RMI
HOLDINGS

ANNUAL INTEGRATED REPORT 2015

ABOUT RAND MERCHANT INSURANCE HOLDINGS LIMITED

HOW WE REPORT

OUR APPROACH TO INTEGRATED REPORTING WILL CONTINUE TO EVOLVE OVER TIME, IN LINE WITH THE INTERNATIONAL <IR> FRAMEWORK.

SCOPE AND BOUNDARIES OF THIS REPORT

We are pleased to present our fifth annual integrated report, which covers the year ended 30 June 2015. This report is mainly aimed at providers of financial capital, being both our current and potential shareholders. In addition, we aim to inform all stakeholders of our ability to create value over time.

Rand Merchant Insurance Holdings Limited (RMI) is a listed investment holding company with various investments in subsidiaries and associates. RMI consolidates entities where it exercises control over the financial and operating policies (subsidiaries) and equity accounts entities where it exercises significant influence (associates).

This report contains comprehensive information on our financial performance, stakeholders, governance, material issues, risks and opportunities and how these influence our strategic objectives. We show how we create value and how we will ensure that our value creation is sustainable. We also refer stakeholders to the annual integrated reports of our investee companies to gain a comprehensive understanding of these elements in their respective businesses.

CURRENT YEAR ENHANCEMENTS

We have refined the structure and flow of the information with a clear picture of the business model and value creation. We provide more details of our updated investment strategy in this section.

The PERFORMANCE AND OUTLOOK section, which starts on page 22, provides a more detailed outlook of future plans and expectations, in addition to a critical evaluation of our performance over the past year, both at a group and major investee company level.

We examined our disclosure on governance and gave attention to detailing the efforts of each of the board committees. See the section OUR GOVERNANCE AND SUSTAINABILITY, which starts on page 49.

REPORTING PRINCIPLES AND ASSURANCE

This report is compiled and presented in accordance with the Listings Requirements of the JSE Limited (JSE Listings Requirements), the King Code of Governance Principles for South Africa 2009 (King III) and the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework (<IR> Framework). We have implemented the Framework as far as practical and our approach to integrated reporting will continue to evolve over time, in line with the Framework.

Our ANNUAL FINANCIAL STATEMENTS, presented on pages 88 to 209, were prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 71 of 2008, as amended (Companies Act). We received external assurance from our auditor, PricewaterhouseCoopers Inc., on the fair presentation of these annual financial statements. See the INDEPENDENT AUDITOR'S REPORT on page 87. We strive to obtain assurance on further matters contained in this report in the future.

A summarised version of the annual financial statements is available as part of the results announcement on RMI's website at **www.rmih.co.za**.

ESTABLISHING MATERIALITY

We define material issues as those which have the potential to substantially impact our ability to create and sustain value for our stakeholders.

The process we adopted to determine the issues material to our business and our stakeholders is aligned with our organisational decision-making processes and strategies. By applying the principle of materiality, we determined which issues could influence the decisions, actions and performance of the group.

We describe our most material issues as our key priorities and refer to pages 10 to 14 of this report, in which we describe the circumstances in which we operate, the key resources and relationships on which we depend, the key risks and opportunities we face and how our key priorities can affect our ability to create and sustain value over time.

FORWARD-LOOKING STATEMENTS

Certain statements in this annual integrated report may be regarded as forward-looking statements or forecasts. All forward-looking statements are based solely on the views and considerations of the directors. These statements have not been reviewed and reported on by the group's external auditor.

RESPONSIBILITY FOR THIS ANNUAL INTEGRATED REPORT

This report was prepared by Schalk Human (MCom(Acc), CA(SA)) under the supervision of the chief executive and financial director, Herman Bosman (LLM, CFA).

The board is ultimately responsible for ensuring the integrity of the annual integrated report, assisted by the audit and risk committee and further supported by management, which convened and contracted the relevant skills and experience to undertake the reporting process and provide management oversight. The board, after applying its collective mind to the preparation and presentation of the report, concluded that it was presented in accordance with the <IR> Framework and approved it for publication.

We are committed to improving our reporting further and would appreciate constructive feedback. Our contact details can be found on the back cover.

GUIDE TO WHERE MORE INFORMATION CAN BE FOUND

This icon accompanies page number references of information contained elsewhere in this annual integrated report.

This icon indicates information that can be accessed on the referenced website.

CONTENTS

WHO WE ARE

RMI IS A TOP 40 JSE-LISTED INVESTMENT HOLDING COMPANY WITH AN INVESTMENT TEAM OF EXPERIENCED, ALTERNATIVE THINKING, FINANCIAL SERVICES SPECIALISTS WHO ACTIVELY PARTNER SMART AND INDUSTRY-CHANGING PEOPLE BY BEING A SHAREHOLDER OF INFLUENCE.

VALUE CREATION

As a listed holding company focused on long-term value creation, we rely on a stable shareholder base. Our primary objective is to create value for our shareholders.

An analysis of major shareholders appears on page 212.

EXPANDING THE RMI PORTFOLIO

RMI's investments include Discovery Limited (Discovery), MMI Holdings Limited (MMI), OUTsurance Holdings Limited (OUTsurance) and RMB-SI Investments Proprietary Limited (RMBSI). During the year under review, the existing portfolio of traditional financial services assets was expanded to include an asset management initiative, which will only have an impact on the group's results from the 2016 financial year. Subsequent to year-end, RMI also made its first investment in an early-stage next-generation financial services business, Merchant Capital.

Refer to page 06 for a brief description of each of our existing investments which had an impact on the results for the year ended 30 June 2015.

The portfolio is intended to evolve over time to increase in size and geographic diversity and ensure the balance between growth- and return-focused investments.

We invest, build and divest depending on the development and market opportunities of investments to achieve our objectives of creating value and maintaining a solid financial structure. RMI typically invests for the long term.

DIVIDEND POLICY

RMI's dividend policy is to pay out all dividends received from underlying investments after servicing any funding commitments at holding company level and considering RMI's debt capacity and investment pipeline. This policy seeks to achieve a sound balance between providing an attractive yield to shareholders and achieving sustained growth of the share price.

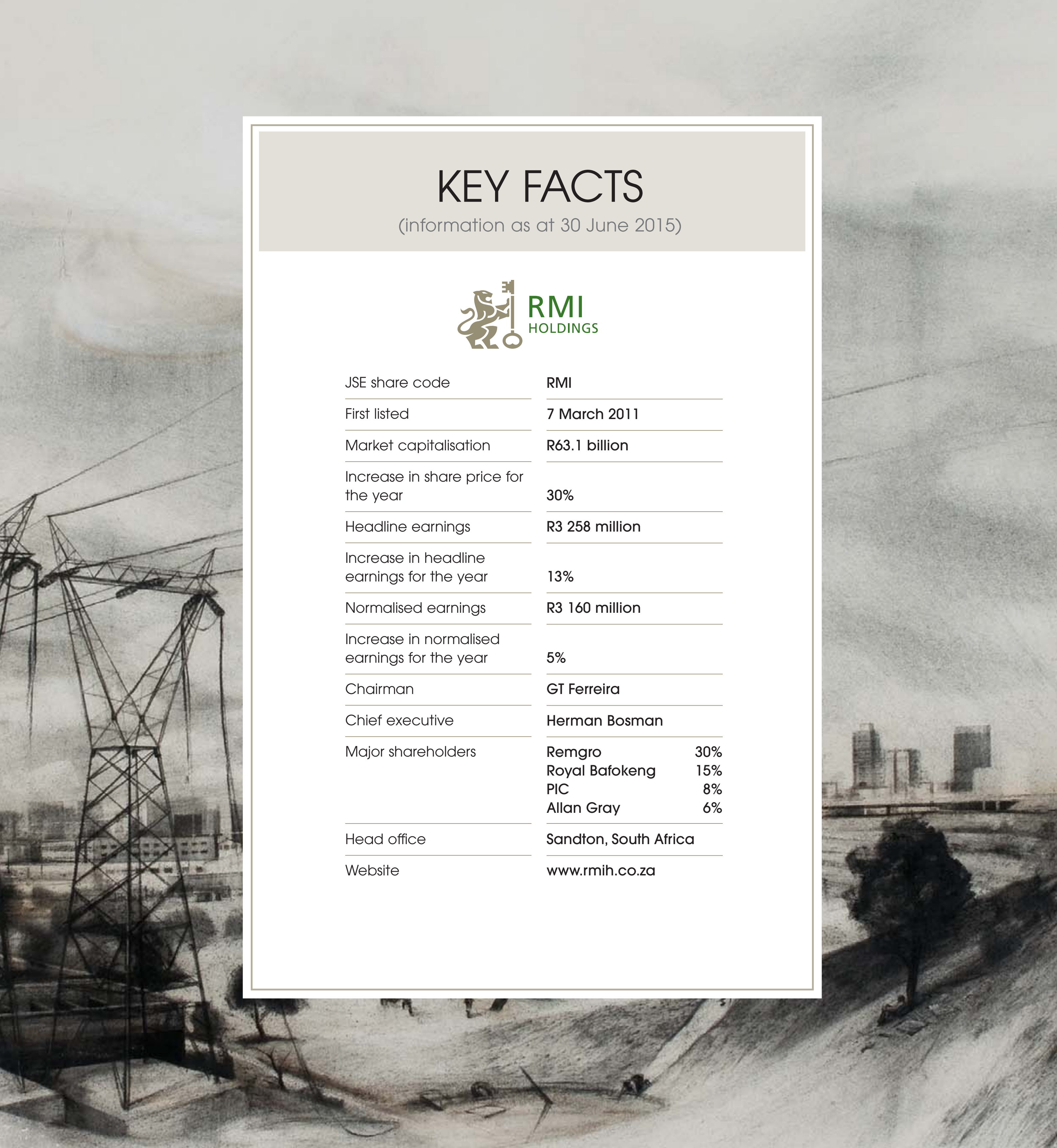
INVESTMENT POLICY

RMI's aim is to be a value-adding, active enabler of leadership and innovation in financial services. As signalled to the market in 2013 with the appointment of our new chief executive, the board has positioned RMI as a more active portfolio.

An investment team has been appointed to consider a wide spectrum of scale and life cycles of financial services businesses.

The financial services landscape is a dynamic environment and while it is important to enhance the current market positions and business models of the underlying investments and evaluate traditional acquisition opportunities, it is equally important to be vigilant around the emergence of disruptive businesses and concepts and partner with industry-changing entrepreneurs.

We invest in businesses that can deliver superior earnings and dividend growth over the long term. This involves the acquisition of meaningful interests in companies to have significant influence. Sound management is an important investment criterion. We forge strategic alliances on a partnership basis and endeavour to add value, where possible. The purpose is to ensure superior returns to shareholders by way of sustainable dividend and capital growth.



KEY FACTS

(information as at 30 June 2015)

RMI HOLDINGS

JSE share code	RMI	
First listed	7 March 2011	
Market capitalisation	R63.1 billion	
Increase in share price for the year	30%	
Headline earnings	R3 258 million	
Increase in headline earnings for the year	13%	
Normalised earnings	R3 160 million	
Increase in normalised earnings for the year	5%	
Chairman	GT Ferreira	
Chief executive	Herman Bosman	
Major shareholders	Remgro	30%
	Royal Bafokeng	15%
	PIC	8%
	Allan Gray	6%
Head office	Sandton, South Africa	
Website	www.rmih.co.za	

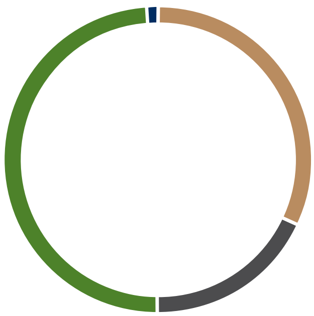
OUR STRUCTURE

EXPANDING THE RMI PORTFOLIO

Our strategy, as discussed on pages 10 to 14, outlines our approach to expanding this portfolio.

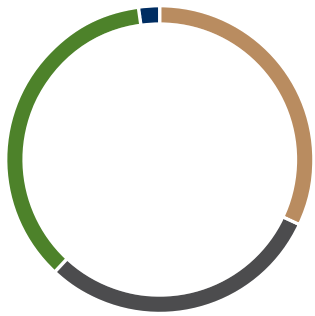
RELATIVE CONTRIBUTION ANALYSIS

MARKET VALUE (R63.1 billion)



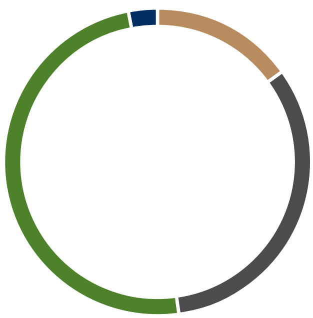
- Discovery **32%**
- MMI **18%**
- OUTsurance **49%**
- RMBSI **1%**

NORMALISED EARNINGS (R3.2 billion)



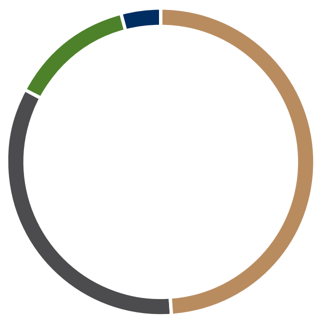
- Discovery **32%**
- MMI **30%**
- OUTsurance **36%**
- RMBSI **2%**

DIVIDENDS FROM INVESTMENTS (R1.8 billion)



- Discovery **15%**
- MMI **33%**
- OUTsurance **49%**
- RMBSI **3%**

SEGMENTAL EARNINGS (%)



- Life **49%**
- Short-term **34%**
- Health **13%**
- Asset management **4%**

OUR INVESTMENTS

RMI's investments which contributed to the group results for the year ended 30 June 2015 include:

	Discovery	MMI Holdings	OUTsurance Holdings Limited	RMB Structured Insurance
Listed or unlisted	JSE-listed	JSE-listed	Unlisted	Unlisted
Market capitalisation/implied value (100%)	R81.9 billion	R47.4 billion	R37.7 billion	R0.5 billion
RMI's interest	25.0%	25.0%	83.4%	76.4%
Market value/implied value of RMI's interest	R20.5 billion	R11.8 billion	R31.5 billion	R0.4 billion
Share of portfolio based on value	32%	18%	49%	1%
Normalised earnings (100%)	R4 027 million	R3 836 million	R1 388 million	R82 million
Embedded value/valuation (100%)	R52.3 billion	R40.3 billion	R25.1 million	R0.5 million
Full-time employees	9 998	17 239	4 436	52

DISCOVERY LIMITED (DISCOVERY)

Discovery is a pioneering market leader with uniquely positioned businesses in the healthcare, long- and short-term insurance, wellness, and financial services industries. Founded in 1992 as a specialist health insurer, Discovery operates in South Africa, the UK, China, Singapore, Australia, and the US, through various business lines. Discovery is a pioneering insurer with uniquely positioned businesses and an innovative business model that makes people healthier and offers them protection.

Refer to page 32 for further information on Discovery and its strategy, performance and outlook.

MMI HOLDINGS LIMITED (MMI)

MMI is one of the largest insurance-based financial services groups listed on the JSE. Created in December 2010 from the merger of Metropolitan and Momentum, MMI conducts business in South Africa, 12 African countries outside South Africa and selected international countries. MMI's core businesses are long- and short-term insurance, asset management, savings, healthcare administration, health risk management, employee benefits, property management and rewards programmes.

Refer to page 37 for further information on MMI and its strategy, performance and outlook.

OUTSURANCE HOLDINGS LIMITED (OUTSURANCE)

OUTsurance provides short- and long-term insurance products in South Africa, and short-term insurance products in Australia, New Zealand and Namibia, with a client-centric ethos of providing value for money insurance solutions backed by 'awesome' client service. Youi New Zealand was launched in August 2014 as an extension of Youi's Australian operation. It provides personal lines insurance cover directly to the New Zealand public.

Refer to page 42 for further information on OUTsurance and its strategy, performance and outlook.

RMB-SI INVESTMENTS PROPRIETARY LIMITED (RMBSI)

RMBSI has built a business based on its structuring capabilities and holds both short-term and life insurance licenses. It creates bespoke insurance and financial risk solutions for South Africa's large corporations by using sophisticated risk techniques and innovative financial structures. In addition, it partly owns a portfolio of underwriting management agencies.

Refer to page 46 for further information on RMBSI and its strategy, performance and outlook.

Refer to the chief executive's report on page 28 for a detailed analysis of the portfolio.

RMI's effective interest in these group entities is different from the actual interest reflected above as a result of certain consolidation adjustments.

Refer to note 41 to the group annual financial statements on page 175 for an explanation of the difference between the effective and actual interests.

OUR BUSINESS MODEL

WHAT IT MEANS TO BE AN INVESTMENT HOLDING COMPANY

The business of an investment holding company differs substantially from that of an operating company, which sells products and/or services at a certain gross profit margin, thereby creating revenue and cash inflows for the entity concerned. Strong cash flows and shareholder value are created by increasing revenue, as well as by limiting expenditure and optimising operational efficiencies, thus increasing the net profit from which dividends can be paid to shareholders.

In the case of an investment holding company, no products and/or services are being sold. Therefore, the performance of the underlying investments will normally determine the value created for shareholders by investment holding companies. However, RMI creates value by being a shareholder of influence and by actively seeking investment opportunities which could make meaningful contributions to the group's value in future. We regularly engage in strategic dialogue with the executive teams of all our investee companies. RMI is looking to diversify and expand its existing investment portfolio by building an asset management business, adding a significant 'traditional' financial services business and creating a next-generation financial services business platform to identify and enable investments that could change the landscape of the financial services industry.

HOW WE MANAGE OUR INVESTMENTS

We manage our investments on a decentralised basis and our involvement is concentrated mainly on the provision of support rather than on being involved in the day-to-day management of investee companies. Our board considers it in the best interest of all the parties concerned to respect the decentralised business model and the fact that these businesses are conducted in separate legal entities. The support provided to the investee companies can either be in the form of strategic, financial and managerial support, or the unlocking of value by means of creating the environment for possible deal-making.

We have an interest in two operating subsidiaries, namely OUTsurance and RMBSI. In line with the philosophy of decentralised management, both of these companies have autonomous boards of directors and management structures and we only exert our influence through non-executive representation on the boards of these companies.

This management philosophy is applied to all investee companies, irrespective of the level of control that can be exercised.

Our other investments comprise Discovery and MMI, both listed companies that are not controlled by RMI and treated as associates due to the significant influence exercised by us through our board representation.

As a shareholder of the investee companies, we exercise our shareholder rights to ensure, as far as possible, that the entities concerned adhere to all requirements in respect of matters such as governance, internal controls, financial management, risk management, legal compliance, safety, health and environmental management, internal audit, ethics management, information management, stakeholder relationships and sustainability.

OUR STRATEGIC RESOURCES

	CAPITAL	DESCRIPTION	COMPRISING	STAKEHOLDERS
	FINANCIAL CAPITAL	The capital from shareholders which is used to generate earnings and future value for shareholders.	▶ R63.1 billion market capitalisation ▶ R18.1 billion accounting net asset value	▶ Shareholders
	HUMAN CAPITAL	Our people and the knowledge, skills and experience they provide to ensure that sound, sustainable investments are made in line with our strategy.	▶ Strong, ethical and experienced board ▶ Smart employees ▶ Owner-manager culture	▶ Staff
	MANUFACTURED CAPITAL	Our proven business principles and processes, including our physical infrastructure which allow us to do business and create value.	▶ Comprehensive footprint ▶ Positioned in Africa's economic hub	▶ Customers ▶ Suppliers
	INTELLECTUAL CAPITAL	Our knowledge-based intangible assets, such as our brand and the brands of our investee companies, our capacity to innovate and our strong reputation.	▶ Strong, reliable brand and reputation ▶ Leading investee company brands ▶ Actively seeking to fund and scale new and disruptive business models ▶ Strategic shareholders in Remgro, Royal Bafokeng Holdings and others	▶ Shareholders ▶ Development hub
	SOCIAL AND RELATIONSHIP CAPITAL	The strong relationships we have with our stakeholders, based on our shared values, and our ongoing commitment to the communities we live in.	▶ Open stakeholder engagement ▶ Long standing reputation for ethical standards	▶ Communities in which group companies operate
	NATURAL CAPITAL	The renewable and non-renewable environmental resources and processes and our efforts to preserve them.	▶ All investee companies regard this as an important business imperative	▶ Communities in which group companies operate

For more information on how we engage with our stakeholders, refer to page 15.

OUR EARNINGS AND CASH FLOWS

Our group earnings comprise primarily the following:

- consolidated results of our operating subsidiaries, OUTsurance and RMBSI;
- equity accounted results of our investments in associates, Discovery and MMI;
- profits/losses realised on the sale/distribution of investments;
- dividends received from investments other than subsidiaries and associates;
- interest received on cash;
- net corporate costs, including remuneration and other benefits paid to employees;
- funding costs; and
- taxation.

Dividends received from operating subsidiaries and associates are not included in the group earnings attributable to ordinary shareholders and any profits or losses realised on the sale/distribution of investments are excluded from the group headline earnings.

However, the cash generated to make new investments and/or pay dividends to shareholders comprises the following:

- dividends received from all investee companies;
- profits/losses on the realisation of investments;
- dividends received from investments other than subsidiaries and associates;
- interest received on cash;
- net corporate costs, including remuneration and other benefits paid to employees;
- funding costs; and
- taxation.

Cash management and the control of treasury risks are therefore critically important.

We have consistently measured our performance in terms of normalised earnings, which adjusts headline earnings to take into account non-operational items and accounting anomalies.

For the detailed calculation of normalised earnings in respect of the current and prior year, refer to page 24.

Our performance is further measured in terms of the increase in our market capitalisation, which measures the growth in the underlying value of the various investee companies.

Refer to the chief executive's review on page 29 for an analysis of the movement in the market values of our listed investments and implied values of our unlisted investments.

DISTRIBUTIONS TO SHAREHOLDERS

Dividends to shareholders are funded from the cash generated as outlined in the previous section.

It is our objective to provide shareholders with a consistent annual dividend flow. In special circumstances, we will consider other distributions in the form of special dividends or the unbundling of investments to shareholders.

OUR STRATEGY

VISION

RMI's aim is to be an active, value-adding partner and enabler of innovation and leadership in financial services. Its founding members are highly influential in the industry and remain committed to achieving these objectives.

RMI strives to achieve this vision by actively pursuing opportunities that arise in the changing financial services landscape and which meet its stringent criteria and powerful values.

TRENDS

- Client-centricity
- Technology
- Regulation
- Entrepreneurship
- Collaboration
- Consumer demographics
- Africa's emergence

CORPORATE ATTRIBUTES

- Track record of long-term strategic partnership
- Capital
- Credibility
- Culture of alignment of interest and incentives
- Competencies in financial services
- Independence
- Group network

OPPORTUNITIES

- Optimise the existing portfolio by being a shareholder of influence
- Invest in an additional significant 'traditional' financial services business
- Establish an asset management business by growing and partnering with world-class asset managers and investment teams
- Identify, fund and scale new and disruptive business models that could change the landscape of the financial services industry

VISION

RMI is an active **value-adding partner** and enabler of **innovation and leadership** in financial services

VALUES

RMI has an 'owner-manager' culture, which has been inculcated at every business in which it is invested.

It subscribes to a set of values which seek to foster integrity, innovation, individual empowerment and personal accountability.

STRATEGIC INITIATIVES

Our objective is to create value for our shareholders over the long term, through both an attractive dividend yield and an increase in intrinsic value. To achieve this, we have the following strategic priorities:

- **Insight:** Our view of the future financial services landscape informs our growth strategy.
- **Growth:** Actively grow the business by:
  - being a shareholder of influence for existing investments through board representation and strategic dialogue with the executive teams of investee companies;
  - investing in an additional significant 'traditional' financial services business;
  - building an asset management business by growing and partnering with world-class asset managers and investment teams; and
  - identifying, funding and scaling new and disruptive business models that could change the landscape of the financial services industry (next-generation financial services).
- **Portfolio optimisation.**

BEING AN ACTIVE AND RESPONSIBLE SHAREHOLDER OF INFLUENCE

We are a holding company with a long-term investment horizon. Investments are therefore held for as long as needed to optimise their value. Based on our track record, we believe that increasing the value and yield of our investments requires close collaboration with their management teams in the context of their boards of directors. We therefore invest in companies where we hold a position to fulfil our role of shareholder of influence. Our strategy is to position ourselves amid the key shareholders, have a long-term approach and play an active role within the governance bodies, particularly when it comes to strategic decision-making by the investee companies. We are sensitive to the environmental and social impact of our investee companies and encourage the use of sustainable development best practices.

FURTHER DIVERSIFYING THE PORTFOLIO IN ORDER TO MAINTAIN A BALANCE BETWEEN GROWTH AND YIELD

Our strategy is to hold a set of investments that is diversified in terms of financial services sub-sectors and in which we play a role of active shareholder to create value over the long term.

To achieve this, we are investing in two types of assets:

- Traditional assets, including asset management, and
- Next-generation financial services investments encompassing a limited selection of smaller assets which have the potential to eventually become strategic investments.

To maintain a balance between growth and yield, the breakdown between these different types of assets will evolve, with strategic investments remaining the bulk of the portfolio.

We aim to expand our investment portfolio by taking positions on companies that are leaders in their markets and operate in sectors with potential for growth. Significant emphasis is placed on finding companies with entrepreneurial management teams with the ability to change the financial services landscape.

Clear investment criteria

We follow an investment philosophy based on clearly defined strategic, corporate governance and financial criteria:

Strategic criteria

- Unique business offering/idea which makes it a potential industry-changing proposition
- High quality, entrepreneurial management
- Potential for organic and external growth
- Exposure to emerging markets
- Simple and solid, value-creating business model
- Financial flexibility to exploit strategic opportunities.

Corporate governance criteria

- Position of main shareholder (first or second)
- Active contribution to value creation, in close collaboration with management
- Active role within the governance bodies (board of directors and committees)
- Participation in strategic decision-making, nomination and remuneration of management and determination of the financial structure of investee companies.

Financial criteria

- Accretive effect on RMI's net assets/value
- Accretive effect on cash earnings.

Next-generation financial services

WHAT ARE WE DOING?	▶ Establishing a development hub to drive the development of significant new and disruptive financial services businesses that deliver superior, sustainable financial returns ▶ Becoming the epicentre of a world-class financial services entrepreneurial ecosystem
WHY NOW?	▶ The group has a pedigree of similar successful ventures which have led to the creation of leading companies in their fields ▶ The core business of the underlying portfolio companies are, now more than ever, being threatened
HOW WILL WE DO THIS?	▶ Create a physical and digital environment that foster innovation ▶ Create processes and approaches to seek out, fund and scale new and disruptive business models ▶ Leverage RMI's capabilities ▶ Focus on the entrepreneur as much as the opportunity

PORTFOLIO OPTIMISATION

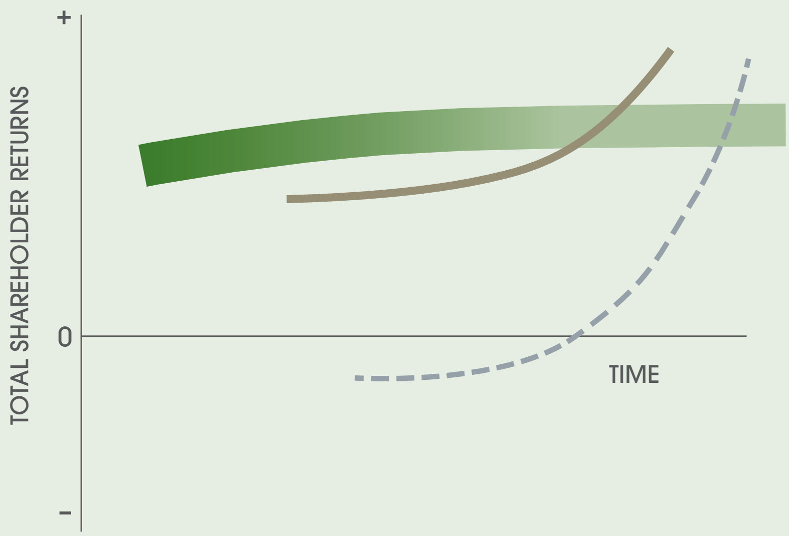
Maintaining a solid and flexible financial structure

Our objective is to maintain a sound financial structure, with a solid liquidity profile, ensuring we have readily available resources and a limited net indebtedness in comparison to the portfolio value. This policy gives us the flexibility required to quickly seize investment opportunities.

Value creation through continuous and sustainable growth of our intrinsic value and dividends

Our objective is to continue to deliver share price performance above market average while ensuring dividend growth. RMI's dividend policy is to pay out all dividends received from underlying investments after servicing any funding commitments at holding company level and considering RMI's debt capacity and investment pipeline. The pursued policy therefore aims at finding a balance between an attractive dividend yield and a long-term growth potential in respect of the investment portfolio.

Illustrative impact of expanded portfolio on total shareholder returns



CURRENT PORTFOLIO

VALUE-ADD

- Strategic influence
- Relationships and specialised skills
- Focus on reputation, strategy, capital allocation, M&A, market insight and management

TRADITIONAL INVESTMENTS

EXPANSION IN TRADITIONAL ASSETS AND ASSET MANAGEMENT

- Buy, build or combination
- Repositioning or enhancement of branded financial services businesses (listed and unlisted)
- Strategic, incentivisation and operational influence
- Catalyst for growth / change, ability to add value, disruptive innovation, independence and entrepreneurial skills

NEXT-GENERATION FINANCIAL SERVICES

ECOSYSTEM

- Next-generation financial services business platform, AlphaCode
- Development hub, supported by a physical workspace and virtual platform
- Creating a next-generation financial services ecosystem
- Invest in next-generation businesses

ENGAGING WITH OUR STAKEHOLDERS

We believe that the strength of our relationships with all our key stakeholders is critical in the achievement of our strategic objectives and creation of sustainable long-term value. Stakeholder engagement involves gaining a thorough understanding of our key stakeholder groups and assessing the issues that are material to them in order to respond appropriately. The board of directors oversees the process, while management is responsible for the implementation and monitoring thereof.

The following table provides an overview of our stakeholder engagement activities and how it impacted the formulation and delivery of our strategy:

KEY STAKEHOLDERS	MATERIAL NEEDS	INTERACTION AND IMPACT
Shareholders and analysts Including present and potential future investors	▶ Diversified growth ▶ Operational performance ▶ Group strategy ▶ Optimal finance structure ▶ Appropriate investments ▶ Compliance with regulatory capital requirements	Interim and year-end results are communicated via SENS, distributed to shareholders and hosted on the company website. An integrated report is produced annually. Meetings and conference calls with major shareholders and analysts, with published information forming the basis for these discussions.
Staff Permanent staff, temporary staff and contractors	▶ Inviting and supportive environment ▶ Encourage an innovative culture ▶ Staff engagement and communication ▶ Open and honest feedback	Our people are critical to the long-term sustainability of the business. We operate in a solutions-driven culture, where teamwork, individual achievement and continuous learning are encouraged. We fairly reward our staff based on their ability to add value to the business and we focus on the development of their careers.

KEY STAKEHOLDERS	MATERIAL NEEDS	INTERACTION AND IMPACT
Customers	▶ Excellent service ▶ Good value for money ▶ Ability to deliver on promises	Communication through telecommunications, surveys, electronic media, social media, press releases, policy and contract documentation.
Suppliers	▶ Prompt and accurate payment	Electronic communications, telecommunications and contracts.
Development hub (AlphaCode)	▶ Mentorship ▶ Financial investment ▶ Business support and advice	Communication primarily through personal interaction, telecommunications and electronic communications.
Communities in which group companies operate	▶ Enterprise development ▶ Responsible corporate citizenship ▶ Financial inclusion	Electronic communications and face-to-face visits. Various initiatives where the group companies and staff become involved in making a difference in the communities in which they operate.
Government and regulatory bodies	▶ Comply with laws and regulations ▶ Pay tax accurately and timeously ▶ Communicate openly ▶ Adhere to statutory capital requirements	We strive to engage with government and regulatory bodies in a proactive and transparent manner. We are committed to playing an active role in shaping the South African financial services industry by working with industry partners and regulators.

The sustainability report on pages 73 to 74 provides further information on our interactions with our stakeholders.

Also refer to the value-added statement on page 25 to see how RMI added value to stakeholders.

MANAGING OUR RISKS AND OPPORTUNITIES

RISKS ARE MONITORED BY THE BOARD AND OTHER GOVERNANCE STRUCTURES IN LINE WITH THE BOARD-APPROVED RISK APPETITE AND RISK MANAGEMENT STRATEGY.

Our principal risks are summarised below.

A more comprehensive analysis of our risk management process, insurance and financial risks is disclosed in the management of insurance and financial risk on pages 114 to 138.

RISK	CONTEXT AND IMPACT	WHAT WE DO IN MITIGATION
STRATEGIC RISKS		
Risk related to the determination of an appropriate strategy and the implementation thereof	The strategy must reflect a clear vision which addresses shareholders' expectations. It must be implemented through operational action plans, based on appropriate assumptions, to avoid the risk of inefficient implementation and failure to comply with the value creation objectives.	RMI's strategy is determined by an experienced board of directors after consideration of all the relevant information. The board monitors progress made in respect of the implementation of the strategy on a quarterly basis and through its sub-committees, especially the investment committee which meets more often.
Portfolio risk	This risk relates to the loss of value or opportunity to create value due to inefficient or ineffective identification of new investments or disinvestment from existing investments. The composition of the portfolio, determined by the investment decisions, may involve a particular exposure to certain industrial sectors, certain geographic areas or certain regulations.	Portfolio investments are chosen with a view of creating value for our shareholders. We seek to mitigate the portfolio risk by diversifying our portfolio and by following a rigorous investment process comprising various phases. Investment team discussions and debates are conducted prior to the recommendation of any new or additional investment or disposal of an existing investment to the investment committee. The investment committee consists of board members with a wealth of investment experience. All new or additional investments or disposals of investments are considered by the investment committee, and depending on the size of the proposed transaction, also by the board of directors. Corporate finance, accounting, tax and legal specialists are contracted to assist with due diligence processes before final investment decisions are made.

RISK	CONTEXT AND IMPACT	WHAT WE DO IN MITIGATION
STRATEGIC RISKS continued		
Investment performance risk	The value of our portfolio will be adversely affected by downward movements in markets, resulting in poor investment performance. This risk also relates to the destruction of value due to poor management of existing investments.	The successful management of investments is dependent on a full understanding of the businesses of investee companies. The chief executive and his management team continuously analyse and monitor investee company performance with the findings tabled at board meetings. Senior RMI management also regularly meet with the management of investee companies to discuss performance and RMI is represented on investee company boards and committees. We manage market risk through a structured investment philosophy and process.
Reputational risk	The risk that an action, event or transaction may compromise the brand. Our brand and reputation are important to us. Our stakeholders should associate our name with a credible, long-term, sustainable and trustworthy investment holding company.	We operate with a philosophy that seeks to protect and enhance our brand, our reputation and our ability to conduct business with the highest ethical standards. We recognise the importance of the group's reputation and devote considerable effort to manage all aspects of that reputation.
Disruptive technology and competitor risk	Disruptive technology, trends and changes in the financial services industry can adversely affect us. Changes in the competitive environment can put pressure on our group to invest in disruptive business models and for our existing investee companies to make changes to product offerings, processes, systems and policies.	RMI has established AlphaCode, a next-generation financial services business platform, to help identify and enable investments that could change the landscape of the financial services industry. We maintain our innovative focus, monitor technological and other trends closely and adapt our products and services accordingly.

RISK	CONTEXT AND IMPACT	WHAT WE DO IN MITIGATION
OPERATIONAL RISKS		
Human resource risk	This risk refers to the group's ability to attract and retain the human resources required to ensure that it operates effectively and achieves its objectives.	The group recognises the importance of attracting and retaining appropriate staff to achieve its objectives. A considerable amount of effort is applied in developing our people and their careers and creating a workplace in which our staff can thrive. The remuneration policy is designed to attract and retain skills and talent.
Process and systems risk	Operational risk refers to the exposure to potential losses caused by internal shortcomings and/or failures of processes, people and systems, which include errors and fraud.	This risk is managed through various processes and procedures to identify, mitigate and report on operational risks. The internal control environment is subject to reviews by internal audit, quality assurance and risk management functions.
Information technology risk	There are various risks linked to information technology, our networks and our business operating systems. Information security and cyber-attacks are main risks, as well as the possible disruption of operating systems.	We have numerous policies and processes in place to ensure the continuity and stability of our information technology systems, recovery in a possible disaster situation, the security of data and that our operating systems are aligned with business objectives and strategy.
Fraud risk	Insurance-related fraud, internal and external fraud, dishonesty, collusion with third parties and syndicates as well as unauthorised activities.	The group employs a significant number of resources tasked with the prevention and detection of fraud.
Disaster recovery and business continuity	The risk of the business being unable to operate due to an unforeseen event or disaster.	A comprehensive business continuity plan has been developed and tested. The plan provides guidance to staff for the complete restoration of the core business functions and IT facilities. In the event of a disaster, we have alternative facilities where key management and staff are able to resume our most critical business functions.

RISK	CONTEXT AND IMPACT	WHAT WE DO IN MITIGATION
FINANCIAL RISKS		
Underwriting risk	RMI has significant investments in insurance companies. Due to the unpredictable nature of insurance business and the many factors that can affect business volumes, profitability and claim incidents, underwriting risk is a major consideration to ensure long-term sustainability and protecting the interests of policyholders.	The underwriting processes of RMI's investee companies in the insurance sector are based on a trusted and robust underwriting philosophy of prudent consideration of risk factors. We have a documented underwriting risk policy and underwriting risk indicators are monitored closely and regularly.
Counterparty default risk	The risk of losses resulting from the default of other parties such as a reinsurer where payments are due. Our reinsurance arrangements are very important, especially during times of increased frequency of extreme weather events.	The risk is managed through the compliance with the reinsurance policy and placing reinsurance treaties with reputable reinsurers with a prescribed minimum credit rating as well as the diversification of our treaties amongst multiple reinsurers.
Treasury risk	Any loss of control over cash inflows and outflows may have significant financial consequences.	Treasury transactions are subject to documented limits and rules, formal delegations of authority and segregation of duties.
Liquidity risk	The risk that we will not be able to meet our payment obligations as they fall due, or that we may be forced to liquidate our positions under adverse conditions to meet that obligation.	We have controls and processes in place to ensure that future liquidity requirements are met. Forecasting is conducted on a regular basis to determine liquidity requirements.
REGULATORY RISKS		
Regulatory compliance risk	Regulatory compliance describes the goal to ensure that we are aware of and take the necessary steps to comply with the relevant laws and regulations. Regulatory changes also affect business processes and procedures and increase costs.	The group provides continuous training and awareness programmes. The governance processes are proactive in identifying and acting on legislative changes, supported by compliance assessments of business practices. We have complied with all regulatory capital adequacy requirements during the year.

We continue to evaluate and improve our management techniques and processes to build our reputation as a trusted and reliable holding company.

RISK MANAGEMENT AND INTERNAL CONTROL

We recognise that managing risk and compliance is an integral part of generating sustainable shareholder value and enhancing stakeholder interests.

The board of RMI and the boards of its investee companies are accountable for establishing, maintaining and monitoring the effectiveness of the processes of risk management and systems of internal control applied throughout the group and in any joint ventures and associations to which the group or any investee company is a party.

Our risk management and control framework covers the following key aspects:

- identifying key performance indicators;
- identifying significant business risks, both financial and other;
- maintaining proper accounting records;
- ensuring the reliability of financial information used within the business for decision-making or for publication;
- ensuring compliance with applicable laws, regulations and codes of conduct;
- ensuring that the group is not unnecessarily exposed to avoidable financial risks such as the risks associated with fraud, potential liability and loss, including the safeguarding of assets;
- managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions;
- ensuring the effectiveness and efficiency of operations;
- monitoring the progress of group companies in complying with the Financial Sector Charter;
- ensuring that the group and any projects in which it is involved are subject to sound environmental practices; and
- ensuring that the appropriate balance is struck between entrepreneurial endeavour and sound business practice.

OVERALL EFFECTIVENESS OF THE CONTROL ENVIRONMENT

As with most systems of internal control, the effectiveness of internal control systems in the group is subject to inherent limitations, including:

- the possibility of human error and/or poor decision-making;
- the deliberate circumventing of controls by employees or others;
- management overriding controls; and
- the occurrence of unforeseeable circumstances.

Control systems are therefore designed to manage, rather than eliminate, the risk of failure. Accordingly, it is recognised that a sound system of internal control can provide only reasonable and not absolute assurance against risks impacting the achievement of business objectives or any misstatement or loss.

Management reports regularly to the respective group boards on the effectiveness of the group's risk and compliance management and control framework. The effectiveness of this framework is subject to continuous review.

OUR PERFORMANCE AND OUTLOOK

FINANCIAL HIGHLIGHTS
for the year ended 30 June 2015

NORMALISED EARNINGS

+5%

to 212.7 cents

ORDINARY DIVIDEND

+7%

to 116.0 cents

HEADLINE EARNINGS

+13%

to 219.8 cents

SHARE PRICE

+30%

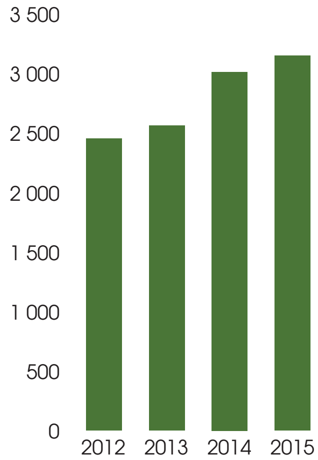
to 4 247 cents

KEY PERFORMANCE INDICATORS

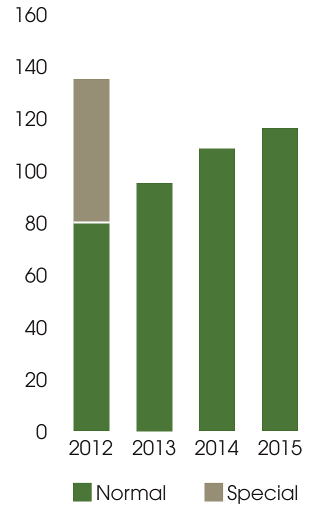
		2012	2013	2014	2015	% change for 2015	% CAGR
Equity	R million	13 943	14 341	16 377	18 083	10	9
Normalised earnings							
Discovery	R million	2 316	2 787	3 457	4 027	16	20
MMI	R million	2 955	3 241	3 621	3 836	6	9
OUTsurance	R million	1 257	1 209	1 448	1 388	(4)	3
RMBSI	R million	96	89	101	82	(19)	(5)
Group normalised earnings	R million	2 455	2 566	3 022	3 160	5	9
Discovery	R million	579	699	866	1 012	17	20
MMI	R million	746	803	899	956	6	9
OUTsurance	R million	1 095	1 031	1 219	1 166	(4)	2
RMBSI	R million	74	70	78	64	(18)	(5)
Funding and holding company costs	R million	(39)	(37)	(40)	(38)	5	1
Earnings and dividends							
Earnings	cents	157.5	152.0	205.8	222.0	8	12
Diluted earnings	cents	156.4	151.0	203.6	220.0	8	12
Headline earnings	cents	168.5	151.1	194.0	219.8	13	9
Diluted headline earnings	cents	167.6	150.1	191.9	217.8	13	9
Normalised earnings	cents	165.2	172.6	203.4	212.7	5	9
Diluted normalised earnings	cents	163.6	171.3	201.3	211.1	5	9
Ordinary dividend	cents	80.0	95.0	108.0	116.0	7	13
Special dividend	cents	55.0	–	–	–	–	–
Dividend cover							
– headline earnings	times	2.1	1.6	1.8	1.9		
– normalised earnings	times	2.1	1.8	1.9	1.8		
Share price							
– Closing	cents	1 737	2 520	3 278	4 247	30	35
– High	cents	1 825	2 638	3 450	4 894		
– Low	cents	1 140	1 737	2 333	3 101		
Market capitalisation	R million	25 806	37 439	48 701	63 097	30	35
Volume of shares traded	million	560	464	273	442		

EARNINGS, DIVIDEND AND SHARE PRICE

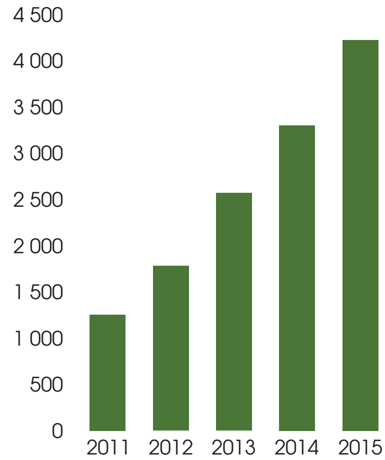
Normalised earnings
(R million)



Dividends per share
(cents)



Share price
(cents)



TOTAL SHAREHOLDERS' RETURN

	4 years	3 years	2 years	1 year
Annual compound growth rate	43%	39%	34%	33%

NORMALISED EARNINGS

R million	2015	2014	% change
Headline earnings attributable to equity holders	3 258	2 879	13
RMI's share of normalised adjustments made by associates:	(87)	189	
Fair value adjustment to puttable non-controlling interest financial liability	(415)	50	
Amortisation of intangible assets relating to business combinations	218	173	
Rebranding and business acquisition expenses	105	–	
Deferred tax raised on assessed losses	(74)	–	
Basis and other changes and investment variances	37	40	
Non-recurring and restructuring expenses	35	43	
Finance costs raised on puttable non-controlling interest financial liability	16	39	
Non-controlling interest adjustment if no put options	(11)	(20)	
Net realised and fair value losses/(gains) on shareholders' assets	2	(136)	
Group treasury shares	(11)	(46)	
NORMALISED EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS	3 160	3 022	5

VALUE-ADDED STATEMENT

R million	2012	2013	2014	2015
Economic value created				
Premium income and reinsurance recoveries	6 952	8 220	10 558	**12 917**
Income from associates, investment income, fees and other income	1 872	2 554	3 343	**3 149**
Non-claims payments to outside service providers	(799)	(887)	(1 514)	**(1 866)**
Payments relating to profit sharing arrangements and policyholders' interest	(486)	(692)	(463)	**(298)**
Fair value adjustments to investment contracts	(119)	(237)	(287)	**(82)**
Finance costs	(138)	(125)	(79)	**(162)**
TOTAL ECONOMIC VALUE CREATED	7 282	8 833	11 558	**13 658**
Total economic value distributed amongst stakeholders				
Employees				
Salaries and other benefits	969	1 381	1 482	**1 845**
Policyholders	3 145	4 506	5 797	**7 644**
Policyholder claims and increase in reserves	2 865	4 235	5 496	**7 329**
Cash bonuses on insurance contracts	280	271	301	**315**
Government (in the form of taxes)	670	464	555	**823**
Providers of capital	1 142	2 355	1 756	**1 915**
Ordinary dividends paid to shareholders	946	2 154	1 500	**1 694**
Earnings attributable to non-controlling interests	196	201	256	**221**
Reinvested to support future growth	1 356	127	1 968	**1 431**
Retained earnings[1]	1 284	28	1 868	**1 302**
Depreciation	72	99	100	**129**
ECONOMIC VALUE DISTRIBUTED	7 282	8 833	11 558	**13 658**
Percentage of economic value distributed				
Employees (%)	13%	16%	13%	**14%**
Policyholders (%)	43%	51%	50%	**56%**
Government (%)	9%	5%	5%	**6%**
Providers of capital (%)	35%	28%	32%	**24%**
	100%	100%	100%	100%

1. Net of deferred taxation

CHAIRMAN'S STATEMENT

"INVESTING IN RMI PROVIDES INVESTORS WITH AN OPPORTUNITY TO PARTICIPATE IN LONG-TERM STRATEGIC PARTNERSHIPS AND SIGNIFICANT INTERESTS IN SOME OF SOUTH AFRICA'S LEADING INSURANCE AND FINANCIAL SERVICE GROUPS."

