses	17	**(403)**	(122)
(Loss)/profit before finance costs and taxation		**(6 988)**	1 601
Finance costs	18	**(5)**	(2)
(Loss)/profit before taxation		**(6 993)**	1 599
Taxation	19	**(10)**	(4)
(Loss)/profit for the year from continuing operations		**(7 003)**	1 595
Profit for the year from discontinued operations	20	**34 284**	–
Profit for the year		**27 281**	1 595
Attributable to:			
Equity holders of the company		**27 281**	1 595

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	Company 2022	Company 2021
Profit for the year	**27 281**	1 595
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**27 281**	1 595
Attributable to:		
Equity holders of the company	**27 281**	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 1 July 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**
Total comprehensive income for the year	**–**	**–**	**27 281**	**27 281**
Dividends paid	**–**	**–**	**(2 880)**	**(2 880)**
Dividend in specie	**–**	**–**	**(34 644)**	**(34 644)**
Balance as at 30 June 2022	**–**	**15 432**	**(3 429)**	**12 003**
Note	9	9	10	

SEPARATE STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Note	Company 2022	Company 2021
Cash flows from operating activities			
Cash utilised by operations	21	**(302)**	(88)
Dividends received		**5 233**	1 661
Interest received		**23**	13
Settlement of derivative asset		**133**	–
Acquisition of derivative asset		**(6)**	(76)
Share-based payment liability settled		**(46)**	–
Taxation paid		**(54)**	(11)
Taxation refund		**3**	2
Net cash generated from operating activities		**4 984**	1 501
Cash flows from investing activities			
Investment in debt securities		**(206)**	–
Proceeds on sale of debt securities		**183**	7
Proceeds on sale of equity securities		**95**	70
Proceeds on repayment of amortised cost assets		**3**	–
Proceeds on leasehold improvement refund		**6**	–
Acquisition of property and equipment		**–**	(18)
Subscription for additional shares in subsidiary		**(2 905)**	(1 100)
Shares acquired in dividend in specie distribution		**(402)**	–
Purchase of additional shares in subsidiary		**(64)**	–
Subscription for shares in associate		**(9)**	–
Net cash outflows from investing activities		**(3 299)**	(1 041)
Cash flows from financing activities			
Loan from subsidiary – advancement		**987**	–
Loan from subsidiary – repayment		**(10)**	–
Repayment of lease liabilities		**(7)**	(4)
Dividends paid to shareholders		**(2 880)**	(345)
Net cash outflows from financing activities		**(1 910)**	(349)
Net (decrease)/increase in cash and cash equivalents for the year		**(225)**	111
Cash and cash equivalents at the beginning of the year		**289**	178
Cash and cash equivalents at the end of the year		**64**	289

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

1. Property and equipment

R million	Leasehold improvements	Furniture, fittings and equipment	Total
30 June 2022			
Net book value at the beginning of the year	**24**	**2**	**26**
Tenant installation refund	**(6)**	**–**	**(6)**
Reclassification to right-of-use asset	**(6)**	**–**	**(6)**
Depreciation (note 17)	**(8)**	**(1)**	**(9)**
Net book value of property and equipment at the end of the year	**4**	**1**	**5**
Cost	**15**	**2**	**17**
Accumulated depreciation	**(11)**	**(1)**	**(12)**
Net book value of property and equipment at the end of the year	**4**	**1**	**5**
30 June 2021			
Net book value at the beginning of the year	11	1	12
Additions	16	2	18
Depreciation (note 17)	(3)	(1)	(4)
Net book value of property and equipment at the end of the year	24	2	26
Cost	41	6	47
Accumulated depreciation	(17)	(4)	(21)
Net book value of property and equipment at the end of the year	24	2	26

2. Right-of-use asset

R million	Company 2022	Company 2021
Property lease		
Net book value at the beginning of the year	**56**	–
Additions	**–**	59
Reclassification from leasehold improvements	**6**	–
Terminations/cancellations	**(46)**	–
Depreciation (note 17)	**(11)**	(3)
Net book value of right-of-use asset at the end of the year	**5**	56
Cost	**19**	59
Accumulated depreciation	**(14)**	(3)
Net book value of right-of-use asset at the end of the year	**5**	56

The company entered into an agreement with its landlord to terminate its lease effective 31 December 2022.

