ANNUAL INTEGRATED REPORT '13

Rand Merchant Insurance Holdings Limited is a separately listed investment holding company that holds a diversified portfolio of some of South Africa's premier insurance brands

RMI HOLDINGS

APPROACH TO INTEGRATED REPORTING

An integrated report explains how an organisation's strategy, governance, performance and prospects lead to the sustainable creation of value. Although a wide range of stakeholders will benefit from the information contained in an integrated report, it is mainly aimed at the providers of financial capital.

The International Integrated Reporting Council released a consultation draft of the International Integrated Reporting Framework in April 2013 and plans to issue the initial version of the framework in December 2013, with regular updates as integrated reporting evolves.

RMI Holdings' approach to integrated reporting will evolve over time in line with the framework. Integrated reporting had led to a more cohesive approach to reporting by connecting the information provided in the financial statements, corporate governance report, sustainability report and other management commentary.

We are mindful of the fact that every page we add to this annual integrated report results in six thousand additional pages being printed. Significant elements of the disclosure have already been made by our subsidiaries and associates and rather than replicating the information, we have chosen to refer stakeholders to the annual integrated reports of our investee companies.

Certain statements in this integrated report may be regarded as forward-looking statements or forecasts. These statements have not been reviewed and reported on by the group's external auditors.

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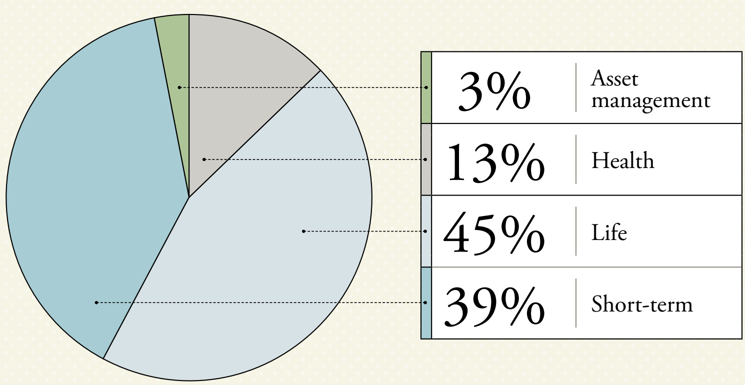
WHO ARE WE

Rand Merchant Insurance Holdings Limited ("RMI Holdings") is a separately listed investment holding company that holds a diversified portfolio of some of South Africa's premier insurance brands.

THE OBJECTIVE OF CREATING RMI HOLDINGS IS TO GIVE SHAREHOLDERS GREATER FLEXIBILITY AND TRANSPARENCY IN MANAGING THEIR INSURANCE INVESTMENTS ORIGINALLY HELD BY RMB HOLDINGS LIMITED ("RMBH").

RMI Holdings' investments include Discovery Limited ("Discovery"), MMI Holdings Limited ("MMI"), OUTsurance Holdings Limited ("OUTsurance") and RMB-SI Investments Proprietary Limited ("RMBSI").

These investments provide a diversified earnings base for an investor in the South African insurance sector



FINANCIAL HIGHLIGHTS

Normalised earnings	+7%	to 169.9 cents per share
Ordinary dividend	+19%	to 95.0 cents per share
Market value	+45%	to 2 520 cents per share

OUR STRUCTURE

RMI HOLDINGS is a significant investor in some of South Africa's most prominent insurance groups. Our interests include:

Discovery Actual interest 25%*	**Discovery** services the healthcare funding and insurance markets in South Africa, the United Kingdom, United States, China and Singapore. It is a pre-eminent developer of integrated financial services products and operates under the Discovery Health, Discovery Life, Discovery Insure, Discovery Invest, DiscoveryCard, Vitality, PruHealth, PruProtect, Ping An and AIA Vitality brand names.
MMI HOLDINGS Actual interest 25%*	**MMI,** South Africa's third largest insurer, was formed from the merger of Momentum and Metropolitan, both sizeable insurance-based financial services players in South Africa. The core businesses of MMI are long-term insurance, asset management, investment, healthcare administration and employee benefits. Product solutions are provided to all market segments. MMI operates in 12 countries outside of South Africa. It provides for the insurance needs of individuals in the lower-, middle- and upper-income markets, principally under the Momentum and Metropolitan brand names.
OUTSURANCE Actual interest 83%*	**OUTsurance** is a direct personal lines and small business short-term insurer. Pioneers of the OUTbonus concept, it has grown rapidly by applying a scientific approach to risk selection, product design and claims management. Its South African direct life insurance business has gained significant traction during the year. Youi, the group's direct personal lines initiative in Australia, achieved the necessary scale to run profitably.
RMB STRUCTURED INSURANCE Actual interest 76%*	**RMBSI** holds both short-term and life insurance licences. 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.

* *RMI Holdings' actual interest in these group entities is different from the effective interest as a result of the following consolidation adjustments (refer to note 43 on page 142):*
- *treasury shares held by these entities;*
- *shares held in them by their staff share incentive trusts;*
- *"deemed" treasury shares arising from BEE transactions entered into; and*
- *"deemed" treasury shares held in them by policyholders and mutual funds managed by them.*

NORMALISED EARNINGS

COMPUTATION OF NORMALISED EARNINGS

The group believes that normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non-operational items and accounting anomalies.

R million	For the year ended 30 June		
	2013 Audited	2012 Audited	% change
Headline earnings attributable to equity holders	**2 201**	2 410	(9)
RMI's share of normalised adjustments made by associates:	**341**	230	
Amortisation of intangible assets relating to business combinations	**171**	152	
Basis and other changes and investment variances	**92**	76	
Recapture of reinsurance	**84**	–	
Finance costs raised on puttable non-controlling interest financial liability	**41**	38	
Once-off costs	**15**	–	
Net realised and fair value gains on shareholders' assets	**(85)**	(65)	
STC	**–**	37	
Other	**23**	(8)	
Group treasury shares	**(17)**	(53)	
Recognition of deferred tax asset on assessed losses	**–**	(214)	
Earnings of disposal group held for sale	**–**	(10)	
STC	**–**	7	
Normalised earnings attributable to equity holders	**2 525**	**2 370**	**7**

SOURCES OF NORMALISED EARNINGS

R million	For the year ended 30 June		
	2013	2012	% change
Normalised earnings from:			
– Discovery	**699**	579	21
– MMI	**803**	746	8
– OUTsurance	**990**	1 010	(2)
– RMBSI	**70**	74	(5)
	2 562	2 409	6
Funding and holding company costs	**(37)**	(39)	5
Normalised earnings	**2 525**	**2 370**	**7**

COMPUTATION OF NORMALISED EARNINGS PER SHARE

	For the year ended 30 June		
	2013	2012	% change
Weighted average number of shares in issue (millions)	**1 486**	1 486	–
Normalised earnings per share (cents)	**169.9**	159.5	7
Diluted normalised earnings per share (cents)	**168.6**	157.8	7

EXECUTIVE REVIEW

ECONOMIC ENVIRONMENT

The macro-economic environment remained challenging over the financial year ended 30 June 2013 with global growth as a whole remaining uncertain and below the long-term trend throughout the period.

However, during 2013 activity in the United States (US) started to improve to such a degree that its central bank authorities contemplated the possible unwinding of current US monetary policy stimulus. This development negatively impacted emerging market flows, which had benefited from low US interest rates. Emerging economies have gradually lost growth momentum, even though they are still outperforming the developed world.

For South Africa this resulted in some currency weakness. Amidst an atmosphere of diminished investor confidence arising from increasing social and labour instability, South Africa's economic performance and prospects have also dimmed meaningfully over the past year.

GT Ferreira | *Chairman*

OVERVIEW OF RESULTS

For all our investments, operating conditions remained challenging and highly competitive. Local equity markets remained high while interest rate and currency volatility continued. Overall consumer confidence remained fragile.

Particularly violent hailstorms in Gauteng during the last quarter of 2012 resulted in our short-term insurance businesses experiencing the most severe weather related catastrophes in their history.

Notwithstanding such a challenging background, all of the businesses in which RMI Holdings is invested produced satisfying results, with strong growth in normalised earnings being recorded by Discovery, driven largely by the performance of its United Kingdom operations:

NORMALISED EARNINGS

	For the year ended 30 June		
R million	**2013 Audited**	2012 Audited	% change
Discovery	**2 787**	2 316	20
MMI	**3 241**	2 955	10
OUTsurance	**1 161**	1 157	–
RMBSI	**89**	96	(7)

As a result, the earnings derived by RMI Holdings from its investments in these companies were as follows:

	For the year ended 30 June		
R million	**2013 Audited**	2012 Audited	% change
Normalised earnings from:			
– Discovery	**699**	579	21
– MMI	**803**	746	8
– OUTsurance	**990**	1 010	(2)
– RMBSI	**70**	74	(5)
	2 562	2 409	6
Funding and holding company costs	**(37)**	(39)	5
Normalised earnings	**2 525**	2 370	7
Normalised earnings per share (cents)	**169.9**	159.5	7

RMI Holdings 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 5.

Market value of investments

On the back of strong financial performance, Discovery and MMI, the group's two listed associates, benefited from a significant market re-rating during the financial year. Discovery's market capitalisation on the JSE increased by 62% while that of MMI rose by 23%.

Over the course of the year, RMI Holdings' market capitalisation increased by 45%:

- as a result of the above-mentioned re-rating of our listed investments; as well as
- an implied market revaluation of our unlisted investments.

On a "look-through" basis, the market value attributed to RMI Holdings' interest in OUTsurance (83.4%) and RMBSI (76.4%) increased by 51% to R16.3 billion, reflecting in part market recognition of the progress made in building out OUTsurance's Australian initiative, Youi.

	For the year ended 30 June		
R million	**2013**	2012	% change
Market value of interest in:			
– Discovery	**12 445**	7 699	62
– MMI	**8 701**	7 050	23
Market value of listed investments	**21 146**	14 749	43
Implied market value of unlisted investments	**16 337**	10 843	51
Gross market value of portfolio	**37 483**	25 592	46
Net (liabilities)/assets of holding company	**(44)**	214	>(100)
RMI Holdings' market capitalisation	**37 439**	25 806	45
RMI Holdings' closing share price (cents)	**2 520**	1 737	45

Peter Cooper

Chief executive officer/ Financial director

DIVIDEND PAYMENTS

The board is of the opinion that RMI Holdings 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 declared below. The board is also of the view that at present the level of borrowings that the group carries at the centre is appropriate.

We have continued with our stated practice of paying out to shareholders dividends received from our underlying investments, after servicing any funding commitments that RMI Holdings may have at the centre.

Consequently, the board resolved to declare a final dividend of 55.0 cents per ordinary share.

Such final dividend, together with the interim dividend of 40.0 cents per ordinary share, brings the total dividends for the year ended 30 June 2013 to 95.0 cents per ordinary share (2012: 80.0 cents per ordinary share, excluding the special dividend of 55.0 cents per ordinary share), a year-on-year increase of 19%. Such dividend is covered 1.8 times by the normalised earnings of 169.9 cents per share. The apparent divergence in the growth in dividends relative to the growth in underlying earnings can be ascribed to OUTsurance (having accessed the cash earnings generated relative to its re-investment requirements) paying out a larger than normal dividend.

RMI Holdings has utilised Secondary Tax on Companies credits amounting to 1.97593 cents per ordinary share. The balance of the dividend will be subject to Dividend Withholding Tax at a rate of 15%, which will result in a net dividend of 47.04639 cents per ordinary share for those shareholders who are not exempt.

OUTLOOK FOR THE COMING YEAR

The difficult economic environment is expected to continue in the current financial year. Growth in insurance new business volumes will remain largely dependent upon the economic environment, including a recovery in employment and stronger disposable income levels. All of the groups in which RMI Holdings is invested face both opportunities and threats posed by the highly regulated environment in which they operate, including evolving capital regimes as well as social security reform proposals.

Notwithstanding these challenges, RMI Holdings expects to produce good organic growth during the coming year. In particular:

- the progress made by Discovery over the past financial year positions it strongly for continued growth and profitability in the future; while
- MMI's strategic focus has shifted from integration to outward looking growth initiatives with innovative strategies to unlock value; and
- OUTsurance expects its life insurance offering to gain further traction in South Africa and it is excited about the growth prospects of Youi.

To the new directors that have joined the board during the year, a warm welcome. Finally, to all our stakeholders, be they directors, management, staff or shareholders – thank you for your support and effort without which RMI Holdings cannot grow and prosper.

For and on behalf of the board:

GT Ferreira
Chairman

P Cooper
Chief executive officer

Sandton

12 September 2013

GROUP OVERVIEW

Discovery services the healthcare funding and insurance markets and is a pre-eminent developer of integrated financial services products.

Discovery

Adrian Gore

Chief executive officer

Founded in 1992, a compelling core purpose has guided Discovery's rapid growth – to make people healthier and to enhance and protect their lives. Discovery has built a sustainable business that will not only prosper over the long-term, but will benefit all its stakeholders.

With its headquarters in Johannesburg, Discovery has expanded its operations globally and currently serves over seven million clients across South Africa, the United Kingdom, the United States, China and Singapore. It operates under **the Discovery Health, Discovery Life, Discovery Insure, Discovery Invest, DiscoveryCard, Vitality, PruHealth, PruProtect, Ping An and AIA Vitality** brand names.

Discovery's ambition is to be the best insurance organisation in the world. It wants to be known for its excellence, financial strength and innovation. In addition, it strives to be a powerful force for social good – whether through the way it does business, the products and services it delivers or through the impact its business has in the broader society. To achieve its ambition, Discovery uses its unique business model to make a tangible difference in people's lives. In health insurance, integration incentivises healthier behaviour and reduces healthcare costs over the long-term and in life insurance, it creates the ability to offer clients innovative products, introduces dynamic rating factors that reduce costs for consumers and improves actuarial dynamics. By using these powerful financial and behavioural structures that meet people's needs in sustainable ways, it is able to provide superior returns for shareholders.

Discovery's framework for sustainable development supports this ambition. This framework focuses on six areas:

- A values-based culture of opportunity and innovation. Discovery seeks to continually grow a high-performance, values-based culture of opportunity where diversity is embraced, innovation thrives, personal wellbeing is valued and individuals are inspired to achieve their potential.
- Strengthen the healthcare system and expand access to care. Discovery aims to work with government in support of universal healthcare coverage and with healthcare providers to develop the capacity to deliver it.
- Improve the financial security of clients and protect them through innovative products and services. Discovery strives to increase the financial security of its clients and in so doing, enhance the sustainable development of its society and economy.

- Use the science of behavioural economics to drive positive behaviour change. Discovery aims to leverage its experience in incentivising to bring about positive behavioural change amongst its employees, members, its supply chain and partners, as well as broader society.
- Promote a thriving society. Discovery aims to ensure accountable, transparent and ethical business practices within its value chain and broader stakeholder network and to encourage a culture of entrepreneurship.
- Environmental responsibility. Discovery aims to achieve a meaningful decrease in its environmental footprint and enhance its understanding and responsiveness to climate change and other pressing environmental challenges.

The Discovery Fund provides ongoing financial support to 34 community healthcare organisations and projects across South Africa, with many of these organisations and projects situated in remote and rural areas. The Discovery Foundation is investing R150 million to train 300 healthcare specialists in South Africa.

The year under review to 30 June 2013 was a pleasing one for Discovery, with solid performance across the group. The year saw growth in:

- new business by 15% to R10.8 billion;
- normalised profit before tax from operations by 18% to R4.1 billion;
- normalised headline earnings by 20% to R2.8 billion; and
- embedded value by 18% to R35.7 billion.

The year under review saw significant investment (some 12% of earnings) in new business initiatives, a substantial portion of which was in Discovery Insure, which showed pleasing growth and in AIA Vitality, the strategic pan Asian joint venture launched in Singapore.

The South African operations demonstrated strong performance and generally ended the year ahead of expectation.

- The performance of Discovery Health and the Discovery Health Medical Scheme saw continued strong growth, with 13% growth in new business to R4.8 billion, while lives under management grew to 2.76 million.
- Discovery Life's performance is particularly pleasing with operating profit increasing by 16% to R2.1 billion.
- Discovery Invest's outcome was excellent, with operating profit growing by 46% to R221 million.
- Discovery Insure increased new business by 53% to R366 million.

The performance from PruHealth and PruProtect (Discovery's United Kingdom operations) was exceptional, with new business growing by 48% to R1.6 billion, resulting in a 57% profit growth to R472 million.

RMI Holdings included R699 million of Discovery's earnings in its normalised earnings (2012: R579 million).

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

MMI is well positioned for growth following the excellent merger integration progress

MMI HOLDINGS

Nicolaas Kruger

Chief executive officer

South Africa's third largest insurer, MMI, was formed from the merger of Momentum and Metropolitan. The strategic rationale for the merger was:

- to benefit from enhanced growth opportunities through the combination of complementary target markets and resources;
- to expand an enlarged African footprint;
- to realise cost synergies over time; and
- to have a larger and more specialised skills base in many different areas.

Reflecting on this strategic rationale for the merger, it is pleasing to see that it has become a reality in a relatively short period of time. The excellent merger integration progress has positioned MMI for growth, despite the backdrop of continued challenges in the environment.

MMI's strategic growth initiatives include:

- geographical diversification, mainly through looking at acquisitive and organic growth opportunities in Africa;
- product diversification by increasing MMI's market share in the South African short-term insurance market following the buy-out of OUTsurance's 50% stake in Momentum Short-term Insurance and providing short-term insurance solutions to MMI's African businesses;
- segment diversification by expanding MMI's representation in the middle-income market;
- channel diversification in respect of electronic distribution channels; and
- cross-selling which supports MMI's vision of becoming a truly client-centric organisation.

MMI subscribes to transformation as a business imperative and in respect of the contribution it can make to South Africa as a country. MMI is proud of the improvement in its B-BBEE contributor status to level 2.

Consumers are currently under pressure as reflected in the widespread incidence of financial vulnerability and the related rise in dissatisfaction and social instability. MMI can make an important contribution in this regard by joining hands with the financially vulnerable members of our society to empower them and give them hope for a more financially sustainable future. MMI does this by offering appropriate solutions to its clients on a basis which also benefits its shareholders, thereby creating shared value for a broader base of stakeholders. An example of such an initiative is the collaboration between Metropolitan Health and Alpha Pharm to put affordable, preventative and primary healthcare within the reach of many more South Africans. This initiative also aligns well with government's health strategy.

MMI continues with its corporate social investment initiatives, primarily through the MMI Foundation. The two client-facing brands, Momentum and Metropolitan, each has its own committee that deliberates on how the funds allocated from the MMI Foundation to these brands should be distributed towards addressing the various social challenges of our country and to make a positive difference in the lives of the people living in the communities where MMI operates. The focus areas are health, education, disability and sport development. MMI spent in excess of R30 million on corporate social investment initiatives in the 2012 calendar year.

Momentum and Metropolitan each has various sponsorships to enhance the brand and support each brand's focus on creating prosperity and ensuring financial wellness. Momentum's sponsorships include one-day international cricket, the 94.7 cycle challenge, the financial wellness index with Unisa, the Momentum household net wealth report and the coming home initiative. Metropolitan has various soccer sponsorships in place.

The core businesses of MMI are long-term insurance, asset management, investment, healthcare administration and employee benefits. Product solutions are provided to all market segments. MMI operates in 12 countries outside of South Africa. It provides for the insurance needs of individuals in the lower-, middle- and upper-income markets, principally under the Momentum and Metropolitan brand names.

- Value of new business grew by 19% to R711 million.
- Profits from operating divisions increased strongly by 19% to R2.5 billion, contributing to a 10% increase to R3.2 billion in diluted core headline earnings for the year ended 30 June 2013.
- The merger integration is progressing well and expense savings of R346 million were achieved to date. Total targeted expense savings of R500 million remain on track.
- Total net cash flow from policyholders/clients amounted to R27.3 billion for the year while total assets under management at year-end was R558.9 billion.
- 17% return on embedded value of R35.1 billion was achieved.

RMI Holdings included R803 million of MMI's earnings in its normalised earnings (2012: R746 million).

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

OUTsurance is a direct personal lines and small business short-term insurer.

	Willem Roos
	Joint chief executive officer, OUTsurance Holdings

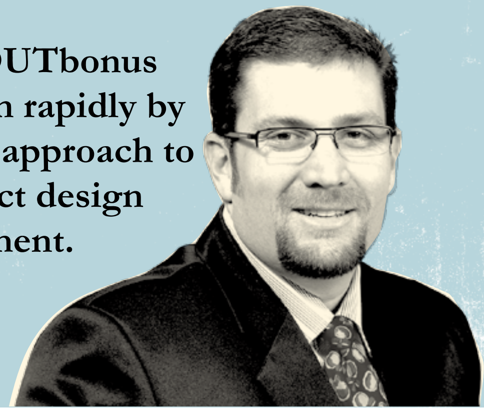
OUTsurance's business model is built on a philosophy of scientific underwriting and pricing, innovative product design, a robust and efficient information technology platform and a high performance culture driven by great people. It believes in a client-centric strategy of providing value for money insurance products and awesome client service.

OUTsurance is committed to sustainable relationships with all its stakeholders. Examples of OUTsurance's involvement in the community include the pointsmen project where 132 pointsmen help to alleviate traffic congestion at high-traffic intersections, and the staff helping South Africa OUT project where hundreds of OUTsurance employees volunteer their time and efforts in order to make a difference in the lives of less fortunate South Africans through various projects.

The OUTsurance group produced a satisfying financial performance for the year. The core South African personal lines business started off a prior year base of record and unsustainably low claims ratios. Such outcome was used to pass on below inflationary premium increases to its client base. OUTsurance's South African direct life insurance business has gained significant traction during the year. Youi, the group's direct personal lines initiative in Australia, achieved the necessary scale to run profitably and produced a profit for the second half of the financial year.

In the second and third quarters of the financial year, the group sustained the most severe weather related natural catastrophes in its history. Notwithstanding a well-structured, conservative re-insurance programme that absorbed the bulk of the losses, the group incurred a net loss from these storms of R108 million (2012: R21 million).

As pioneers of the OUTbonus concept, it has grown rapidly by applying a scientific approach to risk selection, product design and claims management.



Howard Aron

Joint chief executive officer, OUTsurance Holdings

Despite these catastrophes, the SA business produced a solid operational performance. This, coupled with the scale achieved by Youi, gave rise to the following outcome:

- normalised gross written premium increased by 23% to R8.3 billion. Of this 29% was written in Australia;
- the claims ratio of 51.5% (2012: 47.5%) is still within the group's target range and significantly below that of its peer group;
- normalised earnings increased by 0.3% to R1.2 billion;
- return on equity amounted to 38%; and
- having accessed the cash earnings generated relative to its re-investment requirements, OUTsurance increased its dividend payout by 21%.

RMI Holdings included R990 million of OUTsurance's earnings in its normalised earnings (2012: R1 010 million).

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

RMBSI holds both short-term and life insurance licences

RMB STRUCTURED INSURANCE

Gustavo Arroyo

Chief executive officer, RMB Structured Insurance

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.

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.

Shareholder profit after tax for the year to June 2013 amounted to R89 million (2012: R96 million).

RMI Holdings included R70 million of RMBSI's earnings in its normalised earnings (2012: R74 million).

CORPORATE GOVERNANCE REPORT

RMI Holdings has an "owner-manager" culture which has been inculcated at every business in which it invested. Thus, while the RMI Holdings board is responsible for the maintenance of sound corporate governance, it believes that its implementation is best managed at an investee company level. Consequently, Discovery, MMI, OUTsurance and RMBSI have their own governance structures, including boards of directors, executive teams, audit, risk, capital, compliance and remuneration committees that monitor operations and deal with governance and transformation related issues.

Effective corporate governance forms part of RMI Holdings' investment assessment criteria which is further monitored by non-executive board representation on investee company boards.

RMI Holdings subscribes to a set of values which seek to foster integrity, innovation, individual empowerment and personal accountability. It reinforces these values through various board committees with clearly defined responsibilities:

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

- the King III Report Code of Corporate Practices and Conduct ("King III"); and
- the Companies Act, 71 of 2008, as amended ("Companies Act").

RMI Holdings and all of its subsidiaries and associates endorse King III. RMI Holdings is listed on the JSE and also complies with the JSE Listings Requirements.

Approach to integrated reporting

An integrated report explains how an organisation's strategy, governance, performance and prospects lead to the sustainable creation of value. Although a wide range of stakeholders will benefit from the information contained in an integrated report, it is mainly aimed at the providers of financial capital.

The International Integrated Reporting Council released a consultation draft of the International Integrated Reporting Framework in April 2013 and plans to issue the initial version of the framework in December 2013 with regular updates as integrated reporting evolves.

RMI Holdings' approach to integrated reporting will evolve over time in line with the framework. Integrated reporting had led to a more cohesive approach to reporting by connecting the information provided in the financial statements, corporate governance report, sustainability report and other management commentary.

We are mindful of the fact that significant elements of the disclosure have already been made by our subsidiaries and associates and rather than replicating the information, we have chosen to refer stakeholders to the annual integrated reports of our investee companies.

King III

The JSE Listings Requirements require all JSE-listed companies to provide a narrative on how it has applied the new recommendations contained in King III. Below is the King III gap analysis. RMI Holdings has complied with the King III principles for the full financial year ended 30 June 2013, unless otherwise indicated.

PRINCIPLE	DESCRIPTION	STATUS	EXPLANATION IF NOT COMPLIANT
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.	✓	
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 for non-binding rules, codes and standards.	✓	

PRINCIPLE	DESCRIPTION	STATUS	EXPLANATION IF NOT COMPLIANT
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.	✓	
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 officer 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.	X	From 1 July 2012 to 16 September 2012 the majority of the non-executive directors were independent. From 17 September 2012 to 5 February 2013 half of the non-executive directors were independent. From 6 February 2013, five of the 11 non-executive directors were independent. RMI Holdings believes that all board members are suitably qualified and that the composition of the board is in the best interest of all stakeholders without prejudice to them.