INTRODUCTION

In 1977, Laurie Dippenaar, Paul Harris and I founded Rand Consolidated Investments (RCI), which became the roots of FirstRand Limited, one of South Africa's leading banking and financial services groups. In 1987 we formed RMB Holdings Limited (RMH) as the coming together of RCI and Rand Merchant Bank, then owned and managed by Johann Rupert of Remgro. RMH has been the vehicle through which the founders and Remgro remained invested in FirstRand. Although we have relinquished executive duties, we still play an active role within FirstRand through board representation and shareholdings.

RMH is a group with a successful 28-year history of investments in outperforming financial services assets. RMH has positioned itself as the shareholder of influence in prominent businesses such as FirstRand as well as other standalone businesses such as Momentum (now part of MMI Holdings), Discovery and OUTsurance.

In March 2011, RMH unbundled its insurance operations into separately listed RMI. Simultaneously, RMH entered into a long-term strategic partnership with Royal Bafokeng Holdings as part of its diversification process. The two separately listed entities provide investors with greater flexibility in terms of their investment choices.

During the last year, RMI commenced actively pursuing new investments to add to and protect its existing strategic investments, still with a focus in financial services.

For more information on our new investments, refer to the chief executive's review on page 31.

Investing in RMI provides investors with an opportunity to participate in long-term strategic partnerships and significant interests in some of South Africa's leading insurance and financial service groups.

ECONOMIC ENVIRONMENT

The economic environment for the financial year under review remained challenging and was characterised by:

- equity market performance that was significantly lower than the long-term expected return;
- a subdued domestic growth outlook amid continued electricity supply constraints, weak foreign demand and low business and consumer confidence;
- an increase in debt service costs, high unemployment levels and moderating levels of income growth;
- heightened uncertainty relating to the debt crisis in Greece and a decline in the economic growth prospects of China; and
- a gradual economic recovery in the United States with the prospect of rising interest rates, which resulted in a decline in capital inflows and currency weakness in economies with current account deficits like South Africa's.

The South African central bank increased the repo rate by 25 basis points to 6.0% in July 2015 due to the upside risk to inflation. The South African economy remains vulnerable to a more aggressive hiking cycle should there be a further slowdown or reversal of capital inflows.

Commodity prices are expected to remain well below levels that prevailed in the previous decade and economic performance needs to be driven by structural reform.

Notwithstanding the challenging economic environment, the group delivered a pleasing operational, yet mixed financial performance for the year under review.

DIVIDEND PAYMENT

The policy of paying out all dividends received from underlying investments, after servicing any funding commitments at holding company level and considering RMI's debt capacity and investment pipeline, remains in place.

The board is of the opinion that RMI is adequately capitalised at this stage and that the company will be able to meet its obligations in the foreseeable future, after payment of the final dividend.

The board resolved to declare a final dividend of 64.0 cents per ordinary share. The total dividend for the year of 116.0 cents (2014: 108.0 cents) per ordinary share is covered 1.8 times (2014: 1.9 times) by the normalised earnings of 212.7 cents (2014: 203.4 cents) per share.

GT Ferreira
Chairman

Sandton
11 September 2015

CHIEF EXECUTIVE'S REVIEW

HERMAN BOSMAN
Chief executive

"NOTWITHSTANDING THE CHALLENGING ECONOMIC ENVIRONMENT, THE GROUP DELIVERED A PLEASING OPERATIONAL, YET MIXED FINANCIAL PERFORMANCE FOR THE YEAR UNDER REVIEW."

OVERVIEW OF RESULTS

In what was an active year across acquisitions and new partnerships/initiatives, **Discovery** delivered excellent growth in normalised earnings. The mature businesses showed strong cash generation and its new initiatives are experiencing exciting growth prospects.

MMI's earnings growth was restricted by significant investments into growth initiatives. The Momentum Employee Benefits business continued its growth trajectory and Metropolitan Retail delivered strong results. The group is well capitalised and the strategic repositioning is progressing well.

Australia experienced the worst weather conditions in terms of the frequency of natural catastrophe events in the past decade, which resulted in a significant increase in the claims ratio and a reduction in profit from **OUTsurance's** Australian operation, Youi. However, Youi Australia continued to grow its market share, with a 33% increase in gross premium income. Although the South African operations performed well, the reduction in profit from Australia, together with the start-up losses incurred by Youi New Zealand, contributed to a 4% decline in normalised earnings from OUTsurance.

RMBSI invested in two new initiatives and established risk finance and credit insurance businesses which should contribute to earnings in the next financial year. In the year under review, however, RMBSI experienced a reduction in investment income earned from a large corporate policy.

SOURCES OF NORMALISED EARNINGS

The total normalised earnings of RMI's investee companies for the year under review are listed in the table below, with further information on each company's performance provided on pages 32 to 48:

R million	2015	2014	% change
Discovery	4 027	3 457	16
MMI	3 836	3 621	6
OUTsurance	1 388	1 448	(4)
RMBSI	82	101	(19)

The consolidated group normalised earnings for the year ended 30 June 2015 amounted to R3.16 billion, an increase of 5% on the comparative year. The table below provides a breakdown of this number:

R million	2015	2014	% change
Discovery	1 012	866	17
MMI	956	899	6
OUTsurance	1 166	1 219	(4)
RMBSI	64	78	(18)
Total normalised earnings from investee companies	3 198	3 062	4
Funding and holding company costs	(38)	(40)	5
NORMALISED EARNINGS	3 160	3 022	5
NORMALISED EARNINGS PER SHARE (CENTS)	212.7	203.4	5

The funding and holding company costs include the funding and operational expenses carried at the RMI centre. This number also includes the underwriting income of R44 million after tax that RMI earned on the Discovery rights issue offer in April 2015. Funding costs increased due to the additional R1.25 billion in cumulative, redeemable preference shares issued to fund the additional shares taken up in Discovery as part of its rights issue offer.

RMI regards normalised earnings as the appropriate basis to evaluate business performance as it eliminates the impact of non-recurring items and accounting anomalies.

A reconciliation of the adjustments made to derive normalised earnings is presented on page 24.

MARKET VALUE OF INVESTMENTS

During the 2015 financial year, RMI's share price increased by 30%. RMI has delivered a total annual compounded return to shareholders of 43% over the past four years.

The individual investment performances during the year under review are outlined below:

- **Discovery's** share price increased by 30%. This, together with RMI's additional investment of R1.25 billion in Discovery shares as part of the rights issue offer, resulted in a total increase of 42% in the market value of RMI's investment in Discovery;
- **MMI's** market capitalisation increased by 15%, with a dividend yield of 5.2% (based on an assumed share price of R30);
- On a "look-through" basis, the market value attributed to RMI's interests in **OUTsurance** (83.4% held) and RMBSI (76.4% held) increased by 32% to R31.9 billion; and
- RMI has not attributed a value to the asset management initiative as at 30 June 2015, as the business is in its infancy.

The market values of RMI's investments are summarised in the table below:

R million	2015	2014	% change
Market value of interest in:			
– Discovery	20 481	14 383	42
– MMI	11 849	10 302	15
Market value of listed investments	32 330	24 685	31
Implied market value of unlisted investments	31 875	24 075	32
Gross market value of portfolio	64 205	48 760	32
Net liabilities of holding company	(1 108)	(59)	>(100)
RMI MARKET CAPITALISATION	63 097	48 701	30
RMI CLOSING SHARE PRICE (CENTS)	4 247	3 278	30

The movement in the net liabilities of the holding company is a combination of raising R1.25 billion additional debt and retaining the R196 million special dividend received from MMI in October 2014.

STRATEGY AND OUTLOOK

EXISTING PORTFOLIO

Growth in new business volumes and profit at RMI's existing investments will be impacted by several factors in the South African economy, including GDP growth, disposable income and employment levels. The 2016 financial year is anticipated to be challenging, with GDP growth expected to remain low due to both demand weakness and supply side constraints, particularly in respect of electricity. If the US recovery emerges as expected, interest rates in South Africa may increase, which will place further pressure on the consumer. Unemployment is trending upwards, with retrenchments already announced in the mining and construction sectors.

However, RMI believes that its investee companies have appropriate strategies in place to produce resilient operational performances against the increasingly difficult economic backdrop.

Discovery is expected to continue on its growth path through a number of exciting local initiatives and global momentum through Vitality and the Discovery Partner Markets.

MMI has increased its focus on efficiencies by identifying specific cost-saving initiatives, while continuing to pursue topline growth. Plans and processes are being executed to optimise structures, distribution channels and solutions, focusing on innovation and collaboration.

OUTsurance believes that the growth opportunities available in the Australasian market present the group with good growth potential over the medium term. In the mature South African personal lines business, OUTsurance will continue to focus on its key strategic imperatives to protect its share of the profitability of the market. Premium inflation is forecast to normalise to general inflationary levels, but remains vulnerable to material currency movements. The main strategic growth driver in the South African market is the expansion of the commercial insurance sales footprint. The incremental roll-out of this strategy will commence in the next financial year. OUTsurance also recognises the potential disruptive impact which the broader use of telematics devices may have on the global vehicle insurance market and is in the process of refining its strategy to respond and be prepared for structural changes in the vehicle insurance market.

RMBSI continues to focus on a diversified business strategy to bolster its retainer base income on the back of the more traditional insurance business. This continues to bear fruit and the business mix is trending in the right direction.

NEW INVESTMENTS

As previously outlined to the market, in addition to its active involvement in the existing portfolio, RMI plans to expand its investment portfolio through opportunities across a wide spectrum of scale and life cycles of financial services businesses.

In order to fund new investments, RMI is proposing to implement a R15 billion Domestic Medium-Term Note and Preference Share Programme. Although the programme is capped at R15 billion, the intention is not to utilise such amount in the short term unless specific opportunities present themselves to RMI.

Traditional financial services

RMI is evaluating the potential of adding a significant 'traditional' financial services business, which can create a fifth pillar in the portfolio. Although the investment team has evaluated a number of local and international opportunities, there is no imminent activity in this area of focus.

Asset management

RMI's asset management business is successfully gaining traction. **RMI Investment Managers** will establish, grow and partner with world-class asset managers and investment teams.

RMI Investment Managers will be a strategic, minority investor in independent asset management businesses and is pleased to announce that heads of agreement are in place to be a strategic partner of, and shareholder in, active managers NorthStar, Perpetua and Tantalum and passive manager CoreShares. The team will continue to partner with other outstanding independent managers.

Subsequent to year-end, the fixed income team from Cadiz Asset Management was also brought on board. They will focus on building the team's multi-asset fixed income capabilities. RMI Investment Managers will continue to partner with specialist teams in other asset class capabilities, providing an autonomous and entrepreneurial environment in which to work.

Finally, the team also secured important distribution strength through an agreement with its distribution partner, MMI, who will invest alongside RMI Investment Managers and assist the team to raise the market profile and asset gathering capabilities of its partner managers and specialist teams.

Next-generation financial services

RMI has recognised that the core business of its underlying portfolio companies is now, more than ever, being influenced by new, disruptive ventures given the rise of shaping forces such as technology, social media and the millennial generation. As a result, RMI is actively seeking to fund and scale new and disruptive business models.

In order to facilitate this, RMI launched its next-generation business platform, **AlphaCode**, to help identify and enable investments that could change the landscape of the financial services industry. AlphaCode is a development hub, supported by a physical workspace and virtual platform, which seeks to create a next-generation financial services ecosystem by bringing together entrepreneurs, intrapreneurs, industry experts and thought leaders to connect, share knowledge and shape the industry.

Subsequent to year-end, RMI made its first investment in a disruptive, next-generation financial services business by taking a 25.1% stake in **Merchant Capital**, a provider of alternative sources of working capital for small and medium enterprises (SMEs) in South Africa. Merchant Capital was founded in 2012 in response to the lack of funding options available to SMEs. Using innovative technology, Merchant Capital's model allows its clients to repay their loans based on the cyclical nature of their businesses.

Herman Bosman
Chief executive

Sandton
11 September 2015

PORTFOLIO OVERVIEW

DISCOVERY'S CORE PURPOSE IS TO MAKE PEOPLE HEALTHIER AND ENHANCE AND PROTECT THEIR LIVES.

DISCOVERY'S AMBITION IS TO BE THE BEST INSURANCE ORGANISATION IN THE WORLD AND A POWERFUL FORCE FOR SOCIAL GOOD.

PERFORMANCE

	30 June 2015	30 June 2014	% change
Market capitalisation	R81.9 billion	R57.5 billion	42%
RMI's share	25%	25%	
Embedded value	R52.3 billion	R43.1 billion	21%
Return on embedded value	12.4%	20.2%	
Earnings	R5 480 million	R3 246 million	69%
Headline earnings	R5 285 million	R3 064 million	72%
Normalised earnings	R4 027 million	R3 457 million	16%
Dividends paid	R1 082 million	R894 million	21%
Full-time employees	9 998	8 702	15%

ABOUT DISCOVERY

Discovery services the healthcare funding and insurance markets in South Africa, the United Kingdom, China, Singapore, Australia and the United States. It is a pre-eminent developer of integrated financial services products and operates under the **Discovery Health, Discovery Life, Discovery Invest, Discovery Vitality, Discovery Insure, VitalityHealth, VitalityLife, The Vitality Group, AIA Vitality and Ping An Health brand names.**

2015 PERFORMANCE

In November 2014, Discovery acquired the remaining 25% shareholding in Prudential Health Holdings Limited from Prudential Assurance Company (Prudential) for GBP155 million (R2 790 million). Following this acquisition, PruHealth and PruProtect have been rebranded as VitalityHealth and VitalityLife respectively. Discovery also paid USD5 million (R54 million) to acquire Humana's 25% shareholding in The Vitality Group LLC.

Both of these acquisitions were concluded based on put options granted to Prudential and Humana during the 2011 financial year, which entitled them to sell their remaining interests in these entities at fair value to Discovery at contracted dates. Since 2011, Discovery carried the present value of the estimated purchase price as a financial liability in its statement of financial position. The difference between the carrying value of this financial liability and the purchase price paid by Discovery resulted in a fair value profit of R1 661 million, which was included in Discovery's earnings attributable to ordinary shareholders and headline earnings for the year ended 30 June 2015, but was excluded from normalised headline earnings.

Discovery produced strong results for the year to 30 June 2015 and some of the financial highlights include:

- Normalised headline earnings increased by 16% to R4 billion, with diluted normalised headline earnings per share increasing by 14%;
- New business grew by 51% to R17.5 billion, which includes R4.2 billion in respect of the Bankmed Medical Scheme;
- Gross inflows under management increased by 15% to R89.5 billion;
- Discovery achieved growth in embedded value of 21% to R52.3 billion, with a return on embedded value of 12.4%; and
- The total dividend for the year increased by 16% to 174.5 cents per share

Discovery Health's operating profit before tax increased by 10% to R2 billion after continued efficiencies were passed on to the medical scheme through a planned, scale-related discount, which assisted the medical scheme to reach a solvency ratio of 25.8% as at 30 June 2015. New business grew by 92% to R9.6 billion including Bankmed and by 8% to R5.4 billion excluding Bankmed.

Discovery Life achieved growth in operating profit before tax of 15% to R3 billion over the year, driven by new business growth of 11% to R2.2 billion and better than expected claims and lapse experience.

Operating profit before tax at Discovery Invest increased by 39% to R460 million, driven by 18% growth in new business volumes to R1.6 billion and an annual growth rate of 26% in assets under management over the past three years, which amounted to R50 billion as at 30 June 2015.

The combined VitalityHealth and VitalityLife businesses grew earnings before tax by 22% to R765 million. The rebranding of these businesses, following the acquisition of the remaining 25% shareholding, was successful and well received in the UK, with lower than expected claims and lapses.

Discovery Insure continued to grow with new business annualised premium income increasing by 25% to R789 million and thereby attracting between 12% and 15% of new business volumes in South Africa.

RMI included R1 012 million of Discovery's earnings in its normalised earnings (2014: R866 million).

For an in-depth review of Discovery's performance, RMI's shareholders are referred to **www.discovery.co.za.**

DISCOVERY'S BRANDS AND BUSINESSES	
Discovery Health	**Discovery Health** administers the Discovery Health Medical Scheme (DHMS), the largest open medical scheme in South Africa, and a portfolio of 14 closed medical schemes, which will grow to 16 with Bankmed and Glencore Medical Scheme joining the portfolio from 1 January 2016. Together, these schemes meet the full spectrum of healthcare needs of more than three million people, through a world-class actuarial, analytical, clinical and research and development capability which are deployed at every point in the medical scheme product cycle. With structural innovations such as the medical savings account, best-in-class claims and risk management assets and skills, additional services such as MedXpress medicine delivery, Discovery HomeCare home-based healthcare services, and world-leading digital tools, Discovery Health creates a value-based healthcare system that optimises quality of care, cost and access to care for members and healthcare professionals. This healthcare system is based on a shared value approach that creates value for the member, the medical scheme, health professionals and for broader society.
Discovery Life	**Discovery Life** is a market-leading insurance company whose innovative products provide close to 800 000 individual and group policyholders with life, capital disability and severe illness cover. In only 15 years, Discovery Life has grown to become the largest writer of pure risk business in South Africa. It currently holds a share of over 29% of the intermediated affluent protection market in South Africa. Discovery Life's integrated model harnesses its unique access to data on clients' health, wellness and driving patterns to assess and underwrite client risk dynamically. Clients pay premiums which reflect their risk profile and, in many cases, far lower premiums than they would pay for equivalent policies based on a traditional insurance model. In short, Discovery Life's integrated model provides a scientific foundation to encourage and reward healthy living, while protecting clients against unforeseen events and illnesses.
Discovery Invest	**Discovery Invest** provides innovative, tax- and fee-efficient investment products to clients in the South African market, distributed through a network of 6 000 financial advisers. The business achieved the landmark of R50 billion in assets under management in April 2015. It is the largest provider of endowment policies in South Africa, having maintained a market share of between 25% and 48% of net new endowment business over the past five years.
Discovery Vitality	**Discovery Vitality** is the largest scientifically-based wellness programme globally with close to 1.7 million people taking part in the programme in South Africa, over 860 000 in the UK and over one million clients in the United States and China combined. Through a range of innovative programmes and benefits, Discovery Vitality covers the complete healthcare spectrum, ranging from lifestyle modification and preventive care to disease management. Vitality is integrated seamlessly with Discovery Health and Discovery Life products and is the enabler that allows these businesses to generate shared value. Our data shows that highly-engaged Vitality members have an average life expectancy of 88 compared to an average of 46 as measured in the general South African population.
Discovery Insure	Launched in 2011, **Discovery Insure** offers insurance products that are unique in the South African market. It protects R99.5 billion in assets, including 117 000 vehicles, through policies that are dynamically priced to take account of driver behaviour, monitored through continually-evolving telematics technology. Over three billion kilometres of driver behaviour data has been collected to date. The insights resulting from this data have enabled the business to develop new products that incentivise good driver behaviour, reduce risk and increase returns for the insurer, while at the same time making South African roads safer. Through Vitalitydrive, a driver behaviour programme that rewards clients for driving well, clients receive rebates on fuel of up to 50% of their monthly fuel spend, as well as numerous other benefits aligned with our behavioural economics model. In addition to motor insurance, Discovery Insure offers comprehensive buildings, contents and portable possessions insurance.

DISCOVERY'S BRANDS AND BUSINESSES	
VitalityHealth	**VitalityHealth** (previously PruHealth) is the fourth-largest provider of private medical insurance (PMI) in the UK, covering close to 550 000 lives. Previously a joint venture with Prudential plc, PruHealth became a wholly-owned business in the Discovery group in November 2014 and was rebranded as VitalityHealth. VitalityHealth's unique model offers a holistic healthcare solution that integrates wellness and prevention programmes with traditional sickness coverage. Insurance cover is provided for services ranging from private primary care consultations offered through a virtual GP platform to consultant care, hospitalisation for acute conditions and post-hospital recovery and rehabilitation.
VitalityLife	**VitalityLife** (previously PruProtect) is the third-largest protection life assurer in the UK, with a total market share of 9.6%. In the intermediated market, VitalityLife's market share is 12.6%. Previously a joint venture with Prudential plc, PruProtect became a wholly-owned business in the Discovery group in November 2014 and was re-branded as VitalityLife. Products are distributed through a network of over 8 000 financial advisers, 18 franchises, two call centres and an increasingly important direct-to-consumer channel. The business benefits from excellent in-house lead generation capability. The Vitality Optimiser integrates VitalityLife products with Vitality membership, offering a unique proposition in the UK market by enabling clients to benefit from Vitality rewards by engaging with and improving their health.
THE vitality GROUP	**The Vitality Group** provides workplace wellness programmes to US corporates. Programmes target improved employee health and lower healthcare cost coverage, enabling clients to increase their own financial competitiveness through a healthier and more engaged workforce. The Vitality Group is also rolling out Vitality products through a partnership with John Hancock, a leading provider of insurance and financial services products with coverage over most states in the US market.
AIA Vitality	In Australia, Singapore and Hong Kong, Discovery has partnered with **AIA Group Limited**, one of Asia's most prominent insurance groups, to apply Discovery's behavioural-based insurance model to the life assurance environment. AIA Vitality was launched in 2013 in Australia, and in 2014 in Singapore. It is currently being rolled out in Hong Kong following a successful agency launch in 2015. AIA Vitality will be launched in two additional markets in 2015 and one additional market in 2016.
中国平安 PING AN	In China, Discovery has a 25% equity share in **Ping An Health**, the largest comprehensive medical insurer in China. To date, this is the only market where Discovery has taken an equity share in a health insurance company. In other markets Discovery contributes to partnerships as an intellectual property provider. Discovery's partner in this venture, the Ping An Insurance Group of China, is one of the strongest retail brands in China, with a market capitalisation of US$113.8 billion. It is known for its strong brand equity and excellent distribution footprint.

STRATEGY

Discovery identified the following material issues and developed the necessary strategies to address these issues:

- Achieving new business growth by continuing to innovate products and services and increasing Discovery's ability to capture value across the chain in its chosen business segments;
- Consolidating recent acquisitions, particularly the transition of the UK business to full ownership under the Vitality brand and obtaining a UK life insurance license in the UK primary market;
- Continue to explore adjacent industries in the South African market that leverage Discovery's behavioural-based business model and explore opportunities to export successful local adjacencies to international markets;
- Continue to grow internationally, finding models that leverage Discovery's South African intellectual property for Discovery Partner Markets;
- Ensuring the best skills, depth of leadership and diversity in Discovery's business that will enable continued innovation to benefit its clients and help it to become the best insurance organisation in the world; and
- Navigating an increasingly complex regulatory environment.

OUTLOOK

Discovery is making sustained progress on many of the issues which are material to the business and to the health industry in general through innovative approaches targeting structural healthcare challenges and long-term drivers of performance.

They believe that the use of digital technology still holds significant potential to increase the level of interaction with clients, and thereby reducing the costs of service to them. Savings can be re-invested into higher touch, dedicated teams serving members with specialised needs.

Discovery Life's focus will be on maintaining product innovation by developing value-driven products that are aligned with its shared value model and enable further integration of Discovery Life's products with other elements of Discovery's product suite.

Discovery Invest will continue to monitor potential regulatory changes, in particular the RDR, and pension fund reforms proposed by National Treasury, which are also anticipated to have a major impact on the business over the next three years.

Discovery Insure will work to achieve scale in the business through growth in its client base and by responding to the structural issues that drive costs in the industry – poor road safety and the high cost of repairs. The use of telematics to price risk more accurately is critical.

Discovery Vitality intends to explore additional Vitality products, aimed at increasing the penetration of the Discovery Health and Discovery Life base, currently focused on higher income market segments. A key area of focus will be to achieve growth in DiscoveryCard, including plans to increase card advances and enhance the value proposition of the card.

VitalityHealth's intention is to achieve sustainable growth without compromising margins and to maintain its loss ratio as the lowest in the industry.

VitalityLife is looking forward to a positive outcome from its ongoing license application process. The UK life assurance market remains competitive with potential new entrants to the market emerging and consolidation activity taking place.

A key focus for the forthcoming period will be the launch of Vitality through the **AIA Group** into three new markets in Asia.

In the Northern European market, a new venture announced with **Generali** in November 2014, will take Vitality into this life assurance market, specifically in Germany, Austria, and France.

MMI HOLDINGS

MMI'S STRATEGIC VISION IS TO BE THE PREFERRED LIFETIME FINANCIAL WELLNESS PARTNER, WITH A REPUTATION FOR INNOVATION AND TRUSTWORTHINESS.

PERFORMANCE

	30 June 2015	30 June 2014	% change
Market capitalisation	R47.4 billion	R41.2 billion	15%
RMI's share	25%	25%	
Embedded value	R40.3 billion	R39.7 billion	2%
Return on embedded value	9.6%	19.0%	
Earnings	R2 857 million	R3 197 million	(11%)
Headline earnings	R2 872 million	R3 222 million	(11%)
Core headline earnings	R3 836 million	R3 621 million	6%
Dividends paid	R2 436 million	R2 229 million	9%
Special dividend paid	–	R785 million	(100%)
Full-time employees	17 239	16 692	3%

ABOUT MMI

MMI is a South African financial services group that provides life insurance, employee benefits, investment 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.

2015 PERFORMANCE

In the year under review, the net realised and fair value losses on shareholders' assets amounted to R6 million, compared to net realised and fair value gains of R544 million in the prior year. This significant movement resulted in earnings attributable to ordinary shareholders and headline earnings decreasing by 11%. However, it had no impact on the growth in core headline earnings as these net realised and fair value losses and gains were excluded from core headline earnings.

MMI delivered a satisfactory financial performance for the year under review:

- New business premiums increased by 21% to R50.4 billion;
- The value of new business grew by 22% to R954 million, with the new business margin retained at 1.9%;
- The embedded value amounted to R40.3 billion, reflecting a return on embedded value of 9.6%;
- Diluted core headline earnings increased by 6% to R3.8 billion;
- The operating divisions achieved growth in core headline earnings of 17% to R3.5 billion. All the existing businesses, with the exception of Momentum Investments, increased their profits with Momentum Employee benefits (up 28% to R660 million), Metropolitan Retail (up 26% to R738 million) and International (up 25% to R152 million) recording the highest growth;
- Overall earnings growth was restricted by investments into new initiatives that are being pursued in line with the group's strategy of growth, client-centricity and excellence;
- Positive experience variations were recorded in total, driven mainly by better than expected mortality and morbidity experience;
- Good expense management contributed positively to value creation; and
- The total dividend for the year increased by 9% to 155 cents per share.

MMI reported a strong capital buffer of R4.3 billion as at 30 June 2015 after allowing for capital requirements, strategic growth initiatives and the final dividend. MMI is satisfied that this capital level is appropriate, taking into account the many growth initiatives and the imminent change to a new capital regime (Solvency Assessment and Management (SAM)). MMI also successfully raised R750 million of subordinated debt and redeemed R500 million of maturing subordinated debt in December 2014. Another R1 billion of debt due in September 2015 has been replaced with a new issue of R1.25 billion in August 2015.

RMI included R956 million of MMI's earnings in its normalised earnings (2014: R899 million).

For an in-depth review of MMI's performance, RMI's shareholders are referred to **www.mmiholdings.com.**

MMI HOLDINGS' BRANDS AND BUSINESSES	
METROPOLITAN Together we can	**Metropolitan** was established in 1897, when a syndicate was formed aimed at providing finance so that poor people could buy their own homes. The company was registered the following year as the African Home Trust. In 1918, African Home Trust was taken over by Sanlam. In 1979 African Home Trust merged with Metropolitan to become Metropolitan Homes Trust Life. Sanlam began selling its stake in Metropolitan from 1991 to the BEE consortium New Africa Investment Limited (NAIL). On 21 September 2001, NAC (New Africa Capital Limited) created by Metropolitan and Nail, replaced Metlife as the listed holding company for the Metropolitan businesses. In the same year NAIL, the majority shareholder in NAC, unbundled its 49% stake, distributing the bulk of its NAC shares to its shareholders, retaining only 5%. NAC was renamed Metropolitan Holdings Limited in 2003. In 2004, Metropolitan entered into a strategic empowerment partnership with Kagiso Tiso Holdings (KTH). This partnership was retained in the merger between Momentum and Metropolitan in December 2010.
momentum	**Momentum** was established in 1966 and has grown organically, as well as through strategic acquisitions and mergers. The company became known as Momentum in 1973 when Momentum Assurance Corporation was acquired. RMH took over Sankorp's interest in Momentum Life in 1992. Anglo American merged their financial services interests with RMH in April 1998 and the new holding company, FirstRand Limited, became the largest financial services company on the JSE at the time. As part of the transaction, Momentum merged with Southern Life. The creation of FirstRand, along with Momentum's merger with Sage in 2005, are two of the milestones that have contributed to making Momentum one of South Africa's leading insurance and asset management providers today. Momentum's headquarters are located in Centurion, Pretoria, and it has over 5000 employees throughout South Africa. Momentum operates in South Africa, the United Kingdom, Botswana, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Zambia, Swaziland, Tanzania, and Namibia.
GUARDRISK TAILORED RISK SOLUTIONS	Incorporated into MMI Holdings in March 2014, **Guardrisk** is the largest specialist cell captive insurance group of its kind and the leading alternative risk transfer provider in South Africa, comprising a short-term insurer, life insurer and an underwriting manager. Guardrisk pioneered the cell captive concept, introducing cell captives to the South African short-term insurance industry in 1993 and extending the structure to the life insurance industry in 1999. Guardrisk provides structured insurance products, traditional cell captive facilities and access to a broad and diversified panel of related services and professional reinsurance markets through its businesses in South Africa (headquarters), Mauritius and Gibraltar. The Gibraltar operation consists of Euroguard, a leading Protected Cell Company providing alternative risk financing facilities in first party only cell captive structures.
ERIS PROPERTY GROUP	**Eris Properties** is a property development and services group which provides a range of commercial property skills in the South African and sub-Saharan African markets. MMI Holdings became a major shareholder (52%) in Eris Properties in 2012. Eris also manages MMI's Property Portfolio of R6.6 billion. Eris was formed in 2008 following the restructure of RMB Properties which had been in existence since 1987, and which was a prominent property development and property services company in the South African property industry.

MMI HOLDINGS' BRANDS AND BUSINESSES	
multiply wellness & rewards	**Multiply's** wellness and rewards programme is the primary engagement platform that MMI uses to connect with clients to encourage both financial and physical wellness. Multiply rewards members for doing the everyday things that ensure a healthy and happy life. Through Multiply, MMI clients gain access to physical and financial fitness partners and tools at discounted rates, making it easier to follow a physically and financially healthy lifestyle. MMI clients earn Multiply points for using these partners and tools to look after their wellbeing and enjoy great discounts on a wide range of products and services. Earning more points improves clients' Multiply status, which provides access to even greater discounts.
hello doctor	**Hello Doctor** is a mobile health service that provides preventative care and gives people the ability to connect with a doctor to make informed decisions about their health and wellness. The Hello Doctor interactive platforms are designed to give instant access to personalised health, wellness and medical information – all reviewed and approved by a team of doctors. Established in 2009, Hello Doctor is available in South Africa across multiple portals and social media platforms. The service is also being rolled out across Africa in partnership with mobile service provider MTN. Hello Doctor's stated purpose is to connect technology, first world clinical protocols and medical professionals to assist every person taking control of their health and wellness, affordably and simply.
CareCross HEALTH	The acquisition of **CareCross Health Group**, including a majority share in Occupational Care South Africa (OCSA) was finalised in November 2014. Since inception in 1998, CareCross has focused on delivering affordable healthcare through provider networks. The company, with a national network of around 2 000 General Practitioners and 4 000 associated healthcare professionals such as specialists, dentists and optometrists, currently delivers managed care and administration services to approximately 200 000 medical scheme beneficiaries. OCSA is widely considered a market leader in workplace health and wellness solutions. Through a joint initiative with OCSA, CareCross delivers integrated occupational health solutions to approximately 55 000 workers nationally. The acquisition of CareCross extends the ability of MMI and its Health Solutions business to offer holistic solutions to existing and prospective clients, reinforcing MMI's commitment to client-centricity.

MMI'S GROUP STRATEGY

MMI's client-centric corporate strategy is centred on its core fundamental purpose to enhance the lifetime financial wellness of people, their communities and their businesses.

This strategy aims to generate superior returns through relational value leadership, in terms of which superior value is created for clients through the design, integration and management of holistic solutions to client challenges around becoming and staying financially well throughout their lives.

While MMI remains committed to being competitive in terms of price and quality products, the key focus of its strategy is on building deep relationships with clients by achieving leadership in the high-value part of the value chain, namely the integration of highly effective financial wellness solutions.

MMI's strategic focus areas are:

- **Growth:** Having consolidated the business after the merger, its attention now turns strongly to growth:
  - Growth through geographical diversification;
  - Increase value of existing clients; and
  - Increase client base.
- **Client-centricity:** This is MMI's strategic response to new types of consumers, a lack of trust in the industry, technology advances and fairness regulations. MMI has two client-centric objectives – enhancing its clients' financial wellness and improving client relationships and experience. The strategic initiatives that support these two objectives are all vested in its view of true client-centricity, characterised by the following goals:
  - Moving much closer to clients, to the point of becoming obsessed with their needs;
  - Segmenting its client base and then developing an in-depth understanding of client needs in these segments;
  - Identifying and then addressing clients' financial needs;
  - Becoming a client relational value leader by creating a superior client experience; and
  - Building trust.
- **Excellence:** MMI is committed to excellence in everything it does. The supporting objective for this focus area is to improve efficiencies through:
  - implementation of the new client-centric operating model;
  - optimisation of the MMI legacy book; and
  - optimisation of the product centres of excellence.

OUTLOOK

MMI expects the operating environment to remain tough in the short to medium term but are confident that its client-centric strategy will be implemented successfully to create value for all stakeholders over time.

As MMI broadens its footprint into Africa and other emerging markets, it will remain focused on its client-centric approach to ensure it remains responsive to clients' needs in different territories and markets. While the investment in strategic growth initiatives has an impact on earnings growth in the short term, these investments are key to advance the new strategy, ensuring growth into new markets, further enhancing the financial wellness of its clients and their communities, and to unlock shareholder value over time in an increasingly competitive environment.

Fast-moving progress in technology will require new skills and competencies, which in turn requires MMI to make sure that it stays ahead of the curve. To remain competitive, access to extensive and up-to-date data will be critical as well as tools that will be needed to support, among other, leading actuarial modelling and analysis.

OUTSURANCE
Holdings Limited

OUTSURANCE AIMS TO PROVIDE WORLD-CLASS SERVICE WITH EACH CLIENT INTERACTION.

IN THE HIGHLY COMPETITIVE MARKETS IN WHICH IT OPERATES, CLIENT SERVICE IS A KEY DIFFERENTIATOR.

PERFORMANCE

	30 June 2015	30 June 2014	% change
Implied value	**R37.7 billion**	R28.4 billion	33%
RMI's share	**83%**	83%	
Earnings	**R1 346 million**	R1 445 million	(7%)
Headline earnings	**R1 388 million**	R1 448 million	(4%)
Normalised earnings	**R1 388 million**	R1 448 million	(4%)
Dividends paid	**R1 073 million**	R967 million	11%
Full-time employees	**4 436**	4 036	10%

ABOUT OUTSURANCE

OUTsurance provides short- and long-term insurance products in South Africa, and short-term insurance products in Australia, New Zealand and Namibia, with a client-centric ethos of providing value for money insurance solutions, backed by 'awesome' client service.

Youi New Zealand was launched in August 2014 as an extension of Youi's Australian operation. It provides personal lines insurance cover directly to the New Zealand public.

2015 PERFORMANCE

The OUTsurance group delivered a satisfactory operational but mixed financial performance during the year under review:

- The South African short-term insurance operations recorded an increase in normalised earnings of 19%, but the impact of the natural catastrophes in Australia and start-up losses in New Zealand resulted in group normalised earnings decreasing by 4% to R1 388 million;
- Gross premium revenue grew by 20% to R12.5 billion, of which Youi Australia contributed 44% or R5.4 billion. Youi New Zealand recorded gross premium revenue of R163 million in the period since its launch;
- The OUTsurance group recorded growth in annualised new business volumes of 12% to R3.9 billion, with Youi Australia being the largest contributor to the growth;
- The claims ratio increased from 51.9% to 55.5% as a result of the significant increase in claims at Youi Australia following multiple natural catastrophe events;
- The cost to income ratio increased from 27.1% to 28.2%, largely attributable to the new business strain incurred with the launch of the New Zealand business, an increase in marketing expenses and the non-recurrence of administration fees earned in respect of the group's former subsidiary, Momentum Short-term Insurance; and
- The total dividend for the year increased by 11% to 30.5 cents per share.

The claims ratio in OUTsurance's South African short-term operations decreased from 52.8% to 50.5% as a result of lower weather-related claims. This claims ratio is below the long-term target range and is expected to trend upward going forward.

OUTsurance Life generated normalised earnings of R38 million for the year under review, compared to R2 million in the prior year. Premium income increased by 33% and the underwriting experience remained satisfactory.

Youi Australia generated normalised earnings of R51 million for the year under review, compared to R255 million in the comparative year. The claims ratio increased from a record low of 52.2% in the prior year to 64.6% as a result of the severe weather events. Youi Australia incurred total claims of R963 million in respect of these catastrophes. After accounting for reinsurance recoveries and premiums to reinstate reinsurance cover, the net impact of the catastrophe events was R405 million. This compares to the prior year, which experienced limited severe weather events, with claims amounting to R90 million.

The performance of **Youi New Zealand** to date is satisfactory and in line with expectations. The start-up loss amounted to R130 million for the year under review, compared to a R22 million loss in the prior year.

Based on the current calibration and interpretation of the standard formula, the introduction of the new SAM regulatory regime with effect from 1 April 2016 (previously 1 January 2016) is expected to improve the capital adequacy ratios of OUTsurance and OUTsurance Life.

RMI included R1 166 million of OUTsurance's earnings in its normalised earnings (2014: R1 219 million).

For an in-depth review of OUTsurance's performance, RMI's shareholders are referred to **www.outsurance.co.za.**

OUTSURANCE'S BRANDS AND BUSINESSES	
OUT SURANCE Holdings Limited	**OUTsurance** provides short-term insurance cover directly to the South African public. Its product range includes personal lines and commercial insurance products. OUTsurance was established in 1998.
OUT SURANCE Holdings Limited Life	**OUTsurance Life** is a direct life insurer that offers basic and fully underwritten life insurance products to the South African market. OUTsurance Life was established in 2010.
OUT SURANCE Holdings Limited Namibia	**OUTsurance Namibia** was established in 2006 and provides personal lines and commercial lines short-term insurance products directly to the Namibian public. OUTsurance owns 49% of OUTsurance Namibia. OUTsurance Namibia is 51%-owned by FNB Namibia Holdings Limited.
youi AUSTRALIA	In 2008, OUTsurance launched **Youi** in Australia. The business provides personal lines short-term insurance cover directly to the Australian public. OUTsurance owns 93% of Youi Australia.
youi NEW ZEALAND	**Youi New Zealand** was launched in August 2014. This start-up operation provides personal lines insurance cover directly to the New Zealand public. OUTsurance owns 93% of Youi New Zealand.

STRATEGY

OUTsurance's business model is built on a philosophy of:

- scientific underwriting and pricing;
- innovative product design;
- a robust and efficient information technology platform; and
- a high performance culture driven by great people.

Since its inception, OUTsurance has cultivated a culture of 'awesomeness'. Its staff are passionate about service – they are real go-getters who will go the extra mile to get the job done.

It has a vibrant, employee-centered work environment and they constantly challenge themselves to become better at what they do. They strongly believe in 'giving back to the community' and support various projects throughout South Africa. This includes the Pointsmen project where a team of men and women dedicate their time and effort to assisting motorists at busy intersections throughout Johannesburg, as well as the Staff Helping SA OUT project where staff members dedicated themselves to making a difference in the lives of less fortunate South Africans.

Clients receive a cash OUTbonus – the first reward system in South Africa to return cash to clients who remain claim-free. To date, OUTsurance has paid out more than R1 billion in OUTbonuses.

They pride themselves on insurance products that are affordable, straightforward and with no hidden surprises.

OUTLOOK

The growth and profitability of its Australian business remains OUTsurance's key strategic growth initiative. Coupled with this is the establishment of a leading short-term insurer in the New Zealand marketplace. They believe that the growth opportunities available in the Australasian market present the group with good growth potential over the medium term.

In the mature South African personal lines business, OUTsurance will continue to focus on their key strategic imperatives to protect its share of the profitability of this market. Premium inflation is forecast to normalise to general inflationary levels, but remains vulnerable to material currency movements.

The main strategic growth driver in the South African market is the expansion of its commercial insurance sales footprint. The incremental roll-out of this strategy will commence in the next financial year.

OUTsurance recognises the potential disruptive impact which the broader use of telematics devices may have on the global vehicle insurance market and is in the process of refining its strategy to respond and be prepared for structural changes in the vehicle insurance market.

RMB STRUCTURED INSURANCE

RMBSI OFFERS INDIVIDUALLY DESIGNED INSURANCE SOLUTIONS, USING THEIR PORTFOLIO OF ON AND OFF-SHORE LICENSES AND ACCESS TO ITS HIGHLY SPECIALISED INSURANCE AND FINANCIAL SKILLS SET

PERFORMANCE

	30 June 2015	30 June 2014	% change
Implied value	R0.5 billion	R0.5 billion	–
RMI's share	76%	76%	
Normalised earnings	R82 million	R101 million	(19%)
Full-time employees	52	26	100%

ABOUT RMBSI

RMBSI holds both short-term and life insurance licenses. It creates bespoke insurance and financial risk solutions for South Africa's large corporations by using sophisticated risk techniques and innovative financial structures. In addition, it partly owns a portfolio of underwriting management agencies.

Clients include any organisation required or wanting to hold capital for risk purposes. These could include insurance companies, corporates or companies who need access to insurance licenses such as underwriting management agencies.

GUSTAVO ARROYO
Chief executive

2015 PERFORMANCE

Normalised earnings for the year to 30 June 2015 amounted to R82 million (2014: R101 million). The decrease in earnings relates to lower investment income on a large corporate policy.

RMI included R64 million of RMBSI's earnings in its normalised earnings (2014: R78 million).

RMBSI's STRATEGIC INVESTMENTS	
cib INSURANCE ADMINISTRATORS	**CIB Insurance Administrators** is one of the largest, most innovative and technologically advanced short-term insurance administrators in South Africa. CIB supports the broker intermediated insurance market, specialising in the SME commercial and high net worth personal lines segments. CIB intends to obtain its own short-term insurance license, which RMBSI will assist with by investing growth capital, improving capital efficiencies, assisting with new business acquisition, and rolling out the regulatory and governance intellectual property required for an insurance license. RMBSI in turn will benefit through having access to CIB's large distribution network, insurance products and technology.
Truffle	**Truffle Asset Management** is a boutique investment management company with a focused product range of equity long-only, flexible mandate and hedge fund products as well as tailor-made structured investment solutions. The company has a formidable core team of highly experienced investment professionals. RMBSI has invested growth capital into Truffle, assisted Truffle to rapidly grow its assets under management and can also now offer its own clients privileged access to Truffle's investment skills.
HCV caring for trucks + truckers	**Heavy Commercial Vehicle Underwriting Managers** is widely regarded as the premier underwriting manager in South Africa's heavy, medium and light commercial vehicle sector. It has an enviable track record of superior service to brokers and policyholders, product innovation and consistent underwriting results. It is particularly proud of its superior claims paying reputation that has been built up over time. RMBSI has taken a strategic shareholding in this already well-established business to work with the existing management team in taking the business to the next level.
CREDIT INSURANCE solutions	**Credit Insurance Solutions (CIS)** is a new underwriting manager offering cover for domestic and export trade risks. Its management team has extensive industry experience at the highest level with an outstandingly successful track record. These qualities, coupled with RMBSI's historical connections and financial pedigree, have led RMBSI to invest in this business at start-up stage, recognising the potential for CIS to successfully gain a large market share in its sector.
RISK GUARD ALLIANCE	**Risk Guard Alliance** is a dynamic underwriting management agency dedicated to providing clients with first-rate service and knowledgeable insurance expertise. The company has a niche focus on hospitality and motorcycles as well as a prominent commercial and personal lines portfolio insuring small to medium sized businesses and everyday domestic insurance matters.