3. Investments in subsidiaries

R million	Company 2022	Company 2021
Unlisted subsidiaries		
Ordinary shares at cost		
– OUTsurance Holdings Limited	**9 354**	5 365
– RMI Treasury Company Limited	**7 276**	4 376
– RMI Asset Holdings Proprietary Limited	**11 726**	11 726
– RMI Investment Managers Group Proprietary Limited	**591**	–
– RMI Investment Holdings Proprietary Limited	**823**	–
– Main Street 1353 Proprietary Limited	**58**	–
– AlphaCode Proprietary Limited	**1**	–
Total investments in subsidiaries at cost	**29 829**	21 467
Impairment balance		
– RMI Treasury Company Limited	**(5 670)**	–
– RMI Asset Holdings Proprietary Limited	**(11 714)**	–
Impairment balance at the end of the year	**(17 384)**	–
Carrying value of subsidiaries at the end of the year	**12 445**	21 467
Reconciliation of investment in subsidiaries		
Balance at the beginning of the year	**21 467**	20 367
Investment in:		
Additional shares in OUTsurance Holdings Limited		
– Transfer from OUTsurance Equity Trust 3	**64**	–
Investment in:		
Subscription for additional shares in RMI Treasury Company Limited		
– 02 November 2021	**400**	–
– 14 December 2021	**2 500**	–
– 16 October 2020	**–**	700
– 18 March 2021	**–**	400
Investment in:		
Subscription for additional shares in RMI Investment Holdings Proprietary Limited		
– 19 May 2022	**5**	–
Dividend in specie from RMI Asset Holdings Proprietary Limited		
Transfer of shares:		
– OUTsurance Holdings Limited	**3 925**	–
– RMI Investment Managers Group Proprietary Limited	**591**	–
– RMI Investment Holdings Proprietary Limited	**818**	–
– Main Street 1353 Proprietary Limited	**58**	–
– AlphaCode Proprietary Limited	**1**	–
Impairment during the year		
– RMI Treasury Company Limited	**(5 670)**	–
– RMI Asset Holdings Proprietary Limited	**(11 714)**	–
Balance at the end of the year	**12 445**	21 467

Management performs an impairment assessment of its subsidiary investments on an annual basis. Management considers each underlying investment by comparing the carrying value at year-end to the net asset value of the subsidiary. Where the carrying value of the investment exceeds the net asset value, that amount is considered for impairment.

The net asset value of RMI Treasury Company Limited as at 30 June 2022 was lower than the cost price of the investment in subsidiary by an amount of R5 670 million and, as a result, an impairment loss for this amount was recognised in profit or loss.

The net asset value of RMI Asset Holdings Proprietary Limited as at 30 June 2022 was lower than the cost price of the investment in subsidiary by an amount of R11 714 million and, as a result, an impairment loss for this amount was recognised in profit or loss.

No impairment amount was concluded for OUTsurance Holdings Limited, RMI Investment Managers Group Proprietary Limited, RMI Investment Holdings Proprietary Limited, Main Street 1353 Proprietary Limited and AlphaCode Proprietary Limited following the assessment of each subsidiary considering that the carrying value of each investment is lower or in line with the net asset value of the investee company in each instance.