PRINCIPLE	DESCRIPTION	STATUS	EXPLANATION IF NOT COMPLIANT
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.	✓	
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	X	The individual director's remuneration is disclosed, but not the salaries of the three highest earners who are not directors. The remuneration packages of the joint CEOs of OUTsurance have been disclosed as they are viewed as prescribed officers of the RMI group. RMI Holdings 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.	✓	

PRINCIPLE	DESCRIPTION	STATUS	EXPLANATION IF NOT COMPLIANT
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.	✓	
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.	✓	

PRINCIPLE	DESCRIPTION	STATUS	EXPLANATION IF NOT COMPLIANT
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.	✓	
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.	✓	
5.6	The board should ensure that information assets are managed effectively.	✓	

PRINCIPLE	DESCRIPTION	STATUS	EXPLANATION IF NOT COMPLIANT
5.7	An audit and risk committee should assist the board in carrying out its IT responsibilities.	✓	
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.	✓	
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.	✓	
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.	✓	

PRINCIPLE	DESCRIPTION	STATUS	EXPLANATION IF NOT COMPLIANT
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.	✓	
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.	✓	

Year under review

Disclosure on corporate governance in this annual integrated report is limited to RMI Holdings. Discovery, MMI, OUTsurance and RMBSI disclose relevant information on corporate governance in their own annual integrated reports.

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.

The following are the notable aspects of RMI Holdings' corporate governance:

The board of directors

ROLES AND RESPONSIBILITIES

The board's paramount responsibility is the positive performance of RMI Holdings in creating value for its 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 Holdings.

In terms of its formal charter, the board's responsibilities include the appointment of the chief executive officer 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 its investee companies and seeks to ensure that the company is, and is seen to be, a responsible corporate citizen. The board is also responsible for formulating the company's 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. The charter includes a code of ethics to which all directors subscribe. 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 subcommittees have discharged all their responsibilities.

COMPOSITION OF THE BOARD

RMI Holdings has a unitary board with a non-executive director as chairperson. The chairperson is not independent in terms of the definition stated below. The board believes that the chairperson's specialist knowledge of the financial services industry makes it appropriate for him to hold this position.

The roles of chairperson and chief executive officer 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.

The board comprises 12 members, 11 of whom are non-executive directors. Five of the non-executive directors are also independent directors in terms of the definition stated below. Mr Goss was appointed as 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 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.

All the current directors of RMI Holdings were appointed on 8 December 2010, except for Mr TV Mokgatlha who was appointed to the board effective 25 May 2011, Mr L Crouse who was appointed to the board effective 17 September 2012 and Mr O Phetwe who was appointed to the board effective 6 February 2013.

The names of the directors, their age, qualifications and other details appear on pages 36 to 38.

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

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 for 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.

DIRECTORS' INTERESTS

It is not a requirement of the company's 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 39.

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 its meetings, the board considers both financial and non-financial qualitative information that might have an impact on the stakeholders of the group.

Details of the board meetings held during the year ended 30 June 2013, as well as the attendance at the board meetings and annual general meeting by individual directors, are disclosed in the section "Directorate" on pages 43 and 44.

BOARD COMMITTEES

The board has established four subcommittees to assist the directors in their duties and responsibilities:

- a directors' affairs and governance committee (including nominations committee);
- a remuneration committee;
- an audit and risk committee; and
- a social and ethics committee.

Each committee has a formal charter and report 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 expense of the group.

COMPANY SECRETARY

The company secretary of RMI Holdings as appointed by the board is Schalk Human, a chartered accountant (South Africa). All directors have unlimited access to the services of the company secretary, who is responsible to the board for ensuring that proper corporate governance principles are adhered to.

In terms of the JSE Limited Listings Requirements, the board of directors must consider, on an annual basis, the competence, qualifications and experience of the company secretary. The board used the questionnaire developed by the Institute of Directors of South Africa and the performance of the company secretary during the past year as guidance for this evaluation. The company secretary's working experience and qualifications (MCom (Accounting), CA(SA)) were also taken into consideration in the evaluation process.

The recommended practice of King III highlights that the company secretary should maintain an arm's-length relationship with the board of directors and that the company secretary should ideally not be a director. The board concluded that there were no direct or indirect relationships between the company secretary and any of the board members which could indicate that there was not an arm's-length relationship with the board of directors. The company secretary is not a director of RMI Holdings.

Based on the evaluations as outlined above, 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 Holdings.

Directors' affairs and governance committee (including nominations committee)

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 posts 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 conducted in respect of the year under review 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 officer is also formally evaluated at least once per year.

ETHICS

Upon joining the group, all directors are obliged to sign a code of ethics. RMI Holdings' 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 are disallowed. The group does not make political donations.

No issues of improper or unethical behaviour on the part of any of the directors were drawn 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 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 RMI Holdings 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 Limited Listings Requirements, the company has 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 chairperson 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.

NOMINATION, SELECTION AND APPOINTMENT OF DIRECTORS

The company has a formal and transparent policy regarding the appointment of directors to the board. The 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.

COMMITTEE PROCEEDINGS

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 as set out in the terms of reference. 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 chairperson 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.

COMPOSITION OF THE COMMITTEE

The committee comprises all of the non-executive directors. The committee is chaired by the lead independent, non-executive director.

Remuneration committee

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 Holdings;
- make recommendations to the board in respect of the remuneration (total guaranteed salary, variable pay and share incentives) of the chief executive officer, who is the sole executive director employed by the company;
- approve the remuneration (total guaranteed salary, variable pay and share incentives) of the executive management of RMI Holdings;

- 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:

- debate and approve the principles applied in determining the mix between guaranteed and variable components of remuneration, including participation to share incentive schemes;
- debate and approve the annual salary adjustment;
- debate and approve the benchmarking process followed in determining the remuneration packages of the chief executive officer and executive management, including the performance criteria used;
- review standard conditions of service, including leave entitlement, pension and provident fund benefits and membership to medical aid schemes;
- review and approve the terms and conditions of the executive director's service agreement;
- ensure that appropriate disclosure is provided in the annual integrated report in line with King III, with explanations where the principles have not been applied; and
- delegate in writing any of its functions and the power to implement its decisions.

EXECUTIVE REMUNERATION

The committee seeks to align executive remuneration with stakeholder interests through appropriate refinements to fixed, variable and long-term remuneration arrangements relative to company performance and industry specific remuneration practices. The strategy is accordingly tailored towards:

- creating recognisable alignment between rewards and the risk exposure of shareholders and other stakeholders;
- incentivising the delivery of consistent performance in line with strategic goals and risk tolerances and rewarding success appropriately;
- delivering compensation that is affordable and reasonable in terms of the value created for shareholders; and
- encouraging behaviour consistent with the group's business philosophy and corporate culture.

To align remuneration with shareholder returns, the group's remuneration policy specifically addresses the following factors:

- individual performance measured against both financial and non-financial performance criteria, individual behaviour and competitive performance;
- incentives which diminish or disappear in the event of poor group performance;
- no multi-year guaranteed incentives, substantial severance arrangements or remuneration linked to revenue generation by formula;
- significant deferral of variable remuneration into RMI Holdings shares for a period of two years; and
- transparency to enable stakeholders to make reasonable assessments of reward practices and underlying governance processes.

In conducting the annual remuneration review, the committee also gave consideration to the outcomes of remuneration reviews in other group companies and had reference to independent advice on both general and specific remuneration practices.

The committee considered the expanded remuneration disclosure requirements enacted and recommended during the year. It holds the view that neither of the other two company employees 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 CEOs of OUTsurance, Howard Aron and Willem Roos, have been disclosed as they are viewed as prescribed officers in the RMI Holdings group.

Remuneration and fees paid to both executive and non-executive directors are approved at the annual general meeting of shareholders.

Details of directors' remuneration for the year under review can be found on pages 40 to 42 of this annual integrated report.

COMMITTEE PROCEEDINGS

The committee meets at least once annually or at the request of the chairperson.

COMPOSITION OF THE COMMITTEE

The committee comprises four members, all of whom are non-executive. The names of the members and chairperson of the committee are disclosed in the section "Directorate" on page 44.

Audit and risk committee

ROLES AND RESPONSIBILITIES

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 auditors and the evaluation of their services and independence.

FINANCE FUNCTION

The committee has 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 has 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.

AUDITOR INDEPENDENCE

PricewaterhouseCoopers Inc. was appointed as auditor of the company until the next annual general meeting, with Mr Tom Winterboer as the individual registered auditor undertaking the company's audit for the year under review.

RMI Holdings believes that the auditors have observed the highest level of business and professional ethics. The committee is satisfied that the auditors have at all times acted with unimpaired independence. Details of fees paid to the external auditors are disclosed in note 33 of the group annual financial statements. No non-audit services were provided during the current financial year.

The independent auditor attends all audit and risk committee meetings and the annual general meeting of shareholders. The partner responsible for the audit is required to rotate every five years. The committee meets with the auditors independently of senior management.

COMPANIES ACT

As required in terms of the Companies Act, the committee is satisfied that it complied with and performed its functions and that the company's external auditors are independent of the company.

COMMITTEE PROCEEDINGS

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

Details of committee meetings held during the year ended 30 June 2013, as well as the attendance by individual members are disclosed in the section "Directorate" on page 43.

The chief executive officer/financial director attends the meetings. The committee invites, at its discretion, the appropriate representatives of the external auditors, other professional advisors, officers or members of staff whose input may be required.

Board members have the right of attendance.

The chairperson 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.

COMPOSITION OF THE COMMITTEE

The committee comprises a minimum of three members and consists only of independent, non-executive directors. The chairperson is an independent, non-executive director and attends the annual general meeting. The names of the members and chairperson of the committee are disclosed in the section "Directorate" on page 43.

Social and ethics committee

ROLES AND RESPONSIBILITIES

This committee is a statutory requirement as per the new 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 and the Broad-Based Black Economic Empowerment Act;
- 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

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. Details of committee meetings held during the year ended 30 June 2013, as well as the attendance by individual members are disclosed in the section "Directorate" on page 43.

REPORT FROM THE CHAIRPERSON OF THE SOCIAL AND ETHICS COMMITTEE

The social and ethics committee confirms that all investee companies of RMI Holdings 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 RMI Holdings' social and ethics committee as and when they arise. The chairperson of the social and ethics committee attends the annual general meeting to answer any questions that shareholders might have.

COMPOSITION OF THE COMMITTEE

The committee comprises a minimum of three members and consists only of independent, non-executive directors. The chairperson is an independent, non-executive director. The names of the members and chairperson of the committee are disclosed in the section "Directorate" on page 43.

Risk management and internal control

RMI Holdings recognises that managing risk and compliance is an integral part of generating sustainable shareholder value and enhancing stakeholder interests.

The board and the boards of 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 subsidiary is a party.

The group's 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.

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 auditors, the extent and nature of their 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

RMI Holdings 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 chairperson of the audit and risk committee, as well as to the chairperson of the board.

EXTERNAL AUDIT

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

The directors are 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.

SUSTAINABILITY REPORT

RMI Holdings 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 Holdings 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.

RMI Holdings 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 Holdings are shareholders, customers, employees, suppliers, regulators, government and the communities in which group companies operate.

Shareholders

COMMUNICATION

RMI Holdings' 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.rminsurance.co.za). The chairperson of the board and chief executive officer meet with investors and investment analysts from time to time.

OWNERSHIP

Significant shareholdings and an analysis of the RMI Holdings share price and trading data appear on pages 172 and 173.

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.

Employees

RMI Holdings, 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 individual and business unit performance. Annual remuneration reviews encompass all three elements.

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. 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 has adopted an HIV/AIDS policy that is based on education, communication, counselling and confidentiality.

Suppliers

The group has 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 34 community healthcare organisations and projects across South Africa, with many of these organisations and projects situated in remote and rural areas. The Discovery Foundation is investing R150 million to train 300 healthcare specialists in South Africa.

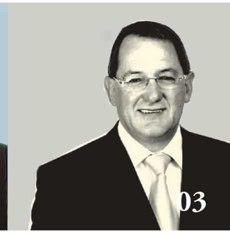
At MMI, a decision was made to combine the work of the respective corporate social investment initiatives of Momentum and Metropolitan in the MMI Foundation. The focus areas are health, education, disability and sport development.

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.

DIRECTORATE



01. GERRIT THOMAS FERREIRA (65) *Non-executive chairman* / BCom, Hons B (B&A), MBA

Appointed December 2010

GT Ferreira has been involved in the financial services sector since graduating from the University of Stellenbosch. He started his career at the Bank of Johannesburg in 1972 and was a co-founder of Rand Consolidated Investments ("RCI") in 1977. RCI acquired control of Rand Merchant Bank ("RMB") in 1985 and he was managing director of RMB from 1985 to 1988, after which he was elected as executive chairman. When RMBH 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. He is a trustee of the University of Stellenbosch 200 Trust and a member of the University's investment committee.

Committee memberships: Directors' affairs and governance committee / Remuneration committee

Other listed directorships: Remgro Limited – Lead independent director / RMB Holdings Limited – Chairman

02. PETER COOPER (57) *Chief executive officer/financial director* / BCom (Hons), CA(SA), HDipTax

Appointed December 2010

Peter Cooper graduated from the University of Cape Town. After qualifying as a chartered accountant, he worked in the financial services sector, first as a tax consultant and later specialising in structured finance with UAL Merchant Bank. He joined RMB's Special Projects division in 1992 and transferred to RMB Holdings in 1997. He represents RMI Holdings on the boards of its unlisted investments.

Other listed directorships: Discovery Limited / FirstRand Limited (alternate) / RMB Holdings Limited – Chief executive officer / financial director

03. LEON CROUSE (60) *Non-executive* / CA(SA)

Appointed September 2012

Leon Crouse studied at the Nelson Mandela Metropolitan University in Port Elizabeth and qualified as a chartered accountant in 1977.

He 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, as a Rembrandt appointee, he returned to South Africa to become a founder member of the Vodacom Group executive team and thereafter serving as its chief financial officer. Rembrandt, at the time, held a 15% interest in Vodacom. He joined Remgro in April 2008 as designate director: Group Finance and was appointed to the board on 18 June 2008.

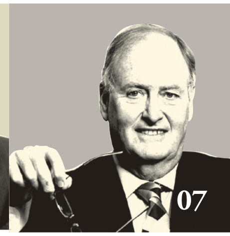
Committee memberships: Directors' affairs and governance committee
Other listed directorships: FirstRand Limited / MMI Holdings Limited / Remgro Limited / RMB Holdings Limited

04. LAURITZ LANSER DIPPENAAR (64) *Non-executive* / MCom, CA(SA)

Appointed December 2010

Laurie Dippenaar graduated from Pretoria University, qualified as a chartered accountant with Aiken & Carter (now KPMG) and spent three years with the Industrial Development Corporation before becoming a co-founder of RCI in 1977. He became an executive director of RMB in 1985. He was appointed managing director of RMB in 1988, a position he held until 1992 when RMBH acquired a controlling interest in Momentum. He served as executive chairman of that company 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 was elected to the position of chairman of FirstRand in November 2008 and chairman of MMI Holdings from December 2010 to November 2011.

Committee memberships: Directors' affairs and governance committee
Other listed directorships: FirstRand Limited – Chairman / RMB Holdings Limited



05. JAN WILLEM DREYER (62) *Independent non-executive* / BCom, LLB, HDip Co Law, HDipTax

Appointed December 2010

Jan Dreyer is a graduate of Stellenbosch University and the University of the Witwatersrand. He joined Edward Nathan Friedland Mansell & Lewis where he was admitted as an attorney in 1975. Thereafter he joined Hofmeyr, Van der Merwe and Botha as a commercial lawyer. He was admitted as a partner in 1978 and was chairman of the firm from 1993 until 1999. In 2000 Jan left the legal profession to join the Rembrandt Group as an executive director. Upon the split of that company into Remgro and Venfin, he became a non-executive director of each of the two companies. He was re-appointed as an executive director of Remgro during November 2008. He joined the board of RMB in 1984 and joined the board of RMBH upon its formation.

Committee memberships: Audit and risk committee – Chairman / Social and ethics committee – Chairman / Directors' affairs and governance committee

Other listed directorships: Remgro Limited / RMB Holdings Limited

06. JAN JONATHAN DURAND (46) *Non-executive* / BAcc (Hons), MPhil, CA(SA)

Appointed December 2010

Jannie Durand is a qualified chartered accountant and Rhodes Scholar, with a BAcc (Hons) from the University of Stellenbosch and an MPhil in management studies from Oxford University. He is the chief executive officer of Remgro Limited and before its delisting he was the financial director and chief executive officer 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.

Committee memberships: Remuneration committee – Chairman / Directors' affairs and governance committee
Other listed directorships: Discovery Limited / Distell Group Limited / FirstRand Limited / Mediclinic International Limited / Rainbow Chicken Limited / Remgro Limited / RMB Holdings Limited

07. PATRICK MAGUIRE GOSS (65) *Lead independent non-executive* / BEcon (Hons), BAccSc (Hons), CA(SA)

Appointed December 2010

Pat Goss graduated from the University of Stellenbosch. He qualified as a chartered accountant with Ernst and Young and then joined the Industrial Development Corporation. He has served as a director on various group companies for the past 30 years. A former chairman of the Natal Parks Board, his family interests include Umngazi River Bungalows and certain other conservation related activities.

Committee memberships: Directors' affairs and governance committee – Chairman / Remuneration committee
Other listed directorships: FirstRand Limited / RMB Holdings Limited – Lead independent non-executive

08. PAUL KENNETH HARRIS (63) *Non-executive* / MCom

Appointed December 2010

Paul Harris graduated from the University of Stellenbosch and joined the Industrial Development Corporation. He 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 officer. Subsequent to the formation of FirstRand, he was appointed as chief executive officer of FirstRand Bank Holdings in 1999, a position he held until December 2005 when he was appointed as chief executive officer of FirstRand. He retired from his executive position at the end of December 2009.

Committee memberships: Directors' affairs and governance committee
Other listed directorships: FirstRand Limited / Remgro Limited / RMB Holdings Limited

09. THABO VINCENT MOKGATLHA (38) *Independent non-executive* / BCompt (Hons), CA(SA)

Appointed May 2011

Thabo Mokgatlha is a chartered accountant, having completed his articles with Coopers & Lybrand (now PwC). He previously lectured at the University of the North West.

Committee memberships: Audit and risk committee / Social and ethics committee / Directors' affairs and governance committee
Other listed directorships: Impala Platinum Holdings Limited / York Timber Holdings Limited

10. OBAKENG PHETWE (35) *Non-executive* / BCom (Hons), CA(SA)

Appointed February 2013

Obakeng Phetwe is a chartered accountant and completed his articles with PricewaterhouseCoopers Incorporated (PwC). Currently he is the CEO 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. Mr Phetwe has also held the position of finance manager for the Royal Bafokeng Administration and was a senior audit manager at Mokua and Associates Chartered Accountants, a company subsequently acquired by PwC.

Committee memberships: Directors' affairs and governance committee
Other listed directorships: RMB Holdings Limited (alternate)

11. SONJA EMILIA NCUMISA SEBOTSA (41) *Independent non-executive* / LLB (Hons), LSE, MA (McGill), SFA (UK), Executive Leadership Programme (Harvard University)

Appointed December 2010

Ms Sebotsa 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 were in law, business and economics. She had been an executive director of WDB Investment Holdings where she led the structuring of WDB's participation in the FirstRand BEE transaction. As a result, she served as WBD's representative on the FirstRand board. She was previously a vice president in the investment banking division of Deutsche Bank, in Mergers & Acquisitions and Corporate Finance.

Committee memberships: Audit and risk committee / Social and ethics committee / Directors' affairs and governance committee / Remuneration committee
Other listed directorships: Aquarius Platinum Limited – Chairperson / Discovery Limited / RMB Holdings Limited

12. KHEHLA CLEOPAS SHUBANE (57) *Independent non-executive* / BA (Hons), MBA

Appointed December 2010

Khehla Shubane graduated at the University of the Witwatersrand. Prior to this he was a student at the University of the North where his studies were terminated following his arrest for political activities, conviction and sentence which he served on Robben Island. Upon his release he was employed at Liberty Life for a short time. He served on various political organisations until joining the Centre for Policy Studies in 1988. He is an author and has co-authored several political publications and is a member of the board of the Centre for Policy Studies.

Committee memberships: Directors' affairs and governance committee
Other listed directorships: MMI Holdings Limited / RMB Holdings Limited

13. ALBERTINAH KEKANA (40) *Alternate non-executive* / BCom (Hons), CA(SA), Post-graduate diploma in Accounting, Advanced Management Programme (Harvard University)

Appointed February 2013

Albertinah Kekana is the CEO 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.

Committee memberships: Directors' affairs and governance committee
Other listed directorships: Impala Platinum Holdings Limited / RMB Holdings Limited

Directors' interests in ordinary shares of RMI Holdings (audited)

Directors have disclosed the following interest in the ordinary shares of RMI Holdings at 30 June 2013:

000's	Direct beneficial	Indirect beneficial	Held by associate	**Total 2013**
P Cooper	710	–	3 061	**3 771**
L Crouse	–	–	–	**–**
LL Dippenaar	–	73 903	233	**74 136**
JW Dreyer	1	–	–	**1**
JJ Durand	–	–	–	**–**
GT Ferreira	149	–	40 405	**40 554**
PM Goss	–	11 580	–	**11 580**
PK Harris	–	12 168	–	**12 168**
TV Mokgatlha	–	–	–	**–**
O Phetwe	–	–	–	**–**
SEN Sebotsa	–	–	–	**–**
KC Shubane	3	3	–	**6**
TOTAL INTEREST	863	97 654	43 699	**142 216**

Directors have disclosed the following interest in the ordinary shares of RMI Holdings at 30 June 2012:

000's	Direct beneficial	Indirect beneficial	Held by associate	Total 2012
P Cooper	681	–	3 061	3 742
LL Dippenaar	–	73 903	233	74 136
JW Dreyer	1	–	–	1
JJ Durand	–	–	–	–
GT Ferreira	–	149	40 405	40 554
PM Goss	–	11 580	–	11 580
PK Harris	–	14 762	–	14 762
TV Mokgatlha	–	–	–	–
SEN Sebotsa	–	–	–	–
KC Shubane	3	3	–	6
TOTAL INTEREST	685	100 397	43 699	144 781

Since 30 June 2013 to the date of this report, the interest of directors remained unchanged.

Directors' emoluments (audited)

Schedule of directors' emoluments in respect of the year ended 30 June 2013:

R000's	Services as director	Cash package	Other benefits[1]	**Total 2013**
Executive				
P Cooper – Paid to RMBH[2]	–	4 611	843	**5 454**
Non-executive				
GT Ferreira	155	–	–	**155**
L Crouse[3], [4]	82	–	–	**82**
LL Dippenaar	104	–	–	**104**
JW Dreyer	176	–	–	**176**
JJ Durand[3]	104	–	–	**104**
PM Goss	104	–	–	**104**
PK Harris	104	–	–	**104**
TV Mokgatlha	140	–	–	**140**
O Phetwe[5]	42	–	–	**42**
SEN Sebotsa	140	–	–	**140**
KC Shubane	104	–	–	**104**
TOTAL	1 255	4 611	843	**6 709**

Notes:
1. *"Other benefits" comprise pension fund, provident fund and medical aid contributions.*
2. *Mr Cooper's executive remuneration is paid for by RMBH. RMBH recovers a portion of his remuneration and other infrastructure costs from RMI Holdings.*
3. *Directors' fees for serviced rendered by Messrs Crouse and Durand were paid to the Remgro group.*
4. *The director's fees for Mr Crouse are for the period from 17 September 2012 to 30 June 2013.*
5. *The director's fees for Mr Phetwe are for the period from 6 February 2013 to 30 June 2013.*

Directors' participation in RMI Holdings' share schemes (audited)

RMI HOLDINGS SHARE APPRECIATION RIGHTS								
	Strike price (cents)	Exercise date	Balance 1 July 2012 000's	Issued 000's	For-feited 000's	Exer-cised 000's	Balance 30 June 2013 000's	Benefit derived
P Cooper	1 309	14/09/2014	439	–	–	–	439	–
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	–

RMI HOLDINGS DEFERRED BONUS PLAN								
	Strike price (cents)	Exercise date	Balance 1 July 2012 000's	Issued 000's	For-feited 000's	Exer-cised 000's	Balance 30 June 2013 000's	Benefit derived
P Cooper	None	14/09/2013	47	–	–	–	47	–
P Cooper	None	14/09/2014	–	37	–	–	37	–

Schedule of directors' emoluments in respect of the year ended 30 June 2012:

R000's	Services as director	Cash package	Other benefits(1)	Perfor-mance related(2)	**Total 2012**
Executive					
P Cooper – Accrued in personal capacity	–	–	–	2 725	**2 725**
P Cooper – Paid to RMBH(3)	–	2 316	856	–	**3 172**
	–	2 316	856	2 725	**5 897**
Non-executive					
GT Ferreira	160	–	–	–	**160**
LL Dippenaar	83	–	–	–	**83**
JW Dreyer	132	–	–	–	**132**
JJ Durand(4)	130	–	–	–	**130**
PM Goss	83	–	–	–	**83**
PK Harris	83	–	–	–	**83**
TV Mokgatlha	113	–	–	–	**113**
SEN Sebotsa	107	–	–	–	**107**
KC Shubane	83	–	–	–	**83**
MH Visser (4), (5)	65	–	–	–	**65**
TOTAL	1 039	2 316	856	2 725	**6 936**

Notes:

1. *"Other benefits" comprise pension fund, provident fund and medical aid contributions.*
2. *"Performance related" payments are in respect of the year ended 30 June 2012, but will become payable in tranches during the next two years.*
3. *Mr Cooper's executive remuneration is paid for by RMBH. RMBH recovers a portion of his remuneration and other infrastructure costs from RMI Holdings.*
4. *Directors' fees for serviced rendered by Messrs Durand and Visser were paid to the Remgro group.*
5. *The director's fees for Mr Visser are for the period from 1 July 2011 to 26 April 2012.*

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 2013:

	Total 2013 R000's	Total 2012 R000's
Executive		
P Cooper[1]	**884**	875
Non-executive		
GT Ferreira	**–**	–
L Crouse[2]	**794**	–
LL Dippenaar	**182**	1 377
JW Dreyer	**–**	–
JJ Durand[2]	**497**	354
PM Goss	**–**	–
PK Harris	**–**	407
TV Mokgatlha	**–**	–
O Phetwe	**–**	–
SEN Sebotsa	**3 239**	2 034
KC Shubane	**747**	960
MH Visser[2]	**–**	268
TOTAL	**6 343**	6 275

Notes:
1. *Directors' fees for serviced rendered by Mr Cooper were paid to RMI Holdings.*
2. *Directors' fees for services rendered by Messrs Crouse, Durand and Visser were paid to Remgro Limited.*

Board meetings

The board met four times during the year. The attendance at the meetings was as follows:

	September 2012	November 2012	March 2013	June 2013
GT Ferreira (chairman)	✓	✓	✓	✓
P Cooper	✓	✓	✓	✓
L Crouse	✓	✓	✓	✓
LL Dippenaar	✓	✓	✓	✓
JW Dreyer	✓	✓	✓	✓
JJ Durand	✓	✓	✓	✓
PM Goss	✓	✓	✓	✓
PK Harris	✓	✓	✓	✓
TV Mokgatlha	✓	✓	✓	✓
O Phetwe	*	*	✓	✓
SEN Sebotsa	✓	✓	✓	✓
KC Shubane	✓	✓	✓	✓

✓ *Attended meeting.*

* *Mr Phetwe was appointed on 6 February 2013.*

Audit and risk committee meetings

The audit and risk committee met twice during the year and attendance was as follows:

	September 2012	March 2013
JW Dreyer (chairman)	✓	✓
TV Mokgatlha	✓	✓
SEN Sebotsa	✓	✓

Social and ethics committee meetings

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

	September 2012	March 2013
JW Dreyer (chairman)	✓	✓
TV Mokgatlha	✓	✓
SEN Sebotsa	✓	✓

Directors' affairs and governance committee meetings

Since all non-executive directors are members of this committee, matters relating to the charter of this committee are dealt with as an integral part of the normal proceedings of the quarterly board meetings. When these issues are discussed, it is usual for the chief executive officer to excuse himself from the meeting.