STRATEGY AND OUTLOOK

RMBSI has long-standing relationships with clients ranging from retailers, motor dealerships to banks and insurance brokers. It believes that there is still great growth potential for underwriting solutions products in both South Africa and Africa.

Underwriting solutions is often a bespoke design, hence RMBSI works with clients to design appropriate insurance products to meet their specific objectives and then become the insurance license provider for the underwriting solutions products.

- **Financial services and solutions** include capital efficiencies through bespoke insurance programmes. RMBSI uses its portfolio of on- and offshore insurance licenses and highly specialised skills set to create tailored insurance solutions for organisations needing access to an insurance license and/or looking to use their risk capital as efficiently as possible. The rapidly changing insurance regulatory environment, such as Solvency and Assessment Management, will have an enormous impact on how and where risk capital is deployed, which is where RMBSI is uniquely positioned to assist its clients.

  RMBSI works closely with management teams and their advisors to determine the optimal level of risk retention versus the amount of risk that is transferred to the insurance and reinsurance markets. They then create the optimal capital and legal structure, whilst ensuring full compliance with all regulatory requirements. Their expertise in risk, finance, legal, tax and accounting, actuarial analysis and insurance underwriting and access to local and international reinsurance markets allow them to structure insurance programmes for both long- and short-term exposures.

- **Underwriting management agencies (UMAs)** involve partnering with entrepreneurial underwriters to create niche insurance businesses. RMBSI has a deep understanding and appreciation of how the UMA model can outperform more traditional distribution channels and provide a far superior offering to brokers and end-clients. Each UMA has its own specific needs. RMBSI assists UMAs focusing on growth by unlocking new growth opportunities and improving profit margins. Mature UMAs are assisted in realising a cash value from their shareholding whilst ensuring the longevity of the business through sound succession planning.

- **Underwriting solutions** enable organisations to offer their customers bespoke insurance products and create new revenue streams. RMBSI allows organisations to add value to existing customers by offering them insurance products typically as an add-on product to their core business, for example:
  - a bank providing home loans may complement its offering with insurance products such as homeowner's insurance, personal accident insurance and credit life cover, all relevant to the transaction of a customer financing a house;
  - a mobile phone company may offer its customers insurance for loss or damage to the handset provided as part of an airtime contract; or
  - an electrical and white-goods retailer may offer its customers extended warranty insurance cover to protect against unforeseen repair bills.

  This aims to provide the following benefits to RMBSI's customers:

  - The creation of additional revenue streams;
  - The potential to grow an existing client base;
  - Enhancing client satisfaction and loyalty by providing a differentiated service; and
  - Improving brand awareness by creating brand extensions.

OUR GOVERNANCE AND SUSTAINABILITY

CORPORATE GOVERNANCE REPORT

EFFECTIVE CORPORATE GOVERNANCE FORMS PART OF OUR INVESTMENT ASSESSMENT CRITERIA, WHICH IS FURTHER MONITORED BY NON-EXECUTIVE BOARD REPRESENTATION ON INVESTEE COMPANY BOARDS.

SCOPE

Our discussion on corporate governance in this annual integrated report is limited to notable aspects of the corporate governance of this company, RMI. Discovery, MMI, OUTsurance and RMBSI disclose relevant information on corporate governance in their own annual integrated reports, which can be referred to.

In South Africa, principles and guidelines for corporate governance are set by:

- the King Code of Governance Principles for South Africa 2009 (King III); and
- the Companies Act, 71 of 2008, as amended (Companies Act).

The Companies Act places certain duties on directors and determines that they should apply the necessary care and skill in fulfilling their duties. To ensure that this is achieved, the board applies best practice principles, as contained in King III, where appropriate. We and all our subsidiaries and associates endorse King III. As a JSE-listed entity, we also comply with the JSE Listings Requirements.

We have an "owner-manager" culture, which has been inculcated at every business in which we are invested. So, whilst our board is responsible for the maintenance of sound corporate governance, we believe that implementation is best managed at an investee company level. Therefore Discovery, MMI, OUTsurance and RMBSI all have their own governance structures, including boards of directors, executive teams and board committees that monitor operations and deal with governance and transformation-related issues.

THE BOARD OF DIRECTORS

ROLES AND RESPONSIBILITIES

The board's paramount responsibility is to ensure that we create value for our shareholders. In so doing, it takes into account the legitimate interests and expectations of stakeholders, which include the present and potential future investors in RMI.

In terms of its formal charter, the board's responsibilities include the appointment of the chief executive and the approval of corporate strategy, risk management and corporate governance. The board reviews and approves the business plans and monitors the financial performance of the group and implementation of the strategies. The board is the guardian of the values and ethics of the company and our investee companies and ensures that we can be seen as a responsible corporate citizen. The board is also responsible for formulating our communication policy and ensuring that spokespersons of the company adhere to it. This responsibility includes clear, transparent, balanced and truthful communication to shareholders and relevant stakeholders.

The board has a fiduciary duty to act in good faith, with due care and diligence and in the best interests of the group and its stakeholders. It is the primary body responsible for the corporate governance values of the group. While control is delegated to management in the day-to-day management of the group, the board retains full and effective control over the group. A formal board charter, as recommended by King III, has been adopted. All directors subscribe to a code of ethics. The code deals with duties of care and skill, as well as those of good faith, including honesty, integrity and the need to always act in the best interest of the company. Procedures exist in terms of which unethical business practices can be brought to the attention of the board by directors or employees.

Board members have full and unrestricted access to management and all group information and property. They are entitled, at the cost of the group, to seek independent professional advice in the fulfilment of their duties. Directors may meet separately with management, without the attendance of executive directors.

After evaluating their performance in terms of their respective charters, the directors are of the opinion that the board and the sub-committees have discharged all their responsibilities.

DEFINITION OF INDEPENDENCE

An independent, non-executive director is a non-executive director who:

- is not a representative of a shareholder who has the ability to control or significantly influence management of the board;
- does not have a direct or indirect interest in the company which exceeds 5% of the shares in issue;

- does not have a direct or indirect interest which is material to his/her personal wealth;
- has not been employed or is not immediate family of an individual who was employed by the company or the group of which it currently forms part in any executive capacity during the preceding three financial years;
- is not a professional advisor to the company or the group;
- does not receive remuneration contingent upon the performance of the company;
- does not participate in a share incentive scheme/option scheme of the company; and
- is free from any business or other relationship which could be seen by an objective outsider to interfere materially with the individual's capacity to act in an independent manner.

COMPOSITION OF THE BOARD

We have a unitary board with a non-executive director as chairman. The chairman is not independent in terms of the definition above. However, the board believes that GT Ferreira's specialist knowledge of the financial services industry makes it appropriate for him to hold this position.

The roles of chairman and chief executive are separate and the composition of the board ensures a balance of authority, precluding any one director from exercising unfettered powers of decision-making. The directors are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgment and broad deliberations in the decision-making process. The board each year evaluates its composition to ensure an appropriate mix of skills and experience.

As at 11 September 2015, the board comprised 14 members, 13 of whom are non-executive directors. Seven of the non-executive directors are also independent directors. Pat Goss is the lead independent non-executive director. The independence of the directors classified as "independent" was evaluated by weighing all relevant factors, including length of service, which may impair independence.

New directors are subject to a "fit and proper" test. An informal orientation programme is available to incoming directors. No director has an automatic right to a position on the board. All non-executive directors are required to be elected by shareholders at an annual general meeting. In a general meeting, the company may appoint any person to be a director, subject to the provisions of the memorandum of incorporation.

Details of directors' full names, their dates of appointment and other listed directorships, together with a brief career and sphere of influence synopsis are listed on pages 53 to 57.

The boards of our major investments and operating divisions are similarly constituted with the necessary mix of skills, experience and diversity. There is also an appropriate mix between executive and non-executive appointments.

TERM OF OFFICE

Non-executive directors retire by rotation every three years and are eligible for re-election. Re-appointment of non-executive directors is not automatic. The retirement age of the non-executive directors is set at 70.

The chief executive has an employment contract that can, subject to fair labour practices, be terminated upon one month's notice. In terms of our memorandum of incorporation, the retirement age of an executive director is 60, but the board has the discretion to extend it to 65.

DIRECTORS' INTERESTS

It is not a requirement of our memorandum of incorporation or the board charter that directors own shares in the company.

Directors' interests in the ordinary shares of the company are disclosed on page 82.

BOARD PROCEEDINGS

The board meets once every quarter. Should an important matter arise between scheduled meetings, additional meetings may be convened.

Before each board meeting, an information pack, which provides background information on the performance of the group for the year to date and any other matters for discussion at the meeting, is distributed to each board member. At their meetings, the board considers both financial- and non-financial, or qualitative-, information that might have an impact on stakeholders.

Details of the board meetings held during the year ended 30 June 2015, as well as the attendance at the board meetings and annual general meeting by individual directors, are disclosed on page 52.

COMPANY SECRETARY

Our board-appointed company secretary is Schalk Human, MCom (Acc), CA(SA). All directors have unlimited access to his services and he is responsible to the board for ensuring that proper corporate governance principles are adhered to. He maintains an arm's length relationship with the board of directors and is not a director of RMI.

The board confirmed that the company secretary had adequately and effectively performed and carried out his roles and duties as the gatekeeper of good governance in RMI.

BOARD COMMITTEES

The board established six sub-committees to assist the directors in fulfilling their duties and responsibilities. The committees and their members are as follows:

BOARD OF DIRECTORS

GT Ferreira (chair)

ARC	DAGC	IC	NC	RC	SETC
AUDIT AND RISK COMMITTEE	DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE	INVESTMENT COMMITTEE	NOMINATIONS COMMITTEE	REMUNERATION COMMITTEE	SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE
Jan Dreyer (chairman) – Johan Burger – Sonja De Bruyn Sebotsa	**Pat Goss (chairman)** – All non-executive directors	**Johan Burger (chairman)** – Herman Bosman – Peter Cooper – Laurie Dippenaar – Jannie Durand – GT Ferreira – Paul Harris – Albertina Kekana	**Pat Goss (chairman)** – All non-executive directors	**Jannie Durand (chairman)** – Johan Burger – Sonja De Bruyn Sebotsa	**Sonja De Bruyn Sebotsa (chairperson)** – Johan Burger – Jan Dreyer
See the committee's report on page 58.	See the committee's report on page 60.	See the committee's report on page 62.	See the committee's report on page 63.	See the committee's report on page 64.	See the committee's report on page 66.

Each committee has a formal charter and reports to the board at regular intervals. The charters, which set out the objectives, authority, composition and responsibilities of each committee, have been approved by the board. All the committees are free to take independent outside professional advice, as and when required, at the cost of the company.

BOARD MEETINGS

The board met four times during the year, attended as follows:

	September 2014	November 2014	February 2015	June 2015
GT Ferreira (chairman)	✓	✓	✓	√
Herman Bosman	✓	✓	✓	✓
Johan Burger	✓	✓	✓	✓
Peter Cooper	✓	✓	✓	✓
Sonja De Bruyn Sebotsa	✓	*	✓	✓
Laurie Dippenaar	✓	✓	✓	✓
Jan Dreyer	*	✓	✓	✓
Jannie Durand	✓	✓	✓	✓
Pat Goss	✓	✓	✓	✓
Paul Harris	✓	*	✓	✓
Per Lagerström	✓	✓	✓	✓
Murphy Morobe (appointed 1 August 2014)	✓	✓	✓	✓
Obakeng Phetwe	✓	✓	✓	✓
Khehla Shubane	✓	✓	✓	✓

✓ *Attended meeting* * *Apology received*

ANNUAL GENERAL MEETING

All the directors, except for Sonja De Bruyn Sebotsa and Paul Harris, attended the annual general meeting of shareholders, which was held on 21 November 2014.

DIRECTORS CHARGED WITH GOVERNANCE

We are fortunate to call on our extensively skilled and vastly experienced board for their governance and oversight in achieving our strategic goals and delivering value to all our stakeholders.

NON-EXECUTIVE CHAIRMAN

Gerrit Thomas (GT) Ferreira (67) DAGC IC NC

BCom, Hons B (B&A), MBA

Appointed 8 December 2010

GT was a co-founder of Rand Consolidated Investments (RCI) in 1977, which acquired control of Rand Merchant Bank (RMB) in 1985. When RMH was founded in 1987, he was appointed chairman, a position which he still holds. Following the formation of FirstRand, he was appointed non-executive chairman from 1998 to 2008.

Other listed directorships

Remgro Limited (lead independent) and RMB Holdings Limited (chairman)

CHIEF EXECUTIVE AND FINANCIAL DIRECTOR

Hermanus Lambertus (Herman) Bosman (46) IC

BCom (Law), LLB, LLM, CFA

Appointed 2 April 2014

Herman was with RMB for 12 years and ultimately headed up its corporate finance practice between 2000 and 2006. He returned to the group in 2014 after serving as chief executive of Deutsche Bank South Africa from 2006 to 2013.

Other listed directorships

Discovery Limited and RMB Holdings Limited (chief executive)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Johan Petrus (Johan) Burger (56) ARC DAGC IC (chairman) NC RC SETC

BCom (Hons), CA(SA)

Appointed 30 June 2014

Johan joined RMB in 1986 and became executive director in 1995. In January 2009 he was appointed FirstRand Limited financial director, a position he relinquished in January 2014 after being appointed deputy chief executive in October 2013. Subsequent to the retirement of Sizwe Nxasana in September 2015, Johan was appointed chief executive of FirstRand Limited.

Other listed directorships

FirstRand Limited (chief executive), MMI Holdings Limited and RMB Holdings Limited

INDEPENDENT NON-EXECUTIVE DIRECTORS continued

Sonja Emilia Ncumisa (Sonja) De Bruyn Sebotsa (43) ARC DAGC NC RC SETC (chairperson)

LLB (Hons), LSE, MA (McGill), SFA (UK), Executive Leadership Programme (Harvard)

Appointed 8 December 2010

Sonja is a principal partner of Identity Partners, an investment firm which holds equity investments, carries out advisory work and facilitates finance for SMEs by the Identity Development Fund. Sonja's areas of study included law, business and economics, which served her well as vice president of Mergers and Acquisitions and Corporate Finance of the investment banking division of Deutsche Bank. She played an integral part in WDB Investment Holdings participating in FirstRand's BEE transactions.

Other listed directorships

Aquarius Platinum Limited (chairperson), Discovery Limited and RMB Holdings Limited

Jan Willem (Jan) Dreyer (64) ARC (chairman) DAGC NC SETC

BCom, LLB, HDip Co Law, HDip Tax

Appointed 8 December 2010

Jan was a partner in Hofmeyr, Van der Merwe and Botha from 1978 and chairman of the firm from 1993 until 1999. He joined the board of RMB in 1984 and RMH on formation. In 2000 he joined the Rembrandt group as an executive director. At the time of the split of Remgro and Venfin he became a non-executive director of both companies. He was re-appointed as executive director of Remgro in 2008.

Other listed directorships

RMB Holdings Limited

Patrick Maguire (Pat) Goss (67) (lead independent) DAGC (chairman) NC (chairman)

BEcon (Hons), BAccSc (Hons), CA(SA)

Appointed 8 December 2010

After graduating from the University of Stellenbosch as the president of the Association of Economics and Commerce Student, representing South Africa at the Hague and Basel, Pat qualified as chartered accountant with Ernst and Young. He started his career at the Industrial Development Corporation and has served as a director on various group companies for the past 35 years. He has a passion for conservation and has served as chairman of the Natal Parks Board. His family interests include Umngazi River Bungalows and various other conservation related activities.

Other listed directorships

FirstRand Limited and RMB Holdings Limited (lead independent)

INDEPENDENT NON-EXECUTIVE DIRECTORS continued

Per-Erik (Per) Lagerström (51) DAGC NC

BSc (Accounting), MSc (Economics) (London School of Economics)

Appointed 30 June 2014

Per is the co-founder of the Energos group, specialists in big data solutions for human capital. Previously he was a partner at McKinsey & Company where he headed up the Financial Services Sector and the Organisation Practice.

Other listed directorships

RMB Holdings Limited

Mafison Murphy (Murphy) Morobe (58) DAGC NC

Diploma in Project Management, MCEF- Princeton '91

Appointed 1 August 2014

Murphy has a career spanning more than 30 years covering the worlds of student activism, trade unionism, the public sector, politics, youth development, environment and conservation.

Other listed directorships

Remgro Limited and RMB Holdings Limited

Khehla Cleopas (Khehla) Shubane (59) DAGC NC

BA (Hons), MBA

Appointed 8 December 2010

Khehla served various political organisations after incarceration on Robben Island for political activism. He is an author and has co-authored several political publications.

Other listed directorships

MMI Holdings Limited and RMB Holdings Limited

NON-EXECUTIVE DIRECTORS

Peter Cooper (59) DAGC IC NC

BCom (Hons), CA(SA), HDip Tax

Appointed 8 December 2010
Peter has extensive experience in financial services, first as tax consultant and then as structured finance expert. He joined RMB's Special Projects division in 1992 and transferred to RMH in 1997. He is the immediate past chief executive of RMI and RMH.

Other listed directorships
FirstRand Limited (alternate), Imperial Holdings Limited and RMB Holdings Limited

Lauritz Lanser (Laurie) Dippenaar (66) DAGC IC NC

MCom, CA(SA)

Appointed 8 December 2010
Laurie was a co-founder of RCI in 1977. He became an executive director of RMB in 1985 and managing director of RMB in 1988, a position he held until 1992 when RMH acquired a controlling interest in Momentum. He served as executive chairman of Momentum from 1992 until the formation of FirstRand in 1998. He was appointed as the first chief executive of FirstRand and held this position until the end of 2005, when he assumed a non-executive role. He has been chairman of FirstRand since November 2008.

Other listed directorships
FirstRand Limited (chairman) and RMB Holdings Limited

Jan Jonathan (Jannie) Durand (48) DAGC IC NC RC (chairman)

BAcc (Hons), MPhil (Oxford), CA(SA)

Appointed 8 December 2010
Jannie, a Rhodes Scholar, is the chief executive of Remgro Limited and, before its delisting, he was the financial director and chief executive of Venfin Limited. He has been a director of Remgro Limited since November 2009 and served as a non-executive director of Alexander Forbes Limited from October 2004 to July 2007.

Other listed directorships
Discovery Limited, Distell Group Limited, FirstRand Limited, Grindrod Limited, Mediclinic International Limited, RCL Foods Limited, Remgro Limited and RMB Holdings Limited (alternate)

Paul Kenneth (Paul) Harris (65) DAGC IC NC

MCom

Appointed 8 December 2010
Paul was a co-founder of RCI in 1977 and he became an executive director of RMB in 1985. He spent four years in Australia where he founded Australian Gilt Securities (later to become RMB Australia) and returned to South Africa in 1991 as deputy managing director of RMB. In 1992 he took over as chief executive. Subsequent to the formation of FirstRand, he was appointed as chief executive of FirstRand Bank Holdings in 1999, a position he held until December 2005 when he was appointed as chief executive of FirstRand. He retired from his executive position at the end of December 2009.

Other listed directorships
FirstRand Limited, Remgro Limited and RMB Holdings Limited

NON-EXECUTIVE DIRECTORS continued

Obakeng Phetwe (37) DAGC NC

BCom (Hons), CA(SA)

Appointed 6 February 2013
Obakeng is the chief executive of the Royal Bafokeng Nation Development Trust, which holds all the commercial assets on behalf of the Royal Bafokeng Nation. He serves on the board of Royal Bafokeng Holdings Proprietary Limited and was appointed to the board of Impala Platinum Limited.

Other listed directorships
RMB Holdings Limited (alternate)

ALTERNATE NON-EXECUTIVE DIRECTORS

Leon Crouse (62) DAGC NC

CA(SA)

Appointed 30 June 2014
Leon joined the former Rembrandt group in 1986 and transferred to Switzerland to hold the position of financial controller of Compagnie Financiére Richemont AG. He was part of the team that unbundled the luxury goods business from the Rembrandt group to form the separately listed Richemont. In 1993 he became a founder member of the Vodacom group executive team and thereafter served as its chief financial officer. He joined Remgro in 2008.

Other listed directorships
FirstRand Limited, MMI Holdings Limited, Remgro Limited and RMB Holdings Limited

Albertina Kekana (42) DAGC IC NC

BCom (Hons), CA(SA), Advanced Management Programme (Harvard)

Appointed 6 February 2013
Albertina Kekana is the chief executive of Royal Bafokeng Holdings Proprietary Limited. She has extensive asset management, investment banking and business leadership experience. She was previously the COO of the Public Investment Corporation.

Other listed directorships
Impala Platinum Holdings Limited and RMB Holdings Limited

Details of directors' interests in the company are disclosed on page 82.

KEY:

ARC	Audit and risk committee	NC	Nominations committee
DAGC	Directors' affairs and governance committee	RC	Remuneration committee
IC	Investment committee	SETC	Social, ethics and transformation committee

AUDIT AND RISK COMMITTEE REPORT

ARC

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

AUDIT AND RISK COMMITTEE MEMBERSHIP AND MEETINGS

The committee is an independent statutory committee and consists of 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 advisors, officers or members of staff whose input may be required. Board members have the right of attendance. The chairman may excuse from the meeting or from any item on the agenda 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:

	September 2014	February 2015
Jan Dreyer (BCom, LLB, HDip Co Law, HDip Tax) (chairman)	✓	✓
Johan Burger (BCom (Hons), CA(SA)) (appointed 21 August 2014)	*	*
Sonja De Bruyn Sebotsa (LLB (Hons), LSE, MA (McGill), SFA)	✓	✓

✓ Attended meeting   ** Apology received*

Johan Burger took over as chief executive of FirstRand Limited from September 2015. At the time of his appointment to RMI's audit and risk committee, this change in his responsibilities was not known yet.

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 annual integrated report;
- the business conduct of the group and its officials; and
- the appointment of the external auditor and the evaluation of their services and independence.

THE FINANCE FUNCTION

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

EFFECTIVENESS OF COMPANY'S INTERNAL FINANCIAL CONTROLS

The committee reports to the board that it 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 appointed as auditor of the company until the next annual general meeting.

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. No non-audit services were provided during the current financial year.

Details of fees paid to the external auditor are disclosed in note 31 to the group annual financial statements on page 169.

The partner responsible for the audit is required to rotate every five years. The committee meets with the auditor independently of senior management.

INTEGRATED 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 as well as internal and external audit are sufficiently integrated.

The various assurance providers to the board comprise the following:

- 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 Limited. 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 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 subsidiaries were effective for the year under review. The audit and risk committee has also satisfied itself that there are effective audit committees functioning at the company's associates.

Jan Dreyer
Chairman of the audit and risk committee

11 September 2015

DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE REPORT

DAGC

The directors' affairs and governance committee has pleasure in submitting its report:

DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE MEMBERSHIP AND MEETINGS

The committee comprises all the non-executive directors. The committee is chaired by the lead independent non-executive director. The committee meets at least twice annually with additional meetings when required at the request of the board or any committee member or as often as it deems necessary to achieve its objectives. Comprehensive minutes of meetings are kept. The committee may invite any of the directors, professional advisors or officers whose input may be required to the meetings. The chairman may excuse from the meeting or from any item on the agenda any of the attendees at a meeting who may be considered to have a conflict of interest, or for confidentiality reasons.

Since all non-executive directors are members of this committee, matters relating to the charter of this committee are normally dealt with as an integral part of the normal proceedings of the quarterly board meetings. It is usual for the chief executive to excuse himself from the meeting. The committee met four times during the year and attendance was as per the board meetings attendance on page 52.

ROLES AND RESPONSIBILITIES

The committee's primary objectives are to assist the board in discharging its responsibilities relative to:

- its determination and evaluation of the adequacy, efficiency and appropriateness of the corporate governance structures in the company;
- board and board committee structures;
- the maintenance of a board directorship continuity programme;
- the self-assessment of the effectiveness of the board as a whole and the contribution of each director; and
- ensuring that succession plans are in place for the key positions in the greater group.

GOVERNANCE EFFECTIVENESS

During the year under review, the board conducted evaluations to measure its effectiveness and that of its members. The evaluations found no material concerns in respect of the board and board committee performance. The directors are aware of the need to convey to the chairman any concerns that they might have in respect of the performance and conduct of their peers. The performance of the chief executive is also formally evaluated at least once per year.

ETHICS

Upon joining the group, all directors are obliged to sign a code of ethics. The code of ethics addresses duties of care and skill, good faith, honesty and integrity, whistle blowing, processes for dealing with conflicts of interest and the need to always act in the best interests of the group. The soliciting or acceptance of payments other than declared remuneration, gifts and entertainment as consideration to act or fail to act in a certain way, is disallowed. The group does not make political donations.

No issues of improper or unethical behaviour on the part of any of the directors were brought to the attention of the committee during the year.

CONFLICTS

Mechanisms are in place to recognise, respond to and manage any potential conflicts of interest. Directors are required to sign a declaration stating that they are not aware of any undeclared conflicts of interest that may exist due to their interest in, or association with any other company. In addition, directors disclose interests in contracts that are of significance to the group's business and do not participate in the voting process of these matters.

All information acquired by directors in the performance of their duties, which is not disclosed publicly, is treated as confidential. Directors may not use, or appear to use, such information for personal advantage or for the advantage of third parties.

All directors of the company are required to comply with the code of conduct and the requirements of the JSE regarding inside information, transactions and disclosure of transactions.

DEALINGS IN SECURITIES

In accordance with the JSE Listings Requirements, the company adopted a code of conduct to avoid insider trading. During the closed periods (as defined), directors and designated employees are prohibited from dealing in the company's securities. Outside closed periods, directors and designated employees may only deal in the company's securities with the authorisation of the chairman of the board. The closed periods last from the end of a financial reporting period until the publication of financial results for that period. Additional closed periods may be declared from time to time if circumstances warrant it.

DIRECTORS' INTERESTS IN ORDINARY SHARES

The directors' report, on page 82, contains a table of all directors' interests in the ordinary shares of the company.

Pat Goss
Chairman of the directors' affairs and governance committee

11 September 2015

INVESTMENT COMMITTEE REPORT

IC

The investment committee reports as follows:

INVESTMENT COMMITTEE MEMBERSHIP AND MEETINGS

The investment committee meets on an ad hoc basis as and when required. All meetings are minuted. The committee may invite any of the directors, professional advisors or officers whose input may be required to the meetings. Board members have the right of attendance. The chairman may excuse from the meeting or from any item on the agenda any of the attendees at a meeting who may be considered to have a conflict of interest, or for confidentiality reasons.

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

	October 2014	5 February 2015	13 February 2015	March 2015	May 2015	June 2015
Johan Burger (chairman)	✓	✓	✓	*	✓	*
Herman Bosman	✓	✓	✓	✓	✓	✓
Peter Cooper	✓	✓	✓	*	✓	✓
Laurie Dippenaar	✓	✓	✓	*	✓	✓
Jannie Durand	✓	*	✓	✓	*	✓
GT Ferreira	*	✓	✓	*	✓	✓
Paul Harris	✓	✓	✓	✓	✓	✓
Albertina Kekana	*	*	✓	✓	✓	✓

✓ *Attended meeting* * *Apology received*

ROLES AND RESPONSIBILITIES

The committee is mandated to consider and, if appropriate approve:

- new investments up to an amount of not more than R500 million;
- the extension of existing investments up to an amount of not more than R500 million;
- the disposal of existing investments up to an amount of not more than R300 million; and
- to consider and make recommendations to the board regarding investments falling outside the scope the committee's mandate.

Johan Burger
Chairman of the investment committee

11 September 2015

NOMINATIONS COMMITTEE REPORT

NC

The nominations committee has pleasure in submitting its report:

NOMINATIONS COMMITTEE MEMBERSHIP AND MEETINGS

The committee is made up of all the non-executive directors and chaired by the chairman of the board. The committee meets at least twice annually with additional meetings when required at the request of the board or any committee member or as often as it deems necessary to achieve its objectives. Comprehensive minutes of meetings are kept. The committee may invite any of the directors, professional advisors or officers whose input may be required to the meetings. The chairman may excuse from the meeting or from any item on the agenda any of the attendees at a meeting who may be considered to have a conflict of interest, or for confidentiality reasons.

Since all non-executive directors are members of this committee, matters relating to the charter of this committee are normally dealt with as an integral part of the normal proceedings of the quarterly board meetings. It is usual for the chief executive to excuse himself from the meeting. The committee met four times during the year and attendance was as per the board meetings attendance on page 52.

NOMINATION, SELECTION AND APPOINTMENT OF DIRECTORS

The company has a formal and transparent policy regarding the appointment of directors to the board. The nominations committee makes recommendations to the board on the appointment of new executive and non-executive directors. The board, in turn, proposes approved candidates to the shareholders for appointment at a general meeting.

The committee will first consider a proposed director's CV and do the necessary interviews and reference checks to establish the integrity and skills of the person and to ensure that the person has not been disqualified from being a director.

The committee will ensure that all statutory requirements for the appointment are complied with and that the new director is properly briefed on his/her roles and responsibilities, time commitment, committee service and involvement outside board meetings.

Pat Goss
Chairman of the nominations committee

11 September 2015

REMUNERATION COMMITTEE REPORT

RC

The remuneration committee has pleasure in submitting its report:

INTRODUCTION

The remuneration committee report provides an overview and understanding of remuneration principles, policies and practices with specific reference to executive directors, investment team members, employees and non-executive directors. The information in this report has been approved by the board on recommendation from the remuneration committee.

REMUNERATION COMMITTEE MEMBERSHIP AND MEETINGS

The committee meets at least once a year or at the request of the chairman, any member of the committee or the board. Comprehensive minutes of meetings are kept. The committee invites, at its discretion, appropriate professional advisors whose inputs may be required.

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

	July 2015
Jannie Durand (chairman)	✓
Johan Burger	✓
Sonja De Bruyn Sebotsa	✓

✓ *Attended meeting*

ROLES AND RESPONSIBILITIES

The roles and responsibilities of the remuneration committee include:

- assist the board in exercising its responsibility of ensuring that fair reward practices are implemented in RMI and that the disclosure of directors' remuneration are in line with King III principles, accurate and transparent;
- ensure that the remuneration policy implemented align the interests of employees with those of shareholders and other stakeholders;
- consider non-executive directors' fees and make recommendations to the board for approval by the shareholders; and
- provide a channel of communication between the board and management on remuneration matters.

The committee is mandated to:

- oversee the establishment of a remuneration policy;
- debate and approve the annual salary adjustments;
- ensure that remuneration in cash, share appreciation rights (SARs) and other elements are in line with the strategic objectives of RMI; and
- delegate any of its functions and the power to implement its decisions.

REMUNERATION POLICY

Human resources are very important to deliver on RMI's value proposition, albeit on a different level than in an operating company. RMI's remuneration policy is:

- to attract, retain and motivate employees;
- align the rewards of employees with the risk exposure of shareholders and other stakeholders;
- ensure that the compensation of employees is affordable and reasonable in terms of the value created for shareholders;
- to protect the rights of RMI as an employer; and
- to encourage behaviour that is consistent with the RMI code of ethics, values and long-term strategy.

How do we do it?

- We protect the rights of RMI by means of a standard employment contract.
- We ensure that the fixed pay component, which comprises salary, contributions to retirement funds and medical aid schemes, reflects the value of the role and individual performance and is benchmarked against the upper quartile of comparable companies.
- We do not pay short-term incentives as we do not believe it is appropriate for an investment holding company, with the exception of take-on bonuses as agreed upon with new employees, where applicable.
- We have implemented a long-term incentive plan and ensured that employees' personal wealth creation is aligned with those of shareholders.
- We have implemented a management participation structure to enable the chief executive and investment team members to share with RMI in investments made in next-generation financial services businesses, thereby ensuring a long-term focus as per the investment strategy of RMI.

EXECUTIVE REMUNERATION

FIXED REMUNERATION

The fixed remuneration is based on the executive's position and responsibility. The chief executive, who attends all the meetings of the remuneration committee by invitation, can propose increases to guaranteed packages, excluding his own, during such review meetings.

During the current year, salary increases ranged between 6% and 8% depending on position and responsibility.

VARIABLE REMUNERATION

RMI SARs scheme

RMI currently has a cash-settled SARs scheme in place. Participants are rewarded based on the increase of the value of the SARs that must be exercised within a period of 7 years after the grant date. The earliest intervals at which SARs can be exercised are as follows:

- one third after the third anniversary of the grant date;
- two thirds after the fourth anniversary of the grant date; and
- the remainder after the fifth anniversary of the grant date.

No specific performance criteria were stipulated for all issues made before September 2015. The September 2015 issue is the first award with performance criteria as set by the remuneration committee. The performance criteria is linked to GDP growth and the performance of new investments.

Awards are based on a multiple of the total guaranteed package and ranges between multiples of three to eight times based on position and level of responsibility. During 2014, with the appointment of Herman Bosman as chief executive and the investment team, a once-off award was made to create exposure equal to the guaranteed package times the agreed multiple. Future awards will be made to maintain the agreed multiple of the guaranteed package and will not be at the same levels of 2014.

For details on awards made to the executive director, refer to page 84. Further details of the scheme are provided in note 13 to the group annual financial statements.

RMI management participation structure

A management participation structure was developed for the chief executive and investment team members to share with RMI in the investments made in next-generation financial services businesses. The rationale is:

- alignment of management and shareholder objectives; and
- retention of key employees in a highly competitive market.

PRESCRIBED OFFICERS

The committee holds the view that none of RMI's employees other than the executive director are 'prescribed officers' in the context of the Companies Act and that no meaningful benefit would be derived by other stakeholders in specific disclosure of their remuneration.

However, the remuneration packages of the joint chief executives of OUTsurance, Howard Aron and Willem Roos, have been disclosed on page 179 as they are viewed as prescribed officers in the RMI group.

For detailed disclosure of the executive director's remuneration for the year ended 30 June 2015, refer to page 83.

CONTRACTS OF EMPLOYMENT

Executive directors and other employees do not have fixed-term contracts but are employed in terms of RMI's standard contract of employment. The notice period for termination of service is one calendar month and the normal retirement age ranges from 60 to 65 depending on the date of appointment. Good leaver principles apply at the termination of services of executive directors but are at the discretion of the remuneration committee.

NON-EXECUTIVE REMUNERATION

Non-executive directors do not have employment contracts and do not receive any benefits associated with permanent employment. Furthermore, they do not participate in any long-term incentive schemes.

Non-executive directors are paid a fixed annual fee, based on an agreed upon number of meetings. An hourly rate is used to remunerate non-executive directors for ad hoc meetings. The fees and hourly rate are reviewed annually and are subject to approval by shareholders at RMI's annual general meeting. Fees are market related and take into account the nature of RMI's operations.

The directors' report, on pages 83 to 86, contains details of directors' emoluments and participation in incentive schemes.

Jannie Durand
Chairman of the remuneration committee

11 September 2015

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

SETC

The social, ethics and transformation committee has pleasure in submitting its report:

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE MEMBERSHIP AND MEETINGS

The committee comprises a minimum of three members and consists only of independent, non-executive directors. The chairperson is also an independent, non-executive director.

The committee meets at least twice a year or at the request of the chairperson, any member of the committee or the board. Comprehensive minutes of meetings are kept.

The social, ethics and transformation committee met twice during the year and attendance was as follows:

	September 2014	February 2015
Sonja De Bruyn Sebotsa (chairperson)	✓	✓
Johan Burger (appointed 21 August 2014)	*	*
Jan Dreyer	✓	✓

✓ *Attended meeting*   * *Apology received*

Johan Burger took over as chief executive of FirstRand Limited from September 2015. At the time of his appointment to RMI's social, ethics and transformation committee, this change in his responsibilities was not known yet.

ROLES AND RESPONSIBILITIES

This committee is a statutory requirement as per the Companies Act. The committee's objectives are to monitor:

- the social and economic development, including the 10 principles as set out in the United Nations Global Compact principles, the Organisation for Economic Co-operation and Development recommendations regarding corruption, the Employment Equity Act, 55 of 1998, and the Broad-Based Black Economic Empowerment Act, 53 of 2003;
- good corporate citizenship, including promotion of equality, prevention of unfair discrimination, reduction of corruption, contribution to the development of communities and record of sponsorship, donations and charitable giving;
- the environment, health and public safety, including the impact of the company's activities;
- consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws; and
- labour and employment, including the standing in terms of the International Labour Organisation Protocol on decent work and working conditions, the company's employment relationships and its contribution toward the educational development of its employees.

COMMITTEE PROCEEDINGS

We confirm that all investee companies of the company have established their own social and ethics committees. These investee company committees report on all significant matters that need to be brought to the attention of this committee as and when they arise. The chairperson of the committee attends the annual general meeting to answer any questions that shareholders might have.

Sebotsa

Sonja De Bruyn Sebotsa
Chairperson of the social, ethics and transformation committee

11 September 2015

KING III GAP ANALYSIS

The JSE Listings Requirements require all JSE-listed companies to provide a narrative on how it has applied the recommendations contained in King III. Below is the King III gap analysis. RMI has complied with the King III principles for the full financial year ended 30 June 2015, unless otherwise indicated.

Principle	Description	Status	Explanation
1	**Ethical leadership and corporate citizenship**		
1.1	The board should provide effective leadership on an ethical foundation.	✓	
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	✓	
1.3	The board should ensure that the company's ethics are managed effectively.	✓	
2	**Board and directors**		
2.1	The board should act as a focal point for and custodian of corporate governance.	✓	
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	
2.3	The board should provide effective leadership based on an ethical foundation.	✓	
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	✓	
2.5	The board should ensure that the company's ethics are managed effectively.	✓	
2.6	The board should ensure that the company has an effective and independent audit committee.	✓	
2.7	The board should be responsible for the governance of risk.	✓	
2.8	The board should be responsible for technology governance.	✓	
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	
2.10	The board should ensure that there is an effective risk-based internal audit.	✓	
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	✓	

Principle	Description	Status	Explanation
2.12	The board should ensure the integrity of the company's integrated report.	✓	
2.13	The board should report on the effectiveness of the company's internal controls.	✓	
2.14	The board and its directors should act in the best interests of the company.	✓	
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act.	✓	
2.16	The board should elect a chairman of the board who is an independent, non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	X	The chairman is a non-executive director but is not independent. A lead independent, non-executive director was appointed.
2.17	The board should appoint the chief executive and establish a framework for the delegation of authority.	✓	
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	✓	
2.19	Directors should be appointed through a formal process.	✓	
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	✓	
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	✓	
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	✓	
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	✓	
2.24	A governance framework should be agreed between the group and its subsidiary boards.	✓	
2.25	Companies should remunerate directors and executives fairly and responsibly.	✓	

Principle	Description	Status	Explanation
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	X	The individual directors' remuneration is disclosed, but not the salaries of the three highest earners who are not directors. The remuneration packages of the joint chief executives of OUTsurance have been disclosed as they are viewed as prescribed officers of the RMI group. RMI decided that this disclosure is sufficient and appropriately demonstrates alignment between remuneration and shareholders' return.
2.27	Shareholders should approve the company's remuneration policy.	✓	
3	Audit committee		
3.1	The board should ensure that the company has an effective and independent non-executive audit committee.	✓	
3.2	Audit committee members should be suitably skilled, experienced and independent, non-executive directors.	✓	
3.3	The audit committee should be chaired by an independent, non-executive director.	✓	
3.4	The audit committee should oversee integrated reporting.	✓	
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	✓	
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	✓	
3.7	The audit committee should oversee the internal audit function.	✓	
3.8	The audit committee should be an integral component of the risk management process.	✓	
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	✓	
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	✓	

Principle	Description	Status	Explanation
4	The governance of risk		
4.1	The board should be responsible for the governance of risk.	✓	
4.2	The board should determine the levels of risk tolerance.	✓	
4.3	The risk or audit committee should assist the board in carrying out its risk responsibilities.	✓	
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	✓	
4.5	The board should ensure that risk assessments are performed on a continual basis.	✓	
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	✓	
4.7	The board should ensure that management considers and implements appropriate risk responses.	✓	
4.8	The board should ensure continual risk monitoring by management.	✓	
4.9	The board should receive assurance regarding the effectiveness of the risk management process.	✓	
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	✓	
5	The governance of information technology		
5.1	The board should be responsible for information technology governance.	✓	
5.2	IT should be aligned with the performance and sustainability objectives of the company.	✓	
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	✓	
5.4	The board should monitor and evaluate significant IT investments and expenditure.	✓	
5.5	IT should form an integral part of the company's risk management.	✓	

Principle	Description	Status	Explanation
5.6	The board should ensure that information assets are managed effectively.	✓	
5.7	An audit and risk committee should assist the board in carrying out its IT responsibilities.	✓	
6	**Compliance with laws, rules, codes and standards**		
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	✓	
6.3	Compliance risk should form an integral part of the company's risk management process.	✓	
6.4	The board should delegate to management the implementation of an effective compliance framework and process.	✓	
7	**Internal audit**		
7.1	The board should ensure that there is an effective risk-based internal audit function.	✓	
7.2	Internal audit should follow a risk-based approach in its plan.	✓	
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.	✓	
7.4	The audit committee should be responsible for overseeing internal audit.	✓	
7.5	Internal audit should be strategically positioned to achieve its objectives.	✓	

Principle	Description	Status	Explanation
8	**Governing stakeholder relationships**		
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.	✓	
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	✓	
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	✓	
8.4	Companies should ensure the equitable treatment of shareholders.	✓	
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	✓	
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	✓	
9	**Integrated reporting and disclosure**		
9.1	The board should ensure the integrity of the company's integrated report.	✓	
9.2	Sustainability reporting and disclosures should be integrated with the company's financial reporting.	✓	
9.3	Sustainability reporting and disclosure should be independently assured.	✓	

SUSTAINABILITY REPORT

RMI IS COMMITTED TO GOOD CORPORATE CITIZENSHIP PRACTICES AND ORGANISATIONAL INTEGRITY IN THE DIRECTION, CONTROL AND STEWARDSHIP OF THE GROUP'S AFFAIRS.

To the extent that it is possible, the directors of RMI seek to ensure that this commitment is practised and reported on by all the company's subsidiaries and associates. This commitment provides stakeholders with comfort that the group's affairs are being managed in an ethical and disciplined manner.

This discussion is a limited overview from a group perspective. Each of the listed entities in the group publishes detailed sustainability reviews.

For these reviews, please refer to **www.discovery.co.za, www.mmiholdings.co.za** and **www.outsurance.co.za.**

RMI subscribes to a philosophy of providing meaningful, timely and accurate communication to its key stakeholders, based on transparency, accountability and integrity.

The direct stakeholders of RMI are actual and potential shareholders, customers, employees, suppliers, regulators, government and the communities in which group companies operate.

SHAREHOLDERS

COMMUNICATION

RMI's communication practices are designed to allow investors to make decisions about the acquisition and ownership of shares. The company communicates formally with shareholders twice a year when it announces interim and year-end results. Comprehensive reports are sent to all shareholders and are accessible on the company's internet site **(www.rmih.co.za)**. The chairman of the board and chief executive meet with investors and investment analysts from time to time.

OWNERSHIP

Significant shareholdings and an analysis of the RMI share price and trading data appear on pages 212 and 213.

CUSTOMERS

The group companies provide a comprehensive range of financial products and services to South African corporates and individuals. In this regard, the integrity of its various brands, their image and reputation are paramount. To ensure the sustainability of their businesses, all companies in the group regularly engage with their customers to measure satisfaction levels and gain insight into their needs. All the group companies encourage innovation in order to ensure that customers' needs are addressed.

In terms of the Financial Sector Charter, group companies are committed to providing financial products and services to previously disadvantaged communities.

STAFF

RMI, together with all its subsidiaries and associates, believe that employees have an important role to play in sustaining the positive performance of the group. The human resource strategy is to attract, develop and retain the best industry talent from South Africa's diverse population base. In particular, it seeks people with entrepreneurial attitude and encourages an owner-manager culture. People are empowered, held accountable for their actions and rewarded accordingly.

The group operates in a number of sectors within the broader financial services industry, each with its own distinct employment practices and unique human resource pressures. To recognise and address such divergent needs, the group follows a practice of evolving the design and implementation of appropriate remuneration structures through industry specific structures. Within this divisional framework, remuneration structures comprise:

- basic salary plus benefits (all employees are required to belong to a medical aid) and, where appropriate;
- annual performance related rewards; as well as
- share incentive schemes.

Remuneration is based on both individual and business unit performance. Annual remuneration reviews encompass all three elements above.

EMPLOYMENT EQUITY

In line with the business philosophy of empowerment, each business unit in the group is charged with meeting its targets in terms of plans submitted to the Department of Labour as required by the Employment Equity Act, 55 of 1998. In addition to setting affirmative action targets aimed at raising the number of designated groups as a percentage of the total staff complement, such plans commit group companies to the following in pursuit of the appropriate employment equity in the organisation:

- increasing the overall racial diversity of the workforce;
- increasing the number of black and female managers;
- creating awareness of the need for employment equity and diversity amongst employees;
- the establishment of representative diversity forums; and
- awareness of employment opportunities for people with disabilities.

EMPLOYEE WELLNESS

The group is committed to the health and safety of employees and has implemented measures to ensure optimal health and safety conditions for employees.

Of growing importance is the impact of HIV/Aids on the workforce and the South African economy in general. The group adopted an HIV/Aids policy that is based on education, communication, counselling and confidentiality.

SUPPLIERS

The group established a set of procurement guidelines to assist group companies in meeting their commitment to place business with BEE suppliers. One of the main focus areas of the procurement function within the various group companies is ensuring that all suppliers are appropriately accredited.

REGULATORS

The group is subject to the independent oversight of South African regulatory authorities. Group company representatives interact with a wide spectrum of regulatory bodies, including the Financial Services Board and the JSE. The relationship sought is one of compliance and constructive participation in committees, with a view to ensuring that South African industry practice remains amongst the best in the world.