R million	Company 2022	Company 2021
OUTsurance Holdings Limited		
Number of shares held directly	**340 254 489**	–
Number of shares held indirectly via Firness International Proprietary Limited	**3 050 664 855**	3 050 664 855
Number of shares held indirectly via RMI Asset Holdings Proprietary Limited	**–**	334 908 948
Total shares held	**3 390 919 344**	3 385 573 803
% of equity[1]	**90.9**	90.6
Principal place of business	**Centurion**	Centurion
RMI Treasury Company Limited		
Number of shares	**25 500**	21 150
% of equity	**100.0**	100.0
Principal place of business	**Rosebank**	Rosebank
RMI Asset Holdings Proprietary Limited		
Number of shares	**44 604**	44 604
% of equity	**100.0**	100.0
Principal place of business	**Rosebank**	Rosebank

1 *After consolidation of share trust.*

R million	Company 2022	Company 2021
4. Investments in associate		
Unlisted associate		
Ordinary shares at cost	**9**	–
Additiv Proprietary Limited		
Number of shares	**400**	400
% of equity	**40.8**	40.8
Principal place of business	**Rosebank**	Rosebank
Additiv Capital Proprietary Limited		
Number of shares	**500**	–
% of equity	**33.0**	–
Principal place of business	**Rosebank**	–
5. Equity and debt securities		
Equity securities		
Listed investments		
– fair value through profit or loss	**–**	81
Unlisted investments		
– fair value through profit or loss	**10**	10
Total equity securities	**10**	91
Debt securities		
Unlisted investments		
– fair value through profit or loss	**357**	372
Amortised cost – debt	**222**	–
Total equity and debt securities	**589**	463
Listed equity securities carried at fair value through profit or loss		
Balance at the beginning for the year	**81**	112
Fair value movement	**14**	39
Disposals	**(95)**	(70)
Balance at the end of the year	**–**	81
Unlisted equity securities carried at fair value through profit or loss		
Balance at the beginning for the year	**10**	10
Additions	**–**	–
Balance 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 Equity Trust, OUTsurance Equity Trust 2 and OUTsurance Equity Trust 3.		
Balance at the beginning for the year	**372**	382
Additions	**206**	–
Disposals	**(183)**	(7)
Fair value movement	**38**	17
Dividends received from the OUTsurance Equity Trust	**(31)**	(12)
Dividends received from the OUTsurance Equity Trust 2	**(26)**	–
Dividends received from the OUTsurance Equity Trust 3	**(19)**	(8)
Balance at the end of the year	**357**	372
Amortised cost – debt		
Preference share investments acquired through dividend in specie	**249**	–
Expected credit loss assumed through dividend in specie	**(19)**	–
Dividend income earned	**5**	–
Receipts	**(3)**	–
Expected credit loss raised	**(10)**	–
Balance at the end of the year	**222**	–

R million	Company 2022	Company 2021
6. Derivative financial asset		
Equity options		
Balance at the beginning for the year	**65**	–
Additions	**6**	76
Realised	**(133)**	–
Fair value adjustment	**62**	(11)
Balance at the end of the year	**–**	65

7. Deferred taxation

The Minister of Finance announced the change in the corporate tax rate from 28% to 27% in the Budget speech on 23 February 2022, on which date it's deemed to be substantively enacted. It will be effective for years of assessment ending on or after 31 March 2023.

The temporary differences as at 30 June 2022 are due to realise before 31 March 2023 and therefore the tax rate change has no impact on the deferred tax asset raised as at 30 June 2022.

R million	Company 2022	Company 2021
Deferred taxation asset		
Financial assets	**9**	(3)
Derivative financial asset	**–**	3
Share-based payment liability	**–**	9
Employee benefit liabilities	**30**	3
Other	**2**	2
Balance at the end of the year	**41**	14
Reconciliation of movement		
Balance at the beginning for the year	**14**	8
Deferred taxation credit in the income statement	**27**	6
Balance at the end of the year	**41**	14

8. Cash and cash equivalents

R million	Company 2022	Company 2021
Cash at bank and in hand	**64**	289

Cash and cash equivalents represent current accounts and call deposits. The fair value approximates the carrying value.