Remuneration committee meetings

The remuneration committee comprises Messrs JJ Durand (chairman), GT Ferreira, PM Goss and Ms SEN Sebotsa. The remuneration committee meets once annually to discuss the remuneration of the executive director and staff.

Annual general meeting

All the directors attended the annual general meeting of the shareholders held on 23 November 2012.

CONTENTS OF THE ANNUAL FINANCIAL STATEMENTS

These annual financial statements have been audited in terms of the Companies Act (Act 71 of 2008) and have been prepared by Schalk Human CA(SA) under the supervision of Peter Cooper CA(SA).

DIRECTORS' RESPONSIBILITY STATEMENT

To the shareholders of Rand Merchant Insurance Holdings Limited

The directors of Rand Merchant Insurance Holdings Limited ("RMI Holdings") are required by the Companies Act (Act 71 of 2008) to prepare audited consolidated and separate annual financial statements. In discharging this responsibility, the directors rely on management to prepare the audited 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 auditors, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the 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 annual integrated 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. Peter Cooper CA(SA) 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 financial statements.

It is the responsibility of the group's independent external auditors, PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. Their unqualified report appears on page 48.

The consolidated annual financial statements of the group, which appear on pages 49 to 152 and the separate annual financial statements of the company, which appear on pages 153 to 171, were approved by the board of directors on 12 September 2013 and signed on its behalf by:

GT Ferreira
Chairman

P Cooper
Chief executive officer

DECLARATION BY THE COMPANY SECRETARY

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

JS Human
Company secretary

12 September 2013

AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee has pleasure in submitting this report, as required in terms of the Companies Act of South Africa ("Companies Act"). The audit and risk 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. Its members comprise the chairman, Mr JW Dreyer (BCom, LLB, HDip Co Law, HDip Tax), Ms SEN Sebotsa (LLB (Hons), LSE, MA (McGill), SFA (UK), Executive Leadership Programme (Harvard University)) and Mr TV Mokgatlha (BCompt (Hons), CA(SA)). During the year under review, two meetings were held and all the committee members attended both the meetings. At the meetings, the members fulfilled all their functions as prescribed by the Companies Act and its charter as approved by the board. A detailed list of the functions of the audit and risk committee is contained in the corporate governance report. The audit and risk committee has satisfied itself that the auditors are independent of the company and are thereby able to conduct their audit functions without any undue influence from the company.

JW Dreyer
Chairman of the audit and risk committee

12 September 2013

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, which comprise the consolidated and separate statements of financial position as at 30 June 2013, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 171.

Directors' responsibility for the financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the consolidated and separate financial position of Rand Merchant Insurance Holdings Limited at 30 June 2013, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2013, 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 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 financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.
Director: Tom Winterboer
Registered auditor
Sunninghill

12 September 2013

DIRECTORS' REPORT

Nature of business

RMI Holdings is a listed, insurance-focused investment entity comprising an investment portfolio of South Africa's premier insurance brands.

In December 2012, RMI Holdings acquired an additional 825 000 ordinary shares in MMI Holdings Limited for a cash consideration of R17 million. This resulted in an increase of RMI Holdings' investment in MMI Holdings Limited from 24.94% to 25.0%.

The table below summarises RMI Holdings' actual interest in its investee companies as at 30 June 2013 compared to 30 June 2012:

	30 June 2013	30 June 2012
Discovery Limited ("Discovery")	**25%***	25%*
MMI Holdings Limited ("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 43).*

Further details regarding the investments are provided in notes 44 and 45 of these annual financial statements.

Share capital

ORDINARY SHARES

The total authorised number of ordinary shares is 2 000 000 000, with a par value of 0.0001 cent 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.

PREFERENCE SHARES

The total authorised number of redeemable cumulative preference shares is 100 000 000, with a par value of 0.0001 cent per share.

At the beginning of the 2013 financial year, RMI Holdings had 750 000 issued fixed rate, cumulative, redeemable preference shares with a par value of 0.0001 cent per share, issued at a premium of R999.9999 per share. On 28 June 2013, RMI Holdings redeemed 200 500 of these fixed rate, cumulative, redeemable preference shares at a redemption price of R200.5 million. The remaining 549 500 preference shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 15 June 2016. The preference shares pay dividends at a fixed rate of 9.14% (2012: 9.14%) at the end of March and September annually.

RMI Holdings also had 700 001 issued variable rate, cumulative, redeemable preference shares with a par value of 0.0001 cent per share, issued at a premium of R999.9999 per share at the beginning of the 2013 financial year. On 4 December 2012, RMI Holdings redeemed 401 000 of these variable rate, cumulative, redeemable preference shares at a redemption price of R401 million. The remaining 299 001 preference shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 15 June 2016. The preference shares pay dividends at a rate of 80.85% (2012: 80.85%) of the prime interest rate at the end of March and September annually.

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 2013	30 June 2012
Financial Securities Limited ("Remgro")	**30%**	30%
Royal Bofokeng Holdings Proprietary Limited	**15%**	15%
Public Investment Corporation	**9%**	10%
Allan Gray (on behalf of clients)	**5%**	5%

Earnings

Earnings attributable to ordinary shareholders for the year ended 30 June 2013 amounted to R2 214 million or 149.2 cents per share (2012: R2 248 million or 151.8 cents per share). Headline earnings amounted to R2 201 million or 148.4 cents per share (30 June 2012: R2 410 million or 162.8 cents per share).

Dividends

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

- An interim dividend for the six months ended 31 December 2012 of 40.0 cents per ordinary share, declared on 7 March 2013 and paid on 8 April 2013 (2012: 30.0 cents per ordinary share, declared on 7 March 2012 and paid on 2 April 2012).
- A final dividend for the year ended 30 June 2013 of 55.0 cents per ordinary share was declared on 12 September 2013, payable on 14 October 2013 (2012: normal final dividend of 50.0 cents per ordinary share and a special dividend of 55.0 cents per ordinary share were declared on 12 September 2012 and paid on 15 October 2012).

The last day to trade in RMI Holdings shares on a cum-dividend basis in respect of the final dividend will be Friday, 4 October 2013, while the first day to trade ex-dividend will be Monday, 7 October 2013. The record date will be Friday, 11 October 2013 and the payment date Monday, 14 October 2013.

No dematerialisation or rematerialisation of shares may be done during the period Monday, 7 October 2013 to Friday, 11 October 2013, both days inclusive.

Directorate

The directorate comprises:

Name	Date of appointment
GT Ferreira (chairman)	8 December 2010
P Cooper (chief executive officer)	8 December 2010
L Crouse	17 September 2012
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
TV Mokgatlha	25 May 2011
O Phetwe	6 February 2013
SEN Sebotsa	8 December 2010
KC Shubane	8 December 2010
Alternate director	
A Kekana	6 February 2013

Mr L Crouse, who used to be a non-executive alternate director, was appointed as a non-executive director on 17 September 2012. Mr O Phetwe was appointed as a non-executive director and Ms A Kekana as a non-executive alternate director on 6 February 2013. Mr NDJ Carroll resigned as a non-executive alternate director on 31 October 2012.

Directors' interests in RMI Holdings

Details of individual directors' interests in the company are disclosed on page 39.

Interest 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 Holdings 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 41.

Directors' emoluments and service contracts

Directors' and prescribed officers' emoluments are disclosed on pages 40 to 42 and page 146.

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 executive director's remuneration is approved annually by way of an ordinary resolution at the annual general meeting.

Directors' participation in group share incentive schemes

RMI Holdings operates a cash-settled share scheme as part of its remuneration philosophy, which tracks the company's share price. Mr Cooper participates in this scheme, as well as the equity-settled deferred bonus scheme, details of which are set out on pages 40 and 41.

Property and equipment

There was no change in the nature of the property and equipment or in the policy regarding its use during the year.

Insurance

RMI Holdings has appropriate insurance cover against crime and professional indemnity risks.

Company secretary and registered offices

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

Management contract

RMB Holdings Limited ("RMBH") renders management services to RMI Holdings. Mr Cooper's executive remuneration is paid for by RMBH. RMBH recovers a portion of his remuneration and other infrastructure costs from RMI Holdings.

Special resolutions

The following special resolutions were passed at the annual general meeting of RMI Holdings held on 23 November 2012:

- approval of non-executive directors' remuneration with effect from 1 December 2012;
- general authority to repurchase company shares; and
- approval of the new memorandum of incorporation.

OUTsurance passed the following special resolutions at its annual general meeting held on 6 November 2012:

- general authority to provide financial assistance to related companies and inter-related parties in terms of section 45 of the Companies Act;
- authority to acquire shares issued by the company; and
- approval of the remuneration of non-executive directors.

OUTsurance and RMBSI also passed special resolutions at general meetings whereby the new memorandum of incorporation of each company was approved.

Events subsequent to reporting date

Other than for the final dividend declaration, there are no other material facts or circumstances that have occurred between 30 June 2013 and the date of this report.

STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	**Group 2013**	Group 2012
Assets			
Property and equipment	1	**460**	413
Intangible assets	2	**43**	50
Investments in associates	3	**10 442**	9 864
Financial assets			
Equity securities			
– available-for-sale	4	**676**	695
– fair value through profit or loss	4	**2 233**	1 650
Debt securities			
– available-for-sale	4	**453**	872
– held-to-maturity	4	**79**	79
– fair value through profit or loss	4	**4 331**	4 307
Derivative asset	5	**9**	–
Loans and receivables, including insurance receivables	6	**1 668**	998
Deferred acquisition cost	7	**38**	32
Reinsurance contracts	8	**275**	273
Deferred taxation	9	**414**	441
Disposal group held for sale	10	**–**	211
Cash and cash equivalents	11	**2 664**	2 462
TOTAL ASSETS		**23 785**	22 347
Equity			
Share capital and premium	12	**13 632**	13 614
Reserves	13	**(67)**	(430)
Total shareholders' equity		**13 565**	13 184
Non-controlling interests		**586**	626
TOTAL EQUITY		**14 151**	13 810
Liabilities			
Insurance contracts	8	**4 855**	3 710
Share-based payment liability	14	**50**	–
Financial liabilities			
Convertible debentures	15	**15**	15
Preference shares	16	**912**	1 498
Interest-bearing loans	17	**19**	272
Policyholders' interest	18	**1 176**	685
Financial liabilities at fair value through profit or loss	19	**110**	115
Derivative liability	20	**11**	–
Investment contracts at fair value through profit or loss	21	**1 358**	1 145
Deferred acquisition revenue	22	**8**	8
Provisions	23	**35**	36
Trade and other payables	24	**870**	656
Deferred taxation	9	**176**	324
Taxation		**39**	14
Disposal group held for sale	10	**–**	59
TOTAL LIABILITIES		**9 634**	8 537
TOTAL EQUITY AND LIABILITIES		**23 785**	22 347

INCOME STATEMENT

for the year ended 30 June

R million	Notes	**Group 2013**	Group 2012
Gross insurance premiums		**8 925**	7 384
Less: Reinsurance premiums		**(555)**	(326)
Net insurance premiums		**8 370**	7 058
Change in provision for unearned premiums net of reinsurance		**(501)**	(397)
Net insurance premiums earned	25	**7 869**	6 661
Fee income	26	**146**	119
Investment income	27	**631**	569
Profit on sale of subsidiary	28	**38**	–
Net fair value gains on financial assets	29	**560**	209
Net income		**9 244**	7 558
Gross claims paid	30	**(4 224)**	(2 872)
Reinsurance recoveries received	30	**351**	291
Fair value adjustment to investment contracts	31	**(237)**	(119)
Transfer to policyholders' interest	18	**(491)**	(266)
Transfer to policyholder liabilities under insurance contracts	8.6	**(28)**	(12)
Provision for cash bonuses	8.5	**(271)**	(280)
Acquisition expenses	32	**(166)**	(172)
Fair value adjustment to financial liabilities		**(201)**	(220)
Marketing and administration expenses	33	**(2 252)**	(1 799)
Profit before finance costs, results of associates and taxation		**1 725**	2 109
Finance costs	35	**(125)**	(138)
Share of after taxation results of associates	3	**1 179**	975
Profit before taxation		**2 779**	2 946
Taxation	36	**(371)**	(517)
PROFIT FOR THE YEAR		**2 408**	2 429
Attributable to:			
Equity holders of the company		**2 214**	2 248
Non-controlling interests		**194**	181
PROFIT FOR THE YEAR		**2 408**	2 429
Earnings per share	38	**149.2**	151.8
Diluted earnings per share	38	**148.2**	150.7
Headline earnings per share	39	**148.4**	162.8
Diluted headline earnings per share	39	**147.4**	161.8

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	**Group 2013**	Group 2012
Profit for the year	**2 408**	2 429
Other comprehensive income for the year		
Items that may subsequently be reclassified to income, before and after taxation		
Net income on available-for-sale financial assets	**19**	7
Exchange differences on translation of foreign operations	**62**	77
Share of comprehensive income of associates	**173**	134
Items that may subsequently be reclassified to income, after taxation	**173**	120
Items that will not be reclassified to income, after taxation	**–**	14
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**254**	218
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2 662**	2 647
Attributable to:		
Equity holders of the company	**2 457**	2 459
Non-controlling interests	**205**	188
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2 662**	2 647

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

R million	Share capital (note 12)	Equity accounted reserves (note 13)	Transactions with non-controlling interests (note 13)	Other reserves (note 13)	Retained earnings (note 13)	Non-controlling interests	Total equity
Balance as at 30 June 2011	13 571	(117)	(2 352)	23	219	310	11 654
Total comprehensive income	–	134	–	77	2 248	188	2 647
Dividends paid	–	–	–	–	(946)	(86)	(1 032)
Income of associates retained	–	408	–	–	(408)	–	–
Movement in treasury shares	43	2	–	–	–	–	45
Transactions with non-controlling interests	–	(8)	–	–	–	–	(8)
Sale of shares in subsidiary	–	–	281	–	–	210	491
Transfer from contingency reserve	–	–	–	(20)	20	–	–
Share-based payment reserve	–	1	–	8	–	1	10
Change in reserves due to a change in holding	–	–	–	–	–	3	3
Balance as at 30 June 2012	**13 614**	**420**	**(2 071)**	**88**	**1 133**	**626**	**13 810**
Total comprehensive income	**–**	**173**	**–**	**70**	**2 214**	**205**	**2 662**
Dividends paid	**–**	**–**	**–**	**–**	**(2 154)**	**(189)**	**(2 343)**
Income of associates retained	**–**	**271**	**–**	**–**	**(271)**	**–**	**–**
Movement in treasury shares	**18**	**21**	**–**	**–**	**–**	**–**	**39**
Transactions with non-controlling interests	**–**	**22**	**–**	**–**	**–**	**–**	**22**
Profit on preference share buy-back	**–**	**28**	**–**	**–**	**–**	**–**	**28**
Sale of subsidiary	**–**	**–**	**–**	**(1)**	**–**	**(75)**	**(76)**
Share-based payment reserve	**–**	**–**	**–**	**1**	**–**	**–**	**1**
Change from equity-settled to cash-settled scheme	**–**	**–**	**–**	**(9)**	**(2)**	**(2)**	**(13)**
Change in reserves due to a change in holding	**–**	**–**	**–**	**13**	**(13)**	**21**	**21**
BALANCE AS AT 30 JUNE 2013	**13 632**	**935**	**(2 071)**	**162**	**907**	**586**	**14 151**

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	Group 2013	Group 2012
Cash flows from operating activities			
Cash generated from operations	37	**1 827**	1 565
Interest income		**412**	503
Dividends received		**1 288**	630
Income tax paid		**(451)**	(741)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**3 076**	1 957
Cash flows from investing activities			
Purchase of property and equipment		**(143)**	(271)
Disposal of property and equipment		**1**	–
Additions to investments		**(4 825)**	(4 046)
Disposals of investments		**5 233**	2 835
Investments in associates		**(41)**	–
Proceeds on sale of shares in subsidiary		**126**	546
NET CASH GENERATED/(UTILISED) BY INVESTING ACTIVITIES		**351**	(936)
Cash flows from financing activities			
Redemption of preference share debt		**(614)**	(30)
Issue of preference share debt		**28**	–
Borrowings (repaid)/incurred		**(244)**	15
Cost of funding		**(21)**	(3)
Dividends paid on preference shares in issue		**(124)**	(101)
Dividends paid by subsidiaries to non-controlling interests		**(189)**	(86)
Dividends paid to shareholders		**(2 154)**	(946)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		**(3 318)**	(1 151)
Net increase/(decrease) in cash and cash equivalents for the year		**109**	(130)
Cash and cash equivalents included under disposal group held for sale		**–**	(7)
Unrealised foreign currency translation adjustment included in cash and cash equivalents		**93**	143
Cash and cash equivalents at the beginning of the year		**2 462**	2 456
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**2 664**	2 462

ACCOUNTING POLICIES

1. Basis of preparation

RMI Holdings is an investment holding company. RMI Holdings' separate and group financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act and the Listings Requirements of the JSE Limited.

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

- Certain financial assets and liabilities where the group adopts the fair value basis of accounting.
- The valuation of the long-term insurance contract liability is done based on the financial soundness valuation basis as detailed in the Standards of Actuarial Practice (SAP) 104 issued by the Actuarial Society of South Africa ("ASSA").
- Investments in associates are measured using the equity method of accounting.
- The 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 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 reporting date, the actual outcome may differ from those estimates. Where appropriate, details of estimates are presented in the accompanying notes to the financial statements.

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

The principal accounting policies applied in the preparation of these separate and consolidated financial statements are set out below and are consistent in all material aspects with those applied in the previous accounting year, except for the adoption of IAS 1 effective for the first time in the current financial year as listed below:

- IAS 1 was amended to require companies to group together items within other comprehensive income that may be reclassified to profit or loss. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements.

The amendments to IAS 12 were only relevant to one of the group's associates, where the amendments as summarised below were early adopted in the 2011 financial year. There was no impact on the RMI Holdings group as these amendments resulted in an increase in policyholder liabilities under insurance contracts and a decrease in the deferred taxation liability, resulting in no movement in the net asset value of RMI Holdings' associate.

- IAS 12 was amended to introduce a rebuttable presumption that an investment property will be recovered in its entirety through sale. As a result of the amendments, SIC 21 Income taxes: Recovery of revalued non-depreciable assets no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21.

2. Consolidation

The group 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.

Subsidiaries: Subsidiaries that have been consolidated are companies in which the group, directly or indirectly, has a long-term interest of more than one half of the voting rights or has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 either at fair value or 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 interest is 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 interest having a deficit balance.

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

Common control transactions are business combinations in which the combining entities are ultimately controlled by the same party both before and after the business combination and control is not transitory. The consideration transferred for an acquisition of a subsidiary in a common control transaction is measured at the group carrying value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the acquisition date. The acquirer incorporates the assets and liabilities of the 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.

Associate companies: 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 financial statements using the equity accounting method, from the effective date of acquisition to the effective date of disposal. The investment is initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of associate companies' other comprehensive movements is accounted for in the group's other comprehensive income. The group's share of associate companies' 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.

Dilutionary and anti-dilutionary effects of equity transactions by associate companies that the group is not party to are accounted for directly against equity.

Separate financial statements: In RMI Holdings' separate 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 rate 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 rate method.

Fair value income: The group includes profits or losses and fair value adjustments 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 note 18 of the accounting policies.

4. Foreign currency translation

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

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 tax payable, as well as capital gains tax.

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

Secondary taxation on companies was applicable until 31 March 2012 and was provided for in respect of dividend payments, net of dividends received or receivable and was recognised as a taxation charge in profit or loss. As from 1 April 2012, dividend withholding tax came into effect which does not impact on the group's profit or loss.

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 and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities: The group discloses a contingent liability where:

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

8. Financial instruments

Financial instruments disclosed in the financial statements include cash and cash equivalents, 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.

Borrowings – 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.

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 upon initial recognition as at fair value through profit or 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 expire, where there is a transfer of contractual rights that comprise the asset, or the group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

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 bid price for financial assets and ask/offer price for 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.

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 with 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.

Impairment losses on equity instruments 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, 1956, and membership is compulsory for all group employees. Qualified actuaries perform annual valuations.

The group writes off current service costs immediately, while it expenses past service costs, experience adjustments, changes in actuarial assumptions and plan amendments over the expected remaining working lives of employees. The costs are written off immediately in the case of retired employees.

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

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 are paid intellectual property bonuses at the company's discretion. The beneficiaries under the plan are 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 is no longer at the discretion of the entity. The group measures the liability to distribute the non-cash assets as a dividend to owners at the fair value of the assets to be distributed. The carrying amount of the dividend payable is remeasured at the end of each reporting period and on the date of settlement, with changes recognised in equity as an adjustment to the distribution. The difference between the carrying amount of the dividend payable and the fair value of the assets on the date of settlement is recognised in profit or loss for the period.

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

15. Segment reporting

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

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

Segments with a majority of revenue earned from charges to external 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 at 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

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

18.1 SHORT-TERM INSURANCE

Short-term insurance is the providing of benefits under short-term policies which includes property, accident and health, liability, miscellaneous and motor 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 premiums. 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.

Unexpired risk provision

Provision is made for unexpired risks arising from insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs.

Provision for claims reported but not paid

Claims outstanding comprise provision 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 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 claims 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 (i.e. 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")

Acquisition costs which represent commission paid in respect of insurance contracts are recognised as an intangible asset and amortised over the duration of the insurance agreement as premium is earned. All other costs are recognised as expenses when 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 (classified within loans and receivables) on settled claims, 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 also 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 also calculated under the same method used for these financial assets.

CASH 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.

18.2 LONG-TERM INSURANCE

Long-term insurance provides benefits under various classes of long-term insurance risk. Premiums are shown before the deduction of commission. Benefits are recorded as an expense when they are incurred.

The liabilities under life insurance contracts are valued in accordance with the financial soundness valuation ("FSV") as detailed in the guidelines issued by the Actuarial Society of South Africa, in particular SAP 103 and SAP 104. 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. Compulsory margins are added to allow for risk and uncertainty based on the requirements of SAP 104. In addition to these compulsory margins, discretionary margins may be added to protect against future possible adverse experience.

The operating surpluses or losses arising from life insurance contracts are determined by an annual valuation. These surpluses or losses are arrived at after taking into account the movement in actuarial liabilities under matured policies, provisions for profit commissions accrued and adjustments to other reserves within the policyholder liabilities.

Assets and liabilities were valued on consistent bases. Valuation assumptions regarding future mortality, morbidity, expenses and yields are based on prudent best estimates taking into account the company's expected future experience and allowing for any specific conditions of the various policy classes.

18.3 LIABILITY ADEQUACY TEST

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

In respect of short-term insurance transactions, provision is made for unexpired risks arising from insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs.

18.4 ACCOUNTING FOR CELL CAPTIVE ARRANGEMENTS

Economic benefits generated by the cell are distributed by way of a biannual preference dividend to the preference shareholder, an entity independent of the cell. Losses incurred by the cell are for the group's account and there is no recourse against the cell for such losses. The group, however, retains the right to offset such losses against future profits generated by the cell 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 respective dividend in the statement of comprehensive income is reflected as a fair value adjustment to the financial liability.

The profitability of cell captive 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 fair value 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 results of the insurance business. The entitlement to the participation in the operating results remains contingent until the termination of the agreement with the client or until contractually determined.

During the duration of the profit sharing agreement, the estimated entitlement to profit or losses by clients is determined annually and transferred to the policyholders' interest liability. Increases and decreases in the estimated entitlement to the operating results 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. Standards, interpretations and amendments not yet effective

The group will comply with the new standards and interpretations from the effective date:

		Effective date for annual periods commencing on or after
Improvements to IFRSs	The IASB has issued its 2009 – 2011 annual improvements in May 2012. The annual improvement project's aim is to clarify and improve the accounting standards. The improvements include clarifications or removal of unintended inconsistencies between IFRSs. These improvements are effective for annual periods commencing on or after 1 January 2013 but early application is permitted and must be applied retrospectively. There are no significant changes in the improvement projects that are expected to affect the group.	1 January 2013
IFRS 1 – First-time adoption of IFRS	IFRS 1 was amended to provide guidance on how entities would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also provides an exception to the retrospective application of IFRS, which provides first-time adopters with the same relief as was granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008. The amendment does not have an impact on the group as the group has already adopted IFRS.	1 January 2013
IFRS 7 (amended) – Financial instruments: Disclosures and IAS 32 (amended) – Financial instruments: Presentation	The amendments to IFRS 7 requires additional disclosure of gross amounts subject to rights of set-off, amounts set-off in accordance with the accounting standards and the related net credit exposure to enable investors to understand the extent to which an entity has set-off in its statement of financial position and the effects of rights of set-off on the entity's rights and obligations. This amendment will result in additional disclosures in the annual financial statements and will not affect recognition and measurement.	1 January 2013

		Effective date for annual periods commencing on or after
IFRS 9: Financial instruments	IFRS 9 is the first phase in the IASB's three-part project to replace the current IAS 39: Financial instruments: Recognition and measurement. At this point in time the IFRS 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 has been relocated from IAS 39: Financial instruments: Recognition and measurement without change, except for financial liabilities that are designated at fair value through profit or loss. The standard is not expected to result in material reclassifications or remeasurements for the group.	1 January 2015
IFRS 10: Consolidated financial statements	This standard replaces the consolidation requirements in SIC 12: Consolidation – Special purpose entities and IAS 27: Consolidated and separate financial statements. This standard builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be consolidated. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might have an impact on the inclusion of certain entities in the consolidated financial statements. This assessment is ongoing.	1 January 2013
IFRS 11: Joint arrangements	This standard provides for a more realistic reflection of joint arrangements by focusing more on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard is not expected to have a significant impact on the group.	1 January 2013

		Effective date for annual periods commencing on or after
IFRS 12: Disclosures of interests in other entities	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This amendment addresses disclosure in the financial statements and will not affect recognition and measurement. The impact on the revised disclosure is not expected to be significant on the group.	1 January 2013
IFRS 13: Fair value measurement	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The new standard is not expected to impact the group's results significantly.	1 January 2013
IAS 19: Employee benefits	IAS 19 was amended to eliminate the corridor approach and recognise all gains and losses in other comprehensive income as they occur. Further amendments included recognising all past service costs immediately, replacing interest cost and expected return on plan assets with a net interest amount calculated by applying the discount rate to the net defined benefit liability/asset. Only the associates in the group have defined benefit plans and the amendment is not expected to have a significant impact on the results of the group.	1 January 2013
IAS 27: Separate financial statements	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The standard is not expected to have a significant impact on the group.	1 January 2013
IAS 28: Associates and joint ventures	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The standard is not expected to have a significant impact on the group.	1 January 2013
IAS 32: Financial instruments: Presentation	The amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP. The standard is not expected to have a significant impact on the group.	1 January 2014

		Effective date for annual periods commencing on or after
IFRIC 20: Stripping costs in the production phase of a surface mine	This interpretation clarifies that there can be two benefits accruing to an entity from stripping activity (removal of mine waste materials ("overburden") to gain access to mineral ore deposits) – usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. It considers when and how to account separately for these two benefits as well as how to measure these benefits both initially and subsequently. This interpretation will have no impact on the group's results.	1 January 2013
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 • Revenue recognition on contracts with customers • Leases Both the insurance contracts and leases exposure drafts have been re-exposed in the first half of 2013. As these documents are still in the exposure draft phase, there is still insufficient clarity to be able to report on the implications of the proposed standards. IFRS 4 phase II which aims to ensure that comprehensive IFRS is in place for insurance contracts, is not expected to be effective before the 2019 financial year of RMI Holdings.	Not known yet

24. Critical accounting assumptions

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

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 larger the IBNR provisions, the longer the expected period between the date of loss and the claims reporting date and/or the more severe the unreported claims.