COMMUNITIES

All group companies are committed to uplifting the societies in which they operate by following sound employment practices and meeting the real needs of the communities.

The Discovery Fund provides ongoing financial support to various community healthcare organisations and projects across South Africa, with many of these organisations and projects situated in remote and rural areas. The Discovery Foundation aims to increase capacity in healthcare provision by supporting over 250 doctors in specialist education and training. Since 2006, grants amounting to R123 million have been awarded in this regard.

At MMI, a decision was made to combine the work of the respective corporate social investment initiatives of Momentum and Metropolitan in the MMI Foundation. The focus areas are health, education, disability and sport development.

The most notable community projects at OUTsurance are the "pointsmen project" and "staff helping South Africa OUT".

NATURAL ENVIRONMENT

The group is committed to reduce both the direct and indirect impacts its business activities have on the natural environment. Both direct and indirect impacts are regulated through application of relevant legislation, subscription to voluntary external regulations and ongoing internal self-regulation.

OUR FINANCIAL PERFORMANCE

CONTENTS OF THE GROUP ANNUAL FINANCIAL STATEMENTS

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

DIRECTORS' RESPONSIBILITY STATEMENT

TO THE SHAREHOLDERS OF RAND MERCHANT INSURANCE HOLDINGS LIMITED

The directors of Rand Merchant Insurance Holdings Limited (RMI) are required by the Companies 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 consolidated and separate annual financial statements in accordance with International Financial Reporting Standards (IFRS) and for keeping adequate accounting records in accordance with the group's system of internal control. As such, the annual financial statements include amounts based on judgments and estimates made by management.

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

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

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

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

It is the responsibility of the group's independent external auditor, PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. Their unqualified report appears on page 87.

The consolidated annual financial statements of the group, which appear on pages 88 to 187 and the separate annual financial statements of the company, which appear on pages 189 to 209, were approved by the board of directors on 11 September 2015 and signed on its behalf by:

GT Ferreira
Chairman

Herman Bosman
Chief executive

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.

Schalk Human
Company secretary

11 September 2015

DIRECTORS' REPORT

NATURE OF BUSINESS

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

- **Growth:** Actively grow the business by:
  - being a shareholder of influence for existing investments through board representation and strategic dialogue with the executive teams of investee companies; and
  - investing in a significant 'traditional' financial services business.
- **Insight:** Our view of the future financial services landscape:
  - building an asset management business by growing and partnering with world-class asset managers and investment teams; and
  - identifying, funding and scaling new and disruptive business models that could change the landscape of the financial services industry.
- **Portfolio optimisation.**

RMI aims to be a value-adding, active enabler of leadership and innovation in financial services and currently holds an investment portfolio of some of South Africa's premier insurance brands.

RMI is entering the asset management industry and will look to invest in and grow with South Africa's best investment talent along similar lines to the successful affiliate models used in the US and UK markets.

In April 2015, RMI followed its rights during the Discovery Limited (Discovery) rights issue, which resulted in RMI taking up another 13 896 408 ordinary shares in Discovery for an amount of R1.25 billion. RMI issued 1 250 000 cumulative, redeemable no par value preference shares at R1 000 each to fund this acquisition. RMI's percentage shareholding in Discovery remained unchanged.

During the 2015 financial year, RMI acquired an additional 523 000 ordinary shares in MMI Holdings Limited (MMI) for R16 million. MMI converted 2 147 055 convertible preference shares into ordinary shares, resulting in RMI maintaining its 25% shareholding in MMI.

The table below summarises RMI's actual interest in its investee companies as at 30 June 2015 compared to 30 June 2014:

	30 June 2015	30 June 2014
Discovery	**25%***	25%*
MMI	**25%***	25%*
OUTsurance Holdings Limited (OUTsurance)	**83%***	83%*
RMB-SI Investments Proprietary Limited (RMBSI)	**76%***	76%*

** 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 41 to the annual financial statements).*

Further details regarding the investments are provided in notes 42 and 43 to the annual financial statements.

SHARE CAPITAL

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 issued number of ordinary shares is 1 485 688 346, issued at a premium of R9.1926 per share. The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting. RMI has not issued or repurchased any ordinary shares in the current or previous financial year.

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.

As at 1 July 2014, RMI had 299 001 variable rate, cumulative, redeemable par value preference shares and 349 000 fixed rate, cumulative, redeemable par value preference shares in issue. During the 2015 financial year, RMI:

- converted its 299 001 variable rate, cumulative, redeemable par value preference shares into fixed rate, cumulative, redeemable par value preference shares and extended the compulsory redemption date from 15 June 2016 to 22 August 2017. These preference shares now pay dividends at a fixed rate of 6.89% (2014: variable rate of 80.85% of the prime interest rate) at the end of March and September annually.

- amended the 349 000 fixed rate, cumulative, redeemable par value preference shares from a fixed rate of 9.14% to a fixed rate of 6.89%, payable at the end of March and September annually, by paying a breakage cost of R8 million and extending the compulsory redemption date from 15 June 2016 to 22 August 2017.

Therefore, as at 30 June 2015, RMI had 648 001 issued fixed rate, cumulative, redeemable par value preference shares with a par value of R0.0001 per share. These shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 22 August 2017.

During the 2015 financial year, RMI created an additional class of 100 000 000 cumulative, redeemable no par value preference shares, which was authorised by shareholders in terms of section 60 of the Companies Act, 71 of 2008. RMI issued 1 250 000 of these preference shares at an amount of R1 000 each to fund the additional ordinary shares taken up in Discovery as part of Discovery's rights issue offer. These preference shares pay dividends at a fixed rate of 7.02% in May and November annually, are redeemable at the discretion of the company at any time and compulsorily redeemable on 29 May 2018.

SHAREHOLDER ANALYSIS

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

	30 June 2015	30 June 2014
Financial Securities Limited (Remgro)	30%	30%
Royal Bafokeng Holdings Proprietary Limited	15%	15%
Public Investment Corporation	8%	8%
Allan Gray (on behalf of clients)	6%	6%

EARNINGS

Earnings attributable to ordinary shareholders for the year ended 30 June 2015 amounted to R3 292 million or 222.0 cents per share (2014: R3 053 million or 205.8 cents per share). Headline earnings amounted to R3 258 million or 219.8 cents per share (2014: R2 879 million or 194.0 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 2014 of 52.0 cents per ordinary share, declared on 5 March 2015 and paid on 30 March 2015 (2014: 46.0 cents per ordinary share, declared on 6 March 2014 and paid on 31 March 2014).
- A final dividend for the year ended 30 June 2015 of 64.0 cents per ordinary share, declared on 11 September 2015 and payable on 12 October 2015 (2014: 62.0 cents per ordinary share, declared on 11 September 2014 and paid on 13 October 2014).

The last day to trade in RMI shares on a cum-dividend basis in respect of the final dividend will be Friday, 2 October 2015, while the first day to trade ex-dividend will be Monday, 5 October 2015. The record date will be Friday, 9 October 2015 and the payment date Monday, 12 October 2015.

No dematerialisation or rematerialisation of shares may be done during the period Monday, 5 October 2015 to Friday, 9 October 2015, both days inclusive.

DIRECTORATE

The directorate comprises:

Name	Date of appointment
GT Ferreira (chairman)	8 December 2010
HL Bosman (chief executive)	2 April 2014
JP Burger	30 June 2014
P Cooper	8 December 2010
SEN De Bruyn Sebotsa	8 December 2010
LL Dippenaar	8 December 2010
JW Dreyer	8 December 2010
JJ Durand	8 December 2010
PM Goss	8 December 2010
PK Harris	8 December 2010
P Lagerström	30 June 2014
MM Morobe	1 August 2014
O Phetwe	6 February 2013
KC Shubane	8 December 2010
Alternate directors	
L Crouse	30 June 2014
A Kekana	6 February 2013

During the 2015 financial year, Herman Bosman succeeded Peter Cooper as chief executive and financial director and Murphy Morobe was appointed as an independent non-executive director.

DIRECTORS' INTERESTS IN RMI

Details of individual directors' interests in the company are disclosed on page 82.

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 39 to the annual financial statements.

DIRECTORS' EMOLUMENTS AND SERVICE CONTRACTS

Directors' and prescribed officers' emoluments are disclosed on pages 83 to 86 and page 179.

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

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

DIRECTORS' PARTICIPATION IN GROUP SHARE INCENTIVE SCHEMES

RMI operates a cash-settled share scheme as part of its remuneration philosophy, which tracks the company's share price. Herman Bosman and Peter Cooper participate in this scheme.

INSURANCE

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

COMPANY SECRETARY AND REGISTERED OFFICES

Schalk Human is the company secretary of RMI. The address of the company secretary is that of the company's registered office, namely 3rd Floor, 2 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196.

MANAGEMENT CONTRACT

RMI and RMB Holdings Limited (RMH) rendered management services to each other during the 2015 financial year. Herman Bosman's executive remuneration was paid for by RMI and Peter Cooper's executive remuneration (for the portion of the year that he was an executive director) was paid for by RMH. RMI and RMH charged each other management fees according to the time spent by each executive director on the affairs of each company.

SPECIAL RESOLUTIONS

The following special resolutions were passed at the annual general meeting of RMI held on 21 November 2014:

- approval of non-executive directors' remuneration, with effect from 1 December 2014; and
- general authority to repurchase company shares.

Shareholders also approved amendments to the memorandum of incorporation, effective 6 May 2015, in terms of section 60 of the Companies Act, 71 of 2008. These amendments related to the creation of an additional class of no par value preference shares, as outlined in the SHARE CAPITAL section of this directors' report on page 78.

OUTsurance passed the following special resolutions at its annual general meeting held on 6 November 2014:

- general authority to provide financial assistance to related companies and interrelated parties in terms of section 45 the Companies Act, 71 of 2008; and
- approval of the remuneration of non-executive directors.

OUTsurance also passed a special resolution at the board meeting held on 22 May 2015 to change the name of Micawber 296 Proprietary Limited to OUTsurance Properties Proprietary Limited.

RMBSI passed the following special resolutions during the 2015 financial year:

- approval of the remuneration of non-executive directors;
- amendment to the memorandum of incorporations of RMBSI, RMB Structured Life Limited and RMB Structured Insurance Limited to make provision for section 36 (1) (d) shares; and
- general authority to provide financial assistance to related companies and interrelated parties in terms of section 45 the Companies Act, 71 of 2008.

EVENTS SUBSEQUENT TO REPORTING DATE

Other than for the final dividend declaration, there are no material facts or circumstances that have occurred between the accounting date and the date of this report.

DIRECTORS' INTERESTS IN ORDINARY SHARES OF RMI (AUDITED)

Directors have disclosed the following interests in the ordinary shares of RMI at 30 June 2015:

000's	Direct beneficial	Indirect beneficial	Total 2015
HL Bosman	–	500	500
JP Burger	–	1 184	1 184
P Cooper	795	3 061	3 856
L Crouse (alternate)	–	–	–
SEN De Bruyn Sebotsa	–	–	–
LL Dippenaar	–	73 620	73 620
JW Dreyer	1	–	1
JJ Durand	–	–	–
GT Ferreira	149	39 889	40 038
PM Goss	–	11 580	11 580
PK Harris	–	12 000	12 000
A Kekana (alternate)	–	–	–
P Lagerström	–	–	–
MM Morobe	–	–	–
O Phetwe	–	–	–
KC Shubane	3	7	10
TOTAL INTEREST	948	141 841	142 789

Directors have disclosed the following interests in the ordinary shares of RMI at 30 June 2014:

000's	Direct beneficial	Indirect beneficial	Total 2014
HL Bosman	–	–	–
JP Burger	–	1 184	1 184
P Cooper	758	3 061	3 819
L Crouse (alternate)	–	–	–
SEN De Bruyn Sebotsa	–	–	–
LL Dippenaar	–	73 620	73 620
JW Dreyer	1	–	1
JJ Durand	–	–	–
GT Ferreira	149	39 889	40 038
PM Goss	–	11 580	11 580
PK Harris	–	12 000	12 000
A Kekana (alternate)	–	–	–
P Lagerström	–	–	–
O Phetwe	–	–	–
KC Shubane	3	3	6
TOTAL INTEREST	911	141 337	142 248

Since 30 June 2015 to the date of this report, the interests of directors remained unchanged.

DIRECTORS' EMOLUMENTS (AUDITED)

Schedule of directors' emoluments in respect of the year ended 30 June 2015:

R'000	Services as director	Other services	Cash package	Other benefits[1]	Bonus	Total 2015
Executive						
HL Bosman[2]	–	–	5 899	899	1 875	8 673
– Paid by RMI	–	–	7 866	1 199	2 500	11 565
– Recovered from RMH	–	–	(1 967)	(300)	(625)	(2 892)
P Cooper – Paid to RMH[3]	–	–	2 912	507	–	3 419
Non-executive						
GT Ferreira	386	–	–	–	–	386
JP Burger[4]	248	–	–	–	–	248
P Cooper	198	–	–	–	–	198
L Crouse (alternate)	–	–	–	–	–	–
SEN De Bruyn Sebotsa	218	–	–	–	–	218
LL Dippenaar	224	–	–	–	–	224
JW Dreyer	264	–	–	–	–	264
JJ Durand[4]	221	–	–	–	–	221
PM Goss	165	–	–	–	–	165
PK Harris	221	–	–	–	–	221
A Kekana (alternate)[4]	55	–	–	–	–	55
P Lagerström[5]	165	600	–	–	–	765
MM Morobe[6]	156	–	–	–	–	156
O Phetwe	165	–	–	–	–	165
KC Shubane	165	–	–	–	–	165
TOTAL	2 851	600	8 811	1 406	1 875	15 543

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. *Mr Cooper was an executive director until September 2014. His executive remuneration was paid for by RMH and a portion thereof was recovered from RMI.*
4. *Directors' fees for services rendered by Messrs Burger and Durand and Ms Kekana were paid to FirstRand, Remgro and Royal Bafokeng respectively.*
5. *Mr Lagerström provided consulting services to the company at an arm's length basis.*
6. *Mr Morobe was appointed on 1 August 2014.*

DIRECTORS' PARTICIPATION IN RMI'S SHARE SCHEMES (AUDITED)

RMI SHARE APPRECIATION RIGHTS

Participant	Strike price (cents)	Exercise date	Balance 1 July 2014 000's	Issued 000's	Forfeited 000's	Exercised 000's	Balance 30 June 2015 000's	Benefit derived R'000
P Cooper	1 309	14/09/2014	439	–	–	(439)	–	10 064
P Cooper	2 028	14/09/2015	275	–	–	–	275	–
P Cooper	2 028	14/09/2016	275	–	–	–	275	–
P Cooper	2 028	14/09/2017	275	–	–	–	275	–
P Cooper	2 645	14/09/2016	73	–	–	–	73	–
P Cooper	2 645	14/09/2017	73	–	–	–	73	–
P Cooper	2 645	14/09/2018	72	–	–	–	72	–
HL Bosman	2 874	02/04/2017	631	–	–	–	631	–
HL Bosman	2 874	02/04/2018	631	–	–	–	631	–
HL Bosman	2 874	02/04/2019	631	–	–	–	631	–

RMI DEFERRED BONUS PLAN

Participant	Strike price (cents)	Exercise date	Balance 1 July 2014 000's	Issued 000's	Forfeited 000's	Exercised 000's	Balance 30 June 2015 000's	Benefit derived R'000
P Cooper	None	14/09/2014	37	–	–	(37)	–	1 341

Schedule of directors' emoluments in respect of the year ended 30 June 2014:

R'000	Services as director	Cash package	Other benefits[1]	Total 2014
Executive				
P Cooper – Paid to RMH[2]	–	4 513	926	5 439
HL Bosman[3]	–	2 797	9	2 806
Non-executive				
GT Ferreira	203	–	–	203
JP Burger[4]	–	–	–	–
L Crouse[5]	112	–	–	112
SEN De Bruyn Sebotsa	158	–	–	158
LL Dippenaar	112	–	–	112
JW Dreyer	198	–	–	198
JJ Durand[5]	112	–	–	112
PM Goss	112	–	–	112
PK Harris	112	–	–	112
A Kekana (alternate)	–	–	–	–
P Lagerström[4]	–	–	–	–
TV Mokgatlha (resigned 30 June 2014)	158	–	–	158
O Phetwe	112	–	–	112
KC Shubane	112	–	–	112
TOTAL	1 501	7 310	935	9 746

Notes:

1. *Other benefits comprise pension fund, provident fund and medical aid contributions.*
2. *Mr Cooper's executive remuneration is paid for by RMH and a portion thereof was recovered from RMI.*
3. *Mr Bosman was appointed on 2 April 2014 as chief executive designate.*
4. *Messrs Burger and Lagerström were appointed on 30 June 2014.*
5. *Directors' fees for serviced rendered by Messrs Crouse and Durand were paid to Remgro.*

DIRECTORS' EMOLUMENTS PAID BY SUBSIDIARIES AND ASSOCIATES (AUDITED)

Schedule of directors' emoluments paid by subsidiaries and associates in respect of the year ended 30 June 2015:

R'000	Total 2015	Total 2014
Executive		
HL Bosman[1]	805	75
P Cooper[1]	55	905
Non-executive		
GT Ferreira	–	–
JP Burger[2]	1 169	1 043
P Cooper	135	–
L Crouse (alternate)[3]	732	652
SEN De Bruyn Sebotsa	6 860	5 856
LL Dippenaar	290	193
JW Dreyer	–	–
JJ Durand[3]	611	535
PM Goss	–	–
PK Harris	–	–
A Kekana (alternate)	–	–
P Lagerström	–	–
MM Morobe	–	–
O Phetwe	–	–
KC Shubane	731	614
TOTAL	11 388	9 873

Notes:

1. *Directors' fees for serviced rendered by Mr Bosman and Mr Cooper (until September 2014) were paid to RMI.*
2. *Directors' fees for services rendered by Mr Burger were paid to FirstRand.*
3. *Directors' fees for services rendered by Messrs Crouse and Durand were paid to Remgro.*

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF RAND MERCHANT INSURANCE HOLDINGS LIMITED

We have audited the consolidated and separate annual financial statements of Rand Merchant Insurance Holdings Limited set out on pages 88 to 209, which comprise of the statements of financial position as at 30 June 2015, income statements, statements of comprehensive income, statements of changes in equity, statements of cash flows, accounting policies and notes to the annual financial statements for the year ended 30 June 2015.

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate annual financial statements in accordance with the 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 annual financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

OPINION

In our opinion the consolidated and separate annual financial statements present fairly, in all material respects, the financial position of Rand Merchant Insurance Holdings Limited at 30 June 2015, its income statements, statements of comprehensive income, statements of changes in equity, statements of cash flows, accounting policies and notes to the annual financial statements for the year ended 30 June 2015, in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate annual financial statements for the year ended 30 June 2015, we have read the directors' report, the audit and risk committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate annual financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated and separate annual financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Francois Prinsloo
Registered Auditor

Johannesburg
11 September 2015

STATEMENT OF FINANCIAL POSITION

as at 30 June

		Group	
R million	Notes	2015	2014
ASSETS			
Property and equipment	1	546	520
Intangible assets	2	68	110
Investments in associates	3	14 063	11 582
Financial assets			
Equity securities			
– available-for-sale	4	746	725
– fair value through profit or loss	4	2 172	2 104
Debt securities			
– available-for-sale	4	560	540
– held-to-maturity	4	78	79
– fair value through profit or loss	4	4 686	3 396
Derivative asset	5	46	17
Loans and receivables including insurance receivables	6	2 318	3 078
Deferred acquisition cost	7	362	357
Reinsurance contracts	8	832	301
Taxation		3	–
Deferred taxation	9	216	232
Cash and cash equivalents	10	5 633	4 725
TOTAL ASSETS		32 329	27 766
EQUITY			
Share capital and premium	11	13 526	13 592
Reserves	12	3 579	1 886
Total shareholders' equity		17 105	15 478
Non-controlling interests	43	978	899
TOTAL EQUITY		18 083	16 377
LIABILITIES			
Insurance contracts	8	7 469	5 948
Share-based payment liability	13	182	145
Financial liabilities			
Convertible debentures	14	15	15
Preference shares	15	2 016	731
Interest-bearing loans	16	4	4
Policyholders' interest	17	1 545	1 448
Financial liabilities at fair value through profit or loss	18	107	105
Derivative liability	19	36	20
Investment contracts at fair value through profit or loss	20	1 417	1 381
Deferred acquisition revenue	21	3	5
Provisions	22	55	54
Insurance and other payables	23	1 271	1 130
Deferred taxation	9	80	379
Taxation		46	24
TOTAL LIABILITIES		14 246	11 389
TOTAL EQUITY AND LIABILITIES		32 329	27 766

INCOME STATEMENT

for the year ended 30 June

		Group	
R million	Notes	2015	2014
Gross insurance premiums		13 692	11 508
Less: Reinsurance premiums		(1 177)	(759)
Net insurance premiums		12 515	10 749
Gross change in provision for unearned premiums		(807)	(707)
Reinsurance relating to provision for unearned premiums		30	(22)
Net insurance premiums earned	24	11 738	10 020
Fee and other income	25	312	138
Investment income	26	563	625
Net fair value gains on financial assets	27	128	804
Net income		12 741	11 587
Gross claims paid	28	(7 288)	(5 476)
Reinsurance recoveries received	28	1 179	538
Fair value adjustment to investment contracts	29	(82)	(287)
Transfer to policyholders' interest	17, 34	–	(272)
Transfer to policyholder liabilities under insurance contracts	8.5	(41)	(20)
Provision for cash bonuses	8.4	(315)	(301)
Acquisition expenses	30	(246)	(261)
Fair value adjustment to financial liabilities		(201)	(191)
Marketing and administration expenses	31	(3 594)	(2 835)
Profit before finance costs, results of associates and taxation		2 153	2 482
Finance costs	33	(162)	(79)
Share of after taxation results of associates	3	2 146	1 776
Profit before taxation		4 137	4 179
Taxation	34	(624)	(870)
PROFIT FOR THE YEAR		3 513	3 309
Attributable to:			
Equity holders of the company		3 292	3 053
Non-controlling interests		221	256
PROFIT FOR THE YEAR		3 513	3 309
Earnings per share (cents)	36	222.0	205.8
Diluted earnings per share (cents)	36	220.0	203.6

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

	Group	
R million	2015	2014
Profit for the year	3 513	3 309
Other comprehensive income for the year		
Items that may subsequently be reclassified to profit or loss		
Fair value gains on available-for-sale financial assets	17	41
Deferred taxation relating to available-for-sale financial assets	(3)	(16)
Exchange differences on translation of foreign operations	(142)	125
Share of comprehensive income of associates	152	108
Items that may subsequently be reclassified to profit or loss, after taxation	136	74
Items that will not be reclassified to profit or loss, after taxation	16	34
OTHER COMPREHENSIVE INCOME FOR THE YEAR	24	258
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3 537	3 567
Attributable to:		
Equity holders of the company	3 336	3 288
Non-controlling interests	201	279
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3 537	3 567

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

R million	Share capital (note 11)	Equity accounted reserves (note 12)	Transactions with non-controlling interests (note 12)	Other reserves (note 12)	Retained earnings (note 12)	Non-controlling interests (note 43)	Total equity
Balance as at 1 July 2013	13 632	935	(2 071)	172	1 059	614	14 341
Income statement	–	–	–	–	3 053	256	3 309
Other comprehensive income	–	108	–	127	–	23	258
Dividends paid	–	–	–	–	(1 500)	(149)	(1 649)
Income of associates retained	–	1 043	–	–	(1 043)	–	–
BEE cost	–	1	–	–	–	–	1
Movement in treasury shares	(40)	7	–	–	–	–	(33)
Transactions with non-controlling interests	–	–	(5)	–	–	(2)	(7)
Issue of share capital to non-controlling interests by a subsidiary	–	–	–	–	–	122	122
Change in reserves due to a change in holding	–	–	–	44	(44)	35	35
Balance as at 30 June 2014	13 592	2 094	(2 076)	343	1 525	899	16 377
Income statement	–	–	–	–	3 292	221	3 513
Other comprehensive income	–	152	–	(108)	–	(20)	24
Dividends paid	–	–	–	–	(1 694)	(178)	(1 872)
Income of associates retained	–	1 119	–	–	(1 119)	–	–
BEE cost	–	1	–	–	–	–	1
Puttable non-controlling interests	–	(5)	–	–	–	–	(5)
Movement in treasury shares	(66)	11	–	–	–	–	(55)
Transactions with non-controlling interests	–	(4)	59	(55)	45	38	83
Issue of share capital to non-controlling interests by subsidiaries	–	–	–	–	–	18	18
Share-based payment reserve	–	–	–	2	(3)	–	(1)
BALANCE AS AT 30 JUNE 2015	13 526	3 368	(2 017)	182	2 046	978	18 083

STATEMENT OF CASH FLOWS

for the year ended 30 June

		Group	
R million	Notes	2015	2014
Cash flows from operating activities			
Cash generated from operations	35	3 548	1 595
Interest income		424	314
Dividends received		1 324	865
Income tax paid		(791)	(560)
NET CASH GENERATED FROM OPERATING ACTIVITIES		4 505	2 214
Cash flows from investing activities			
Purchase of property and equipment		(162)	(158)
Disposal of property and equipment		1	–
Additions to investments		(6 269)	(4 992)
Disposals of investments		4 994	6 652
Investments in associates		(1 267)	(24)
Acquisition of shares in subsidiary		–	(7)
NET CASH (UTILISED)/GENERATED BY INVESTING ACTIVITIES		(2 703)	1 471
Cash flows from financing activities			
Redemption of preference share debt		–	(201)
Proceeds on issue of shares to non-controlling interests		18	122
Issue of preference share debt		1 285	20
Borrowings repaid		–	(15)
Cost of funding		(2)	(4)
Dividends paid on preference shares in issue		(142)	(80)
Dividends paid by subsidiaries to non-controlling interests		(178)	(149)
Dividends paid to ordinary shareholders		(1 694)	(1 500)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(713)	(1 807)
Net increase in cash and cash equivalents for the year		1 089	1 878
Unrealised foreign currency translation adjustment included in cash and cash equivalents		(181)	183
Cash and cash equivalents at the beginning of the year		4 725	2 664
CASH AND CASH EQUIVALENTS AND THE END OF THE YEAR		5 633	4 725

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

RMI is an investment holding company. RMI's separate and group annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act, 71 of 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited.

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

- Certain financial assets and liabilities, where the group adopts the fair value basis of accounting.
- The valuation of long-term insurance contract liabilities are done based on the financial soundness valuation basis as detailed in the *Standards of Actuarial Practice (SAP) 104* issued by the Actuarial Society of South Africa (ASSA).
- Investments in associates are measured using the equity method of accounting.
- The intellectual property bonus intangible asset is valued using the projected unit credit method.
- Non-current assets and liabilities held for sale are measured at the lower of carrying value or fair value less cost to sell.

The preparation of the annual financial statements necessitates the use of estimates, assumptions and judgments 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 judgments 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 annual financial statements.

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

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

The following accounting standards, interpretations and amendments were effective for the first time in the current year:

- *IFRS 2: Share-based payments* (effective for all reporting periods commencing on or after 1 July 2014). The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. This amendment had no impact on the group.
- *IFRS 8: Operating segments* (effective for all reporting periods commencing on or after 1 July 2014). The standard was amended to require disclosure of the judgments made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard was further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. Additional disclosure was added to the segment report.
- *IFRS 10: Consolidated Financial Statements* (effective for all reporting periods commencing on or after 1 January 2014). This amendment to *IFRS 10* defines investment entities and requires that investment entities not be consolidated but rather be accounted for at fair value under *IFRS 9: Financial Instruments* or *IAS 39: Financial Instruments: Recognition and Measurement*. This amendment had no impact on the group.

- *IFRS 13: Fair Value Measurement* (effective for all reporting periods commencing on or after 1 July 2014). The amendment clarifies that the portfolio exception in *IFRS 13*, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of *IAS 39* or *IFRS 9*. The impact of the revised disclosure on the group is not significant.
- *IAS 19: Employee Benefits* (effective for all reporting periods commencing on or after 1 July 2014). Additional guidance is provided on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. These amendments do not have an impact on the group as the group has no defined benefit plans.
- *IAS 24: Related party disclosures* (effective for all reporting periods commencing on or after 1 July 2014). The standard has been amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). This amendment had no impact on the group.
- *IAS 27: Separate Financial Statements* (effective for all reporting periods commencing on or after 1 January 2014). This standard has been amended to include a requirement to account for interests in investment entities as defined in *IFRS 10*, under *IFRS 9 Financial Instruments*, or *IAS 39 Financial Instruments: Recognition and Measurement*, in the separate annual financial statements of a parent. The standard had no impact on the separate annual financial statements.
- *IAS 32: Financial Instruments: Presentation* (effective for all reporting periods commencing on or after 1 January 2014). The amendments to this statement arise from the amendments to *IFRS 7*, which requires additional disclosure regarding set-off. The amendments clarify the application of certain offsetting criteria in *IAS 32*, namely the meaning of legally enforceable right of set-off and that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payments in a single settlement process. The amendment had no impact on the group.
- *IFRIC 21: Levies* (effective for all reporting periods commencing on or after 1 January 2014). This is an interpretation of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* and clarifies that the obligating event that gives rise to a liability to pay a levy imposed by government (other than income taxes), is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation had no impact on the group.

2. CONSOLIDATION

The group 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*, 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. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

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 consolidated profit or loss and consolidated 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 interests are presented in the consolidated 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 interests 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 acquiree at their pre-combination carrying amounts from the date that control is obtained.

Any excess or deficit of the consideration transferred 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.

The group includes the results of associates in its group 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 annual financial statements: In RMI's separate annual financial statements, investments in subsidiaries and associates are carried at cost. Transaction costs are separately expensed.

3. REVENUE AND EXPENDITURE RECOGNITION

Interest income and expense: The group recognises interest income and expense in profit or loss for all instruments measured at amortised cost, using the effective interest method. Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities. Dividends received or paid on these instruments are included and accrued in interest income and expense using the effective interest method.

Fair value income: The group includes fair value adjustments to assets and liabilities measured at fair value as fair value income in profit or loss.

Fee and commission income: The group generally recognises fee and commission income on an accrual basis when the service is rendered. Commission income on acceptances, bills and promissory notes endorsed is credited to income over the lives of the relevant instruments on a time apportionment basis.

Dividends: 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.

Insurance contacts: Revenue treatment is detailed in accounting policy 18.

4. FOREIGN CURRENCY TRANSLATION

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

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

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

Translation differences on non-monetary items classified as available-for-sale, such as equities, are included in the available-for-sale reserve in other comprehensive income when incurred.

Group companies: The results and financial position of all the group entities are translated into 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.

5. DIRECT TAXES

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

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

Dividend withholding taxation came into effect from 1 April 2012 and does not impact on the group's results.

6. RECOGNITION OF ASSETS

Assets: The group recognises assets when it obtains control of a resource as a result of past events and from which future economic benefits are expected to flow to the enterprise.

Contingent assets: The group discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to it, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events, which are not wholly within the group's control.

7. RECOGNITION OF LIABILITIES, PROVISIONS AND CONTINGENT LIABILITIES

Liabilities and provisions: The group recognises liabilities, including provisions, when it has a present legal or constructive obligation as a result of past events, 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.

Contingent liabilities: The group discloses a contingent liability where:

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

8. FINANCIAL INSTRUMENTS

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

Loans and receivables: Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. These instruments are carried at amortised cost using the effective interest rate method.

Financial liabilities measured at amortised cost: Borrowings are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. The group initially recognises borrowings, including debentures, at the fair value of the consideration received. Borrowings are subsequently measured at amortised cost. Discounts or premiums on debentures issued are amortised on a basis that reflects the effective yield on the debentures over their life span. Interest paid is recognised in profit or loss on an effective interest rate basis.

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.

Held-to-maturity financial instruments: Instruments with fixed maturity that the group has the intent and ability to hold to maturity are classified as held-to-maturity financial instruments and are carried at amortised cost using the effective interest rate method.

Available-for-sale financial instruments: Other long-term financial instruments are classified as available-for-sale and are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial instruments are recognised in other comprehensive income in the year in which they arise. When these financial instruments are either derecognised or impaired, the accumulated fair value adjustments are realised and included in income.

Financial instruments at fair value through profit or loss: These instruments, consisting of financial instruments held-for-trading and those designated at fair value through profit or loss at inception, are carried at fair value. Derivatives are also classified as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these financial instruments are recognised in profit or loss in the year in which they arise.

Financial assets and liabilities are designated on initial recognition as at fair value through profit and loss to the extent that it produces more relevant information because it either:

- results in the reduction of measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- is a group of financial assets and/or financial liabilities that is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel.

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

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

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.

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 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 items.

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. Freehold properties and properties held under finance leases are further broken down into significant components that are depreciated to their respective residual values over the economic lives of these components.

The periods of depreciation used are as follows:

• Freehold property and property held under finance lease	
– Buildings and structures	50 years
– Mechanical, electrical and components	20 years
• Computer equipment	3 years
• Furniture, fittings and office equipment	6 years
• Motor vehicles	4 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Assets that are subject to amortisation 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.

Leased assets: Assets leased in terms of finance leases, i.e. where the group assumes substantially all the risks and rewards of ownership, are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum finance lease payments. Leased assets are depreciated over the shorter of the lease period or the period over which the particular asset category is otherwise depreciated. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The finance charges are accounted for in profit or loss over the term of the lease, using the effective interest rate method. Hire purchase agreements are accounted for as finance leases.

Leases of assets where the lessor substantially retains all the risks and rewards of ownership, are classified as operating leases. Payments made under operating leases are accounted for in income on a straight-line basis over the period of the lease.

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.

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 on an annual basis or sooner, 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.

Financial instruments carried at amortised cost: The group assesses whether there is objective evidence that a financial asset is impaired at each reporting date. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value, using an observable market price.

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, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in profit or loss.

Financial assets carried at fair value: At each reporting date the group assesses whether there is objective evidence of possible impairment of financial assets carried at fair value. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

In the case of a debt instrument classified as available-for-sale, the same objective evidence of impairment as for financial assets measured at amortised cost is considered in determining if an impairment exists. The difference between the acquisition cost and the current fair value less any previous impairment losses recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Impairment losses on financial assets carried at fair value that were recognised in profit or loss are not subsequently reversed through profit or loss. Such reversals are accounted for in the statement of other comprehensive income.

Goodwill: Goodwill is assessed annually for possible impairments. For purposes of impairment testing, goodwill is allocated to cash-generating units, being the lowest component of the business measured in the management accounts that is expected to generate cash flows that are largely independent of another business component. Impairment losses relating to goodwill are not reversed.

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 benefit (through its associates) and 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, taking account of the recommendations of independent qualified actuaries. For defined benefit plans the pension accounting costs are assessed using the projected unit credit method. These funds are registered in terms of the Pension Funds Act, 24 of 1956, and membership is compulsory for all group employees. Qualified actuaries perform annual valuations.

The group expenses current service costs, past service costs, experience adjustments, changes in actuarial assumptions and plan amendments as they occur.

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

Post-retirement medical benefits: In terms of certain employment contracts, the group provides for post-retirement healthcare benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid contributions. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and completing a minimum service period. Qualified actuaries perform annual valuations.

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 operated by a subsidiary, employees were paid intellectual property bonuses at the company's discretion. The beneficiaries under the plan were subject to retention periods and amounts to be repaid, should the employee be in breach of the retention period. The intellectual property bonuses are recognised as current service costs over a 2.5 to 3 year period and are originally valued using the projected credit unit method.

14. SHARE CAPITAL

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

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

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

Distribution of non-cash assets: A dividend payable is recognised when the distributions are appropriately authorised and are 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. SEGMENT REPORTING

An operating segment is a component of the group that engages in business activities from which the group may earn revenues and incur 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 of the group. The group's identification and measurement of operating segments is consistent with the internal reporting provided to the chief executive. 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 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 are measured at fair value and include cash on hand, short-term deposits held with banks and listed government bonds under resale agreements.

Short-term deposits with banks and listed government bonds under resale agreements are considered instruments that can be liquidated within a period of 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 AND INVESTMENT CONTRACTS

The group issues investment contracts and contracts that transfer insurance risk:

- Contracts are classified as insurance contracts if the group accepts significant insurance risk. Insurance risk is defined as a risk on the occurrence of a defined uncertain insured event. The amount paid may significantly exceed the amount payable should the event not have occurred.
- Investment contracts are contracts that transfer financial risk without significant insurance risk. Financial risk refers to the risk of a possible future change in the value of an asset or financial instrument, due to a change in the interest rate, commodity prices, index of prices, foreign exchange rate or other measurable variable.

Once a contract has been classified as an insurance contract, the class will remain unchanged for the lifetime of the contract, even if the policy conditions change significantly over time.

Insurance contracts are classified into two main categories, depending on the duration of the risk:

SHORT-TERM INSURANCE

Short-term insurance is the providing of benefits under short-term policies, which includes property, accident, health, liability, motor and miscellaneous or a contract comprising a combination of any of those policies.

Recognition and measurement

- **Premium revenue:** Gross insurance premium revenue reflects business written during the year and excludes any taxes or levies payable on premium. Premium revenue includes all premiums for the period of risk covered by the policy, regardless of whether or not these are due for payment in the accounting period. Premiums are shown before deduction of commission.

- **Unearned premium provision:** The provision for unearned premiums comprises the proportion of gross premium revenue which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the method most reflective of any variation in the incidence of risk during the period covered by the contract.

- **Provision for claims reported but not paid:** Claims outstanding comprise provisions for the group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date and, if applicable, related internal and external handling expenses and an appropriate prudential margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims reported but not yet paid, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Adjustments to claims provisions established in prior years are reflected in the annual financial statements of the year in which the adjustments are made and disclosed separately, if material. The methods used and the estimates made are reviewed annually.

- **Provision for claims incurred but not reported:** Provision is made on a prudent basis for the estimated final costs of claims incurred at year-end but not reported until after that date, using historical experience and the best information available at the time. Estimates provide for inflation as well as claim handling and assessing costs. Estimates are adjusted for management's expectations of trends relating to the development of such claims.
- **Salvage and subrogation recoveries:** Certain insurance contracts permit the group to sell usually damaged property acquired in settling a claim (salvage) as well as to pursue third parties for payment of some or all costs (subrogation). Salvage and subrogation recoveries are recognised when it is reasonably certain that the amounts will be recovered. The recoveries are credited to claims incurred in profit or loss.
- **Deferred acquisition costs (DAC):** Directly attributable acquisition costs include advertising and other selling and underwriting costs incurred in generating insurance premium revenue. Acquisition costs are amortised systematically over the contractual term of the policy.

  Acquisition costs which are deferred are 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, plus an appropriate risk margin. 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.
- **Deferred acquisition revenue (DAR):** Reinsurance commission is recognised as a liability and amortised over the duration of the reinsurance agreement as reinsurance premium is expensed.
- **Reinsurance contracts held:** The group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential. Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

  Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

  The benefits to which the group is entitled under its reinsurance contracts held are recognised as assets. These assets consist of short-term balances due from reinsurers on settled claims (classified within loans and receivables), as well as receivables classified as reinsurance assets that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

  Reinsurance premiums paid under reinsurance contracts are recognised as reinsurance assets and expensed as the gross premiums are released to income. Reinsurance liabilities are primarily premiums payable for reinsurance contracts.

The group assesses its reinsurance assets for impairment on a six-monthly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

- **Receivables and payables related to insurance contracts:** Receivables and payables are recognised when due at amortised cost, unless impaired. These include amounts due to and from brokers and insurance contract holders.

  If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets.

- **Liability adequacy test for unexpired risk liabilities:** At the end of the reporting period, the adequacy of the unearned premium provision 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 estimate (liability adequacy test). If the unearned premium provision less deferred acquisition costs is deficient, the resulting deficiency is recognised, first by writing off any deferred acquisition costs and, thereafter, any excess is recognised as an unexpired risk provision in the statement of financial position, with the resulting expense recognised in profit or loss.

- **Non-claims bonus provision:** 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 cash bonus over the cash bonus cycle.
  - The bonus percentage is reduced to allow for the probability that the client will cancel during the cash bonus 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.

LONG-TERM INSURANCE

Benefits are provided under long-term policies for credit life and fully underwritten life. Benefits are recorded as an expense when they are incurred.

- **Policyholder liabilities:** As permitted under *IFRS 4*, RMI does not enforce uniform accounting policies across its subsidiaries and associates relating to the measurement of insurance liabilities. Refer to the annual integrated report of Discovery Limited at **www.discovery.co.za** and MMI Holdings Limited at **www.mmiholdings.com** for information on the accounting policies of these insurers. The approach adopted by each of the insurance entities within the group is based on their service offerings, governance process and risk assessment.

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.

The zerorisation of negative reserves ensures that profit and risk margins allowed for in premium income are not recognised before it is probable that future economic benefits will flow to the entity.

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

  Gross premiums include insurance related fee income which relates to policy fees, collection 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 for the purpose of limiting 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 in profit or loss and the statement of financial position 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.

- **Insurance contract claims incurred:** Claims on long-term insurance contracts, which include death, disability, critical illness and retrenchment payments are charged to profit or loss when notified of a claim based on the estimated liability for compensation owed to policyholders. Claims which have been reported but which are outstanding at the reporting date are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

- **Incurred but not reported claims:** Provision is made in the policyholder liabilities under insurance contracts 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 the insurance liabilities as measured under the FSV basis net of any related intangible present value of acquired in-force business 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 as per *SAP 104*.
- **Deferred acquisition costs:** Acquisition costs represent 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. Hence, no explicit DAC asset is recognised in the statement of financial position for these contracts. The level of day one profit 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 asset, 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 asset is less than the negative reserve, the deferral is limited to the amount of the DAC asset.

ACCOUNTING FOR PROFIT SHARE ARRANGEMENTS ON RING-FENCED INSURANCE BUSINESS

Economic benefits generated are distributed by way of a bi-annual preference dividend to the preference shareholder, an independent entity. Losses are incurred for the group's account and there is no recourse against the preference shareholder for such losses. The group, 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. These shareholders for preference share dividends are accounted for as a financial liability on the face of the statement of financial position. The profit is reflected as a fair value adjustment to the financial liability in profit or loss.

The profitability of this 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.

19. CONVERTIBLE DEBENTURES

Convertible debentures originated by the group are initially recognised at the fair value, less attributable transaction costs and subsequently carried at this value. The convertible debentures can be converted at the option of the debenture holder to non-redeemable preference shares. The carrying amount equals the amount at which the debentures could be converted to non-redeemable preference shares. The dividend rights to the non-redeemable preference shares have been contractually determined and are non-discretionary. The convertible debentures are classified as long-term liabilities. Interest incurred on the convertible debentures is recognised in profit or loss using the effective yield method.

20. 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.

21. POLICYHOLDERS' INTEREST

The group and its clients share in the operating result of certain insurance business. For the duration of the profit sharing agreement, the estimated entitlement to profit or losses by clients is determined annually and transferred to the policyholder interest liability. Increases and decreases in the estimated entitlement to the operating result that may become apparent in future years are transferred from or to the operating result of that year.

22. INVESTMENT CONTRACTS

Policyholder contracts that do not transfer significant insurance risk are classified as investment contracts. The proceeds from payments against these contracts are excluded from profit or loss and recognised directly against the liability. The results from investment contracts included in profit or loss are limited to administration fees earned as well as fair value gains or losses from the revaluation of assets underlying the investment contracts.

Liabilities for individual market related long-term insurance policies where benefits are dependent on the performance of underlying investment portfolios, are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date, calculated in accordance with *IAS 39*.

23. DIVIDENDS AND INTEREST INCOME

Dividend and interest income on instruments designated at fair value through profit or loss is recognised separately in the income statement from other fair value movements.

24. STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

The following standards, interpretations and amendments to existing standards are not yet effective for the current financial year. The group will comply with the new standards and interpretations from the effective date:

- *IFRS 9: Financial Instruments* (the standard has a mandatory effective date for all reporting periods beginning on or after 1 January 2018, but earlier adoption is permitted). This is a new standard arising from the IASB's three-part project to replace *IAS 39: Financial Instruments: Recognition and Measurement*. The three phases are classification and measurement, impairment methodology and hedge accounting. The first phase only deals with the classification and measurement of financial assets and includes guidance on financial liabilities and derecognition of financial instruments. Financial assets can be classified as financial assets at amortised cost or fair value. The classification is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The accounting and presentation for financial liabilities and for derecognising a financial instrument have been relocated from *IAS 39* without change, except for financial liabilities that are designated at fair value through profit or loss. The second phase replaces the rule-based hedge accounting requirements in *IAS 39* to more closely align the accounting with risk management activities. The third phase incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduce significant improvements, principally by aligning the accounting more closely with risk management. The group still has to assess *IFRS 9*'s full impact, but material reclassifications are not expected.
- *IFRS 11: Joint Arrangements* (effective for all reporting periods beginning on or after 1 January 2016). The accounting for acquisitions of interests in joint operations was amended. There is no impact on the group as the group has no joint ventures.