9. Share capital and share premium

	Number of shares million	Ordinary share capital* R million	Share premium R million	Total R million
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**
Movement in the current year	**–**	**–**	**–**	**–**
Share capital and share premium as at 30 June 2022	**1 532**	**–**	**15 432**	**15 432**

* *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 1 July 2020 was 1 531 807 770 shares with no movement during the 2021 and 2022 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 (2021: 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 (2021: 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	Company 2022	Company 2021

10. Reserves

Retained earnings	**(3 429)**	6 814

11. Share-based payment liability

Balance at the beginning of the year	**34**	30
Share-based payment expense accrued during the year	**112**	4
Settlement	**(42)**	–
Transfer to employee benefit liabilities	**(104)**	–
Balance at the end of the year	**–**	34

For additional information on the share scheme, refer to **note 18** to the consolidated annual financial statements.

12. Employee benefit liabilities

Balance at the beginning of the year	**10**	4
Reclassification from provisions	**–**	4
Transfer from share-based payment liability	**104**	–
Expense raised	**4**	12
Utilised during the year	**(10)**	(10)
Balance at the end of the year	**108**	10

13. Lease liabilities

Cash movement		
Lease payments	**(7)**	(4)
Non-cash movements		
Balance at the beginning of the year	**64**	–
New lease entered into	**–**	66
Termination of leases	**(52)**	–
Interest	**5**	2
Balance at the end of the year	**10**	64

The company entered into an agreement with its landlord to terminate its lease effectively 31 December 2022.

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 2022				
Lease liabilities	**10**	**–**	**–**	**10**
30 June 2021				
Lease liabilities	3	19	42	64

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 2022				
Lease liabilities	**10**	**–**	**–**	**10**
30 June 2021				
Lease liabilities	7	33	48	88

R million	Company 2022	Company 2021
14. Loan from subsidiary		
RMI Treasury Company Limited		
– Loan received	**987**	
– Loan repaid	**(10)**	
Loan from subsidiary	**977**	–
The loan does not bear interest and was settled on 19 August 2022 through a dividend.		
15. Trade and other payables		
Trade payables and accrued expenses	**45**	25
16. Revenue – Investment income		
Revenue – Investment income	**10 720**	1 661
Dividend income from subsidiary – cash	**5 014**	1 638
Dividend income from subsidiary – dividend in specie	**5 623**	–
Dividend income from investment in OUTsurance Equity Trust	**31**	12
Dividend income from investment in OUTsurance Equity Trust 2	**26**	–
Dividend income from investment in OUTsurance Equity Trust 3	**19**	8
Dividend income from financial assets	**7**	3
Interest income on financial assets using the effective interest rate method	**23**	13
Total investment income	**10 743**	1 674
17. Marketing and administration expenses		
Expenses by nature:		
Directors' remuneration		
– Services rendered	**(4)**	(3)
– Cash package and other benefits	**(12)**	(11)
– Share appreciation rights	**(57)**	(3)
– Severance expense	**(72)**	–
	(145)	(17)
Personnel costs		
– Cash package and other benefits	**(88)**	(47)
– Severance expense	**(93)**	–
	(181)	(47)
Professional fees and regulatory compliance cost	**(24)**	(23)
Printing costs	**(4)**	(4)
Depreciation		
– Property and equipment	**(8)**	(4)
– Right-of-use asset	**(11)**	(3)
Audit fees	**(4)**	(5)
Other expenses	**(26)**	(19)
Total marketing and administration expenses	**(403)**	(122)
Audit fees		
Statutory audit – current year	**(4)**	(4)
Statutory audit – prior year	**–**	(1)
Total audit fees	**(4)**	(5)
18. Finance costs		
Interest charge related to *IFRS 16*	**(5)**	(2)

R million	Company 2022	Company 2021

19. Taxation

The Minister of Finance announced the change in the corporate tax rate from 28% to 27% in the Budget speech on 23 February 2022, on which date it's deemed to be substantively enacted. It will be effective for years of assessment ending on or after 31 March 2023.

The temporary differences as at 30 June 2022 are due to realise before 31 March 2023 and therefore the tax rate change has no impact on the deferred tax asset raised as at 30 June 2022.