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 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.

LONG-TERM INSURANCE

Valuation of policyholder liabilities

The actuarial value of policyholder liabilities is determined based on the Financial Soundness Valuation ("FSV") method as detailed in the Standards 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. In addition, compulsory margins are added to allow for risk and uncertainty based on the requirements of SAP 104. The liabilities under investment-linked contracts are valued at the value of the assets backing these contracts.

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 2013, 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	10% 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. Negative reserves are eliminated on a per policy basis by adding discretionary margins. The results for the experience investigations are briefly described below:

Demographic assumptions

In light of insufficient experience emerging during the first two years of operation at OUTsurance, 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 AIDS-related claims.

AT RMBSI, assumptions on mortality and other decrement rates were based on current market experience as the data provided in respect of these policies are not sufficient to perform credible experience investigations upon which assumptions could otherwise be based.

Economic assumptions

Investment return

The assumed future investment return was set with reference to bond yields of appropriate duration at the valuation date. This resulted in an assumed investment return, gross of tax of 8.1% (2012: 6.75%).

Inflation

The current assumed level of future expense inflation is 6.1% (2012: 6%) per annum and was derived by comparing the real yield on inflation-linked bonds with the nominal yield on conventional gilts both of similar terms.

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 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.

Incurred but not reported claims (“IBNR”)

In addition to the discounted cash flow liability, an IBNR provision is held. The IBNR was set using a claims run-off model based on recent experience and best estimates. The IBNR for classes of business in run-off is based on two months of projected claims.

Refer to note 8 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 on 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 and ethics committee.

1. Changing regulatory and business landscape

There have been a number of changes in the group's regulatory and compliance business landscape during the current financial year. These changes form part of larger 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 our industry and all its stakeholders.

The main changes impacting on South African and in some instances international operations are briefly described below.

1.1 SOLVENCY ASSESSMENT AND MANAGEMENT ("SAM")

The Financial Services Board ("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 FSB is currently intending to implement both the standard formula and internal model approaches under the SAM regime by January 2016 for both long-term and short-term insurers, with all insurers required to do a parallel run on the standard formula in 2014 and 2015.

Given the gap between the current South African regulatory regime and the expected final requirements of SAM, an interim regulatory regime has been adopted for South African short-term insurers, effective 1 January 2012 up until the SAM implementation date of 1 January 2016.

A new Insurance Act is being developed concurrently with the SAM programme which will combine the current Short-term and Long-term Insurance Acts into one act. The FSB will undertake further public consultation in respect of the existing draft bill in 2014 and will table this in Parliament in 2015.

The Insurance Laws Amendment Bill ("ILAB") will bring into effect the SAM governance, risk management, internal controls and insurance group's interim measures due for implementation in the first quarter of 2014

The purpose of the ILAB is to address gaps in the insurance regulatory framework and enhance the powers of the Registrar, including providing for enhanced governance, risk management and internal control requirements for insurers as well as introducing insurance group regulatory requirements.

The introduction of the SAM regime will require a full review of the tax legislation applicable to both long-term and short-term insurers.

The group is in the process of preparing for the timeous adoption of the new regulatory regime once effective.

1.2 IFRS 4 PHASE II

The recognition and measurement of insurance liabilities is currently the focus of IFRS 4 phase II, the joint International Accounting Standards Board ("IASB") and United States' Financial Accounting Standards Board ("FASB") project on the accounting for insurance contracts. Although various decisions on principles regarding measurement have been tentatively agreed by the IASB and FASB, there is still significant debate and uncertainty around the classification of insurance contracts, the methodologies used to value them and transition arrangements on adoption of the IFRS. The IASB published a revised exposure draft on insurance contracts in June 2013. The earliest estimate of an implementation date is for years commencing 1 January 2018.

The group will continue to monitor any tentative decisions that are made prior to the final IFRS standard 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.

1.3 TREATING CUSTOMERS FAIRLY ("TCF")

The FSB published their TCF discussion document in May 2010. The proposed TCF regulatory framework will create a more meaningful focus on customer outcomes at all levels of decision making within financial institutions, and at all stages of the product lifecycle. The FSB published "TCF: The Roadmap" at the end of March 2011, where it outlined the steps it will take to implement the TCF approach in South Africa. The group participated in the FSB's self-assessment pilot exercise in July 2011 as well as the baseline study conducted in February 2013. Most of the group's business operations will be impacted by the TCF regulatory framework but we are satisfied that our business practices are aligned with the TCF principles.

1.4 CONVERSION OF SECONDARY TAXATION ON COMPANIES ("STC") TO DIVIDEND WITHHOLDING TAXATION

Dividends Tax replaced STC on 1 April 2012 and is applicable to any dividend declared on or after 1 April 2012. If a dividend was declared before 1 April 2012 it will still be subject to STC. The main difference between Dividends Tax and STC is that the liability for paying the tax is moved from the company declaring the dividend (STC) to the shareholder receiving the dividend (Dividends Tax). South African resident companies are exempt from Dividends Tax. The general principle is that Dividends Tax is payable when a dividend is paid to the beneficial owner and must be withheld by the company distributing the dividend or certain withholding agents involved in the dividend distribution chain.

The conversion imposes additional administrative obligations on the group and processes are in place to update shareholder information as well as business and system requirements.

1.5 LONG-TERM TAX LEGISLATION

The tax landscape for South African long-term insurance companies is in the midst of potential changes. National Treasury has commenced with tax policy research projects, which include investigations into the taxation of long-term insurers. To date there is insufficient clarity around certain decisions to be able to understand and provide guidance on the specific implications of the new legislation.

1.6 THE FINANCIAL SERVICES LAWS GENERAL AMENDMENT BILL ("FSLGAB")

This bill aims to amend 11 financial sector laws to address legislative gaps highlighted after the 2008 financial crisis and to align these laws with the Companies Act, 2008. The acts to be amended include the following that are relevant to the group: Financial Services Board Act; Inspection of Financial Institutions Act; Short-term and Long-term Insurance Acts; Pension Funds Act and the Financial Advisory and Intermediary Services Act.

The primary objective is to ensure that even during the transition to the twin peaks system, South Africa has a more sound and better regulated financial service industry which promotes financial stability by:

- strengthening the financial sector regulatory framework;
- enhancing the supervisory powers of the regulators; and
- enhancing the powers of the Minister of Finance and South African Reserve Bank to address potential risks to the financial system.

The bill also facilitates the carving out of the financial sector from the ambit of the Consumer Protection Act ("CPA") in light of the fact that higher standards of consumer protection are being implemented in terms of financial sector legislation. The FSLGAB was tabled in Parliament on 25 September 2012 and is expected to be promulgated in 2013.

1.7 OUTSOURCING – FSB DIRECTIVE 159 A.1

The purpose of directive 159 A.1 on outsourcing which was issued on 12 April 2012 is to set out the requirements with which long-term and short-term insurers have to comply if they outsource an aspect of their business. The rationale is that "outsourcing can materially increase risk to insurers or materially adversely affect their ability to manage risks and meet regulatory obligations".

Outsourcing refers to an arrangement of any form between an insurer and another person, in terms of which that person performs a function or an activity, whether directly or by sub-outsourcing, which would otherwise be performed by the insurer itself. The functions mentioned above include control, management and material functions. The latter is described as any function that has the potential to have a significant impact on the insurer's business operations or its ability to manage risks if it is disrupted.

Outsourcing arrangements exist between companies within the group and all the required outsourcing policies and agreements are in place.

1.8 PROTECTION OF PERSONAL INFORMATION ("PPI") BILL

The PPI bill aims to regulate 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. It is expected to be enacted in 2013.

1.9 LIFE AND GENERAL INSURANCE CAPITAL REVIEW ("LAGIC")

The Australian Prudential Regulation Authority ("APRA") implemented a revised capital framework for insurers effective from 1 January 2013 as part of its life and general insurance capital review ("LAGIC"). Like recent and current regulatory reforms by other regulators across the world, the LAGIC aims to move towards greater risk-sensitivity and to increase alignment of capital requirements across sectors.

The LAGIC also introduced the three pillar concept, being:

- Pillar 1 – quantitative requirements in relation to required capital, eligible capital and liability valuations;
- Pillar 2 – the supervisory review process which may include a supervisory adjustment to capital; and
- Pillar 3 – disclosure requirements designed to encourage market discipline.

The Individual Capital Adequacy Assessment Process ("ICAAP") was also introduced, which formalised the requirements around insurers' processes to assess their capital needs and manage their capital levels.

Youi Proprietary Limited has complied with the requirements of the new capital framework and reported its capital position at 30 June 2013 in accordance with the new requirements.

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 2013

R million	**OUTsurance**	**RMBSI**	**Total**
Gross insurance contracts			
Short-term insurance contracts			
– claims reported	**787**	**341**	**1 128**
– claims incurred but not reported	**339**	**121**	**460**
– unearned premiums	**1 764**	**784**	**2 548**
– unexpired risk provision	**–**	**292**	**292**
– insurance contract cash bonuses	**373**	**–**	**373**
Long-term insurance contracts			
– claims incurred but not reported	**4**	**4**	**8**
– policyholder liabilities	**46**	**–**	**46**
TOTAL GROSS INSURANCE CONTRACT LIABILITIES	**3 313**	**1 542**	**4 855**

As at 30 June 2012

R million	OUTsurance	RMBSI	Total
Gross insurance contracts			
Short-term insurance contracts			
– claims reported	592	163	755
– claims incurred but not reported	285	36	321
– unearned premiums	1 206	799	2 005
– unexpired risk provision	–	227	227
– insurance contract cash bonuses	384	–	384
Long-term insurance contracts			
– claims incurred but not reported	–	4	4
– policyholder liabilities	14	–	14
TOTAL GROSS INSURANCE CONTRACT LIABILITIES	2 481	1 229	3 710

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 and credit life.

RMBSI holds both short-term and life insurance licences. 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

The group conducts short-term insurance business on different classes of short-term insurance risk. Furthermore, the group underwrites risk products marketed and distributed by other companies.

Types of insurance contracts written	Personal lines	Commercial	Cell captive
Personal accident	<1%	<1%	–
Liability	3.9%	7.1%	–
Miscellaneous	<1%	–	49.4%
Motor	71.9%	64.6%	–
Property	24.1%	26.2%	–
Transportation	<1%	1.9%	–
Guarantee	–	–	50.6%

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. Cell captive business refers to arrangements whereby the group underwrites various risk products marketed and distributed by other companies. The management of cell captive risks underwritten by the group is performed by the cell administrators itself. The following gives a brief explanation of each risk:

Personal accident
Provide 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 injury.

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

Miscellaneous
Provide cover relating to all other risks that are not covered more specifically under another insurance contract.

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

Property
Provide 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
Provide cover to risks relating to stock in transit.

Engineering
Provide 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.

Concentrations of risk and mitigating policies
Risk concentrations are monitored by means of exception reporting. When large risks are underwritten individually, the impact 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 51.0% of the total sum insured is domiciled. The Australian operation is exposed to a concentration of insurance risk in South East Queensland where 22.5% 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.

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.

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.

Cell captives
Cell captive arrangements have been entered into with other companies. Per these arrangements, certain risk products marketed and distributed by these companies are underwritten by OUTsurance Insurance Company Limited. Profits arising out of the cell captives are distributed by OUTsurance Insurance Company Limited to these companies by way of preference share dividends.

The collection of premiums and the payment of claims is a function that is performed by the cell or its administrator. The results of the cell are fully consolidated into the results of OUTsurance Insurance Company Limited, and hence are included in these group results. OUTsurance Insurance Company Limited is responsible for maintaining the required solvency for the cell captives.

The profitability of cell captive business is reviewed on a monthly basis to ensure that the group is not exposed to uneconomical risks.

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, 90% of the operating profit generated on the homeowners' insurance business referred by FirstRand Bank Limited businesses is paid to FirstRand Bank Limited by way of a biannual preference dividend. Where operating losses arise, OUTsurance remains liable for such losses in full, but these losses may be offset against future profit distributions.

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 *R million*	Total	**2013**	2012	2011	2010	Prior 2009
2013	3 581	**3 581**	–	–	–	–
2012	2 859	**16**	2 843	–	–	–
2011	2 694	**4**	(5)	2 695	–	–
2010	2 379	**–**	2	8	2 369	–
2009 and prior	8 233	**–**	1	2	26	8 204
CURRENT ESTIMATE OF CUMULATIVE CLAIMS INCURRED	19 746	**3 601**	2 841	2 705	2 395	8 204

Payment development

		Financial year in which claims were paid				
Net claims Accident year *R million*	Total	**2013**	2012	2011	2010	Prior 2009
2013	2 908	**2 908**	–	–	–	–
2012	2 823	**383**	2 440	–	–	–
2011	2 605	**18**	327	2 260	–	–
2010	2 299	**6**	17	310	1 966	–
2009 and prior	8 330	**11**	17	23	216	8 063
CUMULATIVE PAYMENTS TO DATE	18 965	**3 326**	2 801	2 593	2 182	8 063

Incurred development

		Financial year in which changes occurred in claims liability				
Net claims Accident year *R million*	Total	**2013**	2012	2011	2010	Prior 2009
2013	3 505	**3 505**	–	–	–	–
2012	2 869	**22**	2 847	–	–	–
2011	2 649	**3**	(34)	2 680	–	–
2010	2 394	**(8)**	(8)	35	2 375	–
2009 and prior	8 231	**(4)**	(9)	(2)	(85)	8 331
CUMULATIVE PAYMENTS TO DATE	19 648	**3 518**	2 796	2 713	2 290	8 331

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 table shows the net actuarial liabilities of RMBSI as at 30 June 2013:

R million	UPP net of DAC/DAR	IBNR	Outstanding claims	Total
Motor	102	20	82	204
Property	(6)	25	38	57
Accident and health	47	3	4	54
Engineering	2	19	23	44
Guarantee	–	13	7	20
Liability(1)	597	6	4	607
Transport	4	6	14	24
Miscellaneous	–	8	3	11
TOTAL	746	100	175	1 021

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

The following table shows the net actuarial liabilities of RMBSI at 30 June 2012:

R million	UPP net of DAC/DAR	IBNR	Outstanding claims	Total
Motor	87	2	7	96
Property	–	1	2	3
Accident and health	36	1	–	37
Engineering	5	4	8	17
Liability	616	3	1	620
Miscellaneous	–	3	–	3
TOTAL	744	14	18	776

The actuarial liabilities of RMBSI include the following:

Unearned premium provision ("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 includes 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 ("URR") and additional unexpired risk provision ("AURR")

The URR 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 URR 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 URR. If the URR exceeds the UPR this could indicate that the premiums charged are inadequate for the risks covered.

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

None of the insurance transactions of RMBSI required an AURR as at 30 June 2013.

Incurred but not reported provision ("IBNR")

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

The Bornheutter-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 is not alone sufficient to determine IBNR provisions. The ultimate loss ratio method requires less information than the Bornheutter-Ferguson method in that is 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 Financial Services Board 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 risks. Products are only sold to the South African retail market. The types of insurance products sold are as follows:

- Life Insurance;
- Essential Life;
- Credit Protection; and
- Credit Life.

The following gives a brief explanation of each product:

Life Insurance
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.

Essential Life
The Essential Life product covers the following insurance risks:

- Death cover;
- Disability cover; and
- Critical illness cover.

In the event of a valid death or disability (physical impairment) claim, OUTsurance Life pays the sum assured as a once-off lump sum. In the event of a valid critical illness claim, OUTsurance Life pays a specified percentage of the sum assured as a once-off lump sum. The product also contains a funeral advance of the death cover for the policyholder as well as funeral cover for the policyholder's spouse and covered dependents which consists of a once-off lump sum payment of a specified percentage of 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.

Credit Life

The Credit Life 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 or critical illness claim, OUTsurance Life settles the policyholder's outstanding debt by way of a lump sum payment to the finance provider. In the event of a valid temporary disability or retrenchment claim, OUTsurance Life undertakes to pay the policyholder's monthly instalment to the finance provider as well as the risk premium for the specified period. This product has been replaced by the Credit Protection product and is currently in run-off.

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 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 client's medical history and condition which is used for premium adjustments and to indicate where further underwriting is required by experienced medical underwriters. To verify the accuracy of client data, all new clients are subject to various medical tests. Quality audits are performed on the underwriting process to ensure underwriting rules are strictly followed.
- **Reinsurance**
  OUTsurance Life's quota share and excess of loss reinsurance programme mitigates claims volatility and risk accumulation. Reinsurers also assist with pricing and product design decisions.
- **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.

2.3.2 RMBSI

RMBSI currently has the following long-term insurance business on its books:

Investment 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 shows the gross and net actuarial liability of RMBSI:

30 June 2013

R million	**Gross**	**Reinsurance**	**Net**
Credit life policies	**4**	**(2)**	**2**
Investment linked policies	**1 358**	**–**	**1 358**
TOTAL	**1 362**	**(2)**	**1 360**

30 June 2012

R million	Gross	Reinsurance	Net
Credit life policies	4	–	4
Investment linked policies	1 145	–	1 145
TOTAL	1 149	–	1 149

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

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

3.1 MARKET RISK

Market risk is the risk that the fair value or future cash flows 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 reporting currency may fluctuate due to changes in the foreign currency exchange rate between the reporting currency and the currency in which such instrument is denominated.

The group's exposure to currency risk is mainly in respect of foreign investments made. The group had invested in foreign subsidiaries operating in Ireland, Mauritius and Australia.

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 2013

R million	Rand	Australian Dollar	United States Dollar	Euro	Total
Total assets	**20 896**	**2 839**	**41**	**9**	**23 785**
Total liabilities	**7 612**	**2 010**	**12**	**–**	**9 634**
Exchange rates:					
Closing rate		**9.030**	**9.966**	**13.004**	
Average rate		**9.090**	**8.794**	**13.232**	

A hypothetical appreciation of 10% in the exchange rate would have resulted in a 0.2% lower comprehensive income for the group and a 10% depreciation in the exchange rate would have resulted in a 0.07% increase in comprehensive income for the group.

30 June 2012

R million	Rand	Australian Dollar	United States Dollar	Euro	Total
Total assets	20 251	2 059	30	7	22 347
Total liabilities	7 361	1 155	21	–	8 537
Exchange rates:					
Closing rate		8.360	8.308	10.438	
Average rate		8.080	7.774	10.397	

A hypothetical appreciation of 10% in the exchange rate would have resulted in a 0.07% lower comprehensive income for the group and a 10% depreciation in the exchange rate would have resulted in a 0.7% increase in comprehensive income for the group.

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.

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 the profit before taxation of the group:

	30 June 2013		30 June 2012	
R million	**200 bps increase**	**200 bps decrease**	200 bps increase	200 bps decrease
Financial assets				
Unlisted preference shares (impact on other comprehensive income)	**9**	**(9)**	17	(17)
Government, municipal and public utility securities	**3**	**(3)**	2	(2)
Money market instruments	**39**	**(39)**	41	(41)
Cash and cash equivalents	**53**	**(53)**	49	(49)
Financial liabilities				
Preference shares	**(5)**	**5**	(11)	11

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 2013			30 June 2012		
R million	**Carrying value**	**200 bps increase**	**200 bps decrease**	Carrying value	200 bps increase	200 bps decrease
Financial assets						
Unlisted preference shares	**79**	**81**	**78**	79	80	77
Listed preference shares						
Fixed rate	**349**	**356**	**342**	284	289	278
Variable rate	**910**	**928**	**891**	857	875	840

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 the profit before taxation of the group:

	30 June 2013		30 June 2012	
R million	**10% increase**	**10% decrease**	10% increase	10% decrease
Financial assets				
Listed preference shares (impact on other comprehensive income)	**61**	**(61)**	53	(53)
Derivative asset	**4**	**(4)**	–	–
Collective investment scheme	**54**	**(54)**	54	(54)
Listed equity shares (impact on other comprehensive income)	**13**	**(13)**	11	(11)
Unlisted preference shares	**45**	**(45)**	86	(86)
Financial liabilities				
Derivative liability	**(6)**	**6**	–	–

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 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 of 1998 and Long-term Insurance Act of 1998 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 quarterly at the board meeting and biannually by the actuarial committee and investment committee of the subsidiaries.

Under the terms of reinsurance agreements, reinsurers agree to reimburse the ceded amount in the event that the gross claim is paid. However, the group remains liable to its policyholders regardless of whether the reinsurer meets the obligations it has assumed. Consequently, the group is exposed to credit risk. The group reviews its reinsurance agreements on an annual basis and ensures the appropriate credit quality of any reinsurer prior to renewing or entering an agreement.

None of the group's 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 2013

R million	**AAA**	**AA**	**A**	**BBB**	**BB**	**Not rated**	**Total**
Equity securities – preference shares – available-for-sale – listed	**–**	**57**	**5**	**357**	**6**	**120**	**545**
Equity securities – ordinary shares							
– available-for-sale – listed	**–**	**–**	**–**	**–**	**–**	**131**	**131**
– at fair value through profit or loss – listed	**–**	**–**	**–**	**–**	**–**	**2 159**	**2 159**
– at fair value through profit or loss – unlisted	**–**	**–**	**–**	**–**	**–**	**74**	**74**
Collective investment scheme	**–**	**128**	**–**	**351**	**61**	**–**	**540**
Money market instruments	**54**	**54**	**105**	**1 460**	**252**	**11**	**1 936**
Debt securities							
– available-for-sale – unlisted	**–**	**–**	**–**	**448**	**–**	**5**	**453**
– held-to-maturity	**–**	**–**	**–**	**–**	**–**	**79**	**79**
– at fair value through profit or loss							
– fixed rate	**85**	**145**	**90**	**113**	**–**	**–**	**433**
– variable rate	**19**	**12**	**19**	**900**	**3**	**469**	**1 422**
Derivative asset	**–**	**–**	**–**	**–**	**–**	**9**	**9**
Loans and receivables	**–**	**24**	**57**	**2**	**–**	**1 585**	**1 668**
Reinsurance contracts	**196**	**71**	**–**	**–**	**–**	**8**	**275**
Cash and cash equivalents	**7**	**2 146**	**213**	**291**	**–**	**7**	**2 664**
TOTAL	**361**	**2 637**	**489**	**3 922**	**322**	**4 657**	**12 388**

30 June 2012

R million	AAA	AA	A	BBB	BB	Not rated	Total
Equity securities – preference shares							
– available-for-sale – unlisted	–	40	–	–	–	13	53
– available-for-sale – listed	–	428	73	–	28	5	534
Equity securities – ordinary shares							
– available-for-sale – listed	–	–	–	–	–	108	108
– at fair value through profit or loss – listed	–	–	–	–	–	1 625	1 625
– at fair value through profit or loss – unlisted	–	–	–	–	–	25	25
Collective investment scheme	–	483	57	–	–	–	540
Money market instruments	26	1 492	496	17	–	–	2 031
Debt securities							
– available-for-sale – unlisted	–	607	244	–	–	21	872
– held-to-maturity	–	–	–	–	–	79	79
– at fair value through profit or loss							
– fixed rate	166	32	53	20	–	24	295
– variable rate	115	82	5	750	–	489	1 441
Loans and receivables	–	10	1	–	–	987	998
Reinsurance contracts	168	70	21	–	–	14	273
Cash and cash equivalents	–	1 789	412	261	–	–	2 462
TOTAL	475	5 033	1 362	1 048	28	3 390	11 336

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 a 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.

3.3 FAIR VALUE

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

- Amounts receivable from policyholders;
- Other amounts receivable;
- Cash and cash equivalents;
- Financial assets – debt securities held-to-maturity;
- Unlisted preference share investments;
- Accounts payable and accruals; and
- Provisions for liabilities and charges.