- *IFRS 15: Revenue from Contracts with Customers* (the standard has a mandatory effective date for all annual periods beginning on or after 1 January 2017, but earlier adoption is permitted). This is a new standard arising from the IASB's and FASB's joint project. The core principle of the new standard is to recognise revenue as depicting the transfer of goods or services to customers in amounts that reflect the consideration expected to be received in exchange for those goods or services. *IFRS 15* also sets out enhanced disclosures about revenue and provides guidance on certain transactions that were not previously dealt with in sufficient detail. The group still has to assess *IFRS 15*'s full impact, but no material changes are expected.
- *IAS 1: Presentation of Financial Statements* (effective for reporting periods beginning on or after 1 January 2016). In December 2014, the IASB issued amendments to clarify guidance in *IAS 1* on materiality and aggregation, the presentation of subtotals, the structure of annual financial statements and the disclosure of accounting policies. The group still has to assess the full impact of *IAS 1*'s amendment on the consolidated annual financial statements.
- *IAS 16: Property, plant and equipment* (effective for reporting periods beginning on or after 1 January 2016). In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an asset. This standard is not expected to have an impact on the group.
- *IAS 19: Employee Benefits – Discount rate: regional market issue* (effective for all reporting periods commencing on or after 1 January 2016). Clarification is provided that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level). This has no impact on the group as the group has no defined benefit plans.
- *IAS 27: Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2016, with earlier application permitted). The IASB issued amendments to *IAS 27* on 12 August 2014. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate annual financial statements. No impact is expected on the separate annual financial statements.
- As part of its annual improvements project, the IASB made amendments to a number of accounting standards. The aim is to clarify and improve the accounting standards. The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement. The annual improvement project for the 2012 to 2014 cycle is effective for reporting periods beginning on or after 1 January 2016 and early adoption is permitted. These amendments will not have a significant impact on the group.
- The IASB's annual improvements project for the 2014 to 2016 cycle is designed to provide a streamlined process for dealing efficiently with a collection of amendments to IFRS's. Early application is permitted and must be applied retrospectively. The annual improvement project's aim is to clarify and improve the accounting standards. The improvements include clarifications or removal of unintended inconsistencies between IFRS's. There are no significant changes in the improvement project that are expected to affect the group.

OTHER POTENTIAL ACCOUNTING DEVELOPMENTS

The IASB has issued the following exposure drafts which, if issued as standards, could materially impact the group's current financial position:

- Insurance contracts
- Leases

Both the insurance contracts and leases exposure drafts were re-exposed in the first half of 2014. Given the significant comments received on both of these exposure drafts, re-deliberations on these projects by the IASB will continue during the balance of 2015.

25. CRITICAL ACCOUNTING ASSUMPTIONS

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

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

Refer to the annual integrated report of Discovery Limited at **www.discovery.co.za** and MMI Holdings Limited at **www.mmiholdings.com** for information on critical accounting assumptions in these companies.

SHORT-TERM INSURANCE

Provision for outstanding claims (OCR): Each reported claim is assessed separately on a case by case basis, by either a computer algorithm based on past experience or a claims assessor with the relevant experience, taking into account information available from the insured. The estimates are updated as and when new information becomes available.

Provision for claims incurred but not reported (IBNR): The estimation of the IBNR provision generally holds a greater level of uncertainty than the other provisions as this is an estimation of claims that have not been reported yet based on past information. The longer the expected period between the date of loss and the claims reporting date and/or the more severe the unreported claims, the larger the IBNR provision.

The required IBNR percentage is calculated with reference to the run-off period of incurred claims and includes an additional margin to bring the IBNR reserves to a 75% sufficiency level in line with the requirements of *SAP 401*. This risk margin is derived using a Bootstrap method for the transactions where the Bornhuetter-Ferguson or Basic Chain Ladder methods were used to derive the best estimate IBNR claims provision. Where there is inadequate or insufficient data, the IBNR provision is based on the interim measures requirements as set out by the Financial Services Board (FSB) in *Board Notice 169 of 2011*.

Unearned premium provision (UPP): The underlying risk of the insurance contracts underwritten is predominately evenly spread over the contract term. The unearned premium is released over the term of the insurance contract, in line with the risk profile release. Where relevant, the UPP calculation basis has been adjusted to take account of the actual outstanding risk as well as the pattern of risk expected in future periods.

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

LONG-TERM INSURANCE

Valuation of policyholder liabilities: Long-term insurance liabilities are valued based on the FSV method, which 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. In addition, compulsory margins are added to allow for risk and uncertainty based on the requirements of *SAP 104*.

The methodology followed and the assumptions used in this valuation are the same as that used in the previous year's valuation, except for the economic assumptions, which have been changed in line with market rates.

As at 30 June 2015 the compulsory margins were as follows:

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 reserves after taking into account the release of negative reserves amounting to R394 million to offset deferral of acquisition costs. The mortality and morbidity assumptions both have a discretionary margin of 5%, amounting to R35 million.

For the purposes of determining the value of the policyholder liability for regulatory purposes, the implicit deferral of acquisition costs is ignored in the statutory valuation method calculation.

The liabilities under investment linked contracts are valued at the value of the assets backing these contracts.

Demographic assumptions: The best estimate assumptions with regard to dread disease and disability, mortality and retrenchment rates were set equal to those used in the most recent pricing basis as developed by the reinsurer and approved by the statutory actuary. Provision has been made for the expected increase in the occurrence of HIV/Aids-related claims.

Economic assumptions

- **Investment return:** In the current year, the group calculated 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 appropriate duration at the valuation date is 10.96% (2014: 8.98%).
- **Inflation:** In the current year, the group calculated 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 appropriate duration at the valuation date is 8.83% (2014: 6.98%).
- **Taxation:** Future taxation and taxation relief are allowed for at the rates and on the bases applicable to section 29A of the Income Tax Act, 58 of 1962, at the reporting date. The group's current 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 reserves:** In addition to the discounted cash flow liability, both an IBNR and an OCR provision are held. The IBNR was set using a claims run-off model based on recent experience and best estimates. The OCR is set using the actual estimate outstanding claims as at year-end.

Refer to note 8 to the group annual financial statements for a sensitivity analysis of the long-term and short-term insurance contract liability, which illustrates the impact of the assumptions and judgments on the measurement of the insurance contract liability.

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.

Risk and governance oversight is provided by the board, audit and risk committee and social, ethics and transformation committee. The four main focus areas are changes to the regulatory and business landscape, the management of insurance risk, the management of financial risk and capital management.

1. CHANGING REGULATORY AND BUSINESS LANDSCAPE

The companies in the group operate in an ever changing regulatory business landscape. There are a number of new and ongoing regulatory projects, which will continue to impact the group in the medium term. The changes are also expected to have an impact on the group's solvency requirements, financial reporting and the way it conducts its business.

The group's board of directors and management are actively monitoring and preparing for the possible implications of these various regulatory and legislative changes. The group seeks positive and constructive engagement with its various regulators and policymakers, both directly and through appropriate participation in industry forums, to partner with them in ensuring optimal regulatory outcomes for the industry and all its stakeholders.

The main changes anticipated to have a significant impact particularly on South African and, in some instances, international operations are briefly described below.

1.1 IFRS 4 PHASE II

The recognition and measurement of insurance liabilities is currently the focus of *IFRS 4 phase II*, the International Accounting Standards Board (IASB) project on the accounting for insurance contracts. Although various decisions on principles regarding measurement have been tentatively agreed by the IASB, there is still debate and uncertainty around the methodologies used to value participating contracts and transition arrangements on adoption of the IFRS. The IASB published a revised exposure draft on insurance contracts in June 2013. The earliest envisaged implementation date is 2020. However, earlier adoption may be allowed.

The group will continue to monitor any tentative decisions that are made prior to the final IFRS being published. It is anticipated that the final standard will have an impact on the group's current reported financial position and future revenue recognition, but to date there is insufficient clarity around certain decisions to be able to understand and provide guidance on the specific implications of the new standard.

1.2 SOLVENCY ASSESSMENT AND MANAGEMENT (SAM)

The FSB is in the process of developing a new risk-based solvency regime for South African long-term and short-term insurers, known as the SAM regime. This initiative will align the South African insurance industry with the standards of the International Association of Insurance Supervisors (IAIS). This process is being guided by principles around insurance regulation produced by the IAIS and developments in Europe. The basis of the SAM regime will be the principles of the Solvency II Directive, as adopted by the European Parliament, but adapted to South African specific circumstances where necessary. As an overarching principle, the recommendations arising from the SAM project should meet the requirements of a third country equivalence assessment under Solvency II.

The initial date for implementation was 1 January 2014. Due to a changing regulatory environment (both locally and internationally), this implementation date was deferred until 1 April 2016.

A new Insurance Act will give effect to the SAM framework, along with the publication of insurance prudential standards made under the Act. At the same time as the SAM framework is being introduced, a 'Twin Peaks' model for financial regulation is being implemented in South Africa through the Financial Sector Regulation Act. This model will see the establishment of a Prudential Authority in the South African Reserve Bank (SARB), responsible for the prudential supervision of banks, insurers and financial conglomerates, and a Financial Sector Conduct Authority (FSCA) responsible for market conduct supervision of financial institutions. The latest version of the Financial Sector Regulation Bill (FSR Bill) was published for comment in December 2014 and the revised Bill is currently being finalised for tabling in Parliament.

National Treasury (NT) and the FSB issued the draft Insurance Laws Bill for public comment on 17 April 2015. The Bill provides a consolidated legal framework for the prudential supervision of the insurance sector that is consistent with international standards for insurance regulation and supervision. The Bill also seeks to replace and consolidate substantial parts of the Long-term Insurance Act, 52 of 1998, and the Short-term Insurance Act, 53 of 1998, relating to prudential supervision. The Bill gives effect to important national government policy objectives by enhancing:

- access to insurance through the introduction of a micro-insurance regulatory framework;
- the financial soundness of insurers and the financial services sector and the protection of policyholders through:
  - introducing a new Solvency Assessment and Management (SAM) regime;
  - introducing a framework for insurance group supervision; and
  - enhancing reinsurance arrangements;
- alignment with international standards (adapted to South African circumstances) in accordance with South Africa's G20 commitments.

The public comment process ended on 29 May 2015 and all comments received are being considered and further discussed with commentators.

NT has indicated that the FSR Bill will be tabled first in Parliament, followed by the Insurance Bill. This will enable the Insurance Bill to build on the regulatory framework created through the FSR Bill, the implication of this being that the Insurance Bill cannot become effective before the FSR Bill has been enacted. NT is hoping to have the FSR Bill tabled and deliberated on in Parliament during the course of this year, with a potential effective date for Twin Peaks in the first half of 2016. The aim is to table the Insurance Bill, revised for comments received, by October 2015, for deliberation in late 2015 and early 2016, so the date of enactment can align with the effective date of Twin Peaks.

To prepare the industry for the implementation of the SAM framework from 1 January 2015, a parallel run has been initiated, in which insurers are required to report information under the SAM regime along with existing reporting required under the Insurance Acts. This process began on 1 July 2014 and will continue until the full implementation of the SAM regime. The key benefit from this dual reporting process is that the insurers are able to provide the information that will be expected when the SAM regime goes live on 1 April 2016 and that any remaining issues are dealt with before implementation. The delay in legislative timelines will not impact the requirement on insurers to fully comply with SAM reporting requirements from 1 January 2016. However, the later effective date of the Insurance Bill will result in the SAM framework not becoming the statutory basis for assessing insurers' financial soundness until after 1 April 2016. RMI participated in the parallel run as a consolidated insurance group since March 2015.

The practical implication of this is that the parallel run will continue into the first half of 2016, with the additional requirement that all insurers will be expected to fully comply with SAM reporting requirements, on an audited basis, as at their 2016 financial year-end.

1.3 FINANCIAL SECTOR REGULATION BILL (SECOND DRAFT)

In December 2014, the NT published the second draft of the Financial Sector Regulation Bill (FSR) for comment. The revised Bill took into account submissions which were made on the first draft Bill, which was published in December 2013.

The FSR Bill gives effect to the government decision in 2011 to shift to a Twin Peaks model of financial sector regulation for South Africa. Twin Peaks is a comprehensive and complete system for regulating the financial sector. It represents a decisive shift away from a fragmented regulatory approach to reduce the possibility of regulatory arbitrage or forum shopping and to close gaps in the regulatory system.

Two regulators will be established – a Prudential Authority within the SARB and a new FSCA. The Prudential Authority will supervise the safety and soundness of banks, insurance companies and other financial institutions, while the FSCA will supervise how financial services firms conduct their businesses and treat customers. The SARB will oversee financial stability within a policy framework agreed with the Minister of Finance.

The Twin Peaks system of regulation will (when fully phased in) focus on a more harmonised system of licensing, supervision, enforcement, customer complaints (including ombuds), appeal mechanism (tribunal) and consumer advice and education.

Key changes have been made to the second draft Bill in order to:

- improve its legal enforceability. In particular, many definitions have been reconsidered and additional areas have been added to improve legal application;
- provide both authorities with powers in addition to the existing institution-specific laws so they are able to supervise and enforce financial sector laws and regulations in pursuit of their objectives;
- empower both authorities to issue standards for financial institutions to follow;
- clarify the role of other financial sector regulators under Twin Peaks. The role of the National Credit Regulator (NCR) was not explicitly explained in the first draft. Numerous stakeholders noted that, as a key player, their role should be clarified. This has been done through explicit coordination and cooperation requirements;
- better align the governance arrangements for the new regulatory agencies, including clarifying the institutional form of the Prudential Authority, which will operate within the SARB;
- align the SARB powers for systemic oversight with its mandate for financial stability, provide greater clarity about these powers and how they may be used to fulfil this mandate;
- introduce a legal framework for regulating and supervising financial groups, from both a prudential and a conduct perspective; and
- strengthen the ombuds system by creating a stronger central coordinating role for the Financial Services Ombuds Council.

Along with the second draft FSR Bill, a discussion document labelled *Treating Customers Fairly in the Financial Sector: A Market Conduct Policy Framework for South Africa* was also released, which was a first attempt to develop a comprehensive framework for how the market conduct regulator will operate in order to ensure that financial institutions treat their customers fairly.

The market conduct policy framework forms part of the Twin Peaks reform process, proposing a regulatory and supervisory framework for the new FSCA. Poor customer outcomes in South Africa's financial sector have highlighted the need for stronger oversight of how financial institutions conduct their businesses and treat their customers. To better protect customers, the financial sector must be held to higher standards than generic consumer protection and standards must be applied consistently across the sector.

As proposed in the policy documents, the various pieces of market conduct legislation applicable to the financial sector will be consolidated. The law will also empower the FSCA to supervise institutions more intensively and take strict corrective actions against financial institutions based on the breach of principles, in addition to monitoring compliance with rules.

The market conduct framework document also sets out proposals to support improved market conduct by better empowering financial customers. This includes improving the ombuds system so customers can easily and effectively lodge disputes against financial institutions and refining financial education initiatives.

1.4 TREATING CUSTOMERS FAIRLY (TCF)

The RMI group continues to implement practices which support the six TCF outcomes. This includes our claims philosophy, which we have recently revisited and updated, the claims meetings and various auditing responsibilities in the first, second and third lines of defence in terms of our combined assurance approach. Ongoing monitoring of and reporting on key performance indicators relating to customer treatment and service continue to be a focus in our business and include reporting to the board on all matters related to our customers.

The current FSB projects in the pipeline relating to TCF are set out in more detail below:

1.4.1 Key Information Documents (KIDs)

The FSB and NT still intend to introduce these as a standard template document to be made available to clients prior to quote stage in order for the client to be able to compare benefits between different insurers. The FSB requires these documents in prescribed format although the industry has objected, advising that different insurers offer different benefits and products and therefore the information cannot be prescribed. In all likelihood, consumer testing will take place to gauge the viability of the KIDs prior to implementation.

1.4.2 Complaint categories

The complaint categories are categories that the FSB intends to introduce to oblige Financial Services Providers (FSPs) to include in their reporting on a quarterly basis.

In October 2014, the FSB released a discussion document on Customer Complaints Management, which essentially set out the framework for TCF-aligned complaints management and prescribes the following components:

- Consistent regulatory definitions of 'complaint' and related terms;
- Standards and requirements for firms to implement internal complaints management processes, including record keeping, monitoring and analysis;
- Requirements for TCF-aligned categorisation of complaints;
- Requirements in relation to the engagement between firms and Ombud schemes;
- Requirements for reporting complaints information to the Regulator; and
- Requirements for public reporting of complaints information.

1.4.3 Standardised terminology

There has been a revised version received from the South African Insurance Association (SAIA) of the draft standardised terminology document which aims to provide guidance on common insurance terms in the industry. No date has been set for the launch of this document. Proposals have been made that the definitions provided in respect of these terms must not be binding on insurers, but rather used as a tool for consumer education.

1.4.4 Quarterly Conduct of Business Returns (CBR)

In October 2013 the FSB indicated that they intend to, as part of their enhanced supervisory approach, introduce a quarterly CBR, which all registered short-term and long-term insurers will be required to submit and which has the objective to:

- strengthen the conduct of the business supervision framework by making it more comprehensive, consistent, pre-emptive and pro-active;
- encourage insurers to develop management information systems that will support TCF outcome monitoring; and
- enable the development of industry-wide conduct indicators and benchmarks.

In April 2014 the FSB approached SAIA to assist with the development of definitions for the various sub-classes of business in the short-term market. The FSB also set up a joint task team with SAIA to allow for the definitions to be developed in consultation with the industry, as the implications of reporting on sub-classes of business will likely have far-reaching implications for short-term insurers. The CBR returns will be aligned to reporting under SAM and the suggested segmentation set out in *Discussion Document 29*.

1.4.5 Retail Distribution Review (RDR)

During November 2014, the FSB released the discussion paper which set out the results of the RDR. The RDR proposes far-reaching reforms to the regulatory framework in respect of the distribution of retail financial products in South Africa.

Essentially the RDR proposal seeks to provide customers with confidence in the retail financial services market in that they will be treated fairly, which will result in a sustainable market for financial advice and financial services. The RDR contained 55 specific proposals, which cover aspects such as:

- types of services provided by intermediaries;
- relationships between product suppliers and intermediaries; and
- intermediary remuneration.

In general, the purpose of the RDR is to clarify the types of advice available to clients, deal with aspects of remuneration in respect of such advice and to promote the development of competitive markets and more transparent and fair products. Ultimately the RDR will change the manner in which insurance is sold through intermediaries and it seems that the FSB is attempting to align this with outcome 4 of the TCF outcomes relating to proper advice.

The RDR will result in structural changes to intermediary relationships and remuneration, which will require significant amendments to the regulatory framework and which will form part of the broader review of the current legislative environment to give effect to Twin Peaks.

These changes will not be immediate and will be implemented by way of a phased approach, with some of the changes being implemented through the current regulatory framework and others through changes which will be brought about through Twin Peaks legislation. It is envisaged that the expected implementation of the RDR will be sometime after mid-2016.

1.5 LONG-TERM TAX LEGISLATION

Section 29A of the Taxation Laws Amendment Act, 43 of 2014, (promulgated on 20 January 2015), has been amended. The legislation gives effect to matters presented by the Minister of Finance in the 2014 budget in respect of, amongst others, the tax treatment of risk business of long-term insurers. The group is in the process of assessing the implications of the Act.

1.6 PROTECTION OF PERSONAL INFORMATION (POPI) ACT, 4 OF 2013

The POPI Act regulates the processing and use of personal information, protecting persons, both natural and juristic, from the abuse of personal information and providing rights and remedies to victims of unlawful processing. POPI was enacted on 27 November 2013, with certain provisions of the Act coming into effect on 11 April 2014. An effective date for the remaining sections of the Act is yet to be announced, upon which there will be a one year transitional period to comply with the Act.

2. MANAGEMENT OF INSURANCE RISK

2.1 BACKGROUND AND INSURANCE RISK MANAGEMENT PHILOSOPHY

The group's consolidated insurance businesses are conducted in two separate subsidiaries, namely OUTsurance and RMBSI.

The following tables show the gross insurance contract liabilities for each of these entities:

	As at 30 June 2015		
R million	OUTsurance	RMBSI	Total
Gross insurance contracts			
Short-term insurance contracts			
– claims reported	1 491	329	1 820
– claims incurred but not reported	562	116	678
– unearned premiums	3 344	744	4 088
– unexpired risk provision	–	336	336
– insurance contracts cash bonuses	402	3	405
Long-term insurance contracts	137	5	142
TOTAL GROSS INSURANCE CONTRACT LIABILITIES	**5 936**	**1 533**	**7 469**

	As at 30 June 2014		
R million	OUTsurance	RMBSI	Total
Gross insurance contracts			
Short-term insurance contracts			
– claims reported	965	310	1 275
– claims incurred but not reported	332	115	447
– unearned premiums	2 729	717	3 446
– unexpired risk provision	–	345	345
– insurance contracts cash bonuses	382	–	382
Long-term insurance contracts	48	5	53
TOTAL GROSS INSURANCE CONTRACT LIABILITIES	4 456	1 492	5 948

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 and critical illness cover, as well as credit protection.

RMBSI holds both short-term and life insurance licenses. It creates individual insurance and financial risk solutions for large corporates by using sophisticated risk techniques and innovative financial structures. RMBSI's business strategy is to mitigate insurance risk by passing a significant portion of risk back to the policyholders or external parties or to write business where the overall portfolio insurance risk is controlled within acceptable limits with minimal residual risk accruing to shareholders. In the case of customer protection and credit insurance, policies are written over the entire customer base of the corporate client. This business is written in all retail outlets of the corporate client, which has branches throughout South Africa and its adjoining territories. The geographic diversity of this business reduces concentration risk to acceptable levels.

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.

As the insurance offerings and therefore insurance risks of OUTsurance and RMBSI differ, the management of insurance risk is presented separately for each of these businesses, grouped under short-term and long-term insurance.

2.2 SHORT-TERM INSURANCE

2.2.1 OUTsurance

Terms and conditions of insurance contracts

OUTsurance conducts short-term insurance business on the following classes of short-term insurance risk:

	Percentage of total gross written premium	
Types of insurance contracts written	Personal lines	Commercial
Personal accident	<1%	<1%
Liability	<1%	7.2%
Miscellaneous	<1%	–
Motor	65.2%	63.4%
Property	33.8%	27.4%
Transportation	<1%	1.9%

The personal lines segment of the business sells 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. Profit sharing arrangements on ring-fenced insurance business refers to arrangements whereby the group underwrites various risk products marketed and distributed by other companies. The management of profit sharing risks underwritten by the group is performed by the administrators of the profit sharing arrangements. 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.

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 for liability to other parties, loss or damage related to the ownership and usage of machinery and equipment as well as the construction of buildings and other structures.

Insurance risks

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

Underwriting strategy

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

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

Risks are rated individually by programmes loaded onto the computer system based on information captured by staff for each risk. Conditions and exclusions are also automatically set at an individual risk level. Individual risks are only automatically accepted up to predetermined thresholds which vary by risk type. Risks with larger exposure than the thresholds are automatically referred and underwritten individually by the actuarial department. These limits are set at a substantially lower level than the reinsurance retention limits. No risks which exceed the upper limits of the reinsurance can be accepted without the necessary facultative cover being arranged. No-claims bonuses, which 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 in order to control the exposure of the group to losses arising from insurance contracts and in order to protect the profitability of the group and its capital. A suite of treaties is purchased in order to limit losses suffered from individual and aggregate insurance risks. Facultative reinsurance is purchased for certain individual risks that have been identified as being outside the limits set for these risks. The retention limits are modelled to optimise the balance between acceptable volatility and reinsurance cost. Acceptable volatility is as defined by the limits set by the board of directors. The group only enters into reinsurance agreements with reinsurers which have adequate credit ratings.

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 the Gauteng province of South Africa, where 53.9% (2014: 50.4%) of the total sum insured is domiciled. The Australian operation is exposed to a concentration of insurance risk in South East Queensland, where 21.3% (2014: 21.9%) of the total sum insured is domiciled. The New Zealand operation is exposed to a concentration of insurance risk in Auckland, where 59.9% of the total sum insured is domiciled. In order to manage this concentration of insurance risk, the group has entered into a catastrophe excess of loss reinsurance treaty that would limit the loss of the group to pre-determined levels following the occurrence of a localised catastrophe in these areas.

Exposure to catastrophes and policies mitigating this risk

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

Profit sharing arrangements

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

Profit share arrangements on ring-fenced insurance business

OUTsurance historically underwrote certain profit share arrangements on ring-fenced insurance business for products marketed and distributed by the FirstRand group. The rights and delegations owing from these arrangements were transferred with effect from 31 March 2015.

Claims development tables

The tables below show the development pattern of OUTsurance's claims liabilities. The presentation of the claims development tables for the group is based on the actual date of the event that caused the claim (accident year basis).

Reporting development

	Financial year in which claims were reported					
Net claims Accident year	Total R million	2015 R million	2014 R million	2013 R million	2012 R million	Prior 2011 R million
2015	5 894	5 894	–	–	–	–
2014	4 551	8	4 543			
2013	3 564	7	(24)	3 581	–	–
2012	2 860	–	–	16	2 844	–
2011 and prior	13 309	–	3	5	(3)	13 304
CURRENT ESTIMATE OF CUMULATIVE CLAIMS INCURRED	30 178	5 909	4 522	3 602	2 841	13 304

Payment development

	Financial year in which claims were paid					
Net claims Accident year	Total R million	2015 R million	2014 R million	2013 R million	2012 R million	Prior 2011 R million
2015	4 686	4 686	–	–	–	–
2014	4 987	643	4 344	–	–	–
2013	2 888	26	(46)	2 908	–	–
2012	2 860	9	28	383	2 440	–
2011 and prior	13 256	5	17	35	361	12 838
CUMULATIVE PAYMENTS TO DATE	28 677	5 369	4 343	3 326	2 801	12 838

Incurred development

	Financial year in which changes occurred in claims liability					
Net claims Accident year	Total R million	2015 R million	2014 R million	2013 R million	2012 R million	Prior 2011 R million
2015	5 542	5 542	–	–	–	–
2014	4 496	111	4 385	–	–	–
2013	3 590	(12)	97	3 505	–	–
2012	2 861	(7)	(1)	22	2 847	–
2011 and prior	13 245	(10)	(19)	(9)	(52)	13 335
CURRENT ESTIMATE OF CUMULATIVE CLAIMS INCURRED	29 734	5 624	4 462	3 518	2 795	13 335

2.2.2 RMBSI

RMBSI's insurance business comprises a small number of large corporate insurance contracts issued to corporates and institutions, as well as a large number of smaller insurance contracts issued on behalf of the group by its corporate clients or underwriting managers under underwriting mandates. The group's deal and risk committee meets on a regular basis, performing a detailed review of all new corporate insurance contracts and underwriting mandates and annually reviews the status of these contracts and mandates. The group's risk appetite is determined with reference to past experience, its capital base, predictability and volatility of the underwriting result, economic climate and the availability of reinsurance cover, where applicable. In addition, the results from the internal capital model are also used to set risk appetite. There are a large number of small contracts, therefore the risk exposure on this business is diversified as it reduces the concentration risk.

RMBSI mainly underwrites insurance risk in South Africa, with a small portion arising from risks in Sub-Saharan Africa. Due to the number and size of insurance contracts, the profile of the group's business changes regularly and, as a result thereof, gross premiums and gross claims show little comparability between different reporting periods. RMBSI therefore manages its insurance risk in respect of each insurance contract separately through limits of indemnity, reinsurance arrangements or through other arrangements with the group's clients where they provide the risk capital required for the business, whether on an actual or contingent basis. RMBSI does not pool insurance risks, with the exception of the credit protection business and is able to re-price most of its insurance products in respect of future risks.

Customers are legally bound to report claims soon after a loss has been incurred. Most of the insurance contracts are not subject to significant lags or claim complexity risk and result in relatively low estimation uncertainty. Underwriting exposures are also limited by contractual limits of indemnity. The underwriting strategy provides for a variety of risks.

Reinsurance decisions are made on a case-by-case basis when the deal and risk committee approves or reviews a transaction. The group reinsures a portion of the risks it underwrites in order to limit its exposures to losses and protect its own customers' capital resources. Reinsurance contracts comprise both proportional and non-proportional reinsurance. Amounts recoverable under reinsurance contracts are reported after impairment provisions. The ability of reinsurers to meet reinsurance claims is monitored on an ongoing basis.

The following tables show the actuarial liabilities of RMBSI as at 30 June 2015:

Actuarial liabilities before reinsurance

R million	UPP	IBNR	Out-standing claims	URP	Cash bonus	Total 2015
Motor	60	35	113	–	–	208
Property	11	22	46	–	–	79
Accident and health	23	1	1	–	–	25
Engineering	1	14	30	–	–	45
Guarantee	27	19	22	–	3	71
Liability[1]	566	11	94	336	–	1 007
Transport	53	7	12	–	–	72
Miscellaneous	4	6	11	–	–	21
TOTAL	745	115	329	336	3	1 528

Reinsurance portion of actuarial liabilities

R million	UPP	IBNR	Out-standing claims	URP	Cash bonus	Total 2015
Motor	(1)	10	50	–	–	59
Property	5	11	33	–	–	49
Accident and health	(5)	–	–	–	–	(5)
Engineering	1	5	23	–	–	29
Guarantee	–	2	12	–	3	17
Liability[1]	4	4	84	–	–	92
Transport	–	6	1	–	–	7
Miscellaneous	3	3	6	–	–	12
TOTAL	7	41	209	–	3	260

Net actuarial liabilities

R million	UPP	IBNR	Out-standing claims	URP	Cash bonus	Total 2015
Motor	61	25	63	–	–	149
Property	6	11	13	–	–	30
Accident and health	28	1	1	–	–	30
Engineering	–	9	7	–	–	16
Guarantee	27	17	10	–	–	54
Liability[1]	562	7	10	336	–	915
Transport	53	1	11	–	–	65
Miscellaneous	1	3	5	–	–	9
TOTAL	738	74	120	336	–	1 268

The following table shows the net actuarial liabilities of RMBSI as at 30 June 2014:

R million	UPP net of DAC/DAR	IBNR	Out-standing claims	Unexpired risk provision	Total
Motor	82	33	85	–	200
Property	(1)	17	26	–	42
Accident and health	36	2	2	–	40
Engineering	2	15	7	–	24
Guarantee	–	12	12	–	24
Liability[1]	575	3	11	345	934
Transport	4	–	16	–	20
Miscellaneous	–	3	3	–	6
TOTAL	698	85	162	345	1 290

1. This portfolio relates mainly to the post-retirement medical aid policy of a large corporate client.

The actuarial liabilities of RMBSI include the following:

UPP: The UPP is calculated on the assumption that the risk profile under a policy is uniformly distributed over the term of the policy. The method applies the proportion of the policy term still outstanding to the total written premium to obtain the value of premiums still to be earned.

For debt-related business, the premium in any period is related to the value of the outstanding debt. RMBSI therefore calculates the outstanding debt value as a proportion of the original debt and applies this to the total written premium to obtain the UPP.

For inward reinsurance business, the UPP is subject to a minimum of 50% of the net written premiums.

It was assumed that all UPP implicitly include a risk margin equivalent to a 75% level of sufficiency, in line with the requirements of *SAP 401,* for the purposes of the current valuation. This assumption is regarded as reasonable considering that, on average, premium rates are set at a profitable level.

Unexpired risk provision (URP) and additional unexpired risk provision (AURP): The URP is equal to the expected cost of future claims and related expenses expected to arise from policies that have unexpired cover as at the valuation date. The methods used to estimate the URP may differ from one case to another. For most of the insurance transactions, the historical loss ratios were considered to form a view on the URP. If the URP exceeds the UPP, this could indicate that the premiums charged are inadequate for the risks covered.

To allow for this, an AURP is set aside to cater for the additional expected loss. The AURP is the positive difference between the URP and UPP after the deduction of any deferred acquisition costs.

None of the insurance transactions of RMBSI required an AURP as at 30 June 2015.

IBNR: The most common techniques used to determine IBNR provisions are the ultimate loss ratio method, Chain-Ladder and the Bornhuetter-Ferguson methods or a combination of these methods.

The Bornhuetter-Ferguson method combines the Chain-Ladder technique with a market- or company-related estimate of ultimate loss ratio and is intended to stabilise the projections where data is scarce. This method is often useful where developed claims experience alone is not sufficient to determine IBNR provisions. The ultimate loss ratio method requires less information than the Bornhuetter-Ferguson method in that it does not use or assume a development pattern.

The IBNR provisions were calculated using a combination of methods. On some transactions the IBNR was derived using a combination of the Bornhuetter-Ferguson and Basic Chain-Ladder methods on paid claims data. In instances where the nature of the available data did not permit the application of standard actuarial methodologies, the IBNR was calculated using the valuation method prescribed by the FSB in *Board Notice 169 of 2011*. This methodology is considered part of the interim measures on the valuation of technical provisions under the SAM regulatory framework.

2.3 LONG-TERM INSURANCE

2.3.1 OUTsurance

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
- Credit protection

The following gives a brief explanation of each product:

Underwritten life

The life insurance product covers the following insurance risks:

- death cover;
- disability cover; and
- critical illness 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 sum assured.

Credit protection

The credit protection product covers the following insurance risks:

- death cover;
- disability cover;
- critical illness cover;
- retrenchment cover; and
- temporary disability cover.

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

Insurance risks

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

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

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

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

Mortality and morbidity risk

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

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

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

Underwriting experience risk

There is a risk that actual mortality and morbidity experience is higher than expected. This could arise as a result of the number of claims or the value of the claims being higher than expected. 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. Amongst other, premiums are differentiated by age, gender, smoking status and medical history. Premium rates are approved and reviewed by the statutory actuary.

- **Underwriting:** Underwriting ensures that only insurable risks are accepted and that premiums accurately reflect the unique circumstances of each risk. The group has developed an advanced medical underwriting system which captures detailed information regarding the clients' medical history and condition and 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 that 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.

- **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 statutory actuary are also employed to ensure models are accurately set up.

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

Expense risk

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

Tax risk

Tax risk is the risk that the actual future tax liability is different to what is currently expected. This could be as a result of interpretation or application of tax legislation or as a result of changes in the tax legislation. External tax advice is obtained, where necessary.

Non-claims bonus risk

Non-claims bonus risk is the risk that the expected future contractual bonus payments are higher than assumed in the calculation of the policyholder liability. 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 margin of above the best estimate of lapse and claims experience to allow for uncertainty.

2.3.2 RMBSI

RMBSI currently has the following business on its books:

Investment contracts – linked policies

The group has issued linked policies to companies and universities for their future uncertain employee obligations. The calculation of the investment contract liability is an amount equal to the underlying financial assets.

Credit life policies

These policies grant protection to policyholders who have entered into instalment sale agreements. The protection is for the accidental loss of life and/or retrenchment of the policyholder.

Credit life cover policies

These policies offer a compulsory life cover benefit and optional incapacity and retrenchment cover.

The following table shows the gross and net actuarial long-term insurance liability of RMBSI:

	30 June 2015		
R million	Gross	Reinsurance	Net
Individual life cover policies	4	(3)	1
Investment contracts – linked policies	1 417	–	1 417
TOTAL	1 421	(3)	1 418

	30 June 2014		
R million	Gross	Reinsurance	Net
Individual life cover policies	5	(3)	2
Investment contracts – linked policies	1 381	–	1 381
TOTAL	1 386	(3)	1 383

3. MANAGEMENT OF FINANCIAL RISK

The group is exposed to various financial risks in connection with its current operating activities, such as market 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 audit and risk committees, compliance committees, investment committees, actuarial committees and remuneration committees. 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.

3.1 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.

3.1.1 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 has invested in foreign subsidiaries operating in Australia, New Zealand, Ireland and Mauritius.

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

	30 June 2015					
R million	Rand	Australian Dollar	New Zealand Dollar	United States Dollar	Euro	Total
Total assets	25 485	6 186	593	65	–	32 329
Total liabilities	9 179	4 834	212	19	2	14 246
Exchange rates:						
Closing rate (Rand)		9.35	8.37	12.24	13.67	
Average rate (Rand)		9.45	8.76	11.45	13.72	

	30 June 2014					
R million	Rand	Australian Dollar	New Zealand Dollar	United States Dollar	Euro	Total
Total assets	22 463	4 672	585	44	2	27 766
Total liabilities	7 745	3 608	21	15	–	11 389
Exchange rates:						
Closing rate (Rand)		10.02	9.30	10.61	14.46	
Average rate (Rand)		9.52	8.65	10.29	14.20	

The effect on the group comprehensive income after taxation and the net asset value of the group after an appreciation or depreciation in the foreign currency rate is provided in the following table:

	30 June 2015	
R million	10% increase	10% decrease
Comprehensive income after taxation	(8)	8
Net asset value	174	(174)

	30 June 2014	
R million	10% increase	10% decrease
Comprehensive income after taxation	2	(2)
Net asset value	17	(17)

3.1.2 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 group's financial instruments are exposed to interest rate risk. A change in interest rates would have an impact on the profit before taxation of the group as set out below. Policyholders' funds are exposed to interest rate risk and the capital loss on fixed rate instruments would be for the policyholders' account as the liability is calculated with reference to the value of the assets. Therefore, the investment contract liability and assets backing this liability have been excluded from the table below.

The table below reflects the shareholders' exposure to interest rate risk, which represents a cash flow risk. An increase or decrease in the market interest rate would result in the following changes in other comprehensive income of the group:

	30 June 2015		30 June 2014	
R million	200 bps increase	200 bps decrease	200 bps increase	200 bps decrease
Financial assets				
Fixed rate instruments				
Government, municipal and public utility securities	4	(4)	2	(2)
Money market instruments	3	(3)	3	(3)
Variable rate instruments				
Listed preference shares	10	(10)	11	(11)
Unlisted preference shares	11	(11)	11	(11)
Government, municipal and public utility securities	9	(9)	4	(4)
Money market instruments	40	(40)	30	(30)
Cash and cash equivalents	99	(99)	79	(79)
Financial liabilities				
Preference shares	–	–	(5)	5

The table below lists the policyholders' funds exposure to interest rate risk. An increase or decrease in interest rates of 200 bps could result in the following changes in the fair value of interest rate instruments.

	30 June 2015			30 June 2014		
R million	Carrying value	200 bps increase	200 bps decrease	Carrying value	200 bps increase	200 bps decrease
Financial assets						
Unlisted preference shares	78	79	76	79	81	78
Listed preference shares						
Fixed rate	379	386	371	347	340	354
Variable rate	1 117	1 139	1 094	182	186	178

3.1.3 Other price risk

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

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

All equities are split between listed and unlisted securities. Listed equities, which relate to linked policies, do not require a sensitivity analysis as the liability is not guaranteed and will be determined solely by reference to the value of the assets. These assets do not expose the group to any risks.

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 other comprehensive income of the group:

	30 June 2015		30 June 2014	
R million	10% increase	10% decrease	10% increase	10% decrease
Financial assets				
Listed preference shares	50	(50)	55	(55)
Derivative asset	18	(18)	14	(14)
Collective investment scheme	–	–	54	(54)
Listed equity shares	46	(46)	37	(37)
Unlisted preference shares	56	(56)	54	(54)
Financial liabilities				
Derivative liability	(11)	11	(9)	9

3.2 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 with put options to the large banks;
- debt securities;
- loans and receivables;
- reinsurance contracts; and
- cash and cash equivalents.

Significant concentrations of credit risk, if applicable, are disclosed in the annual financial statements. The credit exposure to any one counterparty is managed by the board in accordance with the requirements of the Short-term Insurance Act, 53 of 1998, and Long-term Insurance Act, 52 of 1998, and by setting transaction/exposure limits, which are reviewed at each board and audit and risk committee meeting. The credit worthiness of existing and potential clients is monitored quarterly at the board meeting and bi-annually by the actuarial committee and investment committee.

In 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 an agreement or entering into a new agreement.

No significant financial assets exposed to credit risk are past due or impaired.

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

	30 June 2015						
R million	AAA	AA	A	BBB	BB	Not rated	Total
Money market instruments	–	2	235	1 789	135	10	2 171
Debt securities							
– available-for-sale – unlisted	–	–	101	459	–	–	560
– held-to-maturity	–	–	–	–	–	78	78
– at fair value through profit or loss							
– fixed rate	3	12	25	500	–	26	566
– variable rate	1	7	46	1 454	–	441	1 949
Derivative asset	–	–	–	–	–	46	46
Loans and receivables	–	9	47	3	–	2 262	2 321
Reinsurance contracts	–	208	540	68	–	16	832
Cash and cash equivalents	–	3 839	118	1 671	5	–	5 633
TOTAL	4	4 077	1 112	5 944	140	2 879	14 156

	30 June 2014						
R million	AAA	AA	A	BBB	BB	Not rated	Total
Collective investment scheme	–	–	71	472	–	–	543
Money market instruments	–	2	398	1 166	67	–	1 633
Debt securities							
– available-for-sale – unlisted	–	–	30	510	–	–	540
– held-to-maturity	–	–	–	–	–	79	79
– at fair value through profit or loss							
– fixed rate	258	16	9	115	–	34	432
– variable rate	12	21	24	204	–	527	788
Derivative asset	–	–	–	–	–	17	17
Loans and receivables	–	44	–	1	–	3 033	3 078
Reinsurance contracts	11	196	46	42	–	6	301
Cash and cash equivalents	11	3 801	32	480	–	401	4 725
TOTAL	292	4 080	610	2 990	67	4 097	12 136

The ratings were obtained from Fitch. The ratings are based on long-term investment horizons. Where long-term ratings are not available, the financial instruments are categorised according to short-term ratings. The ratings are defined as follows:

Long-term investment grade:

AAA The financial instrument is judged to be of the highest credit quality, with minimal credit risk and indicates the best quality issuers that are reliable and stable.

AA The financial instrument is judged to be of high quality and is subject to a very low credit risk and indicates quality issuers.

A The financial instrument is considered upper-medium grade and is subject to low credit risk, although certain economic situations can more readily affect the issuers' financial soundness adversely than those rated AAA or AA.

BBB The financial instrument is subject to moderate credit risk and indicates medium class issuers, which are currently satisfactory.

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.

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. Refer to note 6 to the annual financial statements for a breakdown of loans and receivables, including insurance receivables, which make up the majority of the unrated assets. The largest portion of the insurance receivables relates to amounts due by policyholders where the insurance cover will lapse if the premiums are not received.

3.3 FAIR VALUE

The carrying amounts of the following categories of financial assets and liabilities approximate their fair values:

- amounts receivable from policyholders;
- other amounts receivable;
- cash and cash equivalents;
- financial assets – debt securities held-to-maturity;
- unlisted preference shares investments;
- accounts payable and accruals; and
- provisions for liabilities and charges.

The unlisted preference shares are redeemable with a notice period ranging from thirty days to three years. Dividend yields range from 50.8% to 70% of the prime overdraft rate. To mitigate credit risk, the unlisted preference share investments are secured by put options to the major South African banks. The fair value of the preference shares which are redeemable within one year from the reporting date, is deemed to equal the redemption value. The fair value of the preference shares with a maturity date of longer than one year, is calculated on a discounted cash flow basis with the discount rate adjusted for changes in credit risk of the ultimate counterparty, being one of the large South African banks. Due to the redeemable nature, the preference shares are deemed to be debt securities. The other assets listed above either have a maturity term of less than one year or the difference between the fair value and carrying value is considered to be insignificant.

3.4 LIQUIDITY RISK AND ASSET LIABILITY MATCHING

The group is exposed to daily calls on its available cash resources from claims arising. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The group's liabilities are matched by appropriate assets and it has significant liquid resources to cover its obligations. The group's liquidity and ability to meet such calls are monitored quarterly at the board meeting and bi-annually by the investment committee.

In the tables below, the maturity profile for the insurance liability is presented based on expected values. The maturity profile for the assets and other liabilities is presented based on contractual values, which are well aligned with the expected values. The only significant liability that is discounted is the preference share liability, which is presented on an undiscounted basis.

	30 June 2015				
R million	Total	Call to 12 months	1 – 5 years	>5 years	No contractual maturity
Assets					
Property and equipment	546	–	–	–	546
Intangible assets	68	–	–	–	68
Investments in associates	14 063	–	–	14 063	–
Financial assets					
Equity securities					
– available-for-sale	746	410	336	–	–
– fair value through profit or loss	2 172	2 026	146	–	–
Debt securities					
– available-for-sale	560	188	372	–	–
– held-to-maturity	78	–	–	78	–
– fair value through profit or loss	4 686	3 152	1 370	164	–
Derivative asset	46	–	46	–	–
Loans and receivables including insurance receivables	2 321	2 281	–	40	–
Deferred acquisition cost	362	332	–	–	30
Reinsurance contracts	832	729	103	–	–
Deferred taxation	216	–	–	–	216
Cash and cash equivalents	5 633	5 633	–	–	–
TOTAL ASSETS	32 329	14 751	2 373	14 345	860
Liabilities					
Insurance contracts	7 469	4 772	989	175	1 533*
Share-based liabilities	182	87	95	–	–
Financial liabilities					
Convertible debentures	15	–	–	15	–
Preference shares (undiscounted)	2 368	133	2 235	–	–
Interest-bearing loans	4	4	–	–	–
Policyholders' interest	1 545	1 545	–	–	–
Financial liability at fair value through profit or loss	107	107	–	–	–
Derivative liability	36	–	36	–	–
Investment contracts					
– at fair value through profit or loss	1 417	1 417	–	–	–
Deferred acquisition reserve	3	–	–	–	3
Provisions	55	55	–	–	–
Trade and other payables	1 271	1 212	21	38	–
Deferred taxation liabilities	80	–	–	–	80
Taxation	46	46	–	–	–
TOTAL LIABILITIES	14 598	9 378	3 376	228	1 616

* *The majority of this amount comprises unearned premiums and there is no obligation of payment.*

	30 June 2014				
R million	Total	Call to 12 months	1 – 5 years	>5 years	No contractual maturity
Assets					
Property and equipment	520	–	–	–	520
Intangible assets	110	–	–	–	110
Investments in associates	11 582	–	–	–	11 582
Financial assets					
Equity securities					
– available-for-sale	725	–	725	–	–
– fair value through profit or loss	2 104	1 989	115	–	–
Debt securities					
– available-for-sale	540	152	388	–	–
– held-to-maturity	79	–	–	79	–
– fair value through profit or loss	3 396	2 328	983	85	–
Derivative asset	17	–	17	–	–
Loans and receivables including insurance receivables	3 078	2 830	83	165	–
Deferred acquisition cost	357	336	–	–	21
Reinsurance contracts	301	249	51	1	–
Deferred taxation	232	–	–	–	232
Cash and cash equivalents	4 725	4 725	–	–	–
TOTAL ASSETS	27 766	12 609	2 362	330	12 465
Liabilities					
Insurance contracts	5 948	4 077	373	7	1 491*
Share-based liabilities	145	82	63	–	–
Financial liabilities					
Convertible debentures	15	–	–	15	–
Preference shares (undiscounted)	837	54	783	–	–
Interest-bearing loans	4	4	–	–	–
Policyholders' interest	1 448	1 448	–	–	–
Financial liability at fair value through profit or loss	105	105	–	–	–
Derivative liability	20	–	20	–	–
Investment contracts:					
– at fair value through profit or loss	1 381	1 381	–	–	–
Deferred acquisition reserve	5	–	–	–	5
Provisions	54	54	–	–	–
Trade and other payables	1 130	1 088	7	35	–
Deferred taxation liabilities	379	–	–	–	379
Taxation	24	24	–	–	–
TOTAL LIABILITIES	11 495	8 317	1 246	57	1 875

* *The majority of this amount comprises unearned premiums and there is no obligation of payment.*

4. CAPITAL MANAGEMENT

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 the setting of short-term insurance technical provisions and in the financial soundness valuation of the group's long-term insurance business. The group must maintain a capital balance that will be at least sufficient to meet obligations in the event of substantial deviations from the main risk assumptions affecting the group's business. This is used to determine required capital levels that will ensure sustained solvency within an acceptable confidence level.