R million	Company 2022	Company 2021
SA normal taxation		
Current taxation		
– Current year	**(37)**	(10)
Deferred taxation		
– Current year	**27**	6
Total taxation	**(10)**	(4)
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:		
(Loss)/profit before taxation	**(6 993)**	1 599

%	2022	2021
Effective tax rate	**(0.15)**	0.25
Dividend income not subject to taxation	**(42.93)**	29.10
Capital gains tax	**0.17**	(0.47)
Expected credit loss expense	**0.04**	–
Impairments	**69.61**	–
Non-deductible expenses	**1.26**	(0.88)
Standard income taxation rate in South Africa	**28.00**	28.00

20. Profit for the year from discontinued operations

On 20 September 2021, the company announced its intention to unbundle its shareholdings in Discovery Holdings Limited and Momentum Metropolitan Holdings Limited. At the time it was envisaged that a rights issue of approximately R6.5 billion would be required before the unbundling could be finalised to reduce debt to a level that would be appropriate for the reduced size of the statement of financial position post-unbundling. On 8 December 2021, the company announced the sale of the group's shareholding in Hastings Group Consolidated. The sales proceeds were utilised to repay all the preference share debt held by the group and therefore negated the need for a rights issue prior to the unbundling of Discovery Holdings Limited and Momentum Metropolitan Holdings Limited. Therefore, 8 December is also the date the unbundling of Discovery and Momentum Metropolitan met the accounting definition of being highly probable.

On 23 March 2022, the company acquired Discovery Holdings Limited and Momentum Metropolitan Holdings Limited shares through a dividend in specie transaction from its subsidiary RMI Asset Holdings Proprietary Limited and subsequently on 25 April 2022 concluded a dividend in specie distribution to its shareholders whereby the shares held in Discovery Holdings Limited and Momentum Metropolitan Holdings Limited were transferred to the shareholders of the company.

R million	Discovery Holdings Limited	Momentum Metropolitan Holdings Limited	Total 2022
Dividend in specie received from RMI Asset Holdings Proprietary Limited on 23 March 2022	28 938	7 018	**35 956**
Additional shares acquired	402	–	**402**
Carrying value on 20 April 2022	29 340	7 018	**36 358**
Market value on 20 April 2022 distributed	27 934	6 710	**34 644**
Loss on dividend in specie distribution	(1 406)	(308)	**(1 714)**
Dividend income – Cash	–	140	**140**
Dividend income – Dividend in specie	28 938	7 018	**35 956**
Transaction costs	(27)	(26)	**(53)**
Capital gains tax	(50)	5	**(45)**
Profit for the year from discontinued operations	27 455	6 829	**34 284**

R million	Company 2022	Company 2021
21. Cash utilised by operations		
Reconciliation of profit before taxation to cash generated from operations:		
Profit for the year	**27 281**	1 595
Taxation		
Continuing operations	**10**	4
Discontinued operations	**45**	–
	27 336	1 599
Adjusted for:		
Dividend income received	**(5 237)**	(1 661)
Dividend in specie income	**(41 579)**	–
Interest income	**(23)**	(13)
Fair value gain	**(53)**	(31)
Share option expense	**112**	3
Impairment	**17 384**	–
Expected credit loss expense	**10**	–
Loss on dividend in specie distribution	**1 714**	–
Non-cash income and expenses included in the income statement	**16**	19
Changes in working capital		
Other receivables	**(2)**	(2)
Trade and other payables	**20**	(2)
Total cash utilised by operations	**(302)**	(88)
22. Dividend per share		
Total dividends paid during the year	**2 880**	345
Total dividends declared relating to the earnings for the year	**3 224**	689
Number of ordinary shares in issue	**1 531 807 770**	1 531 807 770
Dividend declared per share (cents)		
– Interim	**23.5**	22.5
– Final	**42.0**	22.5
– Special	**142.0**	–
Total dividend per share declared	**207.5**	45.0

23. Related parties

Subsidiaries and associates

The following companies are subsidiaries of RMI:

- AlphaCode Proprietary Limited (100%)
- Main Street 1353 Proprietary Limited (51%)
- OUTsurance Holdings Limited (80.3% held via Firness International Proprietary Limited and 9.0% held directly)
- RMI Asset Holdings Proprietary Limited (100%)
- RMI Investment Holdings Proprietary Limited (100%)
- RMI Invest One Proprietary Limited (100% held via RMI Investment Holdings Proprietary Limited)
- RMI Invest Two Proprietary Limited (100% held via RMI Investment Holdings Proprietary Limited)
- RMI Invest Three Proprietary Limited (100% held via RMI Investment Holdings Proprietary Limited)
- RMI Invest Four Proprietary Limited (100% held via RMI Investment Holdings Proprietary Limited)
- RMI Invest Five Proprietary Limited (100% held via RMI Investment Holdings Proprietary Limited)
- RMI Invest Six Proprietary Limited (100% held via RMI Investment Holdings Proprietary Limited)
- RMI Investment Managers Affiliates 1 Proprietary Limited (100% held via RMI Investment Managers Group Proprietary Limited)
- RMI Investment Managers Affiliates 2 Proprietary Limited (51% held via RMI Investment Managers Group Proprietary Limited)
- RMI Investment Managers Affiliates 2B Proprietary Limited (70% held via RMI Investment Managers Affiliates 2 Proprietary Limited)
- RMI Investment Managers Group Proprietary Limited (100%)
- RMI Treasury Company Limited (100%)

Additiv Proprietary Limited and Additiv Capital Proprietary Limited are associates of RMI.

Details of investments in subsidiaries and associates are disclosed in **notes 3 and 4.**

23. Related parties continued

Discovery Holdings Limited and Momentum Metropolitan Holdings Limited were associates for part of the year.

Details are disclosed in **note 20.**

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 appears in **note 45** to the consolidated annual financial statements. Their shareholding in the company appears in the directors' report.

R million	**Company 2022**	Company 2021
Related party transactions		
Transactions of RMI and its subsidiary companies with:		
Principal shareholders		
Dividends paid	**1 290**	154
Dividend in specie distributed	**15 523**	–
Key management personnel		
Salaries and other benefits	**16**	15
Value of share appreciation rights vesting	**89**	3
Severance expense	**72**	–
Subsidiaries		
Income statement effect:		
– Dividends received	**10 638**	1 638
– Dividend in specie received	**41 579**	–
– Fee and other income	**3**	1
– Financial guarantee contract liability	**12**	6
– Impairment loss	**17 384**	–
Effect on the statement of financial position:		
– Loan payable to subsidiary	**977**	–
– Other receivables from subsidiaries	**2**	2
The financial guarantee contract liability income relates to the fair value of financial guarantees provided to certain subsidiaries of RMI in relation to external funding raised by these subsidiaries. The financial guarantee balance was reversed following the settlement of RMI's group debt.		
Associates		
Income statement effect:		
– Dividends received	**140**	–
– Fee and other income	**3**	3
– Interest income	**1**	1
– Enterprise Supplier Development expense	**11**	13
– Fair value loss	**1 714**	–
Effect on the statement of financial position:		
– Loan receivable from associate	**4**	4
All related party transactions are entered into on an arm's length basis.		

24. Contingent liabilities and contingent assets

Previous issued class B, C, D, E, F and G preference shares (R11 514 million in total) by RMI's 100%-owned subsidiary, RMI Treasury Company Limited, 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 were settled in full on 14 December 2021.

25. 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.

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.

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 as at 30 June 2022 (2021: none).