The unlisted preference shares are redeemable with a notice period ranging from 30 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 value 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 2013

R million	Total	Call to 6 months	7 – 12 months	1 – 5 years	>5 years	No-liquidity risk
Assets						
Property and equipment	460	128	–	332	–	–
Intangible assets	43	–	–	–	–	43
Investments in associates	10 442	–	–	–	10 442	–
Financial assets						
Equity securities						
– available-for-sale	676	–	–	676	–	–
– fair value through profit or loss	2 233	2 173	–	60	–	–
Debt securities						
– available-for-sale	453	145	155	153	–	–
– held-to-maturity	79	–	–	–	79	–
– fair value through profit or loss	4 331	2 143	876	1 258	54	–
Derivative asset	9	–	–	9	–	–
Loans and receivables, including insurance receivables	1 668	1 216	180	77	195	–
Deferred acquisition cost	38	2	1	–	–	35
Reinsurance contracts	275	258	4	13	–	–
Deferred taxation	414	–	–	–	–	414
Cash and cash equivalents	2 664	2 664	–	–	–	–
TOTAL ASSETS	23 785	8 729	1 216	2 578	10 770	492

30 June 2013

R million	Total	Call to 6 months	7 – 12 months	1 – 5 years	>5 years	No-liquidity risk
Liabilities						
Insurance contracts	4 855	2 673	272	368	–	1 542*
Share-based liabilities	50	1	–	49	–	–
Financial liabilities						–
Convertible debentures	15	–	–	–	15	–
Preference shares (undiscounted)	1 121	36	35	1 050	–	–
Interest-bearing loans	19	19	–	–	–	–
Policyholders' interest	1 176	1 176	–	–	–	–
Financial liability at fair value through profit or loss	110	110	–	–	–	–
Derivative liability	11	–	–	11	–	–
Investment contracts						
– at fair value through income	1 358	1 358	–	–	–	–
Deferred acquisition reserve	8	–	–	–	–	8
Provisions	34	12	19	3	–	–
Trade and other payables	871	834	2	1	34	–
Deferred taxation liabilities	176	–	–	–	–	176
Taxation	39	39	–	–	–	–
TOTAL LIABILITIES	9 843	6 258	328	1 482	49	1 726

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

30 June 2012

R million	Total	Call to 6 months	7 – 12 months	1 – 5 years	>5 years	No-liquidity risk
Assets						
Property and equipment	413	121	–	292	–	–
Intangible assets	50	–	–	–	–	50
Investments in associates	9 864	–	–	–	9 864	–
Financial assets						
Equity securities						
– available-for-sale	695	160	–	535	–	–
– fair value through profit or loss	1 650	1 650	–	–	–	–
Debt securities						–
– available-for-sale	872	418	–	454	–	–
– held-to-maturity	79	–	–	–	79	–
– fair value through profit or loss	4 307	2 738	733	836	–	–
Loans and receivables, including insurance receivables	998	998	–	–	–	–
Deferred acquisition cost	32	4	1	–	–	27
Reinsurance contracts	273	268	3	2	–	–
Deferred taxation	441	–	–	–	–	441
Disposal group held for sale	211	211	–	–	–	–
Cash and cash equivalents	2 462	2 462	–	–	–	–
TOTAL ASSETS	22 347	9 030	737	2 119	9 943	518

30 June 2012

R million	Total	Call to 6 months	7 – 12 months	1 – 5 years	>5 years	No-liquidity risk
Liabilities						
Insurance contracts	3 710	2 187	174	120	–	1 229*
Financial liabilities						
Convertible debentures	15	–	–	–	15	–
Preference shares (undiscounted)	1 961	59	58	1 844	–	–
Interest-bearing loans	272	272	–	–	–	–
Policyholders' interest	685	685	–	–	–	–
Financial liability at fair value through profit or loss	115	115	–	–	–	–
Investment contracts – at fair value through income	1 145	1 145	–	–	–	–
Deferred acquisition reserve	8	–	–	–	–	8
Provisions	36	36	–	–	–	–
Trade and other payables	656	653	3	–	–	–
Deferred taxation liabilities	324	–	–	–	–	324
Taxation	14	14	–	–	–	–
Disposal group held for sale	59	59	–	–	–	–
TOTAL LIABILITIES	9 000	5 225	235	1 964	15	1 561

* *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 where it has complied with all the local solvency regulations.

Management regards share capital, share premium, retained earnings and unrealised fair value movement reserves as capital for regulatory solvency purposes.

Refer to page 80 for details regarding the expected impact of the changing regulatory landscape on the group's solvency requirements.

The tables below summarise 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:

OUTsurance's insurance operations:

	Jurisdiction	Statutory solvency requirement	**Actual solvency 2013**	Actual solvency 2012
OUTsurance Insurance Company Limited	South Africa	Minimum CAR* cover of 1 time	**1.6**	2.2
OUTsurance Insurance Company of Namibia Limited (associate)	Namibia	Minimum CAR cover of 1 time	**1.7**	1.6
Youi Proprietary Limited	Australia	Minimum CAR cover of 2 times	**2.2**	2.8
OUTsurance Life Insurance Company Limited	South Africa	Minimum CAR cover of 1 time	**3.1**	1.9

RMBSI's insurance operations:

	Jurisdiction	Statutory solvency requirement	**Actual solvency 2013**	Actual solvency 2012
RMB Structured Insurance Limited	South Africa	Minimum CAR cover of 1 time	**6.6**	4.5
RMB Financial Services Limited	Ireland	Minimum CAR cover of 1 time	**1.8**	1.1
RMB Structured Insurance Limited PCC	Mauritius	Minimum 15% of prior year's premium	**303%**	272%
RMB Structured Life Limited	South Africa	Minimum CAR cover of 1 time	**5.9**	5.6

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

R million	Land and buildings	Leasehold improvements	Furniture, fittings and equipment	Motor vehicles	Total
1. Property and equipment					
30 June 2013					
Net book value at the beginning of the year	**303**	**14**	**95**	**1**	**413**
Additions	**55**	**2**	**85**	**1**	**143**
Disposals	**–**	**–**	**(2)**	**–**	**(2)**
Foreign exchange adjustments	**2**	**–**	**3**	**–**	**5**
Depreciation (note 33)	**(16)**	**(3)**	**(79)**	**(1)**	**(99)**
NET BOOK VALUE AT THE END OF THE YEAR	**344**	**13**	**102**	**1**	**460**
Cost	**362**	**19**	**510**	**2**	**893**
Accumulated depreciation	**(18)**	**(6)**	**(408)**	**(1)**	**(433)**
NET BOOK VALUE AT THE END OF THE YEAR	**344**	**13**	**102**	**1**	**460**
30 June 2012					
Net book value at the beginning of the year	108	6	96	1	211
Additions	196	10	65	–	271
Disposals	–	–	(1)	–	(1)
Foreign exchange adjustments	1	–	3	–	4
Depreciation (note 33)	(2)	(2)	(68)	–	(72)
NET BOOK VALUE AT THE END OF THE YEAR	303	14	95	1	413
Cost	318	16	429	1	764
Accumulated depreciation	(15)	(2)	(334)	–	(351)
NET BOOK VALUE AT THE END OF THE YEAR	303	14	95	1	413

Land and buildings assets 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 will be open for inspection in terms of section 20 of the Companies Act.

The fair value of the land and buildings at 30 June 2013 is R413 million (2012: R306 million) as derived per an independent valuation calculated using a value-in-use methodology.

Refer to the management of liquidity risk note on page 101 for the current and non-current analysis of property and equipment.

R million	Goodwill	Intellectual property bonuses	Total
2. Intangible assets			
30 June 2013			
Net book value at the beginning of the year	**4**	**46**	**50**
Additions	**–**	**49**	**49**
Settlements	**–**	**(11)**	**(11)**
Service cost relating to intellectual property (note 33)	**–**	**(45)**	**(45)**
NET BOOK VALUE AT THE END OF THE YEAR	**4**	**39**	**43**
Cost	**4**	**114**	**118**
Accumulated amortisation	**–**	**(75)**	**(75)**
NET BOOK VALUE AT THE END OF THE YEAR	**4**	**39**	**43**
30 June 2012			
Net book value at the beginning of the year	4	28	32
Additions	–	48	48
Service cost relating to intellectual property (note 33)	–	(30)	(30)
NET BOOK VALUE AT THE END OF THE YEAR	4	46	50
Cost	4	139	143
Accumulated amortisation	–	(93)	(93)
NET BOOK VALUE AT THE END OF THE YEAR	4	46	50

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 over a period of two years.

Refer to the management of liquidity risk note on page 101 for the current and non-current analysis of intangible assets.

R million	**2013**	2012
3. Investments in associates		
Shares at cost	**9 524**	9 483
Treasury shares	**(18)**	(39)
Equity accounted reserves	**936**	420
INVESTMENTS IN ASSOCIATES	**10 442**	9 864
Analysis of the movement in the carrying value of associates:		
Balance at the beginning of the year	**9 864**	9 274
Additional acquisition of associate	**41**	6
Treasury shares	**21**	47
Equity accounted earnings for the year	**1 179**	975
Dividends received for the year	**(898)**	(567)
Share of associates' other reserves	**245**	129
Intergroup profit on sale of Momentum Short-term Insurance	**(10)**	–
BALANCE AT THE END OF THE YEAR	**10 442**	9 864
Carrying value comprises:		
Discovery Limited	**4 456**	3 927
MMI Holdings Limited	**5 936**	5 914
OUTsurance Insurance Company of Namibia Limited	**23**	18
Truffle Capital Proprietary Limited	**14**	5
HCV Underwriting Managers Proprietary Limited	**13**	–
TOTAL CARRYING VALUE	**10 442**	9 864
Market value and valuation:		
Discovery Limited – Listed	**12 445**	7 699
MMI Holdings Limited – Listed	**8 701**	7 050
Unlisted at valuation	**127**	64
TOTAL MARKET VALUE AND VALUATION	**21 273**	14 813
The group's interests in associates are as follows:		
Discovery Limited – Number of shares	**148 048 168**	148 048 168
Discovery Limited – % of equity*	**26.7**	26.7
MMI Holdings Limited – Number of shares	**392 465 075**	391 640 075
MMI Holdings Limited – % of equity*	**25.2**	25.1
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	**36**	12
Truffle Capital Proprietary Limited – % of equity	**15.3**	5.7
HCV Underwriting Managers Proprietary Limited – Number of shares	**90**	–
HCV Underwriting Managers Proprietary Limited – % of equity	**30.0**	–

* *After consolidation of share trusts.*

The group is believed to exercise significant influence over Truffle Capital Proprietary Limited notwithstanding the fact that it only owns 15.3% (2012: 5.7%) of the issued share capital of this company.

Further details of significant associates are disclosed in note 44.

Refer to the management of liquidity risk note on page 101 for the current and non-current analysis of investments in associates.

R million	2013	2012
4. Financial assets – Equity and debt securities		
The group's equity and debt securities are summarised by measurement category below:		
Available-for-sale	**1 129**	1 567
– Equity	**676**	695
– Debt	**453**	872
Fair value through profit or loss	**6 564**	5 957
– Equity	**2 233**	1 650
– Debt	**4 331**	4 307
Held-to-maturity – Debt	**79**	79
TOTAL FINANCIAL ASSETS – EQUITY AND DEBT SECURITIES	**7 772**	7 603
Current portion of equity and debt securities	**4 633**	5 699
The assets included in each of the categories above are detailed below:		
Available-for-sale financial assets		
Equity securities		
– Listed shares	**131**	108
– Unlisted preference shares	**–**	53
– Listed preference shares	**545**	534
TOTAL EQUITY SECURITIES	**676**	695
Debt securities		
– Unlisted preference shares	**453**	872
TOTAL AVAILABLE-FOR-SALE EQUITY AND DEBT SECURITIES	**1 129**	1 567

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.

R million	**2013**	2012
4. Financial assets – Equity and debt securities continued		
Financial assets at fair value through profit or loss		
Equity securities		
– Listed		
– Designated upon initial recognition – Domestic	**2 159**	1 625
– Unlisted		
– Designated upon initial recognition – Domestic	**74**	25
TOTAL EQUITY SECURITIES	**2 233**	1 650
Debt securities		
– Collective investment scheme assets	**540**	540
– Money market instruments	**1 936**	2 031
– Listed		
– Designated upon initial recognition		
– Variable rate	**1 422**	1 441
– Fixed rate	**433**	295
TOTAL DEBT SECURITIES	**4 331**	4 307
TOTAL EQUITY AND DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**6 564**	5 957
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.		
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.		
Held-to-maturity assets		
Debt securities – Interest-bearing instruments	**79**	79

Financial assets held-to-maturity are carried on the group's statement of financial position at amortised cost.

At the year-end, 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 47 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 2013				
Financial assets at the beginning of the year	**1 567**	**5 957**	**79**	**7 603**
Additions	**115**	**4 710**	**–**	**4 825**
Interest accrued at the effective yield	**–**	**–**	**10**	**10**
Disposals (sales and redemptions)	**(572)**	**(4 651)**	**(10)**	**(5 233)**
Net fair value gains				
– Recognised in the income statement	**–**	**548**	**–**	**548**
– Recognised in equity	**19**	**–**	**–**	**19**
FINANCIAL ASSETS AT THE END OF THE YEAR	**1 129**	**6 564**	**79**	**7 772**
30 June 2012				
Financial assets at the beginning of the year	1 412	4 798	77	6 287
Additions	258	3 788	–	4 046
Interest accrued at the effective yield	–	–	11	11
Dividends accrued	3	–	–	3
Disposals (sales and redemptions)	(109)	(2 717)	(9)	(2 835)
Net fair value gains/(losses)				
– Recognised in the income statement	–	289	–	289
– Recognised in equity	3	–	–	3
Disposal group held for sale	–	(201)	–	(201)
FINANCIAL ASSETS AT THE END OF THE YEAR	1 567	5 957	79	7 603

R million	**2013**	2012
5. Derivative asset		
Held for trading		
– Equity derivative		
– Over the counter		
– Swap	**9**	–
Notional value	**32**	–

The derivative is an economic hedge but does not meet the qualifying criteria for hedge accounting and is managed in conjunction with the liability 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.

Refer to the management of liquidity risk note on page 101 for the current and non-current analysis of the derivative asset.

R million	**2013**	2012
6. Loans and receivables, including insurance receivables		
Receivables arising from insurance and reinsurance contracts:		
– Due from policyholders	**1 185**	676
– Due from intermediaries	**7**	14
– Due from reinsurers	**96**	26
Other receivables:		
– Accrued investment income	**10**	164
– Income tax receivable	**8**	4
– Other receivables	**362**	114
TOTAL LOANS AND RECEIVABLES, INCLUDING INSURANCE RECEIVABLES	**1 668**	998

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 41 for further details thereof.

The carrying amount of loans and receivables approximates the fair value.

R million	2013	2012
7. Deferred acquisition cost		
Balance at the beginning of the year	**32**	44
Charge to the income statement	**6**	(12)
BALANCE AT THE END OF THE YEAR	**38**	32
Refer to the management of liquidity risk note on page 101 for the current and non-current analysis of the deferred acquisition cost asset.		
8. Insurance contracts and reinsurance contracts		
Gross insurance contracts		
Short-term insurance contracts		
– Claims reported	**1 128**	755
– Claims incurred but not reported	**460**	321
– Unearned premiums	**2 548**	2 005
– Unexpired risk provision	**292**	227
– Insurance contract cash bonuses	**373**	384
Long-term insurance contracts		
– Claims incurred but not reported	**8**	4
– Policyholder liabilities	**46**	14
TOTAL GROSS INSURANCE LIABILITIES	**4 855**	3 710
Recoverable from reinsurers		
Short-term insurance contracts		
– Claims reported	**(209)**	(196)
– Claims incurred but not reported	**(20)**	(23)
– Unearned premiums	**(38)**	(54)
Long-term insurance contracts		
– Claims incurred but not reported	**(2)**	–
– Policyholder liabilities	**(6)**	–
TOTAL RECOVERABLE FROM REINSURERS	**(275)**	(273)
Net insurance contracts		
Short-term insurance contracts		
– Claims reported	**919**	559
– Claims incurred but not reported	**440**	298
– Unearned premiums	**2 510**	1 951
– Unexpired risk provision	**292**	227
– Insurance contract cash bonuses	**373**	384
Long-term insurance contracts		
– Claims incurred but not reported	**6**	4
– Policyholder liabilities	**40**	14
TOTAL NET INSURANCE LIABILITIES	**4 580**	3 437

R million	Gross	Re-insurance	Net
8. Insurance contracts and reinsurance contracts continued			
8.1 ANALYSIS OF MOVEMENT IN NET CLAIMS REPORTED PROVISION			
30 June 2013			
Balance at the beginning of the year	**755**	**(196)**	**559**
Current year claims incurred	**4 131**	**(354)**	**3 777**
Change in previous year claims estimates	**10**	**141**	**151**
Current year claims paid	**(3 402)**	**237**	**(3 165)**
Previous year claims paid	**(531)**	**(36)**	**(567)**
Foreign exchange movement	**13**	**(1)**	**12**
Portfolio transfer in	**152**	**–**	**152**
BALANCE AT THE END OF THE YEAR	**1 128**	**(209)**	**919**
30 June 2012			
Balance at the beginning of the year	697	(122)	575
Current year claims incurred	3 192	(263)	2 929
Change in previous year claims estimates	(40)	(12)	(52)
Current year claims paid	(2 658)	139	(2 519)
Previous year claims paid	(430)	62	(368)
Foreign exchange movement	15	–	15
Disposal group held for sale	(21)	–	(21)
BALANCE AT THE END OF THE YEAR	755	(196)	559
8.2 ANALYSIS OF MOVEMENT IN NET CLAIMS INCURRED BUT NOT REPORTED PROVISION			
30 June 2013			
Balance at the beginning of the year	**326**	**(23)**	**303**
Current year claims incurred	**29**	**1**	**30**
Change in previous year claims estimates	**(9)**	**–**	**(9)**
Previous year claims paid	**(35)**	**–**	**(35)**
Foreign exchange movement	**4**	**–**	**4**
Portfolio transfer in	**149**	**–**	**149**
BALANCE AT THE END OF THE YEAR	**464**	**(22)**	**442**
30 June 2012			
Balance at the beginning of the year	298	(16)	282
Current year claims incurred	85	(7)	78
Change in previous year claims estimates	(13)	–	(13)
Previous year claims paid	(31)	–	(31)
Foreign exchange movement	1	–	1
Disposal group held for sale	(14)	–	(14)
BALANCE AT THE END OF THE YEAR	326	(23)	303

R million	Gross	Re-insurance	Net
8. Insurance contracts and reinsurance contracts continued			
8.3 ANALYSIS OF MOVEMENT IN UNEARNED PREMIUM PROVISION			
30 June 2013			
Balance at the beginning of the year	**2 005**	**(54)**	**1 951**
Charge to profit and loss for the year	**455**	**18**	**473**
Foreign exchange movement	**58**	**–**	**58**
Portfolio transfer in	**30**	**(2)**	**28**
BALANCE AT THE END OF THE YEAR	**2 548**	**(38)**	**2 510**
30 June 2012			
Balance at the beginning of the year	1 597	(101)	1 496
Charge to profit and loss for the year	350	47	397
Foreign exchange movement	64	–	64
Disposal group held for sale	(6)	–	(6)
BALANCE AT THE END OF THE YEAR	2 005	(54)	1 951

R million	2013	2012
8.4 ANALYSIS OF CHANGE IN UNEXPIRED RISK PROVISION		
Balance at the beginning of the year	**227**	570
Charge to profit and loss for the year	**65**	(343)
BALANCE AT THE END OF THE YEAR	**292**	227
8.5 ANALYSIS OF MOVEMENT IN INSURANCE CONTRACT CASH BONUSES		
Balance at the beginning of the year	**384**	367
Cash bonuses paid during the year	**(282)**	(254)
Charge to profit and loss for the year	**271**	280
Disposal group held for sale	**–**	(9)
BALANCE AT THE END OF THE YEAR	**373**	384

	2013 Gross long-term insurance contract liabilities	2013 Reinsurer's share of policy-holder liabilities	2013 Net long-term insurance contract liabilities	2012 Net long-term insurance contract liabilities
8.6 ANALYSIS OF MOVEMENT IN LONG-TERM INSURANCE CONTRACT LIABILITIES				
The policyholder liability represents the present value of the expected cash outflow to existing policyholders at measurement date. The policyholder liability is calculated by present valuing the expected future cash flows derived from the best estimates of the variables which influence these cash flows.				
Balance at the beginning of the year	**18**	**–**	**18**	6
Transfer to policyholder liabilities under insurance contracts	**36**	**(8)**	**28**	12
Increase in retrospective liabilities	**–**	**(3)**	**(3)**	1
Unwind of discount rate	**7**	**(2)**	**5**	2
New business	**12**	**(2)**	**10**	6
Policyholder cancellations	**2**	**–**	**2**	–
Change in economic assumptions	**(14)**	**2**	**(12)**	1
Change in non-economic assumptions	**28**	**(1)**	**27**	–
Incurred but not reported claims	**1**	**(2)**	**(1)**	2
BALANCE AT THE END OF THE YEAR	**54**	**(8)**	**46**	18

Negative reserves are eliminated on a per policy basis with a result that the gross long-term insurance liability (excluding IBNR) at 30 June 2013 was R46 million (2012: R14 million). The long-term insurance liability would have been R217 million (2012: R98 million) lower without the discretionary margins.

In addition to the discounted cash flow liability, an IBNR provision was held amounting to R8 million (2012: R4 million). The IBNR was set using a claims runoff model based on recent experience.

8. Insurance contracts 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 in respect of a 10% increase or decrease in the following components of this liability net of reinsurance:

30 June 2013

R million	**Short-term insurance contract liability**	**10% increase**	**10% decrease**
Incurred but not reported provision	**4 534**	**44**	**(44)**
Unexpired risk provision	**4 534**	**29**	**(29)**
Insurance contract cash bonus provision	**4 534**	**37**	**(37)**

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	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.

		Impact on liability	
R million	**Change in variable**	**Increase in variable**	**Decrease in variable**
Lapses	**10%**	**(9)**	**16**
Investment return	**1%**	**(11)**	**16**
Mortality, morbidity, disability, retrenchment	**10%**	**42**	**(43)**
Expenses	**10%**	**23**	**(23)**

Refer to the management of liquidity risk note on page 101 for the current and non-current analysis of the insurance contracts and reinsurance contracts.

R million	**2013**	2012
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	**130**	102
Payment received in advance	**–**	4
Taxation loss	**279**	329
Service cost on employee benefits	**5**	6
TOTAL DEFERRED TAXATION ASSETS	**414**	441
Deferred taxation liabilities		
Prepayments	**(2)**	(1)
Imputation of controlled foreign company	**(174)**	(323)
TOTAL DEFERRED TAXATION LIABILITIES	**(176)**	(324)
Reconciliation of movement		
Deferred taxation asset at the beginning of the year	**441**	180
Deferred taxation (charge)/credit for the year	**(55)**	263
Foreign exchange movement	**23**	–
Transfer to share-based payment reserve	**5**	–
Disposal group held for sale	**–**	(2)
DEFERRED TAXATION ASSET AT THE END OF THE YEAR	**414**	441
Deferred taxation liability at the beginning of the year	**(324)**	(220)
Deferred taxation credit/(charge) for the year	**148**	(104)
DEFERRED TAXATION LIABILITY AT THE END OF THE YEAR	**(176)**	(324)

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 losses in Youi Holdings Proprietary Limited of R704 million (2012: R934 million) and OUTsurance Life Insurance Company Limited of R72 million (2012: R65 million) as it is expected that it will be recovered against future profits.

Refer to the management of liquidity risk note on page 101 for the current and non-current analysis of the deferred taxation asset and liability.

10. Disposal group held for sale

OUTsurance finalised the disposal of its 50% shareholding in Momentum Short-term Insurance Limited (MSTI) to MMI Holdings Limited on 1 July 2012. As a result of the disposal, MSTI is no longer consolidated in the financial statements of the group. OUTsurance will provide support services to MSTI up to September 2014.

MSTI was carried as a disposal group held for sale in the 2012 financial year due to the fact that the disposal was not finalised by 30 June 2012. The carrying amounts of the assets and liabilities of the disposal group as at 30 June 2012 were as follows:

R million	**2013**	2012
Assets of disposal group classified as held for sale:		
Financial assets		
– fair value through profit or loss	**–**	201
– loans and receivables	**–**	1
Deferred taxation	**–**	2
Cash and cash equivalents	**–**	7
TOTAL ASSETS	**–**	211
Liabilities of disposal group classified as held for sale:		
Insurance contract liabilities	**–**	50
Insurance and other payables	**–**	9
TOTAL LIABILITIES	**–**	59
Refer to the management of liquidity risk note on pages 102 and 103 for the current and non-current analysis of the disposal group held for sale asset and liability.		

11. Cash and cash equivalents

Cash at bank and in hand	**2 134**	1 825
Short-term bank deposits	**455**	450
Money market investments	**46**	58
Advances made under resale agreement	**29**	129
TOTAL CASH AND CASH EQUIVALENTS	**2 664**	2 462

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 2013, the group held a nominal value of R7 million R202 bonds at an effective yield to maturity of 7.7% (2012: R65 million R189 bonds at an effective yield to maturity of 8.3% and R64 million R207 bonds at an effective yield to maturity of 7.7%). During the year, the average yield earned on bonds under resale agreements amounted to 4.9% (2012: 5.4%).

12. Share capital and share premium

	Number of shares million	Ordinary shares* R million	Share premium R million	Treasury shares R million	Total R million
30 June 2013					
Balance at the beginning of the year	**1 483**	**–**	**13 657**	**(43)**	**13 614**
Movement in treasury shares	**1**	**–**	**–**	**18**	**18**
BALANCE AT THE END OF THE YEAR	**1 484**	**–**	**13 657**	**(25)**	**13 632**
30 June 2012					
Balance at the beginning of the year	1 479	–	13 657	(86)	13 571
Movement in treasury shares	4	–	–	43	43
BALANCE AT THE END OF THE YEAR	1 483	–	13 657	(43)	13 614

* *Amount less than R500 000.*

The total authorised number of ordinary shares is 2 000 000 000, with a par value of 0.0001 cent 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.

The total authorised number of redeemable cumulative preference shares is 100 000 000, with a par value of 0.0001 cent per share. The total number of issued preference shares is 848 501 (2012: 1 450 001), issued at a premium of R999.9999 per share. As these preference shares are redeemable they are classified as financial liabilities at amortised cost (note 16).

Treasury shares
The life insurance businesses of the associates and a subsidiary acquired RMI Holdings 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 2013 was 1 364 451 (2012: 3 255 501).