The group's objectives when managing capital are:

- to comply with the insurance capital requirements required by the regulators of the insurance markets where the group operates;
- 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; and
- to provide an adequate return to shareholders, by pricing insurance commensurately with the level of risk.

In each country in which the group operates, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year. The group is subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts and it has complied with all the local solvency regulations.

Management regards share capital, share premium, retained earnings and available-for-sale reserves as capital for regulatory solvency purposes.

Refer to page 114 for details regarding the expected impact of the changing regulatory landscape on the group's solvency requirements.

The table below summarises the minimum required capital across the group and the regulatory capital against each of them. These figures are an aggregate number, being the sum of the statutory capital and surplus for each insurance subsidiary in each country subject to local regulatory requirements, which may differ from jurisdiction to jurisdiction:

	Jurisdiction	Statutory solvency requirement	Actual solvency 2015	Actual solvency 2014
OUTsurance's insurance operations:				
OUTsurance Insurance Company Limited	South Africa	Minimum CAR* cover of 1 time	**1.7**	1.7
OUTsurance Life Insurance Company Limited	South Africa	Minimum CAR cover of 1 time	**1.6**	2.5
Youi Proprietary Limited	Australia	Minimum CAR cover of 1.5 times	**1.8**	2.2
Youi NZ Proprietary Limited	New Zealand	Minimum CAR cover of 1.5 times	**9.9**	–
RMBSI's insurance operations:				
RMB Structured Insurance Limited	South Africa	Minimum CAR* cover of 1 time	**3.4**	4.7
RMB Structured Life Limited	South Africa	Minimum CAR cover of 1 time	**4.8**	4.5
RMB Financial Services Limited	Ireland	Minimum CAR cover of 1 time	**1.9**	2.1
RMB Structured Insurance Limited PCC	Mauritius	Minimum CAR cover of 1.5 times	**3.4**	3.5

* *Capital adequacy ratio, which is defined as the ratio of regulatory admissible net assets to the solvency capital requirement.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group				
R million	Land and buildings	Leasehold improvements	Furniture, fittings and equipment	Motor vehicles	Total
1. PROPERTY AND EQUIPMENT					
30 June 2015					
Net book value at the beginning of the year	328	23	168	1	520
Additions	5	29	127	1	162
Disposals	–	–	(1)	–	(1)
Foreign exchange adjustments	(1)	(2)	(3)	–	(6)
Depreciation (note 31)	(16)	(12)	(100)	(1)	(129)
NET BOOK VALUE AT THE END OF THE YEAR	316	38	191	1	546
Cost	368	56	628	1	1 053
Accumulated depreciation	(52)	(18)	(437)	–	(507)
NET BOOK VALUE AT THE END OF THE YEAR	316	38	191	1	546
30 June 2014					
Net book value at the beginning of the year	344	13	102	1	460
Additions	–	17	141	–	158
Disposals	–	–	(4)	–	(4)
Foreign exchange adjustments	1	1	4	–	6
Depreciation (note 31)	(17)	(8)	(75)	–	(100)
NET BOOK VALUE AT THE END OF THE YEAR	328	23	168	1	520
Cost	364	38	592	2	996
Accumulated depreciation	(36)	(15)	(424)	(1)	(476)
NET BOOK VALUE AT THE END OF THE YEAR	328	23	168	1	520

Land and buildings are utilised by the group in the normal course of operations to provide services. The construction of an additional building on Erf 1956, Zwartkop Extension 7, Gauteng, was completed on 1 July 2012. This property is owner-occupied and depreciation commenced from 1 July 2012.

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.

The fair value of the land and buildings at 30 June 2015 is R413 million (2014: R413 million), as derived per an independent valuation calculated using a value-in-use methodology. The capitalisation rate used in the valuation was 8.75% and a cost to income ratio of 11%.

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of property and equipment.

2. INTANGIBLE ASSETS

R million	Group Goodwill	Group Intellectual property bonuses	Group Total
30 June 2015			
Net book value at the beginning of the year	4	106	110
Additions	–	27	27
Settlements	–	(1)	(1)
Service cost relating to intellectual property (note 31)	–	(66)	(66)
Foreign exchange adjustments	–	(2)	(2)
NET BOOK VALUE AT THE END OF THE YEAR	4	64	68
Cost	4	178	182
Accumulated amortisation	–	(114)	(114)
NET BOOK VALUE AT THE END OF THE YEAR	4	64	68
30 June 2014			
Net book value at the beginning of the year	4	39	43
Additions	–	115	115
Service cost relating to intellectual property (note 31)	–	(48)	(48)
NET BOOK VALUE AT THE END OF THE YEAR	4	106	110
Cost	4	199	203
Accumulated amortisation	–	(93)	(93)
NET BOOK VALUE AT THE END OF THE YEAR	4	106	110

Goodwill is derived from investments in subsidiaries. Goodwill is tested annually for any possible impairment. During the year under review no impairment of goodwill was identified.

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

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of intangible assets.

	Group	
R million	2015	2014
3. INVESTMENTS IN ASSOCIATES		
Shares at cost	10 815	9 548
Treasury shares	(120)	(60)
Equity accounted reserves	3 368	2 094
INVESTMENTS IN ASSOCIATES	14 063	11 582
Analysis of the movement in the carrying value of associates:		
Balance at the beginning of the year	11 582	10 442
Additional acquisition of associates	1 267	24
Treasury shares	(60)	(42)
Equity accounted earnings for the year	2 146	1 776
Dividends received for the year	(1 027)	(733)
Share of other reserves of associates	155	115
BALANCE AT THE END OF THE YEAR	14 063	11 582
Carrying value comprises:		
Discovery Limited	7 869	5 292
MMI Holdings Limited	6 107	6 212
OUTsurance Insurance Company of Namibia Limited	33	26
Truffle Capital Proprietary Limited	23	22
HCV Underwriting Managers Proprietary Limited	14	13
CIB Insurance Administrators Proprietary Limited	13	13
Cyan Capital Proprietary Limited	4	4
TOTAL CARRYING VALUE	14 063	11 582
Market value of listed associates		
Discovery Limited	20 481	14 383
MMI Holdings Limited	11 849	10 302
TOTAL MARKET VALUE OF LISTED ASSOCIATES	32 330	24 685

3. INVESTMENTS IN ASSOCIATES *continued*

	Group 2015	Group 2014
The group's interests in associates are as follows:		
Discovery Limited – Number of shares	161 944 576	148 048 168
Discovery Limited – % of equity*	25.7	25.8
MMI Holdings Limited – Number of shares	392 988 075	392 465 075
MMI Holdings Limited – % of equity*	25.2	25.2
OUTsurance Insurance Company of Namibia Limited – Number of shares	49	49
OUTsurance Insurance Company of Namibia Limited – % of equity	49.0	49.0
Truffle Capital Proprietary Limited – Number of shares	58	58
Truffle Capital Proprietary Limited – % of equity	23.4	23.4
HCV Underwriting Managers Proprietary Limited – Number of shares	90	90
HCV Underwriting Managers Proprietary Limited – % of equity	30.0	30.0
CIB Insurance Administrators Proprietary Limited – Number of shares	935	935
CIB Insurance Administrators Proprietary Limited – % of equity	10.4	10.4
Cyan Capital Proprietary Limited – Number of shares	935	935
Cyan Capital Proprietary Limited – % of equity	10.4	10.4

* *After consolidation of share trusts.*

The group is believed to exercise significant influence over CIB Insurance Administrators Proprietary Limited and Cyan Capital Proprietary Limited through board representation, notwithstanding the fact that it only owns 10.4% of the issued share capital of these two companies.

Further details of significant associates are disclosed in note 42.

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of investments in associates.

R million	Group 2015	Group 2014
4. FINANCIAL ASSETS – EQUITY AND DEBT SECURITIES		
The group's equity and debt securities are summarised by measurement category below:		
Available-for-sale	1 306	1 265
– Equity	746	725
– Debt	560	540
Fair value through profit or loss	6 858	5 500
– Equity	2 172	2 104
– Debt	4 686	3 396
Held-to-maturity – Debt	78	79
TOTAL FINANCIAL ASSETS – EQUITY AND DEBT SECURITIES	**8 242**	**6 844**
Current portion of equity and debt securities	5 776	4 477
The assets included in each of the categories above are detailed below:		
Available-for-sale financial assets		
Equity securities		
– Listed shares	242	176
– Listed preference shares	504	549
TOTAL EQUITY SECURITIES	**746**	**725**
Debt securities		
– Unlisted preference shares	560	540
TOTAL AVAILABLE-FOR-SALE EQUITY AND DEBT SECURITIES	**1 306**	**1 265**

The unlisted preference share investments are held to redemption and are carried at fair value. Carrying value is original cost plus accrued dividends, which equals fair value. Accrued dividends are disclosed in loans and receivables (note 6). To mitigate credit risk, the unlisted preference share investments are secured by put options to the major South African banks.

Listed preference shares are carried at fair value, as determined by current quoted market bid prices.

4. FINANCIAL ASSETS – EQUITY AND DEBT SECURITIES *continued*

R million	Group 2015	Group 2014
Financial assets at fair value through profit or loss		
Equity securities		
– Listed		
– Designated upon initial recognition	2 143	2 070
– Unlisted		
– Designated upon initial recognition	29	34
TOTAL EQUITY SECURITIES	2 172	2 104
Debt securities		
– Collective investment scheme assets	–	543
– Money market instruments	2 171	1 633
– Listed		
– Designated upon initial recognition		
– Variable rate	1 211	788
– Fixed rate	1 304	432
TOTAL DEBT SECURITIES	4 686	3 396
TOTAL EQUITY AND DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	6 858	5 500

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.

Listed preference shares classified at fair value through profit or loss are designated in this category upon initial recognition.

Listed debt securities represent South African government issued interest securities and other listed interest securities on the Bond Exchange of South Africa (BESA). The carrying amount represents the quoted bid prices at the close of business on the last business day of the financial year. Debt securities classified at fair value through profit or loss are designated in this category upon initial recognition.

R million	Group 2015	Group 2014
Held-to-maturity assets		
Debt securities – Interest-bearing instruments	78	79

Financial assets held-to-maturity are reflected in the group's statement of financial position at amortised cost. The carrying amount approximates the fair value, based on the nature of the asset. The asset would be viewed as a level 1 instrument in terms of the fair value hierarchy described in note 45.

At the year-end, other interest-bearing instruments included an inflation-linked annuity issued by the South African National Road Fund for the building of the N3 toll road.

The cash flow stream pays quarterly CPI (metropolitan and other urban areas) adjusted annuities in February, May, August and November of each year up to November 2024. The inflation-linked cash flow stream is carried at cost plus interest, amortised at the real effective yield of 8.05% per annum and is adjusted for changes in the CPI (metropolitan and other urban areas). The carrying amount is reduced by the cash flows received. The held-to-maturity value approximates fair value due to the adjustment for change in the CPI.

Refer to note 45 for information relating to the fair value of investment securities.

4. FINANCIAL ASSETS – EQUITY AND DEBT SECURITIES *continued*

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

R million	Available-for-sale	Fair value through profit or loss	Held-to-maturity	Total
30 June 2015				
Financial assets at the beginning of the year	1 265	5 500	79	6 844
Additions (including net interest accruals)	117	6 152	–	6 269
Interest accrued at the effective yield on held-to-maturity assets	–	–	10	10
Disposals (sales and redemptions)	(93)	(4 890)	(11)	(4 994)
Net fair value gains				
– Recognised in the income statement	–	96	–	96
– Recognised in equity	17	–	–	17
FINANCIAL ASSETS AT THE END OF THE YEAR	1 306	6 858	78	8 242
30 June 2014				
Financial assets at the beginning of the year	1 129	6 564	79	7 772
Additions (including net interest accruals)	100	4 892	–	4 992
Disposals (sales and redemptions)	(5)	(6 636)	–	(6 641)
Net fair value gains				
– Recognised in the income statement	–	680	–	680
– Recognised in equity	41	–	–	41
FINANCIAL ASSETS AT THE END OF THE YEAR	1 265	5 500	79	6 844

5. DERIVATIVE ASSET

	Group	
R million	2015	2014
Held for trading		
– Equity derivative		
– Over the counter		
– Swap	46	17
Notional value	156	153

The derivative is an economic hedge but does not meet the qualifying criteria for hedge accounting and is managed in conjunction with the liability (see note 19), which is fair valued. The notional amount of the derivative does not necessarily indicate the future cash flow involved or the current fair value of the instrument and therefore does not represent the group's exposure to credit or market risk. The derivative instrument becomes favourable (asset) or unfavourable (liability) based on changes in share prices and counterparty credit risk. The aggregate notional amount and fair value of derivative financial instruments can fluctuate over time.

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of the derivative asset.

	Group	
R million	2015	2014
6. LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES		
Receivables arising from insurance and reinsurance contracts:		
– Due from policyholders	1 977	1 522
– Due from agents, brokers and intermediaries	–	8
– Due from reinsurers	120	225
Other receivables:		
– Accrued investment income	52	175
– Receivables in respect of disposal of bonds	–	969
– Other receivables and prepayments	169	179
TOTAL LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES	2 318	3 078

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.

Loans and receivables are considered current assets. None of the loans and receivables listed above are considered to be past due or impaired.

Included in loans and receivables are amounts due by related parties. Refer to note 39 for further details thereof.

The carrying amount of loans and receivables approximates the fair value, based on the nature of this asset. Loans and receivables would be viewed as a level 2 instrument in terms of the fair value hierarchy described in note 45.

	Group	
R million	2015	2014
7. DEFERRED ACQUISITION COST (DAC)		
Balance at the beginning of the year	357	250
DAC raised	856	657
DAC charged to the income statement	(828)	(580)
Foreign exchange movement	(23)	30
BALANCE AT THE END OF THE YEAR	362	357

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of the deferred acquisition cost asset.

	Group	
R million	2015	2014
8. INSURANCE AND REINSURANCE CONTRACTS		
Gross insurance contracts		
Short-term insurance contracts		
– Outstanding claims provision	1 820	1 275
– Claims incurred but not reported	678	447
– Unearned premiums	4 088	3 446
– Unexpired risk provision	336	345
– Insurance contract cash bonuses	405	382
Total short-term insurance contracts	7 327	5 895
Long-term insurance contracts	142	53
TOTAL GROSS INSURANCE LIABILITIES	7 469	5 948
Recoverable from reinsurers		
Short-term insurance contracts		
– Outstanding claims provision	(512)	(204)
– Claims incurred but not reported	(183)	(33)
– Unearned premiums	(49)	(19)
– Insurance contract cash bonuses	(3)	–
Total short-term insurance contracts	(747)	(256)
Long-term insurance contracts	(85)	(45)
TOTAL RECOVERABLE FROM REINSURERS	(832)	(301)
Net insurance contracts		
Short-term insurance contracts		
– Outstanding claims provision	1 308	1 071
– Claims incurred but not reported	495	414
– Unearned premiums	4 039	3 427
– Unexpired risk provision	336	345
– Insurance contract cash bonuses	402	382
Total short-term insurance contracts	6 580	5 639
Long-term insurance contracts	57	8
TOTAL NET INSURANCE LIABILITIES	6 637	5 647

8. INSURANCE AND REINSURANCE CONTRACTS *continued*

Analysis of movement in short-term insurance contract liabilities:

	Group		
R million	Gross	Re-insurance	Net
8.1 ANALYSIS OF MOVEMENT IN CLAIMS RESERVES			
30 June 2015			
Opening balance			
– Outstanding claims provision	1 275	(204)	1 071
– Claims incurred but not reported	447	(33)	414
TOTAL	1 722	(237)	1 485
Current year			
– Claims incurred	6 836	(976)	5 860
– Claims paid	(5 536)	516	(5 020)
Prior year			
– Claims incurred	81	4	85
– Claims paid	(883)	182	(701)
Movement in incurred but not reported	222	(150)	72
Change in risk margin	76	(39)	37
Change in claims handling cost	25	–	25
Foreign exchange movement	(45)	5	(40)
Closing balance			
– Outstanding claims provision	1 820	(512)	1 308
– Claims incurred but not reported	678	(183)	495
BALANCE AT THE END OF THE YEAR	2 498	(695)	1 803
30 June 2014			
Opening balance			
– Outstanding claims provision	1 128	(209)	919
– Claims incurred but not reported	460	(20)	440
TOTAL	1 588	(229)	1 359
Current year			
– Claims incurred	5 327	(503)	4 824
– Claims paid	(5 051)	281	(4 770)
Prior year			
– Claims incurred	89	(11)	78
– Claims paid	(252)	236	(16)
Movement in incurred but not reported	(24)	(9)	(33)
Change in risk margin	(27)	(1)	(28)
Change in claims handling cost	19	–	19
Foreign exchange movement	53	(1)	52
Closing balance			
– Outstanding claims provision	1 275	(204)	1 071
– Claims incurred but not reported	447	(33)	414
BALANCE AT THE END OF THE YEAR	1 722	(237)	1 485

R million	Group Gross	Group Re-insurance	Group Net
8. INSURANCE AND REINSURANCE CONTRACTS *continued*			
8.2 ANALYSIS OF MOVEMENT IN UNEARNED PREMIUM PROVISION			
30 June 2015			
Balance at the beginning of the year	3 446	(19)	3 427
Charge to profit and loss for the year	807	(30)	777
Foreign exchange movement	(165)	–	(165)
BALANCE AT THE END OF THE YEAR	4 088	(49)	4 039
30 June 2014			
Balance at the beginning of the year	2 548	(38)	2 510
Charge to profit and loss for the year	708	22	730
Foreign exchange movement	190	–	190
Portfolio transfer in	–	(3)	(3)
BALANCE AT THE END OF THE YEAR	3 446	(19)	3 427

R million	Group 2015	Group 2014
8.3 ANALYSIS OF CHANGE IN UNEXPIRED RISK PROVISION		
Balance at the beginning of the year	345	292
Charge to profit and loss for the year	(9)	53
BALANCE AT THE END OF THE YEAR	336	345
8.4 ANALYSIS OF MOVEMENT IN INSURANCE CONTRACT CASH BONUSES		
Balance at the beginning of the year	382	373
Cash bonuses paid during the year	(295)	(292)
Charge to profit and loss for the year	315	301
BALANCE AT THE END OF THE YEAR	402	382

8. INSURANCE AND REINSURANCE CONTRACTS *continued*

8.5 ANALYSIS OF MOVEMENT IN LONG-TERM INSURANCE CONTRACT LIABILITIES

The policyholder liability represents the present value of the expected cash outflows 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.

	Group				
R million	Gross long-term insurance contract liabilities	Reinsurer's share of policy-holder liabilities	Net long-term insurance contract liabilities	Deferral of acquisition costs	Net long-term insurance contract liabilities including deferral of acquisition costs
30 June 2015					
Balance at the beginning of the year	139	(45)	94	(86)	8
Transfer of outstanding claims reserve to insurance liability	19	(11)	8	–	8
Transfer to policyholder liabilities under insurance contracts	103	(29)	74	(33)	41
Unwind of discount rate	61	(14)	47	–	47
Experience variance	10	(2)	8	–	8
Modelling methodology changes	11	(5)	6	–	6
Change in non-economic assumptions	(16)	6	(10)	–	(10)
Change in economic assumptions	6	–	6	–	6
New business	21	(13)	8	–	8
Incurred but not reported claims	1	–	1	–	1
Change in outstanding claims reserve	9	(1)	8	–	8
Deferral of acquisition costs	–	–	–	(33)	(33)
BALANCE AT THE END OF THE YEAR	**261**	**(85)**	**176**	**(119)**	**57**
30 June 2014					
Balance at the beginning of the year	54	(8)	46	(58)	(12)
Transfer to policyholder liabilities under insurance contracts	85	(37)	48	(28)	20
Unwind of discount rate	26	(2)	24	–	24
Experience variance	11	–	11	–	11
Modelling methodology changes	(11)	(1)	(12)	–	(12)
Change in non-economic assumptions	23	(19)	4	–	4
New business	36	(15)	21	–	21
Deferral of acquisition costs	–	–	–	(28)	(28)
BALANCE AT THE END OF THE YEAR	139	(45)	94	(86)	8

8. INSURANCE AND REINSURANCE CONTRACTS *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 to a 10% increase or decrease in the following components of this liability, net of reinsurance:

30 June 2015

	Group		
R million	Short-term insurance contract liability	10% increase	10% decrease
Incurred but not reported provision	6 580	50	(50)
Unexpired risk provision	6 580	34	(34)
Insurance contract cash bonus provision	6 580	40	(40)

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, 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 are not eliminated in order to derive sensitivity stresses, which are more closely aligned with economic reality.

	Group		
	Impact on liability		
	Change in variable	Increase in variable R million	Decrease in variable R million
Lapses	10%	(35)	46
Investment return	1%	(31)	48
Mortality, morbidity, disability, retrenchment	10%	102	(104)
Mortality, morbidity, disability, retrenchment	5%	51	(52)
Expenses	10%	32	(32)

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of the reinsurance contracts asset and insurance contracts liability.

R million	Group 2015	Group 2014
9. DEFERRED TAXATION		
Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and when the deferred income taxes relate to the same fiscal authority.		
Deferred taxation assets		
Provisions	271	208
Profit accrual	8	–
Fair value adjustment	8	–
Payment received in advance	2	–
Assessed loss	47	139
Service cost on employee benefits	6	7
Operating lease charges	–	3
Special transfer credit	4	5
Difference between accounting and tax values of assets	2	1
TOTAL DEFERRED TAXATION ASSETS	348	363
Deferred taxation liabilities set-off in same legal entities	(132)	(131)
TOTAL DEFERRED TAXATION ASSETS DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION	216	232
Deferred taxation liabilities		
Deferred acquisition costs	(100)	(100)
Available-for-sale financial assets	(19)	(16)
Deferred expenditure immediately deductible	(6)	(12)
Special transfer credit	(5)	–
Prepayments	(2)	(3)
Imputation of controlled foreign company	(51)	(307)
Other deferred taxation liability	(29)	(72)
TOTAL DEFERRED TAXATION LIABILITIES	(212)	(510)
Deferred taxation liabilities set-off in same legal entities	132	131
TOTAL DEFERRED TAXATION LIABILITIES DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION	(80)	(379)

R million	Group 2015	Group 2014
9. DEFERRED TAXATION *continued*		
Reconciliation of movement		
Deferred taxation asset at the beginning of the year	363	397
Deferred taxation credit/(charge) for the year	2	(67)
Foreign exchange movement	(19)	33
Transfer to share-based payment reserve	2	–
TOTAL DEFERRED TAXATION ASSET AT THE END OF THE YEAR	348	363
Deferred taxation liabilities set-off in same legal entities	(132)	(131)
TOTAL DEFERRED TAXATION ASSETS DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION	216	232
Deferred taxation liability at the beginning of the year	(510)	(239)
Deferred taxation credit/(charge) for the year	294	(246)
Available-for-sale financial assets	(3)	(16)
Foreign exchange movement	7	(9)
TOTAL DEFERRED TAXATION LIABILITIES AT THE END OF THE YEAR	(212)	(510)
Deferred taxation liabilities set-off in same legal entities	132	131
TOTAL DEFERRED TAXATION LIABILITIES DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION	(80)	(379)

The group reviews the carrying amount of deferred taxation 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.

The group has recognised a deferred taxation asset on the assessed loss in Youi Holdings Proprietary Limited of R105 million (2014: R387 million) as it is expected that it will be recovered against future profits.

A deferred taxation asset relating to the start-up loss incurred by Youi New Zealand has not been recognised due to the short trading history of the business. The deferred taxation asset will be recognised once reasonable certainty exists that the loss is recoverable against future profit. The deferred taxation asset for the current financial year that has not been recognised is R42 million.

A deferred taxation asset relating to the individual policyholder fund in OUTsurance Life amounting to R176 million (2014: R125 million) has not been recognised.

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of the deferred taxation asset and liability.

	Group	
R million	2015	2014
10. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	1 313	1 112
Short-term bank deposits	787	665
Money market investments	3 512	2 927
Advances made under resale agreements	21	21
TOTAL CASH AND CASH EQUIVALENTS	5 633	4 725

Cash and cash equivalents represent current accounts, call deposits and short-term fixed deposits with large banks in South Africa, Australia, Ireland and Mauritius, or listed South African government bonds acquired by the group under resale agreements. The short-term deposits with banks are spread among these banks to reduce the credit risk exposure. Since all short-term deposits and listed South African government bonds under resale agreements will be held to maturity, it is carried at cost plus accrued interest. This carrying value approximates fair value.

Included in money market investments are deposits with a term to maturity of less than three months.

Advances made under resale agreements are collateralised by listed bond investments, which are South African government issued interest securities held under short duration resale agreements. At 30 June 2015, the group held a nominal value of R9 million R202 bonds at an effective yield to maturity of 1.8% (2014: R27 million R214 bonds at an effective yield to maturity of 9.1%). During the year, the average yield earned on bonds under resale agreements amounted to 5.8% (2014: 5.1%).

11. SHARE CAPITAL AND SHARE PREMIUM

R million	Number of shares	Ordinary shares*	Share premium	Treasury shares	Total
30 June 2015					
Balance at the beginning of the year	1 483	–	13 657	(65)	13 592
Movement in treasury shares	(2)	–	–	(66)	(66)
BALANCE AT THE END OF THE YEAR	1 481	–	13 657	(131)	13 526
30 June 2014					
Balance at the beginning of the year	1 484	–	13 657	(25)	13 632
Movement in treasury shares	(1)	–	–	(40)	(40)
BALANCE AT THE END OF THE YEAR	1 483	–	13 657	(65)	13 592

** Amounts less than R1 million.*

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 is 1 485 688 346 shares, issued at a premium of R9.1926 per share. The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting. There has been no change to the authorised or issued number of ordinary shares during the current or previous financial year.

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 648 001 (2014: 648 001 after redeeming 200 500 of these preference shares during the 2014 financial year). As these preference shares are redeemable they are classified as financial liabilities at amortised cost (note 15).

During the 2015 financial year, the company created a new class of 100 000 000 authorised, cumulative, redeemable, no par value preference shares. The issued number of no par value preference shares is 1 250 000 (2014: nil). As these preference shares are redeemable, they are classified as financial liabilities at amortised cost (note 15).

TREASURY SHARES

The life insurance businesses of the associates and a subsidiary 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 2015 was 3 895 522 (2014: 2 360 513).

	Group	
	2015	2014
Number of treasury shares held at 30 June (million)	4	2
Weighted number of treasury shares held during the year (million)	3	2
Cost of treasury shares held at 30 June (R million)	131	65
Fair value adjustment (R million)	34	12
FAIR VALUE OF TREASURY SHARES	165	77
The treasury sharers are eliminated from the weighted number of shares in issue for the purposes of calculating earnings per share (note 36) and headline earnings per share (note 37):		
Weighted number of issued shares (million)	1 486	1 486
Less: Weighted number of treasury shares (million)	(3)	(2)
WEIGHTED NUMBER OF SHARES IN ISSUE (million)	1 483	1 484

R million	Group 2015	Group 2014
12. RESERVES		
Distributable reserves		
Retained earnings	2 046	1 525
Equity accounted reserves		
Balance at the beginning of the year	2 094	935
Income from associates retained	1 119	1 043
Other comprehensive income	152	108
Treasury shares	11	7
Non-distributable reserves	(8)	1
TOTAL EQUITY ACCOUNTED RESERVES	3 368	2 094
Transactions with non-controlling interests	(2 017)	(2 076)
Other reserves		
Retained income transferred due to dilutionary effect of share issue by subsidiary	–	55
Currency translation reserve	122	240
Available-for-sale reserve	58	47
Share-based payments reserve	2	1
TOTAL OTHER RESERVES	182	343
TOTAL RESERVES	3 579	1 886
13. SHARE-BASED PAYMENT LIABILITY		
Cash-settled share-based payment liability	182	145
Balance at the beginning of the year	145	50
Charge for the year	121	122
Liability settled	(84)	(27)
BALANCE AT THE END OF THE YEAR	182	145
Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of the share-based payment liability.		
The income statement charge for share-based payments comprise:		
Equity-settled scheme	(1)	(2)
Cash-settled scheme	(121)	(122)
TOTAL SHARE-BASED PAYMENT EXPENSE	(122)	(124)

13. SHARE-BASED PAYMENT LIABILITY *continued*

RMI

RMI operates a share scheme as part of its remuneration philosophy, which tracks the company's share price and settles in cash. It also operated an equity-settled scheme for the deferral of bonuses.

RMI 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.

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.

DEFERRED BONUS

The deferred bonus scheme grants the executive director full free shares, which vest over a period of two years. The last tranche of this equity-settled scheme vested in September 2014.

Valuation methodology:

The deferred bonus is valued using the Cox Rubenstein binomial tree. The scheme is equity-settled and will thus not be repriced at each reporting date.

Market and dividend data consist of the following:

- Volatility is the expected volatility over the period of the plan. 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 plan.
- A fixed dividend yield was assumed, based on the average historic dividend yield over a similar period.

Employee statistic assumptions:

- No forfeiture rate is used due to the short duration of the scheme.

Details of share appreciation rights of Mr Bosman and Mr Cooper and the shares in respect of Mr Cooper's deferred bonus are provided on page 84.

13. SHARE-BASED PAYMENT LIABILITY *continued*

OUTSURANCE

The various share schemes are as follows:

- OUTsurance cash-settled share scheme
- Youi Holdings equity-settled share scheme

In addition to the above schemes, the group also operated an equity-settled scheme. This scheme ran off on 30 June 2014 and has been replaced by the OUTsurance cash-settled scheme.

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

OUTSURANCE CASH-SETTLED SHARE SCHEME

In terms of the current trust deed, 12% of the issued share capital of the company is available to the employees under the scheme. The trust and employees currently hold 10.2% (2014: 10.2%) of the shares in OUTsurance.

Under the cash-settled scheme, participants receive notional shares, which have a value equal to the market value of an OUTsurance 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 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 is not listed, expected volatility is derived with reference to comparable listed companies for a historic period matching the duration of the option.
- the risk-free interest rate input is derived from zero-coupon 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 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.

13. SHARE-BASED PAYMENT LIABILITY *continued*

YOUI HOLDINGS EQUITY-SETTLED SHARE SCHEME

The Youi Holdings employee share option plan was established in 2008. In terms of the plan rules, 20% of the issued share capital of the company is available under the plan for the granting of options to employees. Options issued before 1 July 2011 were fully expensed in prior years in terms of *IFRS 2*. These options vest immediately and expire on 30 June 2018. Share options are settled by the delivery of Youi Holdings Proprietary Limited shares.

Valuation methodology:

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

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

The option duration is the number of years before the options expire, adjusted for a historical rate of early exercise. Options are granted for no consideration and vest immediately, with all options expiring on 30 June 2018.

Market data consists of the following:

- Since Youi Holdings is not listed, expected volatility is derived with reference to comparable listed companies for an 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. Given the start-up phase of the business, no dividend history is available.

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.

RMBSI

The RMB-SI Investments Share Trust (the RMBSI trust) was created to give certain employees the opportunity to acquire shares in RMBSI.

Granting of share options to certain employees is at the discretion of the remuneration committee.

RMBSI issues shares to the trust with every offer to the beneficiaries. The maximum number of scheme shares shall not exceed 10% of the issued ordinary shares capital of RMBSI.

The sale of the shares between the trust and the beneficiary arising from the exercise of the option in respect of those shares may only be implemented as follows:

- up to 33.3% of the total shares which were the subject of the option and which have been exercised after the third year from the option date.
- up to 66.7% of the total shares which were the subject of the option and which have been exercised after the fourth year from the option date.
- up to 100% of the total shares which were the subject of the option and which have been exercised after the fifth year from the option date.

13. SHARE-BASED PAYMENT LIABILITY *continued*

The table below summarises the options issued under the various schemes as at 30 June 2015:

	RMI	OUTsurance equity-settled	OUTsurance cash-settled	Youi equity-settled	RMBSI
Number of options at the beginning of the year (000's)	3 412	6 197	60 750	286 974	6 325
Range of strike prices of opening balances (cents)	0 – 2 874	174 – 184	222 – 333	AUS$ 0.10	88 – 183
Number of options granted during the year (000's)	1 862	–	18 912	8 550	–
Strike price of options granted during the year (cents)	0 – 3 314	–	557	AUS$ 0.3718	–
Number of options delivered during the year (000's)	(590)	(6 197)	(20 850)	(1 425)	(861)
Range of strike prices on date of delivery (cents)	0 – 1 309	174 – 184	222	AUS$ 0.10	88 – 183
Number of options cancelled/forfeited during the year (000's)	–	–	(265)	–	–
Range of strike prices of forfeited options (cents)	–	–	330 – 557	–	–
Number of options in force at the end of the year	4 684	–	58 547	294 099	5 464
Range of strike prices of closing balances	0 – 3 314	–	280 – 557	AUS$ 0.10 – AUS$ 0.3718	183

The table below summarises the options issued under the various schemes as at 30 June 2014:

	RMI	OUTsurance equity-settled	OUTsurance cash-settled	Youi equity-settled	RMBSI
Number of options at the beginning of the year (000's)	1 349	21 229	58 334	407 969	9 202
Range of strike prices of opening balances (cents)	0 – 2 028	154 – 174	194 – 280	AUS$ 0.10	88 – 183
Number of options granted during the year (000's)	2 110	–	25 700	9 000	–
Strike price of options granted during the year (cents)	2 645 – 2 874	–	333	AUS$ 0.10	–
Number of options delivered during the year (000's)	(47)	(14 665)	(19 925)	(129 995)	(1 729)
Range of strike prices on date of delivery (cents)	–	154 – 184	333	AUS$ 0.10	88 – 183
Number of options cancelled/forfeited during the year (000's)	–	(367)	(3 359)	–	(1 148)
Range of strike prices of forfeited options (cents)	–	174	194 – 333	–	88 – 183
Number of options in force at the end of the year	3 412	6 197	60 750	286 974	6 325
Range of strike prices of closing balances	0 – 2 874	174 – 184	222 – 333	AUS$ 0.10	88 – 183

R million	Group 2015	Group 2014
14. CONVERTIBLE DEBENTURES		
Convertible debentures in issue	15	15

The debentures are unsecured and subordinated and can be converted at the option of the debenture holders to non-redeemable preference shares on 30 June or 31 December of any year and are compulsorily convertible to non-redeemable preference shares of R1 each on 30 June 2022. The effective net cost incurred on these instruments amounts to 1.5% per annum. The fair value approximates the carrying value.

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of the convertible debentures.

R million	Group 2015	Group 2014
15. PREFERENCE SHARES		
Unlisted		
Fixed rate, cumulative, redeemable par value preference shares issued by the company	648	349
Fixed rate, cumulative, redeemable no par value preference shares issued by the company	1 250	–
Variable rate, cumulative, redeemable par value preference shares issued by the company	–	299
Cumulative, redeemable preference shares issued by a subsidiary	118	83
TOTAL PREFERENCE SHARES	2 016	731

The fair value of the unlisted preference share liability is R2 016 million (2014: R746 million).

The current portion of preference shares is Rnil (2014: Rnil).

Fixed rate, cumulative, redeemable par value preference shares

The company's issued number of fixed rate, cumulative, redeemable, par value preference shares is 648 001 (2014: 349 000), with a par value of R0.0001 each. The share premium is R999.9999 per share. These preference shares are redeemable at the discretion of the company at any time, compulsorily redeemable on 22 August 2017 and pay dividends at a fixed rate of 6.89% (2014: 9.14%) six-monthly.

The company converted its 299 001 issued variable rate, cumulative, redeemable, par value preference shares into fixed rate, cumulative, redeemable par value preference shares during the 2015 financial year. These preference shares pay dividends at a fixed rate of 6.89% (2014: variable rate of 80.85% of the prime interest rate) six-monthly.

R million	Group 2015	Group 2014
Balance at the beginning of the year	349	550
Conversion of variable rate preference shares into fixed rate preference shares	299	–
Preference shares redeemed during the year	–	(201)
BALANCE AT THE END OF THE YEAR	648	349

R million	Group 2015	Group 2014
15. PREFERENCE SHARES *continued*		
Fixed rate, cumulative, redeemable no par value preference shares		
The company issued 1 250 000 fixed rate, cumulative, redeemable, no par value preference shares during the 2015 financial year. These preference shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 29 May 2018 and pay dividends at a fixed rate of 7.02% six-monthly.		
Fixed rate, cumulative, redeemable no par value preference shares issued during the year	1 250	–
Variable rate, cumulative, redeemable par value preference shares		
Balance at the beginning of the year	299	299
Conversion of variable rate preference shares into fixed rate preference shares	(299)	–
BALANCE AT THE END OF THE YEAR	–	299
Variable rate, cumulative, redeemable preference shares issued by a subsidiary		
Balance at the beginning of the year	83	63
Preference shares issued during the year	35	20
BALANCE AT THE END OF THE YEAR	118	83

A subsidiary has 100 000 authorised variable rate, cumulative, redeemable preference shares of 1 cent each, of which 612 (2014: 582) have been issued.

The variable rate, cumulative, redeemable preference shares are redeemable at the discretion of the directors of the subsidiary company.

The holders of the variable rate, cumulative, redeemable preference shares have no voting rights at any meeting of the subsidiary company, unless dividends payable on these shares are in arrears, the redemption payment of any capital is in arrears, or if a resolution is passed which affects the rights attached to the preference shares, or where the subsidiary company proposes to dispose of a material portion of its assets.

These preference shares have been issued to certain policyholders to meet the capital requirements of their business units. Shares issued to policyholders may also entitle the policyholders to participate in the operating result of their business units, distributed as dividends. The dividends paid are included in finance costs in the income statement.

	Group	
R million	2015	2014
16. INTEREST-BEARING LOANS		
Secured bank borrowing originated by the group at amortised cost	4	4
During the year interest accrued at an average rate of 6.5% (2014: 6.5%) per annum. The borrowing is refinanced on a regular basis. Unutilised credit facilities of the subsidiary at 30 June 2015 amounted to R400 million (30 June 2014: R400 million).		
Balance at the beginning of the year	4	19
Repaid	–	(15)
BALANCE AT THE END OF THE YEAR	4	4
The full amount is viewed as current and therefore the carrying value approximates the fair value of this liability. Interest-bearing loans would be viewed as a level 2 instrument in terms of the fair value hierarchy described in note 45.		
17. POLICYHOLDERS' INTEREST		
Balance at the beginning of the year	1 448	1 176
Transfer from profit and loss	97	272
BALANCE AT THE END OF THE YEAR	1 545	1 448
An analysis of revenue reserves is made between retained earnings attributable to shareholders and policyholders. The policyholders' interest represents the accumulated profit or loss after tax and dividends attributable to policyholders. Due to the short-term nature of this liability, the carrying value approximates the fair value.		
Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of the policyholders' interest.		
18. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		
Shareholders for preference dividends on profit shares	107	105

Financial liabilities at fair value through profit or loss relate to the preference shares issued by OUTsurance Insurance Company Limited for various profit sharing arrangements on ring-fenced insurance business. Profits arising from these arrangements are distributed by way of bi-annual preference dividends payable in February and August each year. The preference dividend attributable to the profit share for the year is recognised in the income statement 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.

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of the financial liabilities at fair value through profit or loss.

	Group	
R million	2015	2014
19. DERIVATIVE LIABILITY		
Held for trading		
– Equity derivative		
– Over the counter		
– Swap	36	20
Notional value	90	86

The derivative is an economic hedge but does not meet the qualifying criteria for hedge accounting and is managed in conjunction with the asset (see note 5), which is fair valued. The notional amount of the derivative does not necessarily indicate the future cash flow involved or the current fair value of the instrument and therefore does not represent the group's exposure to credit or market risk. The derivative instrument becomes favourable (asset) or unfavourable (liability) based on changes in share prices and counterparty credit risk. The aggregate notional amount and fair value of derivative financial instruments can fluctuate over time.

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of the derivative liability.

R million	2015	2014
20. INVESTMENT CONTRACTS		
Balance at the beginning of the year	1 381	1 358
Premiums received	3	5
Claims paid	(48)	(53)
Fees deducted from account balances	(1)	(1)
Fair value movement debited to profit and loss (note 29)	82	287
Terminations during the year	–	(215)
BALANCE AT THE END OF THE YEAR	1 417	1 381

Investment contracts were designated upon initial recognition as at fair value through profit or loss. The liabilities originated from unit-linked contracts and are measured with reference to their respective underlying assets. Changes in the credit risk of the entity do not impact the measurement of the unit-linked liabilities.

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of the investment contracts.

R million	2015	2014
21. DEFERRED ACQUISITION REVENUE		
Balance at the beginning of the year	5	8
Amount recognised in the income statement	(2)	(3)
BALANCE AT THE END OF THE YEAR	3	5

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of the deferred acquisition revenue.

	Group	
R million	2015	2014
22. PROVISIONS		
Short-term employee benefits		
Staff incentive bonus		
Balance at the beginning of the year	54	35
Additional provisions	75	38
Unutilised amounts reversed	(14)	(1)
Amount utilised during the year	(60)	(18)
BALANCE AT THE END OF THE YEAR	55	54

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 bonuses become payable.

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

	Group	
R million	2015	2014
23. INSURANCE AND OTHER PAYABLES		
Insurance related payables		
Outstanding long-term insurance claims	–	18
Profit participation payable to clients	31	2
Due to intermediaries	4	4
Due to reinsurers	297	325
Other payables	8	4
Non-insurance related payables		
Trade creditors and accrued expenses	221	171
Short-term employee benefits – Leave pay liability	107	86
Redeemable preference share dividends payable	31	13
VAT liability	45	44
Other payables	527	463
TOTAL INSURANCE AND OTHER PAYABLES	1 271	1 130

Uncertainty exists relating to the timing and extent of cash flows from the leave pay liability. The outstanding balance represents the current value of leave due to employees currently in the employ of companies within the group.

Refer to the management of liquidity risk note on page 136 for the current and non-current analysis of the trade and other payables.