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	**Company 2022**	Company 2021
Cash and cash equivalents – 200 bps increase	**1**	6
Cash and cash equivalents – 200 bps decrease	**(1)**	(6)

Equity 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 2022		30 June 2021	
R million	**10% increase**	**10% decrease**	10% increase	10% decrease
Equity securities at fair value through profit or loss	**–**	**–**	8	(8)
Derivative asset	**–**	**–**	7	(7)
	–	**–**	15	(15)

25. **Financial risk management** continued

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 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:

	BB R million	Not rated R million	Total R million
30 June 2022			
Debt securities			
– fair value through profit or loss – unlisted	**–**	**357**	**357**
Other receivables	**–**	**10**	**10**
Cash and cash equivalents	**64**	**–**	**64**
Total	**64**	**367**	**431**
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

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.

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 Equity Trusts, 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.

25. 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.

RMI previously provided loan commitments and a guarantee to associates and intergroup guarantees which were cancelled during the year following the settlement of the group's debt. 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	More than 1 year/no contractual maturity	Total
30 June 2022				
Assets				
Property and equipment	**–**	**–**	**5**	**5**
Right-of-use assets	**5**	**–**	**–**	**5**
Investment in subsidiaries	**–**	**–**	**12 445**	**12 445**
Investment in associate	**–**	**–**	**9**	**9**
Equity securities – fair value through profit or loss	**–**	**–**	**10**	**10**
Debt securities – fair value through profit or loss	**–**	**–**	**357**	**357**
Amortised cost	**–**	**–**	**222**	**222**
Other receivables	**10**	**–**	**–**	**10**
Deferred taxation	**20**	**12**	**9**	**41**
Cash and cash equivalents	**64**	**–**	**–**	**64**
Total assets	**99**	**12**	**13 057**	**13 168**
30 June 2022				
Liabilities				
Employee benefit liabilities	**64**	**44**	**–**	**108**
Lease liabilities	**10**	**–**	**–**	**10**
Loan from subsidiary	**977**	**–**	**–**	**977**
Trade and other payables	**45**	**–**	**–**	**45**
Taxation	**25**	**–**	**–**	**25**
Total liabilities	**1 121**	**44**	**–**	**1 165**
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 liabilities	6	–	4	10
Lease liabilities	2	2	60	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	77	11 784

26. Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by level of the 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 2022				
Financial assets				
Equity securities				
– unlisted equities	**–**	**–**	**10**	**10**
Debt securities				
– fair value through profit or loss	**–**	**–**	**357**	**357**
Total financial assets valued at fair value	**–**	**–**	**367**	**367**

R million	Company 2022	Company 2021
Reconciliation of movement in level 3 assets		
Balance at the beginning of the year	**382**	392
Additions in the current year	**206**	–
Disposals (sales and redemptions)	**(183)**	(7)
Fair value movement	**38**	17
Dividends received from the OUTsurance Equity Trust	**(31)**	(12)
Dividends received from the OUTsurance Equity Trust 2	**(26)**	–
Dividends received from the OUTsurance Equity Trust 3	**(19)**	(8)
Balance at the end of the year	**367**	382

The level 3 financial assets at fair value through profit or loss represent loans to the 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 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

26. 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 the reporting 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 are 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 Equity Trusts (which are funded by the dividends received on the OUTsurance shares held by the trusts). The fair value movement on these loans is calculated with reference to the funding rate incurred by RMI to fund these loans to the OUTsurance Equity Trusts.

27. Post-reporting date events

The board of directors approved the following transactions:

RMI declared a dividend of 42.0 cents per share on 21 September 2022, payable on 24 October 2022. This is a non-adjusting event.

A dividend from RMI Treasury Company Limited (approved by its board of directors) on 19 August 2022 in the amount of R977 million against the loan payable to RMI Treasury Company Limited. This is a non-adjusting event.

The transfer of OUTsurance Holdings Limited shares held by Firness International Proprietary Limited to the company and the transfer of shares held by the company in subsidiaries, Firness International Proprietary Limited, RMI Investment Managers Group Proprietary Limited, RMI Investment Holdings Proprietary Limited and AlphaCode Proprietary Limited to RMI Treasury Company Limited through a section 42 assets-for-shares transaction on 07 September 2022. This is a non-adjusting event.