R million		**2013**	2012
12.	**Share capital and share premium continued**		
	Number of shares held at 30 June (million)	**1**	3
	Weighted number of shares held during the year (million)	**2**	5
	Cost of shares held at 30 June	**25**	44
	Fair value adjustment	**12**	13
	FAIR VALUE OF TREASURY SHARES	**37**	57
	The treasury shares are eliminated from the weighted number of shares in issue for the purposes of calculating earnings and headline earnings per share:		
	Weighted number of issued shares	**1 486**	1 486
	Less: Weighted number of treasury shares	**(2)**	(5)
	WEIGHTED NUMBER OF SHARES IN ISSUE	**1 484**	1 481
13.	**Reserves**		
	Distributable reserves		
	Retained earnings	**907**	1 133
	Equity accounted reserves		
	Balance at the beginning of the year	**420**	(117)
	Income from associates retained	**271**	408
	Other comprehensive income	**173**	134
	Treasury shares	**21**	2
	Other reserves	**50**	(7)
	TOTAL EQUITY ACCOUNTED RESERVES	**935**	420
	Transactions with non-controlling interests	**(2 071)**	(2 071)
	Other reserves		
	Retained income transferred due to dilutionary effect of share issue by subsidiary	**11**	(2)
	Currency translation reserve	**124**	70
	Available-for-sale reserve	**26**	10
	Share-based payment reserve	**1**	10
	TOTAL OTHER RESERVES	**162**	88
	TOTAL RESERVES	**(67)**	(430)

R million	**2013**	2012
14. Share-based payment liability		
Cash-settled share-based payment liability	**50**	–
Balance at the beginning of the year	**–**	–
Transfer from share-based payment reserve	**18**	–
Charge for the year	**32**	–
BALANCE AT THE END OF THE YEAR	**50**	–
Refer to the management of liquidity risk note on page 101 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	**(2)**	(8)
Cash-settled scheme	**(32)**	–
TOTAL SHARE-BASED PAYMENT EXPENSE (NOTE 33)	**(34)**	(8)

RMI HOLDINGS

RMI Holdings operates a share scheme as part of its remuneration philosophy, which tracks the company's share price and settles in cash. It also operates an equity-settled scheme for the deferral of bonuses.

RMI HOLDINGS SHARE APPRECIATION RIGHTS

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

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:

- 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 will vest over a period of two years.

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.

14. Share-based payment liability continued

Market and dividend data:

- 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 and the shares in respect of Mr Cooper's deferred bonus are provided on pages 40 and 41.

OUTSURANCE

The various share schemes are as follows:

- OUTsurance cash-settled share scheme
- OUTsurance equity-settled share scheme
- Youi Holdings equity-settled share 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. In terms of the current trust deed, 12% of the issued share capital of the company is available to the trust for the granting of options to employees. The trust currently holds 2.2% (2012: 2.6%) of the shares in OUTsurance Holdings Limited.

Some of the group's employees qualified to participate in the FirstRand BEE share scheme. The group has no responsibility to deliver gains on options as this falls under FirstRand. As such there is no impact on the results of the group.

On the date of the disposal of the group's 50% shareholding in MSTI, the share-based payment reserve relating to unvested share options held by employees of MSTI was reclassified to retained earnings due to the agreed cancellation of these options.

OUTSURANCE CASH-SETTLED SHARE SCHEME

During the current financial year, the group partially converted its share scheme from an equity-settled to a cash-settled scheme. As a result, a liability relating to the estimated future cash payments to participants was created out of the share-based payment equity reserve on 1 July 2012.

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

Valuation methodology:

The cash-settled scheme issues are valued using a Black Scholes 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.

14. Share-based payment liability continued

Market and dividend data:

- Since OUTsurance Holdings 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.
- The dividend growth assumption is based on the three or five-year historic annual dividend paid on OUTsurance Holdings Limited ordinary shares.

Employee statistic assumptions:

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

OUTSURANCE EQUITY-SETTLED SHARE SCHEME

The OUTsurance share scheme was established in 2000. The rules of the scheme are constituted in the OUTsurance Holdings Share Trust ("the OUTsurance trust"). Share options are settled by the delivery of OUTsurance Holdings Limited shares.

Valuation methodology:

This share scheme issued options with a term of five years and multiple vesting dates. The vesting period of the options granted is five years. The options vest in three equal tranches at the end of years three, four and five. Once vested, options may be exercised at any point during the five-year period. These options are classified as Bermudan call options and are valued using a binomial tree share option pricing model.

The day on which the options can be exercised has been assumed to be the last day that the shares trade cum-dividend. The option duration is the number of years before the options expire, adjusted for a historical rate of early exercise.

Market and dividend data:

- Since OUTsurance is not listed, expected volatility is derived with reference to an appropriate index of JSE-listed financial institutions 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 or approximate to the term of the option being valued.
- Dividend growth is based on the three or five-year historic annual dividend paid on OUTsurance ordinary shares.

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.

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. No share options were issued in the current year. Share options are settled by the delivery of Youi Holdings shares.

14. Share-based payment liability continued

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 and dividend data:

- Since Youi Holdings 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 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 of RMB Structured Insurance Limited the opportunity to acquire shares in RMB-SI Investments Proprietary Limited.

Granting of share options to certain employees is at the discretion of the remuneration committee.

RMB-SI Investments Proprietary Limited issues shares to the trust. The maximum number of scheme shares shall not exceed 10% of the issued ordinary share capital of RMB-SI Investments Proprietary Limited.

The sale of the shares between the trust and the beneficiaries 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 67% 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.

R million	**2013**	2012
15. 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 101 for the current and non-current analysis of the convertible debentures.

R million	**2013**	2012
16. Preference shares		
Unlisted		
Fixed rate, cumulative, redeemable preference shares issued by the company	**550**	750
Variable rate, cumulative, redeemable preference shares issued by the company	**299**	700
Cumulative, redeemable preference shares issued by a subsidiary	**63**	48
TOTAL PREFERENCE SHARES	**912**	1 498

The fair value of the unlisted preference share liability is R929 million (2012: R1 554 million).

Refer to the management of liquidity risk note on page 101 for the current and non-current analysis of the preference shares.

Fixed rate, cumulative, redeemable preference shares issued by the company

The company issued 750 000 fixed rate, cumulative, redeemable preference shares, with a par value of 0.0001 cent, at a premium of R999.9999 per share on 15 June 2011. The preference shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 15 June 2016. The preference shares pay dividends at a fixed rate of 9.14% (2012: 9.14%) six-monthly.

R million	**2013**	2012
Balance at the beginning of the year	**750**	750
Preference shares redeemed during the year	**(200)**	–
BALANCE AT THE END OF THE YEAR	**550**	750

On 28 June 2013, the company redeemed 200 500 fixed rate, cumulative, redeemable preference shares at a redemption price of R200 million.

Variable rate, cumulative, redeemable preference shares issued by the company

The company issued 700 001 variable rate, cumulative, redeemable preference shares, with a par value of 0.0001 cent, at a premium of R999.9999 per share on 15 June 2011. The preference shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 15 June 2016. The preference shares pay dividends at a rate of 80.85% (2012: 80.85%) of the prime interest rate six-monthly.

R million	2013	2012
16. Preference shares continued		
Balance at the beginning of the year	**700**	700
Preference shares redeemed during the year	**(401)**	–
BALANCE AT THE END OF THE YEAR	**299**	700
On 4 December 2012 the company redeemed 401 000 variable rate, cumulative, redeemable preference shares at a redemption price of R401 million.		
Cumulative, redeemable preference shares issued by a subsidiary		
Balance at the beginning of the year	**48**	78
Preference shares issued during the year	**28**	4
Preference shares redeemed during the year	**(13)**	(34)
BALANCE AT THE END OF THE YEAR	**63**	48

A subsidiary has 100 000 authorised variable rate, cumulative, redeemable preference shares of 1 cent each of which 582 (2012: 1 082) 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.

R million	**2013**	2012
16. Preference shares continued		
The following variable rate, cumulative, redeemable preference shares are issued to investors to meet the short-term insurance subsidiary's statutory solvency requirements:		
Issued to investors to meet the group's capital requirements*	**–**	10

** Amount as at 30 June 2013 is less than R500 000.*

These variable rate, cumulative, redeemable preference shares accrue dividends at an average rate, which varies between 58% and 62.5% of the prime interest rate. The cost of funding is expensed to finance cost.

Redeemable preference shares are issued to certain policyholders to meet the capital requirements of their cells	**63**	38

Some redeemable preference shares accrue dividends equal to an amount of dividends received from an investment in redeemable preference shares equal to the amount in issue, included in the amount disclosed in available-for-sale financial assets (note 4). The group does not incur any costs with regard to these redeemable preference shares.

Redeemable preference shares issued to policyholders may also entitle the policyholder to participate in the operating result of its business cell, distributed as a dividend. The dividends paid are included in finance costs in the income statement.

R million	**2013**	2012
17. Interest-bearing loans		
Secured bank borrowing originated by the group at amortised cost	**19**	272

A subsidiary company obtained a credit facility of R400 million from FirstRand Bank Limited subject to a surety from RMI Holdings. During the year, interest accrued at an average rate of 6.5% (2012: 6.5%) per annum. The borrowing is refinanced on a regular basis.

R million	**2013**	2012
Balance at the beginning of the year	**272**	239
(Repaid)/advanced	**(262)**	15
Interest accrued at the effective yield	**9**	18
BALANCE AT THE END OF THE YEAR	**19**	272

Unutilised credit facilities of the subsidiary at 30 June 2013 amounted to R385 million (30 June 2012: R132 million). The full amount is viewed as current and therefore the carrying value approximates the fair value of this liability.

R million	**2013**	2012
18. Policyholders' interest		
Balance at the beginning of the year	**685**	415
Transfer from contingency provision	**–**	4
Transfer from profit and loss	**491**	266
BALANCE AT THE END OF THE YEAR	**1 176**	685

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 taxation 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 101 for the current and non-current analysis of the policyholders' interest.

R million	**2013**	2012
19. Financial liabilities at fair value through profit or loss		
Shareholders for preference dividends on cell captives	**13**	25
Shareholders for preference dividends on profit shares	**97**	90
BALANCE AT THE END OF THE YEAR	**110**	115

Financial liabilities at fair value through profit or loss relate to the preference shares issued by OUTsurance Insurance Company Limited for various cell captive and profit sharing arrangements. Profits arising from these arrangements are distributed by way of biannual 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 101 for the current and non-current analysis of the financial liabilities at fair value through profit or loss.

R million	**2013**	2012
20. Derivative liability		
Held for trading		
– Equity derivative		
– Over the counter		
– Swap	**11**	–
Notional value	**46**	–

The derivative is an economic hedge but does not meet the qualifying criteria for hedge accounting and is managed in conjunction with the asset 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 Holdings' 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 101 for the current and non-current analysis of the derivative liability.

R million	**2013**	2012
21. Investment contracts		
Balance at the beginning of the year	**1 145**	1 046
Premiums received	**7**	19
Claims paid	**(29)**	(37)
Fees deducted from account balances	**(3)**	(4)
Fair value movement credited to profit and loss (note 31)	**237**	119
Other movement	**1**	2
BALANCE AT THE END OF THE YEAR	**1 358**	1 145

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 101 for the current and non-current analysis of the investment contracts.

R million	**2013**	2012
22. Deferred acquisition revenue		
Balance at the beginning of the year	**8**	17
Amount recognised in the income statement	**–**	(9)
BALANCE AT THE END OF THE YEAR	**8**	8

Refer to the management of liquidity risk note on page 101 for the current and non-current analysis of the deferred acquisition revenue.

R million	**2013**	2012
23. Provisions		
Staff incentive bonus		
Balance at the beginning of the year	**36**	36
Additional provisions	**71**	62
Unutilised amounts reversed	**(4)**	(4)
Amount utilised during the year	**(68)**	(58)
BALANCE AT THE END OF THE YEAR	**35**	36

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 might differ from the amount provided due to the fact that staff might resign before the allocated bonus becomes payable.

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

R million	2013	2012
24. Trade and other payables		
Trade payables and accrued expenses	**536**	390
Leave pay liability	**63**	59
Redeemable preference share dividends payable	**18**	29
Profit participation payable	**4**	4
Due to reinsurers	**240**	153
Due to intermediaries	**9**	21
TOTAL TRADE AND OTHER PAYABLES	**870**	656
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 101 for the current and non-current analysis of the trade and other payables.		
25. Net insurance premiums earned		
Long-term insurance contracts		
– Premiums written	**165**	104
– Policyholders' fees written	**7**	4
Short-term insurance contracts		
– Premiums written	**8 653**	7 179
– Policyholders' fees written	**100**	97
– Change in unearned premium provision	**(483)**	(350)
PREMIUM REVENUE ARISING FROM INSURANCE CONTRACTS ISSUED	**8 442**	7 034
Short-term insurance contracts		
– Premiums payable	**(555)**	(326)
– Change in unearned premium provision	**(18)**	(47)
PREMIUM REVENUE CEDED TO REINSURERS ON INSURANCE CONTRACTS ISSUED	**(573)**	(373)
NET INSURANCE PREMIUMS EARNED	**7 869**	6 661
26. Fee income		
Policy administration and asset management services on investment contracts	**1**	1
Commission earned from reinsurers, net of deferred acquisition revenue	**141**	116
Other fee income	**4**	2
TOTAL FEE INCOME	**146**	119

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 administration and accounting services rendered.

R million	**2013**	2012
27. Investment income		
Available-for-sale		
– Dividend income	**113**	38
– Interest income	**39**	54
Assets at fair value through profit and loss		
– Dividend income	**91**	48
Held-to-maturity interest income	**11**	11
Cash and cash equivalents interest income	**362**	409
Loans and receivables interest income	**10**	6
Foreign currency translation gain	**5**	3
TOTAL INVESTMENT INCOME	**631**	569
28. Profit on sale of subsidiary		
Profit on sale of subsidiary	**38**	–
OUTsurance finalised the disposal of its 50% shareholding in MSTI to MMI Holdings Limited on 1 July 2012.		
The profit on sale of subsidiary is calculated as follows:		
Cash consideration received	**126**	–
Less: Net identifiable asset value disposed of	**(152)**	–
Add: Share-based payment reserve reversed	**2**	–
Add: Non-controlling share of net asset value at disposal date	**75**	–
Less: Intergroup profit on sale of subsidiary	**(13)**	–
PROFIT ON SALE OF SUBSIDIARY	**38**	–
29. Net fair value gains on financial assets		
Fair value gains – Designated upon initial recognition	**619**	276
Fair value losses – Designated upon initial recognition	**(59)**	(67)
NET FAIR VALUE GAINS ON FINANCIAL ASSETS	**560**	209
Net fair value gains comprise:		
Equity securities	**511**	87
– Unrealised mark-to-market	**216**	(54)
– Realised mark-to-market	**295**	141
Debt securities	**52**	122
– Unrealised mark-to-market	**61**	96
– Realised mark-to-market	**(9)**	26
Derivative instruments		
– Unrealised mark-to-market	**(3)**	–
TOTAL NET FAIR VALUE GAINS ON FINANCIAL ASSETS	**560**	209

R million	Gross	Re-insurance	Net
30. Insurance benefits and claims incurred			
30 June 2013			
Claims paid			
– Long-term insurance contracts	**(30)**	**12**	**(18)**
– Short-term insurance contracts	**(3 782)**	**329**	**(3 453)**
Change in provision for outstanding claims			
– Long-term insurance contracts	**(4)**	**(1)**	**(5)**
– Short-term insurance contracts	**(292)**	**11**	**(281)**
Change in IBNR			
– Short-term insurance contracts	**(50)**	**–**	**(50)**
Change in provision for unexpired risks			
– Short-term insurance contracts	**(66)**	**–**	**(66)**
TOTAL INSURANCE BENEFITS AND CLAIMS INCURRED	**(4 224)**	**351**	**(3 873)**
30 June 2012			
Claims paid			
– Long-term insurance contracts	(16)	3	(13)
– Short-term insurance contracts	(3 089)	200	(2 889)
Change in provision for outstanding claims			
– Long-term insurance contracts	(7)	8	1
– Short-term insurance contracts	(70)	80	10
Change in IBNR			
– Short-term insurance contracts	(34)	–	(34)
Change in provision for unexpired risks			
– Short-term insurance contracts	344	–	344
TOTAL INSURANCE BENEFITS AND CLAIMS INCURRED	(2 872)	291	(2 581)

R million	**2013**	2012
31. Fair value adjustment to investment contracts		
Fair value adjustment to investment contracts	**(237)**	(119)
Benefits from unit-linked investment contracts are accrued to the account of the contract holder as the fair value of the net gains arising from the underlying linked assets. All these contracts are designated at fair value through profit or loss (note 21).		
32. Acquisition expenses		
Expenses by nature:		
Commission paid	**(155)**	(140)
Amortisation of deferred acquisition cost	**5**	(11)
Profit participation paid	**(16)**	(21)
TOTAL ACQUISITION EXPENSES	**(166)**	(172)

R million	**2013**	2012
33. Marketing and administration expenses		
Expenses by nature:		
Employee benefit expenses	**(1 381)**	(969)
Professional fees and regulatory compliance costs	**(41)**	(28)
Depreciation (note 1)	**(99)**	(72)
Operating lease rentals	**(36)**	(48)
Asset management services	**(9)**	(11)
Audit fees	**(10)**	(9)
Loss on sale of property and equipment	**(1)**	(1)
Third party underwriting administrator cost	**(81)**	(81)
Other expenses	**(594)**	(580)
TOTAL MARKETING AND ADMINISTRATION EXPENSES	**(2 252)**	(1 799)
Employee benefit expenses		
Salaries and incentive bonuses	**(1 146)**	(796)
Retirement funding	**(101)**	(83)
Service cost relating to intellectual property (note 2)	**(45)**	(30)
Share-based payment charge (note 14)	**(34)**	(8)
Medical aid contributions	**(55)**	(52)
TOTAL EMPLOYEE BENEFIT EXPENSES	**(1 381)**	(969)
Depreciation		
Buildings	**(20)**	(4)
Furniture, fittings and equipment	**(79)**	(68)
TOTAL DEPRECIATION (NOTE 1)	**(99)**	(72)
Audit fees		
Statutory audit – Current year	**(10)**	(8)
Underprovision in prior years	**–**	(1)
TOTAL AUDIT FEES	**(10)**	(9)
Operating lease rentals		
The group's operating lease commitments under non-cancellable operating lease agreements are as follows:		
Up to one year	**(29)**	(35)
Between one to five years	**(97)**	(91)
Between five to 10 years	**–**	(13)
TOTAL OPERATING LEASE COMMITMENTS	**(126)**	(139)

34. Retirement benefits

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

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

R million	**2013**	2012
35. Finance costs		
Interest paid on bank borrowings	**(12)**	(21)
Dividends on redeemable preference shares	**(113)**	(117)
TOTAL FINANCE COSTS	**(125)**	(138)
36. Taxation		
South African normal taxation		
Current taxation		
– Current year	**(456)**	(579)
– Prior year	**–**	1
Deferred taxation		
– Current year	**150**	(112)
– Secondary taxation on companies	**–**	(7)
Secondary taxation on companies		
– Current year	**–**	(81)
Australian taxation		
Deferred taxation		
– Current year	**(13)**	31
– Prior year	**(45)**	241
Mauritian taxation		
Current taxation		
– Current year	**(4)**	(11)
Deferred taxation		
– Current year	**1**	–
Irish taxation		
Current taxation		
– Current year	**(4)**	–
TOTAL TAXATION	**(371)**	(517)

R million	**2013**	2012
36. Taxation continued		
The taxation on the group's profit before taxation differs from the theoretical amount that would arise using the basic taxation rate of South Africa as follows:		
Profit before taxation	**2 779**	2 946
Effective rate of taxation	**13.35**	17.55
Net income and expenses not subject to taxation	**(3.55)**	(2.89)
Recognition of deferred taxation on assessed loss incurred in prior years	**–**	8.18
Income taxation rate differential	**0.03**	1.40
Capital gains taxation	**0.10**	(0.01)
Deferred taxation asset not recognised in respect of insurance reserves	**5.55**	(3.46)
Mauritius – Category I Global Business Licence taxation rebate at 80% of current taxation charge	**1.02**	1.28
Associates equity accounted using after taxation profits	**11.80**	9.19
Secondary taxation on companies	**(0.01)**	(2.99)
Withholding taxation incurred	**0.10**	(0.09)
Prior year over and under provisions	**–**	(0.06)
Other permanent differences	**(0.39)**	(0.10)
STANDARD INCOME TAXATION RATE IN SOUTH AFRICA	**28.00**	28.00

R million	2013	2012
37. Cash generated from operations		
Reconciliation of profit before taxation to cash generated from operations:		
Profit before taxation	**2 779**	2 946
Adjusted for:		
Loss on sale of property and equipment	**1**	1
Profit on sale of subsidiary	**(38)**	–
Foreign currency translation difference	**16**	(74)
Change in reserves due to a change in holding	**21**	–
Equity accounted earnings	**(1 179)**	(975)
Depreciation	**99**	72
Service cost relating to intellectual property	**45**	30
Intellectual property bonuses incurred	**(38)**	(48)
Provisions	**(1)**	–
Share option expenses	**34**	8
Investment income	**(658)**	(656)
Funding costs	**114**	122
Dividends accrued on preference shares in issue	**11**	16
Net fair value gains on assets at fair value through profit or loss	**(546)**	(289)
Fair value adjustment to financial liabilities	**(5)**	42
Changes in insurance balances:		
Gross provision for unearned premiums	**455**	350
Reinsurers' share of provisions for unearned premiums	**18**	47
Gross provision for claims incurred but not reported	**(15)**	41
Provision for cash bonuses on insurance contracts	**271**	280
Cash bonuses paid on insurance contracts	**(282)**	(254)
Insurance contracts	**622**	(269)
Investment contracts	**213**	99
Deferred acquisition costs	**(6)**	12
Deferred acquisition revenue	**–**	(9)
Transfer from policyholders' profit share	**491**	266
Changes in working capital		
Current receivables and prepayments	**(820)**	(396)
Current payables and provisions	**225**	203
CASH GENERATED FROM OPERATIONS	**1 827**	1 565

R million	**2013**	2012
38. 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	**2 214**	2 248
Weighted average number of ordinary shares in issue (full amount)	**1 483 374 979**	1 480 799 358
Earnings per share (cents) – Basic	**149.2**	151.8
Earnings attributable to ordinary shareholders	**2 214**	2 248
Dilution on earnings from associates	**(15)**	(16)
DILUTED EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**2 199**	2 232
Weighted average number of ordinary shares in issue (full amount)	**1 483 374 979**	1 480 799 358
Earnings per share (cents) – Diluted	**148.2**	150.7
39. Headline earnings per share		
Headline earnings per share is calculated by dividing the adjusted earnings attributable to shareholders by the weighted number of ordinary shares in issue during the year.		
Headline earnings reconciliation		
Earnings attributable to ordinary shareholders	**2 214**	2 248
Adjusted for:[(1)]		
– Profit on sale of subsidiary	**(24)**	(1)
– Loss on dilution of shareholding	**11**	208
– Goodwill and other impairments	**1**	17
– Realised profit on sale of available-for-sale assets	**(1)**	(15)
– Profit on step-up of associate	**–**	(54)
– Impairment of available-for-sale reserve	**–**	7
HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**2 201**	2 410
(1) Adjustments include RMI Holdings' share of adjustments made by associates.		
Weighted average number of ordinary shares in issue (full amount)	**1 483 374 979**	1 480 799 358
Headline earnings per share (cents) – Basic	**148.4**	162.8
Headline earnings attributable to ordinary shareholders	**2 201**	2 410
Dilution on earnings from associates	**(15)**	(14)
DILUTED HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**2 186**	2 396
Weighted average number of ordinary shares in issue (full amount)	**1 483 374 979**	1 480 799 358
Headline earnings per share (cents) – Diluted	**147.4**	161.8

R million	2013	2012
40. Dividend per share		
Total dividends paid during the year	**2 154**	946
Total dividends declared for the year	**1 411**	2 006
Number of ordinary shares in issue (full amount)	**1 485 688 346**	1 485 688 346
Dividend declared per share (cents)		
– Normal	**95.0**	80.0
– Special	**–**	55.0

41. Related parties

PRINCIPAL SHAREHOLDERS

Details of major shareholders are disclosed in the directors' report. The principal shareholders are Remgro Limited and Royal Bafokeng Holdings Proprietary Limited (2012: Remgro Limited and Royal Bafokeng Holdings Proprietary Limited).

KEY MANAGEMENT PERSONNEL

Only RMI Holdings' directors are key management personnel. Information on directors' emoluments and their shareholding in the company appears on pages 39 to 42.

SUBSIDIARIES

Details of income from and investments in RMI Holdings' main subsidiaries are disclosed in note 45.

The following companies are subsidiaries of RMI Holdings:

- OUTsurance Holdings Limited
- OUTsurance Insurance Company Limited
- OUTsurance Life Insurance Company Limited
- Momentum STI Limited
- Youi Proprietary Limited (South Africa)
- OUTsurance International Holdings Proprietary Limited
- Youi Holdings Proprietary Limited
- Youi Proprietary Limited (Australia)
- Micawber 296 Proprietary Limited
- RMB-SI Investments Proprietary Limited
- RMB Structured Insurance Limited
- RMB Structured Insurance Limited PCC
- RMB Structured Life Limited
- RMB Financial Services Limited
- RMB-SI Investments (Mauritius) Limited
- Firness International Proprietary Limited

41. Related parties continued

ASSOCIATES

Details of income from and investments of RMI Holdings' main associates are disclosed in note 44.

The following companies are associates of RMI Holdings:
- Discovery Limited
- MMI Holdings Limited
- OUTsurance Insurance Company of Namibia Limited
- Truffle Capital Proprietary Limited
- RTS Construction and Engineering Underwriters Proprietary Limited
- Risk Guard Alliance Proprietary Limited
- HCV Underwriting Managers Proprietary Limited

OTHER

RMI Holdings invested in preference shares issued by New Seasons Financial Services Proprietary Limited ("NSFS"). NSFS is a shareholder of RMB-SI Investments Proprietary Limited.

R million	**2013**	2012
Related party transactions		
Transactions of RMI Holdings and its subsidiary companies with:		
Principal shareholders		
Dividends paid	**975**	401
Key management personnel		
Salaries and other benefits	**7**	7
Transactions of RMI Holdings' key management with associates of the group:		
Investment products		
Balance at the beginning of the year	**884**	843
Net deposits/(withdrawals)	**11**	(22)
Net investment return credited	**270**	67
Commission and other transaction fees	**(5)**	(4)
BALANCE AT THE END OF THE YEAR	**1 160**	884

R million	2013	2012
41. Related parties continued		
ASSOCIATES		
Income statement effect:		
– Dividends received	**893**	564
– Investment income	**4**	2
– Administration fees received	**53**	–
– Administration fees paid	**7**	7
– Insurance benefits and claims incurred	**8**	8
– Acquisition expenses	**–**	14
– Asset manager administration fees	**4**	4
– Retirement fund contributions	**63**	59
– Marketing and administration expenses	**–**	3
– Group life	**13**	13
– Disability fees paid	**2**	–
– Medical aid premiums paid	**57**	52
Effect on the statement of financial position:		
– Loans and receivables	**4**	–
– Trade and other payables	**–**	4
Other		
Income statement effect:		
– Investment income	**1**	2
Effect on the statement of financial position:		
– Financial assets – Available-for-sale	**5**	15

42. Post reporting date events, contingencies and commitments

FINAL DIVIDEND DECLARATION

RMI Holdings declared a final dividend of 55.0 cents per ordinary share (R817 million) on 12 September 2013, payable on 14 October 2013.