	Group	
R million	2015	2014
24. NET INSURANCE PREMIUMS EARNED		
Short-term insurance contracts		
– Premiums written	13 228	11 135
– Policyholders' fees written	130	118
– Change in unearned premium provision	(807)	(707)
Long-term insurance contracts		
– Premiums written	322	246
– Policyholders' fees written	12	9
PREMIUM REVENUE ARISING FROM INSURANCE CONTRACTS ISSUED	12 885	10 801
Short-term insurance contracts		
– Premiums payable	(1 156)	(739)
– Change in unearned premium provision	30	(22)
Long-term insurance contracts		
– Premiums payable	(21)	(20)
PREMIUM REVENUE CEDED TO REINSURERS ON INSURANCE CONTRACTS ISSUED	(1 147)	(781)
NET INSURANCE PREMIUMS EARNED	11 738	10 020
25. FEE AND OTHER INCOME		
Policy administration and asset management services on investment contracts	1	1
Commission earned from reinsurers, net of deferred acquisition revenue	223	126
Other income	88	11
TOTAL FEE AND OTHER INCOME	312	138
Policy fees are monthly or annual fees charged for the administration of policies. Collection fees are charged for the electronic collection of premiums and take-on fees are administration fees charged for new clients.		
Other fee income was received for underwriting, administration and accounting services rendered.		
26. INVESTMENT INCOME		
Available-for-sale		
– Dividend income	50	218
– Interest income	26	31
Assets at fair value through profit and loss		
– Dividend income	76	79
Held-to-maturity interest income	10	11
Cash and cash equivalents interest income	371	263
Loans and receivables interest income	27	20
Foreign currency translation gain	3	3
TOTAL INVESTMENT INCOME	563	625

R million	Group 2015	Group 2014
27. NET FAIR VALUE GAINS ON FINANCIAL ASSETS		
Fair value gains – Designated upon initial recognition	231	840
Fair value losses – Designated upon initial recognition	(52)	(36)
Impairment – Available-for-sale financial assets	(51)	–
NET FAIR VALUE GAINS ON FINANCIAL ASSETS	**128**	**804**
Net fair value gains comprise:		
Equity securities	143	685
– Unrealised mark-to-market	20	189
– Realised mark-to-market	123	496
Debt securities	(28)	123
– Unrealised mark-to-market	(18)	(419)
– Realised mark-to-market	41	542
– Impairment	(51)	–
Derivative instruments		
– Unrealised mark-to-market	13	(4)
TOTAL NET FAIR VALUE GAINS	**128**	**804**

R million	Group Gross	Group Re-insurance	Group Net
28. INSURANCE BENEFITS AND CLAIMS INCURRED			
30 June 2015			
Short-term insurance			
Claims paid	(7 225)	1 156	(6 069)
– Claims paid net of salvages and recoveries	(6 415)	693	(5 722)
– Change in claims reserves	(810)	463	(347)
Long-term insurance			
Claims paid	(63)	23	(40)
– Life claims	(51)	20	(31)
– Disability claims	(6)	2	(4)
– Retrenchment claims	(2)	–	(2)
– Critical illness claims	(4)	1	(3)
TOTAL INSURANCE BENEFITS AND CLAIMS INCURRED	**(7 288)**	**1 179**	**(6 109)**

R million	Group Gross	Group Re-insurance	Group Net
28. INSURANCE BENEFITS AND CLAIMS INCURRED *continued*			
30 June 2014			
Short-term insurance			
Claims paid	(5 434)	522	(4 912)
– Claims paid net of salvages and recoveries	(5 300)	514	(4 786)
– Change in claims reserves	(134)	8	(126)
Long-term insurance			
Claims paid	(39)	12	(27)
– Life claims	(8)	5	(3)
– Disability claims	(2)	–	(2)
– Retrenchment claims	(27)	7	(20)
– Critical illness claims	(2)	–	(2)
Change in provision for outstanding claims	(3)	4	1
Long-term insurance claims incurred	(42)	16	(26)
TOTAL INSURANCE BENEFITS AND CLAIMS INCURRED	(5 476)	538	(4 938)

R million	Group 2015	Group 2014
29. FAIR VALUE ADJUSTMENT TO INVESTMENT CONTRACTS		
Fair value adjustment to investment contracts	**(82)**	(287)
Benefits from unit-linked investment contracts are accrued to the account of the contract holder as the net fair value gains arising from the underlying linked assets. All these contracts are designated at fair value through profit or loss (note 20).		
30. ACQUISITION EXPENSES		
Expenses by nature:		
Commission paid	**(217)**	(192)
Amortisation of deferred acquisition cost	**9**	(17)
Profit participation paid	**(38)**	(52)
TOTAL ACQUISITION EXPENSES	**(246)**	(261)

R million	Group 2015	Group 2014
31. MARKETING AND ADMINISTRATION EXPENSES		
Expenses by nature:		
Employee benefit expenses	(1 845)	(1 482)
Professional fees and regulatory compliance costs	(65)	(56)
Depreciation (note 1)	(129)	(100)
Operating lease rentals	(102)	(89)
Asset management services	(9)	(9)
Audit fees	(12)	(13)
Loss on sale of property and equipment	–	(4)
Third party underwriting administrator cost	(211)	(201)
Other expenses	(1 221)	(881)
TOTAL MARKETING AND ADMINISTRATION EXPENSES	(3 594)	(2 835)
Employee benefit expenses		
Salaries and incentive bonuses	(1 451)	(1 137)
Retirement funding	(135)	(115)
Service cost relating to intellectual property (note 2)	(66)	(48)
Share-based payment and employee benefits share charge	(127)	(123)
Medical aid contributions	(66)	(59)
TOTAL EMPLOYEE BENEFIT EXPENSES	(1 845)	(1 482)
Depreciation		
Buildings	(16)	(17)
Leasehold improvements	(12)	(8)
Furniture, fittings and equipment	(100)	(75)
Motor vehicles	(1)	–
TOTAL DEPRECIATION (note 1)	(129)	(100)
Audit fees		
Statutory audit – Current year	(12)	(13)
Operating lease rentals		
The group's operating lease commitments under non-cancellable operating lease agreements are as follows:		
Up to 1 year	(45)	(42)
From 1 to 5 years	(111)	(92)
From 5 to 10 years	(59)	–
TOTAL OPERATING LEASE COMMITMENTS	(215)	(134)

32. RETIREMENT BENEFITS

Group companies are participants to defined contribution pension and provident funds.

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

R million	Group 2015	Group 2014
33. FINANCE COSTS		
Interest paid on bank borrowings	(1)	(4)
Interest paid on compulsory convertible debentures	(1)	–
Dividends on redeemable preference shares	(160)	(75)
TOTAL FINANCE COSTS	(162)	(79)
34. TAXATION		
South African normal taxation		
Current taxation		
– Current year	(810)	(547)
Deferred taxation		
– Current year	323	(209)
– Prior year	1	–
Withholding taxation	(2)	–
Australian taxation		
Deferred taxation		
– Current year	(25)	(104)
– Prior year	1	–
Mauritian taxation		
Current taxation		
– Current year	(9)	(6)
Deferred taxation		
– Current year	(1)	–
Irish taxation		
Current taxation		
– Current year	(2)	(2)
Deferred taxation		
– Current year	(3)	(2)
Transfer to policyholders' interest	(97)	–
TOTAL TAXATION	(624)	(870)
The taxation on the group's profit before taxation differs from the theoretical amount that would arise using the basic tax rate of South Africa as follows:		
Profit before taxation	4 137	4 179
Effective tax rate (%)	15.08	20.82
Net income and expenses not subject to taxation	(2.36)	0.93
Income taxation rate differential	0.42	(0.01)
Capital gains taxation	(0.12)	–
Deferred taxation asset not recognised in respect of insurance reserves	6.74	(5.76)
Mauritius – Category I Global Business License tax rebate at 80% of current taxation charge	0.34	0.01
Associates equity accounted using after taxation profits	14.41	11.82
Imputed net income from controlled foreign company	(4.20)	–
Withholding taxation incurred	(0.12)	(0.15)
Prior year over and under provisions	0.04	–
Transfer to policyholders' interest	(2.33)	–
Other permanent differences	0.09	0.33
STANDARD INCOME TAX RATE IN SOUTH AFRICA (%)	28.00	28.00

	Group	
R million	2015	2014

35. CASH FLOWS FROM OPERATING ACTIVITIES

	2015	2014
Reconciliation of profit before taxation to cash generated from operations:		
Profit before taxation	4 137	4 179
Adjusted for:		
Loss on sale of property and equipment	–	4
Foreign currency translation movements	61	(88)
Treasury shares held by subsidiary	(6)	3
Transactions with non-controlling interests	87	35
Equity accounted earnings	(2 146)	(1 776)
Depreciation	129	100
Service cost relating to intellectual property	66	48
Intellectual property bonuses incurred	(26)	(115)
Provisions	1	19
Share-based payment expenses	122	124
Cash paid in terms of share option liability	(84)	(29)
Investment income	(560)	(622)
Funding costs	180	74
Dividends accrued on preference shares in issue	(18)	5
Net fair value gains on assets at fair value through profit or loss	(113)	(695)
Fair value adjustment to financial liabilities	2	(5)
Changes in insurance balances:		
– Gross provision for unearned premiums	807	708
– Reinsurers' share of provisions for unearned premiums	(30)	22
– Gross provision for claims incurred but not reported	222	(24)
– Provision for cash bonus on insurance contracts	315	301
– Cash bonus paid on insurance contracts	(295)	(292)
– Insurance contracts	(30)	410
– Investment contracts	36	23
– Deferred acquisition costs	(5)	(107)
– Deferred acquisition revenue	(2)	(3)
– Transfer from policyholders' profit share	–	272
Changes in working capital		
– Current receivables and prepayments	577	(1 241)
– Current payables and provisions	121	265
CASH GENERATED FROM OPERATIONS	**3 548**	**1 595**

RMI HOLDINGS

R million	Group 2015	Group 2014
36. 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.		
Earnings attributable to ordinary shareholders	3 292	3 053
Weighted average number of ordinary shares in issue (number)	1 482 560 366	1 483 825 864
Earnings per share – Basic (cents)	222.0	205.8
Earnings attributable to ordinary shareholders	3 292	3 053
Dilution on earnings from associates	(30)	(32)
DILUTED EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	3 262	3 021
Weighted average number of ordinary shares in issue (number)	1 482 560 366	1 483 825 864
Earnings per share – Diluted (cents)	220.0	203.6
37. HEADLINE EARNINGS PER SHARE		
Headline earnings per share is calculated by dividing the adjusted earnings attributable to shareholders by the weighted number of ordinary shares in issue during the year.		
Headline earnings reconciliation		
Earnings attributable to ordinary shareholders	3 292	3 053
Adjusted for [1]:		
– Realised profit on sale of available-for-sale assets	(40)	(49)
– Impairment of available-for-sale instruments	35	–
– Profit on dilution of shareholding	(22)	(135)
– Profit on sale of associate	(11)	–
– Intangible asset impairments	4	8
– Loss on disposal of property and equipment	–	2
HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	3 258	2 879
1. Adjustments include the group's share of adjustments made by associates.		
Weighted average number of ordinary shares in issue (number)	1 482 560 366	1 483 825 864
Headline earnings per share – Basic (cents)	219.8	194.0
Headline earnings attributable to ordinary shareholders	3 258	2 879
Dilution on earnings from associates	(29)	(31)
DILUTED HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	3 229	2 848
Weighted average number of ordinary shares in issue (number)	1 482 560 366	1 483 825 864
Headline earnings per share – Diluted (cents)	217.8	191.9
38. DIVIDEND PER SHARE		
Total dividends paid during the year	1 694	1 501
Total dividends declared relating to the profit for the year	1 723	1 605
Number of ordinary shares in issue (number)	1 485 688 346	1 485 688 346
Dividend declared per share (cents)		
– Interim	52.0	46.0
– Final	64.0	62.0
TOTAL DIVIDEND PER SHARE DECLARED	116.0	108.0

39. RELATED PARTIES

PRINCIPAL SHAREHOLDERS

Details of major shareholders are disclosed in the directors' report on page 79. The principal shareholders are Remgro Limited and Royal Bafokeng Holdings Proprietary Limited (2014: Remgro Limited and Royal Bafokeng Holdings Proprietary Limited).

KEY MANAGEMENT PERSONNEL

Only RMI's directors are key management personnel. Information on directors' emoluments and their shareholdings in the company appear in the directors' report on pages 82 to 86.

SUBSIDIARIES

Details of income from and investments in RMI's main subsidiaries are disclosed in note 43.

The following companies are subsidiaries of RMI:

- OUTsurance Holdings Limited
- OUTsurance Insurance Company Limited
- OUTsurance Life Insurance Company Limited
- OUTsurance International Holdings Proprietary Limited
- OUTsurance Shared Services Proprietary Limited
- Youi Proprietary Limited (South Africa)
- Youi Holdings Proprietary Limited
- Youi Proprietary Limited (Australia)
- Youi New Zealand Proprietary Limited
- Youi Properties Proprietary Limited
- OUTsurance Properties Proprietary Limited
- RMB-SI Investments Proprietary Limited
- RMB Structured Insurance Limited
- RMB Structured Insurance Limited PCC
- RMB Structured Life Limited
- RMB-SI Investments (Mauritius) Limited
- Credit Insurance Solutions Proprietary Limited
- Firness International Proprietary Limited
- AlphaCode Proprietary Limited
- RMI Investment Managers Group Proprietary Limited
- RMI Specialist Managers Proprietary Limited
- RMI Affiliates Proprietary Limited
- RMI Investment Holdings Proprietary Limited
- RMI Invest One Proprietary Limited
- RMI Invest Two Proprietary Limited
- RMI Invest Three Proprietary Limited
- Main Street 1353 Proprietary Limited
- Main Street 1371 Proprietary Limited

ASSOCIATES

Details of income from and investments in RMIs' main associates are disclosed in note 42.

The following companies are associates of RMI:

- Discovery Limited
- MMI Holdings Limited
- OUTsurance Insurance Company of Namibia Limited
- Truffle Capital Proprietary Limited
- RTS Construction an Engineering Underwriters Proprietary Limited
- Risk Guard Alliance Proprietary Limited
- HCV Underwriting Managers Proprietary Limited
- CIB Insurance Administrators Proprietary Limited
- Cyan Capital Proprietary Limited

39. RELATED PARTIES *continued*

OTHER

RMI invested in preference shares issued by New Seasons Financial Services Proprietary Limited (NSFS). NSFS is a shareholder of RMBSI.

	Group	
R million	2015	2014
Related party transactions		
Transactions of RMI and its subsidiary companies with:		
Principal shareholders		
Dividends paid	767	679
Key management personnel		
Salaries and other benefits	37	21
Transactions of RMIs' key management with associates of the group:		
Investment products		
Balance at the beginning of the year	1 609	1 160
Net (withdrawals)/deposits	(74)	129
Net investment return credited	144	331
Commission and other transaction fees	(22)	(11)
BALANCE AT THE END OF THE YEAR	1 657	1 609
Associates		
Income statement effect:		
– Dividends received	1 027	733
– Investment income	5	4
– Administration fees received	10	50
– Administration fees paid	5	5
– Insurance benefits and claims incurred	3	6
– Premiums received	16	25
– Dividends paid	5	10
– Asset manager administration fees	3	3
– Retirement fund contributions	72	65
– Group life	9	9
– Disability fees paid	5	3
– Medical aid premiums paid	66	59
Effect on the statement of financial position:		
– Loans and receivables	–	1
– Preference share investment	55	60

40. POST-REPORTING DATE EVENTS, CONTINGENCIES AND COMMITMENTS

FINAL DIVIDEND DECLARATION

RMI declared a final dividend of 64.0 cents per ordinary share (R951 million) on 11 September 2015, payable on 12 October 2015.

CONTINGENCIES

There are no contingencies that require disclosure in the consolidated annual financial statements.

COMMITMENTS

The group's operating lease commitments under non-cancellable operating lease agreements are disclosed in note 31.

41. 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 BEE 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:

	Group	
	2015	2014
Discovery – Effective interest	**25.7%**	25.8%
Discovery – Actual interest	**25.0%**	25.0%
MMI – Effective interest	**25.2%**	25.2%
MMI – Actual interest	**25.0%**	25.0%
OUTsurance – Effective interest	**84.2%**	84.7%
OUTsurance – Actual interest	**83.4%**	83.4%
RMBSI – Effective interest	**78.3%**	78.6%
RMBSI – Actual interest	**76.4%**	76.4%

42. ASSOCIATES

R million	Group 2015	Group 2014
LISTED ASSOCIATES		
Discovery Limited		
Financial year-end	30 June	30 June
Year used for equity accounting	30 June	30 June
Country of incorporation	RSA	RSA
Number of shares held ('000)	161 945	148 048
Interest held (after consolidation of share trust) (%)	25.7	25.8
Carrying value of investment in associate	7 869	5 291
Total share of post-acquisition reserves of associate	3 219	1 892
Income attributable to RMI for the year	1 434	972
Less: Dividends received	(242)	(204)
SHARE OF RETAINED INCOME FOR THE YEAR	1 192	768
MARKET VALUE	20 481	14 383
Statement of financial position		
Assets		
Assets arising from insurance contracts	21 726	17 999
Property and equipment	727	666
Intangible assets and deferred acquisition costs	2 526	2 344
Goodwill	2 375	2 239
Investments in associates	505	551
Financial assets	54 295	44 029
Deferred taxation	690	406
Current income tax asset	5	46
Reinsurance contracts	362	266
Cash and cash equivalents	6 251	3 650
TOTAL ASSETS	89 462	72 196
Shareholders' equity and liabilities		
Total equity	27 356	17 411
Liabilities arising from insurance contracts	30 818	25 797
Liabilities arising from reinsurance contracts	3 827	2 247
Financial liabilities	16 457	18 024
Deferred taxation	5 077	4 647
Deferred revenue	192	157
Employee benefits	152	154
Trade and other payables	5 506	3 752
Current income tax liability	77	7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	89 462	72 196
Statement of comprehensive income		
Profit for the year	5 552	3 314
Other comprehensive income for the year	523	248
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6 075	3 562
CONTINGENCIES AND COMMITMENTS	6 999	6 812

42. ASSOCIATES *continued*

R million	Group 2015	Group 2014
MMI Holdings Limited		
Financial year-end	30 June	30 June
Year used for equity accounting	30 June	30 June
Country of incorporation	RSA	RSA
Number of shares held ('000)	392 988	392 465
Interest held (after consolidation of share trust) (%)	25.2	25.2
Carrying value of investment in associate	6 107	6 212
Total share of post-acquisition reserves of associate	164	127
Income attributable to RMI for the year	695	793
Less: Dividends received	(777)	(522)
SHARE OF RETAINED (LOSS)/INCOME FOR THE YEAR	(82)	271
MARKET VALUE	11 849	10 302
Statement of financial position		
Assets		
Intangible assets	13 153	12 819
Owner-occupied properties	3 030	1 714
Property and equipment	353	315
Investment properties	7 212	7 675
Investments in associates	145	179
Employee benefits assets	408	405
Financial instrument assets	388 258	355 073
Insurance and other receivables	4 080	3 813
Deferred taxation	287	263
Properties under development	330	252
Reinsurance contracts	3 046	2 778
Current tax asset	365	330
Cash and cash equivalents	26 174	28 875
Non-current assets held for sale	–	17
TOTAL ASSETS	446 841	414 508
Shareholders' equity and liabilities		
Total equity	25 048	25 214
Insurance contract liabilities	111 329	111 543
Reinsurance contract liabilities	659	202
Financial instrument liabilities	289 413	261 173
Deferred taxation	4 351	4 281
Employee benefits obligations	1 735	1 246
Other payables	14 062	10 437
Provisions	78	157
Current tax liability	166	255
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	446 841	414 508
Statement of comprehensive income		
Profit for the year	2 977	3 300
Other comprehensive income for the year	68	165
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3 045	3 465
CONTINGENCIES AND COMMITMENTS	311	831

	Group	
R million	2015	2014
43. SUBSIDIARIES		
UNLISTED SUBSIDIARIES		
OUTsurance Holdings Limited[1]		
Financial year-end	30 June	30 June
Year used for consolidation	30 June	30 June
Country of incorporation	RSA	RSA
Number of shares held ('000)	2 935 477	2 935 477
Interest held (after consolidation of share trust) (%)	84.2	84.7
Equity shares at cost	4 413	4 413
Indebtedness		
– to subsidiaries	–	–
– by subsidiaries	–	–
Net profit for the year	1 339	1 466
Valuation of RMI's investment	20 982	16 357
Results for the year ended 30 June		
Income statement		
Gross insurance premiums	12 469	10 352
Less: Reinsurance premiums	(555)	(336)
Net insurance premiums	11 914	10 016
Change in provision for unearned premiums net of reinsurance	(766)	(774)
Net insurance premiums earned	11 148	9 242
Fee income	29	7
Investment income	406	327
Net fair value (losses)/gains on financial assets	(54)	2
Net income	11 529	9 578
Gross claims paid	(6 555)	(4 748)
Reinsurance recoveries received	723	277
Transfer to policyholder liabilities under insurance contracts	(41)	(22)
Provision for cash bonuses	(315)	(300)
Acquisition expenses	(35)	(29)
Fair value adjustment to financial liabilities	(201)	(191)
Marketing and administration expenses	(3 149)	(2 485)
Result of operating activities	1 956	2 080
Finance costs	–	(1)
Share of after tax results of associates	15	10
Profit before taxation	1 971	2 089
Taxation	(632)	(623)
PROFIT FOR THE YEAR	1 339	1 466

1. *Held via Firness International Proprietary Limited (2014: 38.41% held directly and 45.03% held indirectly via Firness International Proprietary Limited).*

43. SUBSIDIARIES *continued*

In addition to Mr HL Bosman, chief executive and financial director of RMI, Messrs H Aron and WT Roos, joint chief executives of OUTsurance also meet the definition of prescribed officers as defined in the Companies Act, 71 of 2008. Their emoluments are set out below:

R'000	Total 2015	Salary	Performance related[1]
H Aron[2]	7 742	7 742	–
WT Roos	6 846	3 383	3 463

R'000	Total 2014	Salary	Performance related[1]
H Aron[2]	14 635	7 349	7 286
WT Roos	3 267	3 267	–

Note:

1. *Performance related bonuses are paid on a two-year cycle.*
2. *Mr Aron is resident in Australia and is paid in Australian Dollars.*

000's	H Aron	WT Roos
OUTsurance Holdings share incentive scheme		
Strike price R2.22 with vesting dates from 1 July 2011 to 1 July 2014		
Opening balance – 1 July 2014	1 750	1 750
Exercised during the year	(1 750)	(1 750)
Closing balance – 30 June 2015	–	–
Benefit derived (R'000)	5 863	5 863
Strike price R2.80 with vesting dates from 1 July 2012 to 1 July 2015		
Opening balance – 1 July 2014	1 500	1 500
Closing balance – 30 June 2015	1 500	1 500
Strike price R3.33 with vesting dates from 1 July 2013 to 1 July 2016		
Opening balance – 1 July 2014	750	750
Closing balance – 30 June 2015	750	750
Strike price R5.57 with vesting dates from 1 July 2014 to 1 July 2017		
Opening balance – 1 July 2014	–	–
Granted in the current year	500	500
Closing balance – 30 June 2015	500	500

R million	Group 2015	Group 2014
43. SUBSIDIARIES *continued*		
Dilution of interest in Youi Holdings Proprietary Limited without loss of control		
During the 2015 financial year, certain tranches of the Youi Holdings equity-settled share scheme were exercised by scheme participants. This resulted in an increase in non-controlling interests of R6 million and a decrease in equity attributable to the group of R7 million. The effect of changes in the ownership interest of Youi Holdings Proprietary Limited on the equity attributable to the group during the year is as follows:		
Accumulated profit attributable to non-controlling interests	8	15
Capital contributed by non-controlling interests	128	122
TOTAL NON-CONTROLLING INTEREST IN RESPECT OF YOUI HOLDINGS PROPRIETARY LIMITED	136	137
Non-controlling interest relating to OUTsurance Holdings Limited		
Balance at the beginning of the year	659	527
Profit attributable to non-controlling interests (15.8% (2014: 15.3%))	210	220
Dividends paid	(165)	(141)
Non-controlling interest in other reserves	(20)	23
Movement in treasury shares	37	32
Shares acquired from non-controlling interests	–	(2)
TOTAL NON-CONTROLLING INTEREST IN RESPECT OF OUTSURANCE HOLDINGS LIMITED	721	659
RMB-SI Investments Proprietary Limited		
Financial year-end	30 June	30 June
Year used for consolidation	30 June	30 June
Country of incorporation	RSA	RSA
Number of shares held ('000)	200 000	200 000
Interest held (after consolidation of share trust) (%)	78.3	78.6
Equity shares at cost	220	220
Indebtedness		
– to subsidiaries	–	–
– by subsidiaries	–	–
Net profit for the year	82	101
Valuation of RMI's investment	385	368

43. SUBSIDIARIES *continued*

R million	Group 2015	Group 2014
Results for the year ended 30 June		
Income statement		
Gross insurance premiums	1 223	1 157
Less: Reinsurance premiums	(622)	(423)
Net insurance premiums	601	734
Change in provision for unearned premiums net of reinsurance	(11)	45
Net insurance premiums earned	590	779
Fee income	213	130
Investment income	73	229
Net fair value gains on financial assets	168	784
Net income	1 044	1 922
Gross claims paid	(733)	(726)
Reinsurance recoveries received	455	260
Investment contract benefits	(82)	(287)
Transfer to policyholders' interest	–	(272)
Acquisition expenses	(212)	(232)
Marketing and administration expenses	(337)	(307)
Result of operating activities	135	358
Finance costs	(88)	(15)
Share of after tax results of associates	2	2
Profit before taxation	49	345
Taxation	33	(244)
PROFIT FOR THE YEAR	82	101
Non-controlling interest relating to RMB-SI Investments Proprietary Limited		
Balance at the beginning of the year	103	87
Profit attributable to non-controlling interests (21.7% (2014: 21.4%))	18	21
Dividends paid	(13)	(8)
Separate class of shares issued	12	–
Movement in treasury shares	1	3
TOTAL NON-CONTROLLING INTEREST IN RESPECT OF RMB-SI INVESTMENTS PROPRIETARY LIMITED	121	103
Total non-controlling interests		
Youi Holdings Proprietary Limited	136	137
OUTsurance Holdings Limited	721	659
RMB-SI Investments Proprietary Limited	121	103
TOTAL NON-CONTROLLING INTERESTS	978	899

44. SEGMENT 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.

	Group					
R million	Discovery	MMI	OUTsurance	RMBSI	Other[1]	Total
30 June 2015						
Operating profit	–	–	1 956	135	62	2 153
Finance costs	–	–	–	(88)	(74)	(162)
Share of after tax results of associates	1 434	695	15	2	–	2 146
Profit/(loss) before taxation	1 434	695	1 971	49	(12)	4 137
Taxation	–	–	(632)	33	(25)	(624)
PROFIT/(LOSS) FOR THE YEAR	1 434	695	1 339	82	(37)	3 513
Normalised earnings	1 012	956	1 388	82	(278)	3 160
Assets	–	–	11 750	5 544	904	18 198
Associates	7 869	6 107	33	54	–	14 063
Intangible assets	–	–	64	2	2	68
TOTAL ASSETS	7 869	6 107	11 847	5 600	906	32 329
TOTAL LIABILITIES	–	–	7 136	5 084	2 026	14 246
30 June 2014						
Operating profit	–	–	2 080	358	44	2 482
Finance costs	–	–	(1)	(15)	(63)	(79)
Share of after tax results of associates	971	793	10	2	–	1 776
Profit/(loss) before taxation	971	793	2 089	345	(19)	4 179
Taxation	–	–	(623)	(244)	(3)	(870)
PROFIT/(LOSS) FOR THE YEAR	971	793	1 466	101	(22)	3 309
Normalised earnings	866	899	1 448	101	(292)	3 022
Assets	–	–	9 765	5 667	642	16 074
Associates	5 291	6 212	26	53	–	11 582
Intangible assets	–	–	107	1	2	110
TOTAL ASSETS	5 291	6 212	9 898	5 721	644	27 766
TOTAL LIABILITIES	–	–	5 445	5 239	705	11 389

1. *Other includes RMI, consolidation of treasury shares and other consolidation entries.*

44. SEGMENT REPORT *continued*

R million	Group 2015	Group 2014
Reconciliation of normalised earnings to headline earnings attributable to ordinary shareholders as per note 37		
Normalised earnings as per segment report	3 160	3 022
RMI's share of normalised adjustments made by associates:	87	(189)
Fair value adjustment to puttable non-controlling interest financial liability	415	(50)
Amortisation of intangible assets relating to business combinations	(218)	(173)
Once-off costs relating to business acquisitions	(105)	–
Deferred taxation raised on assessed losses	74	–
Basis and other changes and investment variances	(37)	(40)
Corporate restructuring expenses	(35)	(43)
Finance costs raised on puttable non-controlling interest financial liability	(16)	(39)
Non-controlling interest adjustment if no put options	11	20
Net realised and fair value (losses)/gains on excess	(2)	136
Group treasury shares	11	46
HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS AS PER NOTE 37	**3 258**	**2 879**

Geographical segments

	Group				
R million	South Africa	Australia	New Zealand	UK	Total
30 June 2015					
Profit/(loss)	2 046	75	(130)	–	1 991
Share of after tax results of associates	2 018	–	–	128	2 146
Profit/(loss) before taxation	4 064	75	(130)	128	4 137
Taxation	(600)	(24)	–	–	(624)
PROFIT/(LOSS) FOR THE YEAR	3 464	51	(130)	128	3 513
TOTAL ASSETS	25 550	6 186	593	–	32 329
TOTAL LIABILITIES	9 200	4 834	212	–	14 246
30 June 2014					
Profit/(loss)	2 068	357	(22)	–	2 403
Share of after tax results of associates	1 656	–	–	120	1 776
Profit before taxation	3 724	357	(22)	120	4 179
Taxation	(766)	(104)	–	–	(870)
PROFIT/(LOSS) FOR THE YEAR	2 958	253	(22)	120	3 309
TOTAL ASSETS	22 509	4 672	585	–	27 766
TOTAL LIABILITIES	7 760	3 608	21	–	11 389

44. SEGMENTAL REPORT *continued*

The group's four 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 and insurance markets in South Africa, the United Kingdom, China, Singapore, Australia and the United States. It is a pre-eminent developer of integrated financial services products and operates under the **Discovery Health, Discovery Life, Discovery Invest, Discovery Vitality, Discovery Insure, VitalityHealth, VitalityLife, The Vitality Group, AIA Vitality** and **Ping An Health** brand names.

MMI

MMI is a South African financial services group that provides life insurance, employee benefits, investment 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.

OUTSURANCE

OUTsurance provides short and long-term insurance products in South Africa, and short-term insurance products in Australia, New Zealand and Namibia, with a client-centric ethos of providing value for money insurance solutions, backed by awesome client service.

Youi New Zealand was launched in August 2014 as an extension of Youi's Australian operation. It provides personal lines insurance cover directly to the New Zealand public.

RMBSI

RMBSI holds both short-term and life insurance licenses. It creates bespoke insurance and financial risk solutions for South Africa's large corporations by using sophisticated risk techniques and innovative financial structures. In addition, it partly owns a portfolio of underwriting management agencies.

Clients include any organisation required or wanting to hold capital for risk purposes. These could include insurance companies, corporates or companies who need access to insurance licenses such as underwriting management agencies.

45. 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 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 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.

	Group			
R million	Level 1	Level 2	Level 3	Total carrying amount
30 June 2015				
Financial assets				
Equity securities				
– available-for-sale	746	–	–	746
– at fair value through profit or loss	2 143	29	–	2 172
Debt securities				
– available-for-sale	–	560	–	560
– at fair value through profit or loss	1 084	3 216	386	4 686
Derivative asset	–	46	–	46
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	3 973	3 851	386	8 210
Financial liabilities				
Convertible debentures	–	15	–	15
Financial liabilities at fair value through profit or loss	–	–	107	107
Derivative liability	–	36	–	36
Investment contracts[1]	–	1 417	–	1 417
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE	–	1 468	107	1 575
30 June 2014				
Financial assets				
Equity securities				
– available-for-sale	725	–	–	725
– at fair value through profit or loss	2 070	34	–	2 104
Debt securities				
– available-for-sale	–	540	–	540
– at fair value through profit or loss	126	2 855	415	3 396
Derivative asset	–	17	–	17
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	2 921	3 446	415	6 782
Financial liabilities				
Convertible debentures	–	15	–	15
Financial liabilities at fair value through profit or loss	–	–	105	105
Derivative liability	–	20	–	20
Investment contracts	979	402	–	1 381
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE	979	437	105	1 521

1. During the 2015 financial year, a portion of the investment contract liability was transferred from level 1 to level 2. This liability is calculated with reference to the value of financial assets which trade in active markets with quoted market prices.

	Group	
R million	2015	2014
45. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *continued*		
Reconciliation of movement in level 3 assets		
Balance at the beginning of the year	415	441
Redemptions in the current year	–	(5)
Investment income accrued	32	33
Dividends received from the OUTsurance Investment Trust	(61)	(54)
BALANCE AT THE END OF THE YEAR	386	415
The level 3 financial asset at fair value through profit or loss represents a loan provided to the OUTsurance Investment Trust, 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	105	110
Preference dividends charged to the income statement in respect of profit sharing arrangements on ring-fenced insurance business	201	191
Preference dividends paid	(199)	(196)
BALANCE AT THE END OF THE YEAR	107	105

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.

The fair values of the above instruments were determined as follows:

Level 1: The fair value of financial instruments traded in an active market is based on quoted market prices at balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The listed preference share and ordinary 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. Included in ordinary share investments is an investment in an exchange traded fund which tracks the performance of the top 40 companies listed on the JSE. The exchange traded fund is listed on the JSE.

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 unlisted preference shares are redeemable with a notice period ranging from thirty days to three years. Dividend yields range from 57% to 68.33% of the prime overdraft rate. The fair value of the preference shares with a maturity date of longer than one year, is calculated on a discounted cash flow basis with the discount rate adjusted for changes in credit risk of the ultimate counterparty. Due to the redeemable nature, the preference shares are deemed to be debt securities. The fair values of collective investment scheme investments are determined by the closing unit price as quoted by the collective investment scheme. The collective investment schemes are not listed.

The fair value of money market instruments is determined based on observable market inputs.

45. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *continued*

Level 3: The debt securities at fair value through profit or loss accrue interest at a fixed percentage of the prime interest rate and are reduced by dividends received from the OUTsurance Investment Trust. The financial liabilities at fair value through profit or loss represent profits arising out of the profit sharing arrangements on ring-fenced insurance business that accrue on a monthly basis and which are distributed as preference dividends on a six-monthly basis to the FirstRand Limited group. The only input in the calculation of the preference dividend is the historic profit of the ring-fenced insurance business and profit sharing arrangements and there are no other inputs that determine the value of these instruments. Should the profit of the ring-fenced insurance business or the profit sharing arrangement increase or decrease, the preference dividend will increase or decrease in direct proportion.

CONTENTS OF THE SEPARATE ANNUAL FINANCIAL STATEMENTS

The basis of preparation of this separate set of annual financial statements is outlined on page 93.

STATEMENT OF FINANCIAL POSITION

as at 30 June

		Company	
R million	Note	2015	2014
ASSETS			
Property and equipment	1	10	–
Investment in subsidiaries	2	4 633	4 633
Investment in associates	3	10 751	9 486
Financial assets			
Equity securities			
– fair value through profit or loss	4	146	115
Debt securities			
– fair value through profit or loss	4	386	415
Derivative asset	5	46	17
Loans and receivables		5	1
Taxation		3	2
Cash and cash equivalents	6	322	97
TOTAL ASSETS		16 302	14 766
EQUITY			
Share capital and premium	7	13 657	13 657
Reserves	8	619	403
TOTAL EQUITY		14 276	14 060
LIABILITIES			
Share-based payment liability	9	35	14
Employee benefit liability		3	–
Financial liabilities			
Preference shares	10	1 898	648
Derivative liability	11	36	20
Provisions	12	3	1
Trade and other payables	13	51	23
TOTAL LIABILITIES		2 026	706
TOTAL EQUITY AND LIABILITIES		16 302	14 766

INCOME STATEMENT

for the year ended 30 June

		Company	
R million	Note	2015	2014
Investment income	14	2 032	1 608
Fair value gain/(loss)		15	(6)
Other income	15	70	6
Net income		2 117	1 608
Marketing and administration expenses	16	(107)	(43)
Result of operating activities of the company		2 010	1 565
Finance costs	17	(74)	(68)
Profit before taxation		1 936	1 497
Taxation	18	(25)	(3)
PROFIT FOR THE YEAR		1 911	1 494
Attributable to:			
Equity holders of the company		1 911	1 494

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

	Company	
R million	2015	2014
Profit for the year	1 911	1 494
Other comprehensive income for the year	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1 911	1 494
Attributable to:		
Equity holders of the company	1 911	1 494

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

R million	Share capital (note 7)	Share premium (note 7)	Other reserves (note 8)	Retained earnings (note 8)	Total equity
Balance as at 1 July 2013	–	13 657	1	409	14 067
Total comprehensive income for the year	–	–	–	1 494	1 494
Dividends paid	–	–	–	(1 501)	(1 501)
Balance as at 30 June 2014	–	13 657	1	402	14 060
Total comprehensive income for the year	–	–	–	1 911	1 911
Vesting of equity-settled share incentives	–	–	(1)	–	(1)
Dividends paid	–	–	–	(1 694)	(1 694)
Balance as at 30 June 2015	–	13 657	–	619	14 276

STATEMENT OF CASH FLOWS

for the year ended 30 June

		Company	
R million	Note	2015	2014
Cash flows from operating activities			
Cash generated from operations	19	2 028	1 579
Taxation paid		(26)	(5)
NET CASH GENERATED FROM OPERATING ACTIVITIES		2 002	1 574
Cash flows from investing activities			
Rights followed in rights issue of associate		(1 250)	–
Acquisition of shares in associate		(15)	–
Acquisition of property and equipment		(11)	–
Proceeds from repurchase of preference shares by subsidiaries		–	206
Acquisition of listed equities		–	(37)
Proceeds from disposal of debt instrument		–	5
Acquisition of shares in subsidiary		–	(7)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(1 276)	167
Cash flows from financing activities			
Dividends paid to shareholders		(1 694)	(1 501)
Proceeds from preference shares issued		1 250	–
Preference dividends paid		(57)	(72)
Redemption of preference shares		–	(201)
NET CASH OUTFLOWS FROM FINANCING ACTIVITIES		(501)	(1 774)
Net increase/(decrease) in cash and cash equivalents for the year		225	(33)
Cash and cash equivalents at the beginning of the year		97	130
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		322	97

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

R million	Company Leasehold improve-ments	Furniture, fittings and equipment	Total
1. PROPERTY AND EQUIPMENT			
30 June 2015			
Net book value at the beginning of the year	–	–	–
Additions	10	1	11
Depreciation (note 16)	(1)	–	(1)
NET BOOK VALUE AT THE END OF THE YEAR	9	1	10
Cost	10	1	11
Accumulated depreciation	(1)	–	(1)
NET BOOK VALUE AT THE END OF THE YEAR	9	1	10

R million	Company 2015	2014
2. INVESTMENT IN SUBSIDIARIES		
Unlisted subsidiaries		
Ordinary shares at cost		
OUTsurance Holdings Limited	4 413	4 413
RMB-SI Investments Proprietary Limited	220	220
TOTAL INVESTMENT IN SUBSIDIARIES	4 633	4 633
OUTsurance Holdings Limited		
Number of shares(1)	2 935 477 145	2 935 477 145
% of equity(2)	84.2	84.7
RMB-SI Investments Proprietary Limited		
Number of shares	200 000 000	200 000 000
% of equity(2)	78.3	78.6

(1) Held indirectly via Firness International Proprietary Limited (2014: 1 584 225 400 shares held indirectly via Firness International Proprietary Limited and 1 351 251 745 shares held directly).

(2) After consolidation of share trust.

R million	Company 2015	Company 2014
3. INVESTMENT IN ASSOCIATES		
Listed associates		
Ordinary shares at cost		
Discovery Limited	4 650	3 400
MMI Holdings Limited	6 101	6 086
TOTAL INVESTMENT IN ASSOCIATES	10 751	9 486
Discovery Limited		
Balance at the beginning of the year	3 400	3 400
Rights followed during the year	1 250	–
BALANCE AT THE END OF THE YEAR	4 650	3 400
MMI Holdings Limited		
Balance at the beginning of the year	6 086	6 086
Additional shares acquired during the year	15	–
BALANCE AT THE END OF THE YEAR	6 101	6 086
Market value		
Discovery Limited	20 481	14 383
MMI Holdings Limited	11 849	10 302
TOTAL MARKET VALUE OF LISTED ASSOCIATES	32 330	24 685
Discovery Limited		
Number of shares	161 944 576	148 048 168
% of equity[(1)]	25.7	25.8
MMI Holdings Limited		
Number of shares	392 988 075	392 465 075
% of equity[(1)]	25.2	25.2

(1) After consolidation of share trust.

	Company	
R million	2015	2014
4. EQUITY AND DEBT SECURITIES		
Equity securities		
Listed investments		
– fair value through profit or loss	146	115
Debt securities		
Unlisted investments		
– fair value through profit or loss	386	415
TOTAL EQUITY AND DEBT SECURITIES	532	530
The current portion of the equity and debt securities is Rnil (2014: Rnil).		
Listed equity securities carried at fair value through profit or loss:		
Balance at the beginning for the year	115	60
Additions	–	37
Disposals	–	(1)
Fair value movement	31	19
BALANCE AT THE END OF THE YEAR	146	115
The unlisted debt security carried at fair value through profit or loss relates to a loan provided to the OUTsurance Investment Trust.		
Balance at the beginning for the year	415	441
Disposals	–	(5)
Investment income accrued	32	33
Dividends received from the OUTsurance Investment Trust	(61)	(54)
BALANCE AT THE END OF THE YEAR	386	415
5. DERIVATIVE ASSET		
Held for trading		
– Equity derivative		
– Over the counter		
– Swap	46	17
Notional value	156	153

The derivative is an economic hedge but does not meet the qualifying criteria for hedge accounting and is managed in conjunction with the liability (note11), which is fair valued. The notional amount of the derivative does not necessarily indicate the future cash flow involved or the current fair value of the instrument and therefore does not represent RMI's exposure to credit or market risk. The derivative instrument becomes favourable (asset) or unfavourable (liability) based on changes in share prices and counterparty credit risk. The aggregate notional amount and fair value of derivative financial instruments can fluctuate over time.

	Company	
R million	2015	2014
6. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	322	97
Cash and cash equivalents represent current accounts and call deposits.		

R million	Company			
	Number of shares	Ordinary shares	Share premium	Total
7. SHARE CAPITAL AND SHARE PREMIUM				
Share capital and share premium as at 1 July 2013	1 486	–	13 657	13 657
Movement for the year ended 30 June 2014	–	–	–	–
Share capital and share premium as at 30 June 2014	**1 486**	**–**	**13 657**	**13 657**
Movement for the year ended 30 June 2015	**–**	**–**	**–**	**–**
Share capital and share premium as at 30 June 2015	**1 486**	**–**	**13 657**	**13 657**

The total authorised number of ordinary shares is 2 000 000 000, with a par value of R0.0001 per share. The issued number of ordinary shares is 1 485 688 346 shares, issued at a premium of R9.1926 per share. The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting. There has been no change to the authorised or issued number of ordinary shares during the current or previous financial year.

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 648 001 (2014: 648 001, after redeeming 200 500 of these preference shares during the 2014 financial year). As these preference shares are redeemable, they are classified as financial liabilities at amortised cost (note 10).

During the 2015 financial year, the company created a new class of 100 000 000 authorised, cumulative, redeemable, no par value preference shares. The issued number of no par value preference shares is 1 250 000 (2014: nil). As these preference shares are redeemable, they are classified as financial liabilities at amortised cost (note 10).

R million	Company	
	2015	2014
8. RESERVES		
Retained earnings	**619**	402
Share option reserve	**–**	1
TOTAL RESERVES	**619**	403
9. SHARE-BASED PAYMENT LIABILITY		
Balance at the beginning of the year	**14**	4
Share-based payment expense accrued during the year	**34**	10
Amount vesting during the year	**(13)**	–
BALANCE AT THE END OF THE YEAR	**35**	14

	Company	
R million	2015	2014
10. PREFERENCE SHARES		
Unlisted		
Fixed rate, cumulative, redeemable par value preference shares	648	349
Fixed rate, cumulative, redeemable no par value preference shares	1 250	–
Variable rate, cumulative, redeemable par value preference shares	–	299
TOTAL CUMULATIVE, REDEEMABLE PREFERENCE SHARES	1 898	648
The fair value of the unlisted preference share liability is R1 898 million (2014: R663 million).		
Fixed rate, cumulative, redeemable par value preference shares		
The company's issued number of fixed rate, cumulative, redeemable par value preference shares is 648 001 (2014: 349 000), with a par value of R0.0001 each. The share premium is R999.9999 per share. These preference shares are redeemable at the discretion of the company at any time, compulsorily redeemable on 22 August 2017 and pay dividends at a fixed rate of 6.89% (2014: 9.14%) six-monthly.		
The company converted its 299 001 issued variable rate, cumulative, redeemable par value preference shares into fixed rate, cumulative, redeemable par value preference shares during the 2015 financial year. These preference shares pay dividends at a fixed rate of 6.89% (2014: variable rate of 80.85% of the prime interest rate) six-monthly.		
Balance at the beginning of the year	349	550
Conversion of variable rate preference shares into fixed rate preference shares	299	–
Amount redeemed during the year	–	(201)
BALANCE AT THE END OF THE YEAR	648	349
Fixed rate, cumulative, redeemable no par value preference shares		
The company issued 1 250 000 fixed rate, cumulative, redeemable no par value preference shares during the 2015 financial year. These preference shares are redeemable at the discretion of the company at any time, compulsorily redeemable on 29 May 2018 and pay dividends at a fixed rate of 7.02% six-monthly.		
Fixed rate, cumulative, redeemable no par value preference shares issued during the year	1 250	–
Variable rate, cumulative, redeemable par value preference shares		
Balance at the beginning of the year	299	299
Conversion of variable rate preference shares into fixed rate preference shares	(299)	–
BALANCE AT THE END OF THE YEAR	–	299

	Company	
R million	2015	2014
11. DERIVATIVE LIABILITY		
Held for trading		
– Equity derivative		
– Over the counter		
– Swap	36	20
Notional value	90	86
The derivative is an economic hedge but does not meet the qualifying criteria for hedge accounting and is managed in conjunction with the asset (note 5), which is fair valued. The notional amount of the derivative does not necessarily indicate the future cash flow involved or the current fair value of the instrument and therefore does not represent RMI's exposure to credit or market risk. The derivative instrument becomes favourable (asset) or unfavourable (liability) based on changes in share prices and counterparty credit risk. The aggregate notional amount and fair value of derivative financial instruments can fluctuate over time.		
12. PROVISIONS		
Staff incentive bonus		
Balance at the beginning of the year	1	–
Provision	5	1
Utilised during the year	(3)	–
TOTAL PROVISIONS	3	1
13. TRADE AND OTHER PAYABLES		
Trade payables and accrued expenses	20	9
Accrued redeemable preference share dividends	31	14
TOTAL TRADE AND OTHER PAYABLES	51	23
14. INVESTMENT INCOME		
Dividend income from subsidiaries and associates	1 948	1 540
Dividend income from the OUTsurance Investment Trust	61	54
Dividend income from listed fair value through profit or loss equity securities	5	3
Interest income on cash and cash equivalents	18	11
TOTAL INVESTMENT INCOME	2 032	1 608
15. OTHER INCOME		
Underwriting income	61	–
Fee income	9	6
TOTAL OTHER INCOME	70	6

R million	Company 2015	Company 2014
16. MARKETING AND ADMINISTRATION EXPENSES		
Expenses by nature:		
Directors' remuneration	(36)	(15)
Personnel costs	(33)	–
Management fees	(16)	(15)
Professional fees and regulatory compliance cost	(7)	(2)
Printing costs	(2)	(2)
Operating lease rentals	(2)	(1)
Depreciation on leasehold improvements	(1)	–
Audit fees	(1)	(1)
Other expenses	(9)	(7)
TOTAL MARKETING AND ADMINISTRATION EXPENSES	**(107)**	(43)
Audit fees		
Statutory audit – current year	(1)	(1)
The company has an operating lease commitment for the office space it occupies. The company's operating lease commitment under non-cancellable operating lease agreements is as follows:		
Up to 1 year	(2)	(2)
From 1 to 5 years	(1)	(3)
TOTAL COMMITMENT UNDER NON-CANCELLABLE OPERATING LEASE OPERATING AGREEMENTS	**(3)**	(5)
17. FINANCE COSTS		
Cumulative, redeemable preference share dividends	(74)	(68)
18. TAXATION		
SA normal taxation		
Current taxation		
– Current period	(25)	(3)
The taxation on the company's profit before taxation differs from the theoretical amount that would arise using the basic rate of taxation in South Africa as follows:		
Profit before taxation	1 936	1 497
Effective tax rate (%)	1.29	0.20
Net income and expenses not subject to taxation (%)	26.71	27.80
STANDARD INCOME TAX RATE IN SOUTH AFRICA (%)	**28.00**	28.00

	Company	
R million	2015	2014
19. CASH GENERATED FROM OPERATIONS		
Reconciliation of profit before taxation to cash generated from operations:		
Profit before taxation	1 936	1 497
Adjusted for:		
Finance costs	74	68
Fair value (gain)/loss	(15)	6
Non-cash expenses included in the income statement	31	11
Changes in working capital		
Loans and receivables	(1)	–
Provisions	2	–
Trade and other payables	1	(3)
CASH GENERATED FROM OPERATIONS	2 028	1 579
20. DIVIDEND PER SHARE		
Total dividends paid during the year	1 694	1 501
Total dividends declared relating to the earnings for the year	1 723	1 605
Number of ordinary shares in issue	1 485 688 346	1 485 688 346
Dividend declared per share		
– Interim (cents)	52.0	46.0
– Final (cents)	64.0	62.0
TOTAL DIVIDEND PER SHARE DECLARED (CENTS)	116.0	108.0

21. RELATED PARTIES

PRINCIPAL SHAREHOLDERS

Details of major shareholders are disclosed in the directors' report on page 79. The principal shareholders are Remgro Limited and Royal Bafokeng Holdings Proprietary Limited (2014: Remgro Limited and Royal Bafokeng Holdings Proprietary Limited).