28. Current/non-current split of assets and liabilities

R million	Current	Non-current	Total
30 June 2022			
Assets			
Property and equipment	**–**	**5**	**5**
Right-of-use assets	**5**	**–**	**5**
Investment in subsidiaries	**–**	**12 445**	**12 445**
Investment in associate	**–**	**9**	**9**
Financial assets			
Equity securities			
– fair value through profit or loss	**–**	**10**	**10**
Debt securities			
– fair value through profit or loss	**–**	**357**	**357**
Amortised cost	**–**	**222**	**222**
Other receivables	**10**	**–**	**10**
Deferred taxation	**32**	**9**	**41**
Cash and cash equivalents	**64**	**–**	**64**
Total assets	**111**	**13 057**	**13 168**
Liabilities			
Employee benefit liabilities	**108**	**–**	**108**
Lease liabilities	**10**	**–**	**10**
Loan from subsidiary	**977**	**–**	**977**
Trade and other payables	**41**	**–**	**41**
Taxation	**25**	**–**	**25**
Total liabilities	**1 161**	**–**	**1 161**
30 June 2021			
Assets			
Property and equipment	–	26	26
Right-of-use assets	–	56	56
Investment in subsidiaries	–	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	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
Liabilities			
Share-based payment liability	21	13	34
Employee benefit liabilities	10		10
Financial liabilities		–	
Financial guarantee contract liability	12	–	12
Lease liabilities	3	61	64
Trade and other payables	25	–	25
Total liabilities	71	74	145

SHAREHOLDING

	As at 30 June 2022			As at 30 June 2021		
	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	216 935	14.2
Public Investment Corporation	**5**	**129 492**	**8.5**	6	109 591	7.2
Coronation Fund Managers (on behalf of clients)	**1**	**121 209**	**7.9**	6	109 591	7.2
Allan Gray (on behalf of clients)			*	1	91 068	5.9
Total of shareholders holding more than 5%	**9**	**937 805**	**61.2**	10	887 043	57.9
Other	**23 217**	**594 003**	**38.8**	25 059	644 765	42.1
Total	**23 226**	**1 531 808**	**100.0**	25 069	1 531 808	100.0
Shareholder type						
Corporates		**686 384**	**44.8**		686 384	44.8
Unit trusts		**302 763**	**19.8**		262 529	17.1
Pension funds		**188 169**	**12.3**		168 090	11.0
Private investors		**39 141**	**2.5**		41 040	2.7
Insurance companies and banks		**45 900**	**3.0**		53 489	3.5
Other		**269 451**	**17.6**		320 276	20.9
Total		**1 531 808**	**100.0**		1 531 808	100.0
Public and non-public shareholders						
Public	**23 219**	**839 488**	**54.8**	25 059	753 769	49.2
Non-public	**7**	**692 320**	**45.2**	10	778 039	50.8
– Corporates	**3**	**686 384**	**44.8**	3	686 384	44.8
– Directors and associates	**4**	**5 936**	**0.4**	7	91 655	6.0
Total	**23 226**	**1 531 808**	**100.0**	25 069	1 531 808	100.0
Geographic ownership						
South Africa		**1 391 856**	**90.9**		1 348 900	88.1
International		**139 952**	**9.1**		182 908	11.9
Total		**1 531 808**	**100.0**		1 531 808	100.0

* *Less than 5%.*

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) A Kekana, P Lagerström, (Ms) MM Mahlare, MM Morobe and JA Teeger

Messrs PK Harris, RT Mupita and O Phetwe and Ms SEN De Bruyn stepped down as directors at the annual general meeting held on 24 November 2021. Mr LL Dippenaar retired as a director on 14 March 2022.

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 Fredman Drive and Rivonia Road, Sandton, 2196

Transfer secretaries

Computershare Investor Services Proprietary Limited

Physical address:	Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Postal address:	Private Bag X9000, Saxonwold, 2132
Telephone:	+27 11 370 5000
Telefax:	+27 11 688 5221

RMI

www.rmih.co.za