CONTINGENCIES

There are no contingencies that require disclosure in the consolidated annual financial statements of RMI Holdings.

COMMITMENTS

The group's operating lease commitments under non-cancellable operating lease agreements are disclosed in note 33.

43. 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 Holdings in the statutory share capital of the companies as follows:

	2013	2012
Discovery effective	**26.7%**	26.7%
Discovery actual	**25.0%**	25.0%
MMI effective	**25.2%**	25.1%
MMI actual	**25.0%**	24.9%
OUTsurance effective	**85.3%**	85.6%
OUTsurance actual	**83.4%**	83.4%
RMBSI effective	**79.1%**	80.5%
RMBSI actual	**76.4%**	76.4%

44. Associates

LISTED ASSOCIATES

Discovery Limited

	2013	2012
Financial year	**30 June**	30 June
Year used for equity accounting	**30 June**	30 June
Country of incorporation	**RSA**	RSA
Number of shares held ('000)	**148 048**	148 048
Interest held (%) (after consolidation of share trust)	**26.7%**	26.7%
Carrying value of investment in associate	**4 456**	3 927
Total share of post-acquisition reserves of associate	**1 056**	528
Income attributable to RMI Holdings for the year	**542**	571
Less: Dividends received	**(168)**	(145)
SHARE OF RETAINED INCOME FOR THE YEAR	**374**	426
MARKET VALUE	**12 445**	7 699

R million	2013	2012
44. Associates continued		
Statement of financial position		
Assets		
Assets arising from insurance contracts	**14 407**	11 681
Property and equipment	**533**	251
Intangible assets and deferred acquisition costs	**1 828**	1 608
Goodwill	**1 859**	1 542
Investment in associates	**402**	341
Financial assets	**33 112**	22 743
Deferred taxation	**370**	348
Current income taxation asset	**32**	18
Reinsurance contracts	**237**	201
Cash and cash equivalents	**2 119**	1 929
TOTAL ASSETS	**54 899**	40 662
Shareholders' equity and liabilities		
Total equity	**13 708**	11 731
Liabilities arising from insurance contracts	**19 086**	14 319
Liabilities arising from reinsurance contracts	**1 508**	1 457
Financial liabilities	**10 296**	6 245
Deferred taxation	**3 784**	3 075
Deferred revenue	**151**	116
Employee benefits	**138**	116
Trade and other payables	**6 181**	3 532
Current income taxation liability	**47**	71
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**54 899**	40 662
Profit for the year	**2 131**	2 222
Contingencies and commitments	**1 013**	1 014
MMI Holdings Limited		
Financial year	**30 June**	30 June
Year used for equity accounting	**30 June**	30 June
Country of incorporation	**RSA**	RSA
Number of shares held ('000)	**392 465**	391 640
Interest held (%) (after consolidation of share trust)	**25.2%**	25.1%
Carrying value of investment in associate	**5 935**	5 914
Total share of post-acquisition decrease in reserves of associate	**(150)**	(154)
Income attributable to RMI Holdings for the year	**628**	397
Less: Dividends received	**(725)**	(419)
SHARE OF RETAINED INCOME FOR THE YEAR	**(97)**	(22)
MARKET VALUE	**8 701**	7 050

R million	**2013**	2012
44. Associates continued		
Statement of financial position		
Assets		
Intangible assets	**11 769**	11 998
Owner-occupied properties	**1 488**	1 464
Property and equipment	**348**	321
Investment properties	**6 433**	5 415
Investment in associates	**121**	127
Employee benefit assets	**327**	302
Financial instrument assets	**297 847**	260 883
Insurance and other receivables	**2 857**	2 657
Deferred taxation	**124**	107
Properties under development	**98**	–
Reinsurance contracts	**1 519**	1 439
Current taxation asset	**108**	69
Cash and cash equivalents	**19 424**	16 957
Non-current assets held for sale	**680**	865
TOTAL ASSETS	**343 143**	302 604
Shareholders' equity and liabilities		
Total equity	**23 864**	24 298
Insurance contract liabilities	**96 817**	88 116
Financial instrument liabilities	**205 658**	175 069
Deferred taxation	**3 917**	3 934
Employee benefit obligations	**1 328**	1 206
Other payables	**11 112**	9 517
Provisions	**180**	153
Current taxation liability	**267**	311
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**343 143**	302 604
Profit for the year	**2 651**	2 337
Contingencies and commitments	**601**	758

R million	2013	2012
45. Subsidiaries		
UNLISTED SUBSIDIARIES		
OUTsurance Holdings Limited(1)		
Financial year	**30 June**	30 June
Year used for consolidation	**30 June**	30 June
Country of incorporation	**RSA**	RSA
Number of shares held ('000)	**2 933 322**	2 933 322
Interest held (%) (after consolidation of share trust)	**85.3%**	85.6%
Equity shares at cost	**4 405**	4 405
Preference shares at cost	**201**	802
Indebtedness		
– to subsidiaries	**–**	–
– by subsidiaries	**–**	–
Net profit for the year	**1 240**	1 469
Results for the year ended 30 June		
Income statement		
Gross insurance premiums	**8 288**	7 032
Less: Reinsurance premiums	**(234)**	(115)
Net insurance premiums	**8 054**	6 917
Change in provision for unearned premiums net of reinsurance	**(501)**	(318)
Net insurance premiums earned	**7 553**	6 599
Fee income	**1**	–
Investment income	**307**	347
Realised gains	**51**	–
Net fair value gains/(losses) on financial assets	**1**	(11)
Net income	**7 913**	6 935
Gross claims paid	**(3 778)**	(2 937)
Reinsurance recoveries received	**187**	94
Transfer to policyholder liabilities under insurance contracts	**(29)**	(12)
Provision for cash bonuses	**(271)**	(280)
Acquisition expenses	**(33)**	(98)
Fair value adjustment to financial liabilities	**(201)**	(220)
Marketing and administration expenses	**(2 042)**	(1 637)
Result of operating activities	**1 746**	1 845
Finance costs	**(1)**	(1)
Share of after taxation results of associates	**10**	8
Profit before taxation	**1 755**	1 852
Taxation	**(515)**	(383)
PROFIT FOR THE YEAR	**1 240**	1 469

(1) 38.35% (2012: 38.35%) held directly by RMI Holdings Limited and 45.03% (2012: 45.03%) held indirectly via Firness International Proprietary Limited.

45. Subsidiaries continued

In addition to Mr P Cooper, financial director and chief executive officer of RMI Holdings, Messrs H Aron and WT Roos, joint chief executive officers of OUTsurance Holdings Limited, 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 2013**	Salary	Performance related[(1)]
H Aron[(2)]	**14 036**	7 018	7 018
WT Roos	**6 534**	3 267	3 267

R'000	**Total 2012**	Salary	Performance related[(1)]
H Aron[(2)]	**5 977**	5 977	–
WT Roos	**3 025**	3 025	–

Note:
(1) Performance related bonuses are paid on a two-year cycle.
(2) Mr Aron is a resident in Australia and is paid in Australian dollars.

000's	H Aron	WT Roos
OUTsurance Holdings share incentive scheme		
Strike price R1.94 with vesting dates from 1 July 2010 to 1 July 2013		
Opening balance – 1 July 2012	2 188	2 188
Closing balance – 30 June 2013	2 188	2 188
Strike price R2.22 with vesting dates from 1 July 2011 to 1 July 2014		
Opening balance – 1 July 2012	1 750	1 750
Closing balance – 30 June 2013	1 750	1 750
Strike price R2.80 with vesting dates from 1 July 2012 to 1 July 2015		
Opening balance – 1 July 2012	–	–
Granted in the current year	1 500	1 500
Closing balance – 30 June 2013	1 500	1 500

R million	2013	2012
45. Subsidiaries continued		
RMB Structured Insurance Limited[(1)]		
Financial year	**30 June**	30 June
Year used for consolidation	**30 June**	30 June
Country of incorporation	**RSA**	RSA
Number of shares held ('000)	**200 000**	200 000
Interest held (%) (after consolidation of share trust)	**79.1%**	80.5%
Equity shares at cost	**220**	220
Indebtedness		
– to subsidiaries	**–**	–
– by subsidiaries	**–**	–
Net profit for the year	**89**	96
Results for the year ended 30 June		
Income statement		
Gross insurance premiums	**636**	352
Less: Reinsurance premiums	**(320)**	(211)
Net insurance premiums	**316**	141
Change in provision for unearned premiums net of reinsurance	**(1)**	(79)
Net insurance premiums earned	**315**	62
Fee income	**144**	119
Investment income	**238**	197
Net fair value gains on financial assets	**590**	222
Net income	**1 287**	600
Gross claims paid	**(447)**	65
Reinsurance recoveries received	**164**	197
Investment contract benefits	**(237)**	(119)
Transfer to policyholders' interest	**(491)**	(266)
Acquisition expenses	**(133)**	(74)
Marketing and administration expenses	**(179)**	(140)
Result of operating activities	**(36)**	263
Finance costs	**(20)**	(44)
Share of after taxation results of associates	**(1)**	(1)
Profit before taxation	**(57)**	218
Taxation	**146**	(122)
PROFIT FOR THE YEAR	**89**	96

(1) Indirectly held via RMB-SI Investments Proprietary Limited.

46. 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.

R million	Discovery	MMI	OUTsurance	RMBSI	Other(1)	RMI Holdings group
30 June 2013						
Share of associates	**542**	**628**	**10**	**(1)**	**–**	**1 179**
Operating profit	**–**	**–**	**1 746**	**(36)**	**15**	**1 725**
Finance costs	**–**	**–**	**(1)**	**(20)**	**(104)**	**(125)**
Profit/(loss) before taxation	**542**	**628**	**1 755**	**(57)**	**(89)**	**2 779**
Taxation	**–**	**–**	**(515)**	**146**	**(2)**	**(371)**
PROFIT/(LOSS) FOR THE YEAR	**542**	**628**	**1 240**	**89**	**(91)**	**2 408**
Normalised earnings	**699**	**803**	**1 161**	**89**	**(227)**	**2 525**
Assets	**–**	**–**	**7 554**	**5 111**	**635**	**13 300**
Associates	**4 456**	**5 935**	**23**	**28**	**–**	**10 442**
Intangible assets	**–**	**–**	**39**	**1**	**3**	**43**
TOTAL ASSETS	**4 456**	**5 935**	**7 616**	**5 140**	**638**	**23 785**
TOTAL LIABILITIES			**4 023**	**4 722**	**889**	**9 634**
30 June 2012						
Share of associates	571	397	8	(1)	–	975
Operating profit	–	–	1 845	263	1	2 109
Finance costs	–	–	(1)	(44)	(93)	(138)
Profit/(loss) before taxation	571	397	1 852	218	(92)	2 946
Taxation	–	–	(383)	(122)	(12)	(517)
PROFIT/(LOSS) FOR THE YEAR	571	397	1 469	96	(104)	2 429
Normalised earnings	579	746	1 157	96	(208)	2 370
Assets	–	–	7 170	4 369	894	12 433
Associates	3 927	5 914	18	5	–	9 864
Intangible assets	–	–	47	1	2	50
TOTAL ASSETS	3 927	5 914	7 235	4 375	896	22 347
TOTAL LIABILITIES			3 078	3 974	1 485	8 537

(1) "Other" includes RMI Holdings Limited, Firness International Proprietary Limited, consolidation of treasury shares and other consolidation entries.

R million	2013	2012
46. Segment report continued		
Reconciliation of normalised earnings to headline earnings attributable to ordinary shareholders as per note 39		
Normalised earnings as per segment report	**2 525**	2 370
RMI Holdings' share of normalised adjustments made by associates:	**(341)**	(230)
Amortisation of intangible assets relating to business combinations	**(171)**	(152)
Basis and other changes and investment variances	**(92)**	(76)
Recapture of reinsurance	**(84)**	–
Finance costs raised on puttable non-controlling interest financial liability	**(41)**	(38)
Once-off costs	**(15)**	–
Net realised and fair value gains on shareholders' assets	**85**	65
Secondary taxation on companies	**–**	(37)
Other	**(23)**	8
Group treasury shares	**17**	53
Recognition of deferred taxation asset on assessed losses	**–**	214
Earnings of subsidiary held for sale	**–**	10
Secondary taxation on companies	**–**	(7)
HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS AS PER NOTE 39	**2 201**	2 410

Geographical segments

R million	South Africa	Australia	Total
30 June 2013			
Profit/(loss) before taxation	**2 870**	**(91)**	**2 779**
Taxation	**(429)**	**58**	**(371)**
PROFIT/(LOSS) FOR THE YEAR	**2 441**	**(33)**	**2 408**
TOTAL ASSETS	**20 946**	**2 839**	**23 785**
TOTAL LIABILITIES	**7 624**	**2 010**	**9 634**
30 June 2012			
Profit/(loss) before taxation	3 067	(121)	2 946
Taxation	(789)	272	(517)
PROFIT FOR THE YEAR	2 278	151	2 429
TOTAL ASSETS	20 288	2 059	22 347
TOTAL LIABILITIES	7 382	1 155	8 537

46. Segment report continued

The group's various operating segments and the details of products and services provided by each of the reportable segments are as follows:

DISCOVERY

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

MMI

MMI was formed from the merger of Momentum and Metropolitan, sizeable insurance-based financial services players in South Africa to form South Africa's third largest insurer. The core businesses of MMI are long-term insurance, asset management, investment, healthcare administration and employee benefits. Product solutions are provided to all market segments. MMI operates in 12 countries outside of South Africa. It provides for the insurance needs of individuals in the lower-, middle- and upper-income markets, principally under the Momentum and Metropolitan brand names.

OUTSURANCE

OUTsurance is a direct personal lines and small business short-term insurer. Pioneers of the OUTbonus concept, it has grown rapidly by applying a scientific approach to risk selection, product design and claims management. Its South African direct life insurance business has gained significant traction during the year. Youi, its direct personal lines initiative in Australia achieved the necessary scale to run profitably in the second half of the financial year.

RMBSI

RMBSI holds both short-term and life insurance licences. 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.

47. 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 through valuation techniques based on observable market inputs. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Level 3 – fair value is determined through valuation techniques which use significant unobservable inputs.

R million	Level 1	Level 2	Level 3	Total carrying amount
47. Financial instruments measured at fair value continued				
30 June 2013				
Financial assets				
Equity securities				
– available-for-sale	676	–	–	676
– at fair value through profit or loss	2 159	74	–	2 233
Debt securities				
– available-for-sale	–	453	–	453
– at fair value through profit or loss	851	3 039	441	4 331
Derivative asset	–	9	–	9
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	3 686	3 575	441	7 702
Financial liabilities				
Convertible debentures	–	15	–	15
Financial liabilities at fair value through profit or loss	–	–	110	110
Derivative liability	–	11	–	11
Investment contracts	951	407	–	1 358
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE	951	433	110	1 494

R million	2013	2012
Reconciliation of movement in level 3 assets		
Balance at the beginning of the year	477	–
Additions in the current year	–	478
Investment income accrued	34	20
Dividends received from the OUTsurance Investment Trust	(70)	(21)
BALANCE AT THE END OF THE YEAR	441	477
The level 3 financial asset at fair value through profit or loss represents an investment in 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	115	73
Preference dividends charged to the income statement in respect of cell captive arrangements and profit shares	201	219
Preference dividends paid	(206)	(177)
BALANCE AT THE END OF THE YEAR	110	115

The level 3 financial liabilities at fair value through profit or loss represent profits arising out of cell captives and profit sharing arrangements that accrue on a monthly basis.

R million	Level 1	Level 2	Level 3	Total carrying amount
47. Financial instruments measured at fair value continued				
30 June 2012				
Financial assets				
Equity securities				
– available-for-sale	642	53	–	695
– at fair value through profit or loss	1 625	25	–	1 650
Debt securities				
– available-for-sale	–	872	–	872
– at fair value through profit or loss	770	3 061	477	4 308
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	3 037	4 011	477	7 525
Financial liabilities				
Convertible debentures	–	15	–	15
Financial liabilities at fair value through profit or loss	–	–	115	115
Investment contracts	774	371	–	1 145
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE	774	386	115	1 275

CONTENTS OF THE COMPANY ANNUAL FINANCIAL STATEMENTS

Rand Merchant Insurance Holdings Limited

Registration number 2010/005770/06

Company annual financial statements

The basis of preparation of this separate set of financial statements is outlined on page 59.

STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Note	**Company 2013**	Company 2012
Assets			
Investment in subsidiaries	1	**4 826**	5 427
Investment in associates	2	**9 486**	9 468
Financial assets			
Equity securities			
– fair value through profit or loss	3	**60**	–
Debt securities			
– fair value through profit or loss	3	**441**	477
– available-for-sale	3	**5**	15
Derivative asset	4	**9**	–
Loans and receivables		**1**	1
Deferred taxation	5	**–**	–
Cash and cash equivalents	6	**130**	405
TOTAL ASSETS		**14 958**	15 793
Equity			
Share capital and premium	7	**13 657**	13 657
Reserves	8	**410**	650
TOTAL SHAREHOLDERS' EQUITY		**14 067**	14 307
Liabilities			
Share-based payment liability		**4**	–
Financial liabilities			
Preference shares	9	**849**	1 450
Derivative liability	10	**11**	–
Provisions	11	**–**	3
Trade and other payables	12	**27**	33
TOTAL LIABILITIES		**891**	1 486
TOTAL EQUITY AND LIABILITIES		**14 958**	15 793

INCOME STATEMENT

for the year ended 30 June

R million	Note	**Company 2013**	Company 2012
Investment income	13	**2 076**	1 341
Realised gains	14	**–**	407
Fair value loss		**(23)**	(1)
Other income	15	**5**	5
Net income		**2 058**	1 752
Marketing and administration expenses	16	**(31)**	(23)
Result of operating activities of the company		**2 027**	1 729
Finance costs	17	**(109)**	(112)
Profit before taxation		**1 918**	1 617
Taxation	18	**(5)**	(67)
PROFIT FOR THE YEAR		**1 913**	1 550
Attributable to:			
Equity holders of the company		**1 913**	1 550

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	**Company 2013**	Company 2012
Profit for the year	**1 913**	1 550
Other comprehensive income for the year	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1 913**	1 550
Attributable to:		
Equity holders of the company	**1 913**	1 550

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 30 June 2011	–	13 657	–	46	13 703
Total comprehensive income for the year	–	–	–	1 550	1 550
Dividends paid	–	–	–	(946)	(946)
Balance as at 30 June 2012	**–**	**13 657**	**–**	**650**	**14 307**
Total comprehensive income for the year	**–**	**–**	**–**	**1 913**	**1 913**
Share-based payment reserve	**–**	**–**	**1**	**–**	**1**
Dividends paid	**–**	**–**	**–**	**(2 154)**	**(2 154)**
BALANCE AS AT 30 JUNE 2013	**–**	**13 657**	**1**	**409**	**14 067**

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Note	**Company 2013**	Company 2012
Cash flows from operating activities			
Cash generated from operations	19	**2 057**	1 313
Taxation paid		**(7)**	(61)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**2 050**	1 252
Cash flows from investing activities			
Proceeds from repurchase of preference shares by subsidiaries		**609**	–
Acquisition of listed equities		**(41)**	–
Acquisition of shares in associate		**(18)**	–
Disposal of shares in subsidiary		**–**	546
Acquisition of investment at fair value through profit or loss		**–**	(477)
NET CASH GENERATED FROM INVESTING ACTIVITIES		**550**	69
Cash flows from financing activities			
Dividends paid to shareholders		**(2 154)**	(946)
Redemption of preference shares		**(601)**	–
Cost of funding		**(120)**	(87)
NET CASH OUTFLOWS FROM FINANCING ACTIVITIES		**(2 875)**	(1 033)
Net (decrease)/increase in cash and cash equivalents for the year		**(275)**	288
Cash and cash equivalents at the beginning of the year		**405**	117
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**130**	405

R million	**Company 2013**	Company 2012
1. Investment in subsidiaries		
Unlisted subsidiaries		
Ordinary shares at cost		
OUTsurance Holdings Limited	**4 405**	4 405
RMB-SI Investments Proprietary Limited	**220**	220
Non-cumulative, non-redeemable preference shares at cost		
OUTsurance Holdings Limited	**201**	802
TOTAL INVESTMENT IN SUBSIDIARIES	**4 826**	5 427
The non-cumulative, non-redeemable preference shares pay dividends at a rate of 83.3% (2012: 83.3%) of the prime interest rate.		
OUTsurance Holdings Limited		
Number of shares(1)	**2 933 321 973**	2 933 321 973
% of equity(2)	**85.3**	85.6
RMB-SI Investments Proprietary Limited		
Number of shares	**200 000 000**	200 000 000
% of equity(2)	**79.1**	80.5
(1) 1 584 225 400 shares held indirectly via Firness International Proprietary Limited (2012: 1 584 225 400) and 1 349 096 573 shares held directly (2012: 1 349 096 573).		
(2) After consolidation of share trust.		
2. Investment in associates		
Listed associates		
Ordinary shares at cost		
Discovery Limited	**3 400**	3 400
MMI Holdings Limited	**6 086**	6 068
TOTAL INVESTMENT IN ASSOCIATES	**9 486**	9 468
Market value		
Discovery Limited	**12 445**	7 699
MMI Holdings Limited	**8 701**	7 050
TOTAL MARKET VALUE	**21 146**	14 749
Discovery Limited		
Number of shares	**148 048 168**	148 048 168
% of equity(1)	**26.7**	26.7
MMI Holdings Limited		
Number of shares	**392 465 075**	391 640 075
% of equity(1)	**25.2**	25.1

(1) After consolidation of share trust.

R million	Company 2013	Company 2012
3. Equity and debt securities		
Equity securities		
Listed investments		
– fair value through profit or loss	**60**	–
Debt securities		
Unlisted investments		
– fair value through profit or loss	**441**	477
Unlisted preference shares		
– available-for-sale	**5**	15
TOTAL EQUITY AND DEBT SECURITIES	**506**	492
The current portion of the equity and debt securities is Rnil (2012: R2 million).		
Listed equity securities carried at fair value through profit or loss		
Balance at the beginning of the year	**–**	–
Additions	**46**	–
Fair value movement	**14**	–
BALANCE AT THE END OF THE YEAR	**60**	–
The unlisted debt security carried at fair value through profit or loss relates to an investment in the OUTsurance Investment Trust.		
Balance at the beginning of the year	**477**	–
Additions	**–**	478
Investment income accrued	**34**	20
Dividends received from the OUTsurance Investment Trust	**(70)**	(21)
BALANCE AT THE END OF THE YEAR	**441**	477
The unlisted preference shares are held to redemption and are carried at cost, which equals redemption value and approximates fair value. They are redeemable at any time but not later than 31 December 2014 with the notice period being five business days. Accrued dividends are disclosed as investment income. The dividend yield is 13.7% (2012: 13.7%).		
Balance at the beginning of the year	**15**	17
Amount redeemed	**(8)**	–
Dividends received	**(3)**	(4)
Dividends accrued	**1**	2
BALANCE AT THE END OF THE YEAR	**5**	15

R million	**Company 2013**	Company 2012
4. Derivative asset		
Held for trading		
– Equity derivative		
– Over the counter		
– Swap	**9**	–
Notional value	**32**	–
The derivative is an economic hedge but does not meet the qualifying criteria for hedge accounting and is managed in conjunction with the liability 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 Holdings' 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.		
5. 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 relates to the same fiscal authority.		
Deferred taxation asset at the beginning of the year	**–**	7
Deferred taxation charge in the income statement for the year	**–**	(7)
DEFERRED TAXATION ASSET AT THE END OF THE YEAR	**–**	–
Deferred taxation assets are recognised for tax losses carried forward only to the extent that realisation of the related taxation benefit is probable.		
6. Cash and cash equivalents		
Cash at bank and in hand	**130**	405
Cash and cash equivalents represent current accounts and call deposits.		

7. Share capital and share premium

	Number of shares million	Ordinary shares R million	Share premium R million	Total R million
Share capital and share premium as at 1 July 2011	1 486	–	13 657	13 657
Movement for the year ended 30 June 2012	–	–	–	–
Share capital and share premium as at 30 June 2012	**1 486**	**–**	**13 657**	**13 657**
Movement for the year ended 30 June 2013	**–**	**–**	**–**	**–**
SHARE CAPITAL AND SHARE PREMIUM AS AT 30 JUNE 2013	**1 486**	**–**	**13 657**	**13 657**

The total authorised number of ordinary shares is 2 000 000 000 with a par value of 0.0001 cent 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.

The total authorised number of redeemable, cumulative preference shares is 100 000 000 with a par value of 0.0001 cent per share. The issued number of preference shares was 1 450 001 preference shares at the beginning of the 2013 financial year. During the year, 601 500 of these preference shares were redeemed, resulting in 848 501 preference shares being issued as at 30 June 2013. As these preference shares are redeemable they are classified as financial liabilities at amortised cost (note 9).

R million	Company 2013	Company 2012
8. Reserves		
Retained earnings	**409**	650
Share option reserve	**1**	–
TOTAL RESERVES	**410**	650

R million	**Company 2013**	Company 2012
9. Preference shares		
Unlisted		
Fixed rate, cumulative, redeemable preference shares issued by the company	**550**	750
Variable rate, cumulative, redeemable preference shares issued by the company	**299**	700
TOTAL CUMULATIVE, REDEEMABLE PREFERENCE SHARES	**849**	1 450

The fair value of the unlisted preference share liability is R866 million (2012: R1 506 million).

Fixed rate, cumulative, redeemable preference shares issued by the company

The company's issued number of fixed rate, cumulative, redeemable preference shares is 549 500 (2012: 750 000), with a par value of 0.0001 cent each. The share premium is R999.9999 per share. The preference shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 15 June 2016. The preference shares pay dividends at a fixed rate of 9.14% (2012:9.14%) six-monthly.

Balance at the beginning of the year	**750**	750
Amount redeemed during the year	**(200)**	–
BALANCE AT THE END OF THE YEAR	**550**	750

On 28 June 2013, the company redeemed 200 500 fixed rate, cumulative, redeemable preference shares at a redemption price of R200 million.