KEY MANAGEMENT PERSONNEL

Only RMI's directors are key management personnel. Information on directors' emoluments and their shareholdings in the company appears in the directors' report on pages 82 to 86.

SUBSIDIARIES

Details of investments in subsidiaries are disclosed in note 2.

The following companies are subsidiaries of RMI:

- OUTsurance Holdings Limited
- OUTsurance Insurance Company Limited
- OUTsurance Life Insurance Company Limited
- OUTsurance International Holdings Proprietary Limited
- OUTsurance Shared Services Proprietary Limited
- Youi Proprietary Limited (South Africa)
- Youi Holdings Proprietary Limited
- Youi Proprietary Limited (Australia)
- Youi New Zealand Proprietary Limited
- Youi Properties Proprietary Limited
- OUTsurance Properties Proprietary Limited
- RMB-SI Investments Proprietary Limited
- RMB Structured Insurance Limited
- RMB Structured Insurance Limited PCC
- RMB Structured Life Limited
- RMB-SI Investments (Mauritius) Limited
- Credit Insurance Solutions Proprietary Limited
- Firness International Proprietary Limited
- AlphaCode Proprietary Limited
- RMI Investment Managers Group Proprietary Limited
- RMI Specialist Managers Proprietary Limited
- RMI Affiliates Proprietary Limited
- RMI Investment Holdings Proprietary Limited
- RMI Invest One Proprietary Limited
- RMI Invest Two Proprietary Limited
- RMI Invest Three Proprietary Limited
- Main Street 1353 Proprietary Limited
- Main Street 1371 Proprietary Limited

ASSOCIATES

Details of investments in associates are disclosed in note 3.

The following companies are associates of RMI:

- Discovery Limited
- MMI Holdings Limited
- OUTsurance Insurance Company of Namibia Limited
- Truffle Capital Proprietary Limited
- RTS Construction an Engineering Underwriters Proprietary Limited
- Risk Guard Alliance Proprietary Limited
- HCV Underwriting Managers Proprietary Limited
- CIB Insurance Administrators Proprietary Limited
- Cyan Capital Proprietary Limited

	Company	
R million	2015	2014
21. RELATED PARTIES *continued*		
RELATED PARTY TRANSACTIONS		
Transactions of RMI and its subsidiary companies with:		
Principal shareholders		
Dividends paid	767	679
Key management personnel		
Salaries and other benefits	37	21
Subsidiaries		
Income statement effect:		
– Dividends received	928	808
– Preference share dividends received	–	6
– Fees received	–	6
Associates		
Income statement effect:		
– Dividends received	1 020	726

22. CONTINGENT LIABILITIES

No contingencies or guarantees existed at 30 June 2015.

23. FINANCIAL RISK MANAGEMENT

The company is exposed to various financial risks in connection with its current operating activities, such as market risk, credit risk and liquidity risk.

MARKET RISK

The risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

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

The company had no exposure to currency risk at 30 June 2015 (2014: 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:

	2015	2014
Cash and cash equivalents – 200 bps increase	6	2
Cash and cash equivalents – 200 bps decrease	(6)	(2)
Financial liabilities – Preference shares – 200 bps increase	–	(5)
Financial liabilities – Preference shares – 200 bps decrease	–	5

23. FINANCIAL RISK MANAGEMENT *continued*

OTHER PRICE RISK

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

The table below reflects the company's exposure to equity price risk. A hypothetical 10% increase or decrease in the equity prices would result in the following changes in the profit before taxation of the company:

	Company			
	30 June 2015		30 June 2014	
R million	10% increase	10% decrease	10% increase	10% decrease
Equity securities at fair value through profit or loss	15	(15)	12	(12)
Derivative asset	18	(18)	14	(14)
Derivative liability	(11)	11	(9)	9
TOTAL IMPACT ON PROFIT BEFORE TAXATION	22	(22)	17	(17)

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;
- Loans and receivables; and
- Cash and cash equivalents.

Significant concentrations of credit risk, if applicable, are disclosed in the annual financial statements. The credit exposure to any one counterparty is managed by the board of directors and by setting transaction/exposure limits, which are reviewed at each board and audit and risk committee meeting. The creditworthiness of existing and potential clients is monitored by the board.

23. FINANCIAL RISK MANAGEMENT *continued*

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

	Company		
R million	BBB	Not rated	Total
30 June 2015			
Debt securities			
– fair value through profit or loss – unlisted	–	386	386
Derivative asset	–	46	46
Loans and receivables	–	5	5
Cash and cash equivalents	322	–	322
TOTAL	322	437	759
30 June 2014			
Debt securities			
– fair value through profit or loss – unlisted	–	415	415
Derivative asset	–	17	17
Loans and receivables	–	1	1
Cash and cash equivalents	97	–	97
TOTAL	97	433	530

The ratings were obtained from Fitch. The ratings are based on long-term investment horizons. Where long-term ratings are not available, the financial instruments are categorised according to short-term ratings. The ratings are defined as follows:

Long-term investment grade:

A – The financial instrument is considered upper-medium grade and is subject to low credit risk although certain economic situations can more readily affect the issuers' financial soundness adversely than those rated AAA or AA.

BBB – The financial instrument is subject to moderate credit risk and indicates medium class issuers, which are currently satisfactory.

Not rated – The credit exposure for the assets listed above is considered acceptable by the board even though certain assets do not have a formal rating. The debt securities at fair value through profit or loss represent a loan provided to the OUTsurance Investment Trust, 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.

23. FINANCIAL RISK MANAGEMENT *continued*

LIQUIDITY RISK AND ASSET LIABILITY MATCHING

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company's liabilities are matched by appropriate assets and it has significant liquid resources to cover its obligations. The company's liquidity and ability to meet such calls are monitored quarterly at the board meetings.

	Company		
R million	Call to 12 months	1 – 5 years/no contractual maturity	Total
30 June 2015			
Assets			
Property and equipment	–	10	10
Investment in subsidiaries	–	4 633	4 633
Investment in associates	–	10 751	10 751
Equity securities – fair value through profit or loss	–	146	146
Debt securities – fair value through profit or loss	–	386	386
Derivative asset	–	46	46
Loans and receivables	5	–	5
Taxation	3	–	3
Cash and cash equivalents	322	–	322
TOTAL ASSETS	330	15 972	16 302
Liabilities			
Share-based payment liability	8	27	35
Employee benefit liability	–	3	3
Financial liabilities			
Preference shares (undiscounted)	132	2 117	2 249
Derivative liability	–	36	36
Provisions	3	–	3
Trade and other payables	51	–	51
TOTAL LIABILITIES	194	2 183	2 377

23. FINANCIAL RISK MANAGEMENT *continued*

R million	Call to 12 months	1 – 5 years/no contractual maturity	Total
30 June 2014			
Assets			
Investment in subsidiaries	–	4 633	4 633
Investment in associates	–	9 486	9 486
Equity securities - fair value through profit or loss	–	115	115
Debt securities - fair value through profit or loss	–	415	415
Derivative asset	–	17	17
Loans and receivables	1	–	1
Taxation	2	–	2
Cash and cash equivalents	97	–	97
TOTAL ASSETS	100	14 666	14 766
Liabilities			
Share-based payment liability	8	6	14
Financial liabilities			
Preference shares (undiscounted)	54	700	754
Derivative liability	–	20	20
Provisions	1	–	1
Trade and other payables	23	–	23
TOTAL LIABILITIES	86	726	812

24. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent to which 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.

	Company			
R million	Level 1	Level 2	Level 3	Total carrying amount
30 June 2015				
Financial assets				
Equity securities				
– fair value through profit or loss	146	–	–	146
Debt securities				
– fair value through profit or loss	–	–	386	386
Derivative asset	–	46	–	46
TOTAL FINANCIAL ASSETS VALUED AT FAIR VALUE	146	46	386	578
Financial liabilities				
Derivative liability	–	36	–	36
30 June 2014				
Financial assets				
Equity securities				
– fair value through profit or loss	115	–	–	115
Debt securities				
– fair value through profit or loss	–	–	415	415
Derivative asset	–	17	–	17
TOTAL FINANCIAL ASSETS VALUED AT FAIR VALUE	115	17	415	547
Financial liabilities				
Derivative liability	–	20	–	20

24. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *continued*

	Company	
R million	2015	2014
Reconciliation of movement in level 3 assets		
Balance at the beginning of the year	415	441
Investment income accrued	32	33
Dividends received from the OUTsurance Investment Trust	(61)	(54)
Disposals in the current year	–	(5)
BALANCE AT THE END OF THE YEAR	386	415

The level 3 financial asset at fair value through profit or loss represents a loan provided to the OUTsurance Investment Trust, 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.

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 balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

LEVEL 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. If all significant inputs required to fair value an instrument are market observable, the instrument is included in level 2. The derivative asset and derivative liability is calculated with reference to the quoted prices for shares listed on the JSE.

LEVEL 3

The debt securities at fair value through profit or loss accrue interest at a fixed percentage of the prime interest rate and are reduced by dividends received from the OUTsurance Investment Trust.

25. POST-REPORTING DATE EVENT

FINAL DIVIDEND DECLARATION

RMI declared a final dividend of 64.0 cents (2014: 62.0 cents) per ordinary share, amounting to R951 million (2014: R921 million) on 11 September 2015, payable on 12 October 2015.

SHAREHOLDERS' INFORMATION

CONTENTS

SHAREHOLDERS

	As at 30 June 2015			As at 30 June 2014		
	Number of shareholders	Shares held (000's)	%	Number of shareholders	Shares held (000's)	%
Analysis of shareholding						
Financial Securities Limited (Remgro)	1	449 639	30.3	1	449 639	30.3
Royal Bafokeng Holdings Proprietary Limited	1	222 853	15.0	1	222 853	15.0
Public Investment Corporation	1	118 261	8.0	1	119 634	8.0
Allan Gray (on behalf of clients)	1	86 623	5.8	1	87 707	5.9
Total of shareholders holding more than 5%	4	877 376	59.1	4	879 833	59.2
Other	35 915	608 312	40.9	31 840	605 855	40.8
TOTAL	35 919	1 485 688	100.0	31 844	1 485 688	100.0
Shareholder type						
Corporates		672 492	45.3		672 492	45.3
Pension funds		177 890	12.0		184 732	12.4
Unit trusts		173 191	11.6		186 336	12.6
Private investors		55 305	3.7		50 493	3.4
Insurance companies and banks		20 472	1.4		12 195	0.8
Other		386 338	26.0		379 440	25.5
TOTAL		1 485 688	100.0		1 485 688	100.0
Public and non-public shareholders						
Public	35 908	670 407	45.1	31 834	670 948	45.1
Non-public	11	815 281	54.9	10	814 740	54.9
– Corporates	2	672 492	45.3	2	672 492	45.3
– Directors and associates	9	142 789	9.6	8	142 248	9.6
TOTAL	35 919	1 485 688	100.0	31 844	1 485 688	100.0
Geographic ownership						
South Africa		1 330 295	89.5		1 329 570	89.5
International		155 393	10.5		156 118	10.5
TOTAL		1 485 688	100.0		1 485 688	100.0

The information above is extracted from the shareholder analysis provided by Orient Capital Limited.

PERFORMANCE ON THE JSE LIMITED

	2015	2014
Number of shares in issue throughout the year (000's)	1 485 688	1 485 688
Market prices (cents per share)		
– Closing	4 247	3 278
– High	4 894	3 450
– Low	3 101	2 333
– Weighted average	4 041	2 742
Closing price/net asset value per share	3.7	3.1
Closing price/headline earnings per share	19.3	16.9
Volume of shares traded during the year (million)	442	273
Value of shares traded during the year (R million)	17 876	7 473
Market capitalisation at year-end (R million)	63 097	48 701
Rank by market capitalisation at year-end	33	34

SHAREHOLDERS' DIARY

REPORTING

INTERIM RESULTS FOR THE 2016 FINANCIAL YEAR	
Announcement for the six months ending 31 December 2015	Early March 2016
FINAL RESULTS FOR THE 2016 FINANCIAL YEAR	
Announcement for the year ending 30 June 2016	Mid-September 2016
Posting of annual integrated report	End-October 2016
Annual general meeting	End-November 2016

DIVIDENDS

INTERIM DIVIDEND FOR THE 2016 FINANCIAL YEAR	
Declare	Early March 2016
Payable	End-March 2016
FINAL DIVIDEND FOR THE 2016 FINANCIAL YEAR	
Declare	Mid-September 2016
Payable	Mid-October 2016

NOTICE OF ANNUAL GENERAL MEETING

This document (which is available in English only) is important and requires your immediate attention. The action you need to take is set out in this notice. If you are in any doubt as to what action to take, please consult your broker, attorney or other professional advisor immediately.

RAND MERCHANT INSURANCE HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2010/005770/06)
JSE ordinary share code: RMI
ISIN code: ZAE000153102
(RMI or the company)

Notice is hereby given to the holders of the ordinary shares in RMI (shareholders), in terms of section 62(1) of the Companies Act, 71 of 2008 (Companies Act), that the fifth annual general meeting of the shareholders of RMI will be held in the boardroom, 3rd floor, 2 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton on Friday, 20 November 2015 at 11:00 to consider and, if approved, pass the following resolutions with or without modification.

The record date in terms of section 59 of the Companies Act for shareholders to be recorded in the securities register of the company in order to be able to attend, participate and vote at the annual general meeting, is Friday, 13 November 2015. Accordingly, the last day to trade in order to be able to attend, participate and vote at the annual general meeting is Friday, 6 November 2015. This notice will be sent to all shareholders who are recorded as such in the company's securities register on 16 October 2015.

AGENDA

1. PRESENTATION OF THE AUDITED GROUP AND SEPARATE ANNUAL FINANCIAL STATEMENTS

   The audited group and separate annual financial statements (as approved by the board of directors of the company), including the reports of the external auditor, audit and risk committee and directors for the financial year ended 30 June 2015, all of which are included in the annual integrated report of which this notice forms a part (annual integrated report) are presented to the meeting. Shareholders are referred to page 66 of the annual integrated report for the report from the social, ethics and transformation committee of RMI.

2. ORDINARY RESOLUTION NUMBER 1

   Re-election of directors

   To re-elect, by way of separate resolutions, the following directors, who retire in terms of the company's memorandum of incorporation (MOI) and who, being eligible, offer themselves for re-election.

2.1 Lauritz Lanser Dippenaar (66)
Non-executive director
Date of appointment: 8 December 2010
Educational qualifications: MCom, CA(SA)
Listed directorships: FirstRand Limited and RMB Holdings Limited

2.2 Jan Willem Dreyer (64)
Independent non-executive director
Date of appointment: 8 December 2010
Educational qualifications: BCom, LLB, HDip Co Law, HDip Tax
Listed directorships: RMB Holdings Limited

2.3 Jan Jonathan Durand (48)
Non-executive director
Date of appointment: 8 December 2010
Educational qualifications: BAcc(Hons), MPhil, CA(SA)
Listed directorships: Discovery Limited, Distell Group Limited, FirstRand Limited, Grindrod Limited, Mediclinic International Limited, RCL Foods Limited, Remgro Limited and RMB Holdings Limited (alternate)

2.4 Paul Kenneth Harris (65)
Non-executive director
Date of appointment: 8 December 2010
Educational qualifications: MCom
Listed directorships: FirstRand Limited and RMB Holdings Limited

2.5 Obakeng Phetwe (37)
Non-executive director
Date of appointment: 6 February 2013
Educational qualifications: BCom(Hons), CA(SA)
Listed directorships: RMB Holdings Limited (alternate)

Additional information in respect of ordinary resolution number 1

A brief CV of each of the persons mentioned above appears on pages 54, 56 and 57 of the annual integrated report.

3. ORDINARY RESOLUTION NUMBER 2

Approval of remuneration policy

Resolved that shareholders endorse the company's remuneration policy and its implementation. The company's remuneration policy is set out on pages 64 and 65 of the annual integrated report.

Additional information in respect of ordinary resolution number 2

In terms of the King Report on Governance for South Africa 2009 (King III), the company's remuneration policy should be tabled for a non-binding advisory vote at the annual general meeting. The essence of this vote is to enable the ordinary shareholders to express their views on the remuneration policy adopted and on its implementation. Shareholders are accordingly requested to endorse the company's remuneration policy.

4. ORDINARY RESOLUTION NUMBER 3

Place 15% (fifteen percent) of the authorised but unissued ordinary shares under the control of the directors

Resolved that 15% (fifteen percent) of the authorised but unissued ordinary shares in the company be and are hereby placed under the control of the directors as a general authority until the forthcoming annual general meeting and that the directors be and are hereby authorised to allot, issue and otherwise dispose of such shares to such person or persons upon such terms and conditions as the directors in their discretion deem fit, subject to the Companies Act, the MOI and the JSE Listings Requirements, where applicable.

Additional information in respect of ordinary resolution number 3

Shareholders should note that 15% (fifteen percent) or 77 146 748 of the company's authorised but unissued ordinary shares represents approximately 5% (five percent) of the issued ordinary shares. At 30 June 2015 this was valued at approximately R3.3 billion.

5. ORDINARY RESOLUTION NUMBER 4

General authority to issue ordinary shares for cash

Resolved that the board of directors of the company be and are hereby authorised, by way of a renewable general authority, to issue those ordinary shares in the share capital of the company under the control of the directors for cash as and when they in their discretion deem fit, subject to the Companies Act, the MOI and the JSE Listings Requirements, when applicable, and provided that:

- this authority shall be valid until the company's next annual general meeting or for 15 (fifteen) months from the date of this resolution, whichever period is shorter;
- the ordinary shares must be issued to public shareholders as defined by the JSE Listings Requirements and not to related parties;
  - the securities which are the subject of the general issue of shares for cash may not exceed 148 568 835 shares, being 10% (ten percent) of the number of listed equity securities of the company as at the date of this notice of annual general meeting, provided that:
    - any equity securities issued under this authority during the period must be deducted from the number above;
    - in the event of a sub-division or consolidation of issued equity securities during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio; and
    - the calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the notice of annual general meeting, excluding treasury shares;
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount at which the ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of the company's ordinary shares measured over 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the company and the party subscribing for the securities;
- a paid press announcement giving full details will be published at the time of any issue representing, on a cumulative basis within the period of this authority, 5% (five percent) or more of the number of ordinary shares in issue prior to that issue, in terms of the JSE Listings Requirements; and
- any such general issue is subject to exchange control regulations and approval at that time.

Additional information in respect of ordinary resolution number 4

Approval for this ordinary resolution is obtained by achieving a 75% (seventy five percent) majority of the votes cast in favour of this resolution at the annual general meeting by all equity security holders entitled to vote thereon and present or represented by proxy.

6. ORDINARY RESOLUTION NUMBER 5

Approval of re-appointment of auditor

Resolved that, as nominated by the audit and risk committee, PricewaterhouseCoopers Inc. be re-appointed as auditor of the company until the next annual general meeting.

7. ORDINARY RESOLUTION NUMBER 6

Appointment of the company's audit and risk committee members

Resolved by way of separate resolutions that the following persons, who are independent non-executive directors of the company, be and are hereby elected as members of the audit and risk committee with effect from the end of this annual general meeting:

7.1 Sonja Emilia Ncumisa De Bruyn Sebotsa (43)
Independent non-executive director

Date of appointment: 8 December 2010
Educational qualifications: LLB (Hons), LSE, MA (McGill), SFA (UK), Executive Leadership Programme (Harvard)
Listed directorships: Aquarius Platinum Limited, Discovery Limited and RMB Holdings Limited

7.2 Jan Willem Dreyer (64)
Independent non-executive director

Date of appointment: 8 December 2010
Educational qualifications: BCom, LLB, HDip Co Law, HDip Tax
Listed directorships: RMB Holdings Limited

7.3 Per-Erik Lagerström (51)
Independent non-executive director

Date of appointment: 20 November 2015
Educational qualifications: BSc (Accounting), MSc (Economics)(London School of Economics)
Listed directorships: RMB Holdings Limited

Additional information in respect of ordinary resolution number 6

A brief CV of each of the persons mentioned above appears on pages 54 and 55 of the annual integrated report.

8. SPECIAL RESOLUTION NUMBER 1

Approval of non-executive directors' remuneration with effect from 1 December 2015

Resolved, as a special resolution in terms of section 66(9) of the Companies Act, that the following remuneration of the non-executive directors for their services as directors of the company from 1 December 2015, as set out below, be and is hereby approved:

	Per annum
Board (4 meetings per annum)	
– Chairman	**R460 000**
– Director	**R230 000**
Audit and risk committee (2 meetings per annum)	
– Chairman	**R115 000**
– Member	**R57 500**
Social, ethics and transformation committee (2 meetings per annum)	
– Chairman	**R21 900**
– Member	**R17 520**
Investment committee (8 meetings per annum)	
– Chairman	**R116 800**
– Member	**R93 400**
Remuneration committee (1 meeting per annum)	
– Chairman	**R3 650**
– Member	**R2 920**
Ad hoc meetings (per hour)	**R3 650**

Additional information in respect of special resolution number 1

The reason for special resolution number 1 is to approve the remuneration of the non-executive directors, effective from 1 December 2015. The increase compared to the prior year is attributable to the increased workload resulting from the active investment strategy.

9. SPECIAL RESOLUTION NUMBER 2

General authority to repurchase company shares

Resolved that the acquisition by the company and/or any subsidiary of the company, from time to time of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, be and is hereby authorised, but subject to the MOI, the Companies Act and JSE Listings Requirements, when applicable, and provided that:

- this authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing this special resolution;
- any such repurchase be effected through the order book operated by the JSE trading system and done without any prior understanding or agreement between the company and the counterparty (reported trades are prohibited);
- a paid press release, giving such details as may be required in terms of the JSE Listings Requirements, be published when the company or its subsidiaries have cumulatively repurchased 3% (three percent) of the initial number of the relevant class of shares, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter;
- a general repurchase may not in the aggregate in any one financial year exceed 10% (ten percent) of the number of shares in the company's issued share capital as at the beginning of the financial year, provided that subsidiaries of the company may not at any one time hold more than 10% (ten percent) in aggregate of the number of issued shares of the company;
- no repurchases will be effected during a prohibited period unless there is in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and details thereof have been submitted to the JSE in writing. In this regard, the company will instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- at any point in time the company may only appoint one agent to effect repurchases on the company's behalf;
- a resolution has been passed by the board of directors of the company authorising the repurchase, and the company and its subsidiaries have passed the solvency and liquidity test as set out in section 4 of the Companies Act and that since the application of the solvency and liquidity test, there have been no material changes to the financial position of the company and the group;
- in determining the price at which shares may be repurchased in terms of this authority, the maximum premium permitted will be 10% (ten percent) above the weighted average traded price of the ordinary shares as determined over the 5 (five) days prior to the date of repurchase; and
- any such general repurchase is subject to exchange control regulations and approvals at the point in time, where relevant.

Additional information in respect of special resolution number 2

The board has no immediate intention to use this authority to repurchase company shares. However, the board is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

After having considered the effect on the company of the repurchase contemplated under this general authority, the directors are of the opinion that, and undertake that they will not commence a general repurchase of shares as contemplated above, unless the following can be met:

- the company and the group will, in the ordinary course of business, be able to pay its debts for a period of 12 months after the date of the repurchase;
- the assets of the company and the group will be in excess of the liabilities of the company and group for a period of 12 months after the date of the repurchase. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the audited group annual financial statements for the year ended 30 June 2015;
- the company's and group's ordinary share capital and reserves will be adequate for ordinary business purposes for a period of 12 months following the date of the repurchase; and
- the company and group will, after such repurchase, have sufficient working capital for ordinary business purposes for a period of 12 months following the date of the repurchase.

For purposes of considering this special resolution and in compliance with section 11.26 of the JSE Listings Requirements, the information listed below has been included in the annual integrated report at the places indicated:

1. Major shareholders – refer page 212;
2. There have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred since the end of the last financial period for which audited annual financial statements have been published, as set out in the annual integrated report, of which this notice forms part;
3. Share capital of the company – refer page 197;
4. The directors, whose names are given on pages 53 to 57 of this annual integrated report collectively and individually accept full responsibility for the accuracy of the information given in these notes 1 to 3 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement in these notes 1 to 3 false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all information required by law and the JSE Listings Requirements.

10. SPECIAL RESOLUTION NUMBER 3

Financial assistance to directors, prescribed officers, employee share scheme beneficiaries and related or interrelated companies

Resolved, as a special resolution of the company in terms of section 44 and 45 of the Companies Act, that the directors of the company may, subject to compliance with the MOI, the Companies Act and the JSE Listings Requirements, where applicable, each as presently constituted and as amended from time to time during the two years commencing on the date of this special resolution, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and 45 of the Companies Act) to, inter alia, a director or prescribed officer of the company or corporation which is related or interrelated to the company on such terms and conditions as the directors of the company determine, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of special resolution of the ordinary shareholders in terms of sections 44 and 45 of the Companies Act or falls within the exemptions contained in these sections.

Additional information in respect of special resolution number 3

The reason for special resolution number 3 is to grant the directors of the company the authority required by the Companies Act to provide direct or indirect financial assistance through inter alia the lending of money, guaranteeing of a loan or other obligation and securing any debt or obligation, to its subsidiaries, associates and interrelated parties of the company.

11. SPECIAL RESOLUTION NUMBER 4

Change of the company's name

Resolved, as a special resolution, but subject to the adoption of the revised MOI contemplated in special resolution number 6 below, that the name of the company be and is hereby changed from "Rand Merchant Insurance Holdings Limited" to "Rand Merchant Investment Holdings Limited".

Additional information in respect of special resolution number 4

The purpose of this proposed special resolution number 4 is to change the company's name to "Rand Merchant Investment Holdings Limited", such new name appearing on the cover page of the revised MOI contemplated in special resolution number 6 below. The new name better reflects RMI's updated investment strategy.

Important dates in respect of special resolution number 4

Details of annual general meeting and declaration of change of name announcement released on SENS	Friday, 23 October 2015
Annual general meeting	Friday, 20 November 2015
Results of annual general meeting released on SENS	Monday, 23 November 2015
Finalisation date and announcement confirming that the name change has become effective released on SENS	Friday, 15 January 2016
Last day to trade under the old name "Rand Merchant Insurance Holdings Limited"	Friday, 22 January 2016
Trade under the new name "Rand Merchant Investment Holdings Limited" under the JSE share code "RMI" and new ISIN code ZAE000210688 from commencement of trading on	Monday, 25 January 2016
Record date in respect of the name change	Friday, 29 January 2016
New share certificates reflecting the change of name posted by registered post to certificated shareholders who have surrendered their documents of title on or before 12:00 on the record date or within five business days of surrender thereof if received after 12:00 on the record date on	Monday, 1 February 2016
Dematerialised shareholders' accounts updated with the name change by their CSDP/broker on	Monday, 1 February 2016

Procedure for the surrender of documents of title in respect of the name change

Certificated shareholders must complete the attached form of surrender and lodge it with the transfer secretaries.

Subject to the issue by the Companies and Intellectual Property Commission (CIPC) of an amended registration certificate in terms of section 16(9) of the Companies Act relating to the change of name, new share certificates reflecting the new name of the company will be posted, by registered mail, on or about 1 February 2016 to certificated resident shareholders and, in the case of non-resident and emigrant certificated shareholders, to the authorised foreign exchange dealer in South Africa nominated by such shareholders, at their own risk, who have surrendered their documents of title by 12:00 on the record date, or within five business days of receipt of the existing documents of title where shareholders have surrendered their documents of title after 12:00 on the record date.

In the event that the special resolution to approve the change of name is not passed by the requisite majority of shareholders at the annual general meeting, or CIPC does not issue an amended registration certificate as contemplated in section 16(9) of the Companies Act relating to the name change, existing documents of title will be returned, by registered mail, on or about 1 February 2016 to certificated resident shareholders and, in the case of non-resident and emigrant certificated shareholders, to the authorised foreign exchange dealer in South Africa nominated by such shareholders, at their own risk.

If any existing documents of title have been lost or destroyed and the certificated shareholder provides evidence to this effect to the satisfaction of the directors, then RMI may dispense with the surrender of such documents of title against provision of an acceptable indemnity.

Receipts will not be issued for the surrender of existing documents of title. Lodging agents who require special transaction receipts are requested to prepare such receipts and submit them for stamping, together with the documents of title lodged.

Exchange control regulations

In the case of certificated shareholders whose registered addresses are outside the common monetary area or where the share certificates are restrictively endorsed in terms of the South African Exchange Control Regulations, the following will apply:

Non-residents who are emigrants from the common monetary area

Share certificates bearing the new name will be restrictively endorsed "non-resident" in terms of the South African Exchange Control Regulations and will be sent to the shareholder's authorised foreign exchange dealer in South Africa that controls his/her blocked assets.

All other non-residents

Share certificates bearing the new name will be restrictively endorsed "non-resident" in terms of the South African Exchange Control Regulations and will be sent to the shareholder's authorised foreign exchange dealer in South Africa nominated by the non-resident or to the postal address nominated by the non-resident.

With regard to emigrant and non-resident dematerialised shareholders, their share accounts will be automatically updated with the name change by their CSDP/ broker on 1 February 2016.

12. SPECIAL RESOLUTION NUMBER 5

Creation of an additional class of authorised shares

Resolved, as a special resolution, but subject to the adoption of the revised MOI contemplated in special resolution number 6 below, that the number of authorised shares in the company be and is hereby increased by the creation of 100 000 000 (one hundred million) unlisted, redeemable no par value preference shares (preference shares), such that the company will be authorised to issue the following shares after the filing of the revised MOI contemplated in special resolution number 6 below:

1. 2 000 000 000 (two billion) ordinary shares with a par value of R0.0001 (one hundredth of a cent) each;
2. 100 000 000 (one hundred million) cumulative, redeemable preference shares with a par value of R0.0001 (one hundredth of a cent) each;
3. 100 000 000 (one hundred million) cumulative, redeemable no par value preference shares; and
4. 100 000 000 (one hundred million) redeemable no par value preference shares, as recorded in clause 7.1 of such revised MOI, read together with schedule 1 thereto.

Additional information in respect of special resolution number 5

The purpose of this proposed special resolution number 5 is to create the preference shares, which are required in order to implement and give effect to the company's proposed R15 000 000 000 (fifteen billion Rand) Domestic Medium-Term Note and Preference Share Programme (as described on page 31 of the company's annual integrated report of which this notice forms a part) (programme).

The programme is intended to commence on the date on which the company issues the corresponding programme memorandum and is currently being capped at an aggregate amount of R15 000 000 000 (fifteen billion Rand), although the intention is not to utilise such full amount in the short-term, unless specific opportunities present themselves to the company.

The preferences, rights, limitations and other terms associated with the preference shares are contained in schedule 4 to the revised MOI contemplated in special resolution number 6 below, a complete copy of which may be inspected at the company's registered office (3rd floor, 2 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton), during normal business hours from Friday, 23 October 2015 up to and including Friday, 20 November 2015. A copy is also available on the company's website **(www.rmih.co.za)** and can be obtained from the company secretary by email at schalk.human@rmbh.co.za.

13. SPECIAL RESOLUTION NUMBER 6

Adoption of a revised MOI

Resolved, as a special resolution in terms of section 16(1)(c) of the Companies Act, that a new MOI (revised MOI) (in the form of the draft tabled at this annual general meeting and initialled by the chairman of the meeting for the purposes of identification) be and is hereby adopted in substitution for and to the exclusion of the entire existing MOI of the company (existing MOI), with effect from the date on which the corresponding notice of amendment is filed with the Companies and Intellectual Property Commission, as contemplated in terms of section 16(9)(b) of the Companies Act, in order to (i) give effect to the change to the company's name as contemplated in special resolution number 4 above, and (ii) give effect to the increase in the number of authorised shares in the company as contemplated in special resolution number 5 above.

Additional information in respect of special resolution number 6

The purpose of this proposed special resolution number 6 is to adopt the revised MOI in order to (i) give effect to the change to the company's name as contemplated in special resolution number 4 above, and (ii) give effect to the increase in the number of authorised shares in the company as contemplated in special resolution number 5 above, with the only revisions to the existing MOI pertaining to such name change and such increase in the number of authorised shares in the company.

A complete copy of the revised MOI may be inspected at the company's registered office (3rd floor, 2 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton), during normal business hours from Friday, 23 October 2015 up to and including Friday, 20 November 2015. A copy is also available on the company's website **(www.rmih.co.za)** and can be obtained from the company secretary by email at schalk.human@rmbh.co.za.

14. TO TRANSACT ANY OTHER BUSINESS THAT MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

Approvals required for resolutions

Ordinary resolutions number 1, 2, 3, 5 and 6 contained in this notice of annual general meeting require the approval of more than 50% (fifty percent) of the votes exercised on each resolution by shareholders present, or represented by proxy, at the annual general meeting.

Ordinary resolution number 4 (general authority to issue ordinary shares for cash) and special resolutions number 1 to 6 contained in this notice of annual general meeting require the approval of at least 75% (seventy five percent) of the votes exercised on each resolution by shareholders present, or represented by proxy, at the annual general meeting.

IMPORTANT NOTICE REGARDING ATTENDANCE AT THE ANNUAL GENERAL MEETING

GENERAL

Shareholders wishing to attend the annual general meeting have to confirm beforehand with the transfer secretaries of the company that their shares are in fact registered in their name.

CERTIFICATED MEMBERS

Shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder. Proxy forms should be forwarded to reach the company's transfer secretaries, Computershare Investor Services Proprietary Limited at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) or at fax number 011 688 5238 and be received by them no later than 11:00 on Wednesday, 18 November 2015. Before a proxy exercises any rights of a shareholder at the annual general meeting, such form of proxy must be so delivered.

DEMATERIALISED SHAREHOLDERS

Shareholders who have dematerialised their shares, other than those members who have dematerialised their shares with own name registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Voting will be by way of a poll and every shareholder of the company present, whether in person or represented by proxy, shall have one vote for every share held in the company by such shareholder.

Shares held by a share trust or scheme, treasury shares and unlisted shares will not have their votes at the annual general meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

ELECTRONIC PARTICIPATION

Shareholders or their proxies may participate in the annual general meeting by way of a teleconference call, provided that if they wish to do so they must contact the company secretary by email at schalk.human@rmbh.co.za by no later than 17:00 on 18 November 2015 in order to obtain a PIN number and dial-in details for that conference call.

Voting by way of teleconference call will only be permitted if the applicable shareholder is represented by a proxy who is physically present at the meeting and in respect of whom a proxy form has been duly submitted in accordance with the provisions contained in this notice of annual general meeting.

Shareholders wishing to participate in this manner are reminded that they will be billed separately by their respective telephone service providers.

PROOF OF IDENTIFICATION REQUIRED

Kindly note that, in terms of section 63(1) of the Companies Act, participants at the meeting (including shareholders and proxies) will be required to provide reasonably satisfactory identification and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as proxy for a shareholder) has been reasonably verified, before being entitled to attend or participate in a shareholders' meeting.

Acceptable forms of identification include valid identity documents, driver's licenses and passports.

SUMMARY OF SHAREHOLDER RIGHTS

In compliance with the provisions of section 58(8)(b)(i) of the Companies Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act, is set out below:

- A shareholder entitled to attend and vote at the annual general meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the annual general meeting in the place of the shareholder. A proxy need not be a shareholder of the company.
- A proxy appointment must be in writing, dated and signed by the shareholder appointing the proxy and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the annual general meeting.
- A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
- The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.
- The appointment of a proxy is revocable by the shareholder in question by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.
- If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the MOI to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the notes and instructions on page 226.

By order of the board of directors.

JS Human
MCom (Accounting), CA(SA)
Company secretary

23 October 2015

FORM OF PROXY

Only for use by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

RAND MERCHANT INSURANCE HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2010/005770/06)
JSE ordinary share code: RMI ISIN code: ZAE000153102
(RMI or the company)

For use by shareholders who have not dematerialised their shares or who have dematerialised their shares but with own name registration, at the annual general meeting to be held at 11:00 on Friday, 20 November 2015, in the boardroom, 3rd floor, 2 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton and at any adjournment thereof.

Shareholders who have dematerialised their shares other than with own name registration, must inform their Central Securities Depository Participant (CSDP) or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend or they must provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person.

I/We, the undersigned (name) ____________________

of (address) ____________________

the registered holder of ____________________

ordinary shares in Rand Merchant Insurance Holdings Limited (Reg No 2010/005770/06), hereby appoint

1. ____________________, of ____________________ or failing him
2. ____________________, of ____________________ or failing him
3. the chairman of the annual general meeting, as my/our proxy to be present and act on my/our behalf, speak and on a poll, vote on my/our behalf as indicated below at the annual general meeting of shareholders of the company to be held at 11:00 on Friday, 20 November 2015 and at any adjournment thereof as follows: (see note 2)

	Insert an X or the number of votes exercisable (one vote per ordinary share)		
	In favour of	Against	Abstain
Ordinary resolution number 1 Re-election of directors:			
1.1 Lauritz Lanser Dippenaar			
1.2 Jan Willem Dreyer			
1.3 Jan Jonathan Durand			
1.4 Paul Kenneth Harris			
1.5 Obakeng Phetwe			
Ordinary resolution number 2 Approval of remuneration policy			
Ordinary resolution number 3 Place 15% of the authorised but unissued ordinary shares under the control of the directors			
Ordinary resolution number 4 General authority to issue ordinary shares for cash			
Ordinary resolution number 5 Approval of re-appointment of auditor			
Ordinary resolution number 6 Appointment of the company's audit and risk committee members:			
6.1 Sonja Emilia Ncumisa De Bruyn Sebotsa			
6.2 Jan Willem Dreyer			
6.3 Per-Erik Lagerström			
Special resolution number 1 Approval of non-executive directors' remuneration with effect from 1 December 2015			
Special resolution number 2 General authority to repurchase company shares			
Special resolution number 3 Financial assistance to directors, prescribed officers, employee share scheme beneficiaries and related or interrelated companies			
Special resolution number 4 Change of the company's name			
Special resolution number 5 Creation of an additional class of authorised shares			
Special resolution number 6 Adoption of a revised MOI			

Instructions to my/our proxy are indicated by a cross in the space provided above or by the number of shares in the appropriate boxes where all shares held are not being voted.

2015

Signature of registered shareholder (assisted by me as applicable) Date

PLEASE SEE THE NOTES ON THE REVERSE SIDE OF THIS FORM

RMI HOLDINGS

NOTES

1. A shareholder, who is entitled to attend and vote at the annual general meeting, may appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.
2. Every shareholder present in person or by proxy and entitled to vote at the annual general meeting of the company shall, on a show of hands, have one vote only, irrespective of the number of shares such shareholder holds, but in the event of a poll, every ordinary share in the company shall have one vote.
3. Dematerialised shareholders with own names registration are shareholders who appointed Computershare Custodial Services as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertificated shares are to be registered in the electronic sub-register of members in their own names.

INSTRUCTIONS ON SIGNING AND LODGING THE PROXY FORM

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting, as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid, the completed proxy forms must be forwarded to reach the company's transfer secretaries, Computershare Investor Services Proprietary Limited at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) or at fax number 011 688 5238 to be received by no later than 11:00 on Wednesday, 18 November 2015. Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.
5. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.
8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

FORM OF SURRENDER

(for use by certificated shareholders only)

RAND MERCHANT INSURANCE HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2010/005770/06)
JSE ordinary share code: RMI
ISIN code: ZAE000153102
(RMI or the company)

Please read the instructions overleaf. Non-compliance with these instructions may result in the rejection of this form. If you are in any doubt as to how to complete this form, please consult your broker, attorney or other professional advisor.

The completed form of surrender, together with the share certificates where applicable, need to be posted to:

Rand Merchant Insurance Holdings Limited
c/o Computershare Investor Services Proprietary Limited
PO Box 61763
Marshalltown
2107

The completed form of surrender, together with the share certificates, where applicable, can also be delivered at the following address:

Rand Merchant Insurance Holdings Limited
c/o Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg
2001

PART A – TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS WHO ARE RESIDENTS OF THE COMMON MONETARY AREA

I/We irrevocably and in rem suam authorise you to produce the signature of such documents that may be necessary to complete the replacement of the RMI shares with shares in the new name of Rand Merchant Investment Holdings Limited.

I/We hereby instruct you to forward the replacement certificate(s) to me/us by registered post, at my/our own risk, to the address overleaf and confirm that, where no address is specified, the share certificate(s) will be forwarded to my/our address recorded in the share register of RMI.

My/our signature(s) on the form of surrender constitutes my/our execution of this instruction. I/we surrender and enclose the undermentioned certificates, conditional upon the name change being implemented:

DOCUMENTS OF TITLE SURRENDERED

Certificate number(s)	Number of RMI shares covered by each certificate
Total	

Title	
Surname	
First name(s)	
Postal address to which new certificates should be sent (if different from the address recorded in the register)	
Signature of shareholder	
Assisted by (if applicable) (state full name and capacity)	
Date	
Telephone (Home)	
Telephone (Work)	
Cellphone number	
Stamp and address of agent lodging this form (if any)	

PART B – TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS WHO ARE EMIGRANTS FROM OR NON-RESIDENTS OF THE COMMON MONETARY AREA

Nominated authorised dealer in the case of a shareholder who is an emigrant from or a non-resident of the common monetary area:

Name of authorised dealer	
Account number	
Address	

NOTES

1. A separate form is required for each shareholder.
2. No receipts will be issued for certificates lodged, unless specifically requested. In compliance with the JSE Listings Requirements, lodging agents are requested to prepare special transaction receipts, if required. Signatories may be called upon for evidence of their authority or capacity to sign this form.
3. Persons whose registered addresses in the share register are outside the common monetary area, or whose shares are restrictively endorsed, should nominate an authorised dealer in Part B of this form.
4. Any alteration to this form of surrender must be signed in full and not initialled.
5. If this form of surrender is signed under a power of attorney, then such power of attorney, or a notarially certified copy thereof, must be sent with this form for noting (unless it has already been noted by the company or its transfer secretaries).
6. Where the shareholder is a company or a close corporation, unless it has already been registered with the company or its transfer secretaries, a certified copy of the directors' or shareholders' resolution authorising the signing of this form of surrender must be submitted if so requested by the company.
7. Note 6 above does not apply in the event of this form bearing a recognised JSE broker's stamp.
8. Where there are joint holders of any shares in the company, only that holder whose name is recorded first in the register in respect of such shares needs to sign this form of surrender.

ADMINISTRATION

RAND MERCHANT INSURANCE HOLDINGS LIMITED
(RMI)

Registration number: 2010/005770/06
JSE ordinary share code: RMI
ISIN code: ZAE000153102

DIRECTORS
GT Ferreira (Chairman), HL Bosman (chief executive and financial director), JP Burger, P Cooper (appointed as non-executive director on 11 September 2014), (Ms) SEN De Bruyn Sebotsa, LL Dippenaar, JW Dreyer, JJ Durand, PM Goss, PK Harris, P Lagerström, MM Morobe (appointed 1 August 2014), O Phetwe and KC Shubane.

Alternates: L Crouse and (Ms) A Kekana

SECRETARY AND REGISTERED OFFICE
JS Human

Physical address: 3rd Floor, 2 Merchant Place, corner of Fredman Drive and Rivonia Road, Sandton, 2196
Postal address: PO Box 786273, Sandton, 2146
Telephone: +27 11 282 8166
Telefax: +27 11 282 4210
Web address: www.rmih.co.za

SPONSOR
(in terms of JSE Limited Listings Requirements)

Rand Merchant Bank
(a division of FirstRand Bank Limited)

Physical address: 1 Merchant Place, corner of Fredman Drive and Rivonia Road, Sandton, 2196

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited

Physical address: Ground floor, 70 Marshall Street, Johannesburg, 2001
Postal address: PO Box 61051, Marshalltown, 2107
Telephone: +27 11 370 5000
Telefax: +27 11 688 5221

STUDIO 5

RMI commissioned artwork for its boardroom from Jaco van den Heever via Lizamore and Associates. This work has formed the basis for our communication for 2015. RMI is committed to the arts and supporting local culture generation, by engaging promising young artists in building their art collections.

Jaco van den Heever was born in Johannesburg in 1979. He is known for his visually compelling and highly nuanced drawings of his resident city, Johannesburg. His art is motivated by the diverse urban landscapes and structures that surround the city and how they are markers of its complicated socio-political history.

RMI HOLDINGS