Variable rate, cumulative, redeemable preference shares issued by the company

The company's issued number of variable rate, cumulative, redeemable preference shares is 299 001 (2012: 700 001), with a par value of 0.0001 cent each. The share premium is R999.9999 per share. The preference shares are redeemable at the discretion of the company at any time and compulsorily redeemable on 15 June 2016. The preference shares pay dividends at a rate of 80.85% (2012: 80.85%) of the prime interest rate six-monthly.

Balance at the beginning of the year	**700**	700
Amount redeemed during the year	**(401)**	–
BALANCE AT THE END OF THE YEAR	**299**	700

On 4 December 2012, the company redeemed 401 000 variable rate, cumulative, redeemable preference shares at a redemption price of R401 million.

R million	Company 2013	Company 2012
10. Derivative liability		
Held for trading		
– Equity derivative		
– Over the counter		
– Swap	**11**	–
Notional value	**46**	–
The derivative is an economic hedge but does not meet the qualifying criteria for hedge accounting and is managed in conjunction with the asset 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 Holdings' 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.		
11. Provisions		
Staff incentive bonus		
Balance at the beginning of the year	**3**	2
Provision	**–**	3
Utilised during the year	**(2)**	(2)
Unutilised amount reversed	**(1)**	–
TOTAL PROVISIONS	**–**	3
12. Trade and other payables		
Trade payables and accrued expenses	**9**	4
Accrued redeemable preference share dividends	**18**	29
TOTAL TRADE AND OTHER PAYABLES	**27**	33
13. Investment income		
Dividend income from subsidiaries and associates	**1 987**	1 301
Dividend income from investment in OUTsurance Investment Trust	**70**	21
Dividend income on unlisted available-for-sale investments	**3**	2
Interest income on cash and cash equivalents	**16**	17
TOTAL INVESTMENT INCOME	**2 076**	1 341
14. Realised gains		
Profit on sale of shares in OUTsurance Holdings Limited	**–**	407
15. Other income		
Fee income	**5**	5

R million	**Company 2013**	Company 2012
16. Marketing and administration expenses		
Expenses by nature:		
Professional fees and regulatory compliance cost	**(2)**	(1)
Management fees	**(13)**	(9)
Directors' remuneration	**(5)**	(4)
Printing costs	**(3)**	(3)
Audit fees	**(1)**	(1)
Other expenses	**(7)**	(5)
TOTAL MARKETING AND ADMINISTRATION EXPENSES	**(31)**	(23)
Audit fees		
Statutory audit – current period	**(1)**	(1)
The company has an operating lease commitment for the office space it occupies. The company's operating lease commitment under a non-cancellable operating lease agreement is as follows:		
Up to one year	**(1)**	–
Between one and five years	**(1)**	–
TOTAL OPERATING LEASE COMMITMENT	**(2)**	–
17. Finance costs		
Cumulative, redeemable preference share dividends	**(109)**	(112)
18. Taxation		
SA normal taxation		
Current taxation		
– Current period	**(5)**	(5)
Capital gains taxation		
– Current period	**–**	(55)
Deferred taxation		
– Secondary taxation on companies	**–**	(7)
TOTAL TAXATION	**(5)**	(67)
The taxation on the company's profit before taxation differs from the theoretical amount that would arise using the standard rate of taxation in South Africa as follows:		
Profit before taxation	**1 918**	1 617
Effective rate of taxation	**0.26**	4.14
Net income and expenses not subject to taxation	**27.74**	20.64
Impact of CGT	**–**	3.65
Secondary taxation on companies	**–**	(0.43)
STANDARD INCOME TAXATION RATE IN SOUTH AFRICA	**28.00**	28.00

R million	**Company 2013**	Company 2012
19. Cash generated from operations		
Reconciliation of profit before taxation to cash generated from operations:		
Profit before taxation	**1 918**	1 617
Adjusted for:		
Finance costs	**109**	112
Fair value loss	**23**	1
Realised gains	**–**	(407)
Changes in working capital		
Current receivables and prepayments	**1**	1
Current payables and provisions	**6**	(11)
CASH GENERATED FROM OPERATIONS	**2 057**	1 313
20. Dividend per share		
Total dividends paid during the year	**2 154**	946
Total dividends declared during the year	**1 411**	2 006
Number of ordinary shares in issue (full amount)	**1 485 688 346**	1 485 688 346
Dividend declared per share (cents)		
– Normal	**95.0**	80.0
– Special	**–**	55.0

21. Related parties

PRINCIPAL SHAREHOLDERS

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

KEY MANAGEMENT PERSONNEL

Only RMI Holdings' directors are key management personnel. Information on directors' emoluments and their shareholding in the company appears on pages 39 to 42.

SUBSIDIARIES

Details of investments in subsidiaries are disclosed in note 1.

The following companies are subsidiaries of RMI Holdings:

- OUTsurance Holdings Limited
- OUTsurance Insurance Company Limited
- OUTsurance Life Insurance Company Limited
- Momentum STI Limited
- Youi Proprietary Limited (South Africa)
- OUTsurance International Holdings Proprietary Limited
- Youi Holdings Proprietary Limited
- Youi Proprietary Limited (Australia)
- Micawber 296 Proprietary Limited
- RMB-SI Investments Proprietary Limited
- RMB Structured Insurance Limited
- RMB Structured Insurance Limited PCC
- RMB Structured Life Limited
- RMB Financial Services Limited
- RMB-SI Investments (Mauritius) Limited
- Firness International Proprietary Limited

ASSOCIATES

Details of investments in associates are disclosed in note 2.

The following companies are associates of RMI Holdings:

- Discovery Limited
- MMI Holdings Limited
- OUTsurance Insurance Company of Namibia Limited
- Truffle Capital Proprietary Limited
- RTS Construction and Engineering Underwriters Proprietary Limited
- Risk Guard Alliance Proprietary Limited
- HCV Underwriting Managers Proprietary Limited

21. Related parties continued

OTHER

RMI Holdings invested in preference shares issued by New Seasons Financial Services Proprietary Limited ("NSFS"). NSFS is a shareholder of RMB-SI Investments Proprietary Limited.

RELATED PARTY TRANSACTIONS

Transactions of RMI Holdings and its subsidiary companies with:

PRINCIPAL SHAREHOLDERS

Dividends paid	975	401

R million	**Company 2013**	Company 2012
Key management personnel		
Salaries and other benefits	**10**	7
Subsidiaries		
Income statement effect:		
– Dividends received	**1 058**	680
– Preference share dividends received	**36**	57
– Fees received	**5**	5
Associates		
Income statement effect:		
– Dividends received	**893**	564
Other		
Income statement effect:		
– Investment income	**3**	2
Effect on the statement of financial position:		
– Financial assets – Available-for-sale	**5**	15

22. Contingent liabilities

The following contingencies and guarantees existed at 30 June 2013:

A subsidiary has the right to call on additional funding from the company, subject to approval from the board. A subsidiary obtained a credit facility of R500 million from FirstRand Bank Limited subject to a surety from RMI Holdings of R400 million.

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 reporting currency may fluctuate due to changes in the foreign currency exchange rate between the reporting currency and the currency in which such instrument is denominated.

The company had no exposure to currency risk at 30 June 2013 (2012: none).

Interest rate risk

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

The table below reflects the company's exposure to interest rate risk. An increase or decrease in the market interest rate would result in the following changes in the profit before taxation of the company:

R million	**Company 2013**	Company 2012
Cash and cash equivalents – 200 bps increase	**3**	8
Cash and cash equivalents – 200 bps decrease	**(3)**	(8)
Financial liabilities – Preference shares – 200 bps increase	**(5)**	(11)
Financial liabilities – Preference shares – 200 bps decrease	**5**	11

Other price risk

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

The table below reflects the company's exposure to equity price risk. A hypothetical 10% increase or decrease in the equity prices would result in the following changes in the profit before taxation of the company:

	30 June 2013		30 June 2012	
R million	**10% increase**	**10% decrease**	10% increase	10% decrease
Equity securities at fair value through profit or loss	**6**	**(6)**	–	–
Derivative asset	**4**	**(4)**	–	–
Derivative liability	**(6)**	**6**	–	–
CHANGE IN PROFIT BEFORE TAXATION	**4**	**(4)**	–	–

23. Financial risk management continued

CREDIT RISK

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

- Unlisted debt securities;
- Loans and receivables; and
- Cash and cash equivalents.

Significant concentrations of credit risk, if applicable, are disclosed in the financial statements. The credit exposure to any one counterparty is managed by the board of directors and by setting transaction/exposure limits, which are reviewed at each board and audit and risk committee meeting. The creditworthiness of existing and potential clients is monitored by the board.

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

R million	A	Not rated	Total
30 June 2013			
Debt securities			
– fair value through profit or loss – unlisted	**–**	**441**	**441**
– available-for-sale – unlisted	**–**	**5**	**5**
Derivative asset	**–**	**9**	**9**
Loans and receivables	**–**	**1**	**1**
Cash and cash equivalents	**130**	**–**	**130**
TOTAL	**130**	**456**	**586**
30 June 2012			
Debt securities			
– fair value through profit or loss – unlisted	–	477	477
– available-for-sale – unlisted	–	15	15
Loans and receivables	–	1	1
Cash and cash equivalents	405	–	405
TOTAL	405	493	898

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.

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.

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.

23. Financial risk management continued

R million	**Call to 6 months**	**7 – 12 months**	**1 – 5 years**	**Total**
30 June 2013				
Assets				
Investment in subsidiaries	**–**	**–**	**4 826**	**4 826**
Investment in associates	**–**	**–**	**9 486**	**9 486**
Equity securities – fair value through profit or loss	**–**	**–**	**60**	**60**
Debt securities – fair value through profit or loss	**–**	**–**	**441**	**441**
Debt securities – available-for-sale	**–**	**–**	**5**	**5**
Derivative asset	**–**	**–**	**9**	**9**
Loans and receivables	**1**	**–**	**–**	**1**
Cash and cash equivalents	**130**	**–**	**–**	**130**
TOTAL ASSETS	**131**	**–**	**14 827**	**14 958**
30 June 2013				
Liabilities				
Share-based payment liability	**–**	**–**	**4**	**4**
Financial liabilities				
Preference shares (undiscounted)	**36**	**35**	**987**	**1 058**
Derivative liability	**–**	**–**	**11**	**11**
Trade and other payables	**27**	**–**	**–**	**27**
TOTAL LIABILITIES	**63**	**35**	**1 002**	**1 100**

R million	Call to 6 months	7 – 12 months	1 – 5 years	Total
30 June 2012				
Assets				
Investment in subsidiaries	–	–	5 427	5 427
Investment in associates	–	–	9 468	9 468
Debt securities – fair value through profit or loss	–	–	477	477
Debt securities – available-for-sale	2	–	13	15
Loans and receivables	1	–	–	1
Cash and cash equivalents	405	–	–	405
TOTAL ASSETS	408	–	15 385	15 793
30 June 2012				
Liabilities				
Financial liabilities				
Preference shares (undiscounted)	59	58	1 795	1 912
Provisions	3	–	–	3
Trade and other payables	33	–	–	33
TOTAL LIABILITIES	95	58	1 795	1 948

24. Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments. These levels are defined as follows:

- Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured at the reporting date.

24. Financial instruments measured at fair value continued

- Level 2 – fair value is determined through valuation techniques based on observable market inputs. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.
- Level 3 – fair value is determined through valuation techniques which use significant unobservable inputs.

R million	**Level 1**	**Level 2**	**Level 3**	**Total carrying amount**
30 June 2013				
Financial assets				
Equity securities				
– fair value through profit or loss	**60**	**–**	**–**	**60**
Debt securities				
– fair value through profit or loss	**–**	**–**	**441**	**441**
– available-for-sale	**–**	**5**	**–**	**5**
Derivative asset	**–**	**9**	**–**	**9**
TOTAL FINANCIAL ASSETS VALUED AT FAIR VALUE	**60**	**14**	**441**	**515**

R million	**Company 2013**	Company 2012
Reconciliation of movement in level 3 assets		
Balance at the beginning of the year	**477**	–
Additions in the current year	**–**	478
Investment income accrued	**34**	20
Dividends received from the OUTsurance Investment Trust	**(70)**	(21)
BALANCE AT THE END OF THE YEAR	**441**	477

The level 3 financial asset at fair value through profit or loss represents an investment in 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.

R million	Level 1	Level 2	Level 3	Total carrying amount
30 June 2012				
Financial assets				
Debt securities				
– fair value through profit or loss	–	–	477	477
– available-for-sale	–	15	–	15
TOTAL FINANCIAL ASSETS VALUED AT FAIR VALUE	–	15	477	492

25. Post reporting date event

FINAL DIVIDEND DECLARATION

RMI Holdings declared a final dividend of 55.0 cents per ordinary share (R817 million) on 12 September 2013, payable on 14 October 2013.

SHAREHOLDERS' INFORMATION

as at 30 June 2013

	Shares held (000's)	%
Analysis of shareholding		
Financial Securities Limited (Remgro)	449 639	30.3
Royal Bafokeng Holdings Proprietary Limited	222 853	15.0
Public Investment Corporation	126 966	8.5
Allan Gray (on behalf of clients)	79 790	5.4
Total of shareholders holding more than 5%	879 248	59.2
Other	606 440	40.8
TOTAL	1 485 688	100.0
Shareholder type		
Corporates	672 492	45.3
Pension funds	203 882	13.7
Unit trusts	181 358	12.2
Private investors	50 826	3.4
Insurance companies and banks	11 718	0.8
Other	365 412	24.6
TOTAL	1 485 688	100.0

	Number of shareholders	Shares held (000's)	%
Public and non-public shareholders			
Public	29 587	670 980	45.1
Non-public	9	814 708	54.9
– Corporates	2	672 492	45.3
– Directors and associates	7	142 216	9.6
TOTAL	29 596	1 485 688	100.0

	Shares held (000's)	%
Geographic ownership		
South Africa	1 324 370	89.1
International	161 318	10.9
TOTAL	1 485 688	100.0

The information above is extracted from the shareholder analysis provided by Orient Capital Limited.

PERFORMANCE OF THE JSE LIMITED

	2013
Number of shares in issue (000's)	1 485 688
Market prices (cents per share)	
– Closing	2 520
– High	2 638
– Low	1 737
– Weighted average	2 252
Closing price/net asset value per share	2.8
Closing price/headline earnings per share	17.0
Volume of shares traded (million)	464
Value of shares traded (R million)	10 453
Market capitalisation (R million)	37 439

SHAREHOLDERS' DIARY

Reporting

Interim results for the 2014 financial year

Announcement for the six months ending 31 December 2013	Early March 2014

Final results for the 2014 financial year

Announcement for the year ending 30 June 2014	Mid September 2014
Posting of annual report	End October 2014
Annual general meeting	End November 2014

Dividends

Interim dividends for the 2014 financial year

Declare	Early March 2014
Payable	Early April 2014

Final dividends for the 2014 financial year

Declare	Mid September 2014
Payable	Mid October 2014

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, ("the Companies Act"), that the third annual general meeting of the shareholders of RMI will be held in the executive boardroom, 3rd floor, 2 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton on Friday, 22 November 2013 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, 15 November 2013. Accordingly, the last day to trade in order to be able to attend, participate and vote at the annual general meeting, is Friday, 8 November 2013. This notice will be sent to all shareholders who are recorded as such in the company's securities register on 18 October 2013.

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 2013, 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 32 of the annual integrated report for the report from the social and ethics 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 (64)

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 (62)

Independent non-executive director

Date of appointment: 8 December 2010
Educational qualifications: BCom, LLB, HDip Co Law, HDip Tax
Listed directorships: Remgro Limited and RMB Holdings Limited

2.3 Jan Jonathan Durand (46)

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, Mediclinic International Limited, Rainbow Chicken Limited, Remgro Limited and RMB Holdings Limited

2.4 Paul Kenneth Harris (63)

Non-executive director

Date of appointment: 8 December 2010
Educational qualifications: MCom
Listed directorships: FirstRand Limited, Remgro Limited and RMB Holdings Limited

Additional information in respect of ordinary resolution number 1

A brief CV of each of the persons mentioned above appears on pages 36 and 37 of the annual integrated report.

3. ORDINARY RESOLUTION NUMBER 2

Election of directors

To elect the following directors, appointed by the board of directors since the previous annual general meeting, who retire in terms of the MOI and who, being eligible, offer themselves for election:

3.1 Obakeng Phetwe (35)

Non-executive director

Date of appointment: 6 February 2013
Educational qualifications: BCom (Hons), CA (SA)
Listed directorships: RMB Holdings Limited (alternate)

3.2 Albertinah Kekana (40)

Alternate non-executive director

Date of appointment: 6 February 2013
Educational qualifications: BCom (Hons), CA (SA), Post graduate diploma in Accounting, Advanced Management Programme (Harvard University)
Listed directorships: Impala Platinum Holdings Limited and RMB Holdings Limited

Additional information in respect of ordinary resolution number 2

A brief CV of each of the persons mentioned above appears on page 38 of the annual integrated report.

4. ORDINARY RESOLUTION NUMBER 3

Approval of directors' remuneration

Resolved that the remuneration of the directors, as described on page 40 of the annual integrated report be approved.

Additional information in respect of ordinary resolution number 3

In terms of the 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 policies adopted and on their implementation. Shareholders are accordingly requested to endorse the company's remuneration policy.

5. ORDINARY RESOLUTION NUMBER 4

Place 15% of the authorised but unissued ordinary shares under the control of the directors

Resolved that 15% 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 4

Shareholders are asked to note that 77 146 748 of the company's authorised but unissued ordinary shares represents approximately 5% of the issued ordinary shares. At 30 June 2013 this was valued at approximately R1.9 billion.

6. ORDINARY RESOLUTION NUMBER 5

General authority to issue ordinary shares for cash

Resolved that the directors of the company be and are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued shares in the capital of the company for cash, as and when they in their discretion deem fit, subject to the Companies Act, the MOI of the company and the JSE Listings Requirements, when applicable, and the following limitations:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to public shareholders as defined in the JSE Listings Requirements and not to related parties;
- this authority is valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date that this authority is given;
- in respect of securities which are the subject of the general issue of shares for cash may not exceed 15% (222 853 252 shares) of the number of listed equity securities as at the date of the notice of the 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;
  - the calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the notice of the annual general meeting, excluding treasury shares;
- any such general issues are subject to exchange control regulations and approval at that point in time;
- a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue;
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price on the JSE of those shares over the 30 business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities.

Additional information in respect of ordinary resolution number 5

Approval for this ordinary resolution is obtained by achieving a 75% majority of the votes cast in favour of this resolution by all equity security holders entitled to vote thereon and present or represented by proxy.

7. ORDINARY RESOLUTION NUMBER 6

Approval of re-appointment of auditors

Resolved that, as nominated by the audit and risk committee, PricewaterhouseCoopers Inc. (with Mr Tom Winterboer being the individual registered auditor who will undertake the audit for the company in respect of the ensuing financial year) be re-appointed as auditors of the company until the next annual general meeting.

8. ORDINARY RESOLUTION NUMBER 7

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:

8.1 Jan Willem Dreyer (62)

Independent non-executive director

Date of appointment: 8 December 2010
Educational qualifications: BCom, LLB, HDip Co Law, HDip Tax
Listed directorships: Remgro Limited and RMB Holdings Limited

8.2 Thabo Vincent Mokgatlha (38)

Independent non-executive director

Date of appointment: 25 May 2011
Educational qualifications: BCompt (Hons), CA (SA)
Listed directorships: Impala Platinum Holdings Limited and York Timber Holdings Limited

8.3 Sonja Emilia Ncumisa Sebotsa (41)

Independent non-executive director

Date of appointment: 8 December 2010
Educational qualifications: LLB (Hons), LSE, MA (McGill), SFA (UK), Executive Leadership Programme (Harvard University)
Listed directorships: Acquarius Platinum Limited, Discovery Limited and RMB Holdings Limited

Additional information in respect of ordinary resolution number 7

A brief CV of each of the persons mentioned above appears on pages 37 and 38 of the annual integrated report.

9. SPECIAL RESOLUTION NUMBER 1

Approval of non-executive directors' remuneration with effect from 1 December 2013

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 as set out below be and is hereby approved:

	Per annum
Board (4 meetings per annum)	
– Chairman	**R234 000**
– Director	**R117 000**
Audit and risk committee (2 meetings per annum)	
– Chairman	**R81 600**
– Member	**R40 800**
Ad hoc meetings (per hour)	**R3 250**

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 2013.

10. SPECIAL RESOLUTION NUMBER 2

General authority to repurchase company shares

Resolved that, in terms of a general authority contemplated in section 48 of the Companies Act, read with sections 46, 114 and 115, the acquisitions 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, where 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 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;
- 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% of the initial number of the relevant class of shares and for each 3% 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% of the number of shares in the company's issued share capital at the time this authority is given provided that a subsidiary of the company may not hold at any one time more than 10% 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 full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- 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 acquisition, 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% above the weighted average traded price of the ordinary shares as determined over the five days prior to the date of repurchase;
- any such general repurchase are subject to exchange control regulations and approvals at the point in time, where relevant.

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.

The directors undertake that the company 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. The assets and liabilities have been recognised and measured for this purpose in accordance with the accounting policies used in the audited annual group financial statements for the year ended 30 June 2013;
- the company's and the 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;
- the company and the 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; and
- upon entering the market to proceed with the general repurchase, the company's sponsor has confirmed in writing to the JSE the adequacy of the company's and the group's working capital for the purposes of undertaking a general repurchase of shares.

Additional information in respect of special resolution number 2

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. Directors and management – refer pages 36 to 38;
2. Major shareholders – refer page 50;
3. There was no material change in the financial or trading position of the company since the previous financial year;
4. Directors' interest in securities – refer page 39;
5. Share capital of the company – refer page 49;
6. The directors, whose names are provided on pages 36 to 38 of this annual integrated report collectively and individually accept full responsibility for the accuracy of the information given in these notes 1 to 7 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 7 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; and
7. Litigation – There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened, of which the company is aware) which may have or have had in the previous 12 months, a material effect on the group's financial position.

The reason and effect of special resolution number 2 is to authorise the company and/or its subsidiary companies by way of a general authority to require its own issued shares on such terms, conditions and amounts as determined from time to time by the directors of the company subject to the limitations set out above.

11. 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 requirements of the MOI, the Companies Act and the JSE, 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.

12. TO TRANSACT ANY OTHER BUSINESS THAT MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

Approvals required for resolutions

Ordinary resolutions number 1, 2, 3, 4, 6 and 7 contained in this notice of annual general meeting require the approval of more than 50% of the votes exercised on each resolution by shareholders present, or represented by proxy, at the annual general meeting, subject to the provisions of the Companies Act, the MOI and the JSE Listings Requirements.

Ordinary resolution number 5 (general authority to issue ordinary shares for cash) and special resolutions number 1 to 3 contained in this notice of annual general meeting require the approval of at least 75% of the votes exercised on each resolution by shareholders present, or represented by proxy, at the annual general meeting, subject to the provisions of the Companies Act, the MOI and the JSE Listings Requirements.

Important notice regarding attendance at the annual general meeting

General

Shareholders wishing to attend the annual general meeting have to ensure 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 registered office of the company or 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, 20 November 2013. 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.

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.

Forms of identification include valid identity documents, driver's licences 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 immediately 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 to the form of proxy".

By order of the board of directors:

JS Human
MCom (Accounting), CA (SA)
Company secretary

18 October 2013

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, 22 November 2013, in the executive 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, 22 November 2013 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			
Ordinary resolution number 2 Election of directors			
2.1 Obakeng Phetwe			
2.2 Albertinah Kekana (alternate)			
Ordinary resolution number 3 Approval of directors' remuneration			
Ordinary resolution number 4 Place 15% of the authorised but unissued ordinary shares under the control of the directors			
Ordinary resolution number 5 General authority to issue ordinary shares for cash			
Ordinary resolution number 6 Approval of re-appointment of auditors			
Ordinary resolution number 7 Appointment of the company's audit and risk committee members			
7.1 Jan Willem Dreyer			
7.2 Thabo Vincent Mokgatlha			
7.3 Sonja Emilia Ncumisa Sebotsa			
Special resolution number 1 Approval of non-executive directors' remuneration with effect from 1 December 2013			
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			

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.

2013

Signature of registered shareholder (assisted by me as applicable) Date

PLEASE SEE NOTES ON REVERSE SIDE OF THE FORM

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

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 registered in their own names 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 initialed 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 20 November 2013. 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 initialed. Any alterations or corrections to this proxy form must be initialed 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.

ADMINISTRATION

Rand Merchant Insurance Holdings Limited

Registration number: 2010/005770/06
JSE ordinary share code: RMI
ISIN code: ZAE000153102

COMPANY SECRETARY

JS Human
MCom (Accounting), CA(SA)

Registered office
3rd floor, 2 Merchant Place
Corner of Fredman Drive and Rivonia Road
Sandton, 2196

Postal address
PO Box 786273
Sandton
2146

Telephone

National	011 282 8166
International	+27 11 282 8166

Telefax

National	011 282 4210
International	+27 11 282 4210

Website
www.rminsurance.co.za

AUDITORS

PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill
2157

SPONSOR

(In terms of the JSE Listings Requirements)
Rand Merchant Bank (a division of
FirstRand Bank Limited)
1 Merchant Place
Corner of Fredman Drive and Rivonia Road
Sandton, 2196

Telephone

National	011 282 8000
International	+27 11 282 8000

Telefax

National	011 282 8008
International	+27 11 282 8008

TRANSFER SECRETARIES

Computershare Investor Services
Proprietary Limited
Ground floor, 70 Marshall Street
Johannesburg, 2001

Postal address
PO Box 61051
Marshalltown, 2107

Telephone

National	011 370 5000
International	+27 11 370 5000

Telefax

National	011 688 5221
International	+27 11 688 5221

CONTACT DETAILS

MMI Holdings

268 West Avenue, Centurion
PO Box 7400, Centurion, 0046
Telephone: (012) 671 8911
Telefax: (021) 940 5370
www.mmiholdings.com
Contact: Tyrrel Murray

Discovery

155 West Street, Sandton
PO Box 786722, Sandton, 2146
Telephone: (011) 529 2888
Telefax: (011) 529 2958
www.discovery.co.za
Contact: Thys Botha

OUTsurance

1241 Embankment Street
Zwartkop Ext 7, Centurion
PO Box 8443, Centurion, 0046
Telephone: (012) 673 3098
Telefax: (012) 673 4598
www.outsurance.co.za
Contact: Willem Roos

RMB Structured Insurance

4th floor, 2 Merchant Place
Corner Fredman Drive
and Rivonia Road, Sandton, 2196
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