RMH

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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Directors' responsibility statement

To the shareholders of RMB Holdings Limited

The directors of RMB Holdings Limited (RMH or the company) are required by the Companies Act, 71 of 2008 (Companies Act) to prepare consolidated and separate annual financial statements.

In discharging this responsibility, the directors rely on management to prepare the 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 consolidated and separate annual financial statements include amounts based on judgements and estimates made by management.

In preparing the consolidated and separate annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The directors approve changes to accounting policies. However, there were no changes to accounting policies during the financial year. The consolidated and separate annual financial statements incorporate full and appropriate disclosure in line with the group's philosophy on good corporate governance.

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

Based on the information and explanations given by management and the internal auditor, nothing has come to the attention of the directors to indicate that the internal controls are inadequate or 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, both during the year and up to the date of this report.

Based on the effective internal controls implemented by management, the directors are satisfied that the consolidated and separate annual financial statements fairly present the state of affairs of the group and company at the end of the financial year and the net income and cash flows for the year. HL Bosman LLM CFA supervised the preparation of the consolidated and separate annual financial statements for the year.

The directors have reviewed the group and company's budget and flow of funds forecast and considered the group 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. Based on 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 consolidated and separate annual financial statements.

It is the responsibility of the group's independent external auditor, PricewaterhouseCoopers Inc., to give an opinion on the fair presentation of the consolidated and separate annual financial statements.

The auditor's unqualified report appears on **pages 7** to **10**.

The consolidated and separate annual financial statements, which appear on pages 11 to 59, were approved by the board of directors of RMH (the board) on 6 September 2019 and are signed on its behalf by:

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

6 September 2019

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.

EJ Marais
Company secretary

6 September 2019

Directors' report

Nature of business

RMH is the founding and largest shareholder in FirstRand, South Africa's largest banking group, with a 34% stake. RMH is represented on various FirstRand's strategic and governance forums, which provides FirstRand with a responsible and stable shareholder of reference. On a selective basis, RMH invests in other banking businesses.

In 2015, RMH expanded its investment strategy to include a property investment business, comprising scalable entrepreneur-led businesses with proven track records in managing and building out property partnerships.

During the previous financial year, RMH Property expanded its core partnerships by acquiring a direct interest of 43.9% in Atterbury Europe, a logical strategic alignment for the business, providing an opportunity for geographic diversification and access to a promising European market. In May 2019, Atterbury Europe went through an internal restructure which increased the direct holding of RMH Property temporarily to 50%. This was done in anticipation of a subscription by Pareto Limited on 17 July 2019, which diluted RMH Property interest to 37.5%.

During the year under review, RMH Property also obtained a direct interest of 50% in Atterbury Bucharest B.V. (Atterbury Bucharest) as part of the core partnerships, solidifying the relationship with Atterbury Europe. In addition, it extended the satellite partnership by acquiring an 18% direct interest in the Divercity Urban Property Fund Proprietary Limited (Divercity) and exercising an option to obtain shareholdings in Integer Properties 1 Proprietary Limited (9%), Integer Properties 2 Proprietary Limited (20%) and an additional 10% in Integer Properties 3 Proprietary Limited, collectively referred to as Integer Properties (previously Genesis Properties).

Share capital

Details of the company's authorised share capital as at 30 June 2019 are shown in note 6 to the annual financial statements.

ORDINARY SHARES

There was no change in the authorised ordinary share capital during the year and no ordinary shares were issued during the year.

At the annual general meeting of the shareholders of the company, held on 21 November 2018, a special resolution was passed authorising the board of the company or the board of a subsidiary of the company to approve the purchase of shares in RMH during the period up to and including the date of the following annual general meeting. The repurchase is limited in any one financial year to a cumulative maximum of 5% of the company's issued share capital. This resolution is subject to the provisions of the Companies Act and the JSE Listings Requirements. No such shares were purchased in the current or previous year.

PREFERENCE SHARES

During the current year there were no changes to the preference share capital issued by RMH. Details are disclosed in note 9 to the annual financial statements.

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 as at 30 June:

%	2019	2018
Financial Securities Limited (Remgro)	28	28
Royal Bafokeng Holdings Proprietary Limited (Royal Bafokeng)	13	13
Public Investment Corporation (PIC)	9	8
LL Dippenaar	5	5
	55	54

Group results

A general review of the financial results of the group and the operations of its major investments is provided in the RMH results review published on the company's website, **www.rmh.co.za**.

Dividends

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

- An interim gross dividend for the six-month period ended 31 December 2018 of 178.0 cents (2018:168.0 cents) per ordinary share, declared on 14 March 2019 and paid on 8 April 2019; and
- A final gross dividend for the year ended 30 June 2019 of 198.0 cents (2018: 183.0 cents) per ordinary share, declared on 6 September 2019 and payable on 30 September 2019.

The last day to trade in RMH shares on a cum-dividend basis in respect of the final dividend will be Monday, 23 September 2019, while the first day to trade ex-dividend will be Wednesday, 25 September 2019. The record date will be Friday, 27 September 2019 and the payment date Monday, 30 September 2019.

No dematerialisation or rematerialisation of shares may be done during the period Wednesday, 25 September 2019 to Friday, 27 September 2019, both days inclusive.

Directorate and board changes

The directorate consists of:

DIRECTORS

JJ Durand (chairman), HL Bosman (chief executive officer and financial director), JP Burger, P Cooper, (Ms) SEN De Bruyn, LL Dippenaar, PK Harris, A Kekana, P Lagerström, (Ms) MM Mahlare, MM Morobe, R Mupita, O Phetwe, JA Teeger

ALTERNATE DIRECTORS

DA Frankel, F Knoetze and UH Lucht.

DR Wilson resigned as alternate director effective 1 July 2019, UH Lucht replaced him effective 3 September 2019.

Directors' interests in RMH

DIRECTORS' INTERESTS IN CONTRACTS

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 RMH, as disclosed in this report.

Arm's length banking and assurance transactions entered into by the company's directors with the group's associate are disclosed in note 18 to the annual financial statements. Details of related party transaction are shown in note 18 to the annual financial statements.

DIRECTORS' INTERESTS IN ORDINARY SHARES OF RMH

According to the register of directors' interests maintained by the company in accordance with section 30(4)(d) of the Companies Act, the directors have disclosed the following interests in the ordinary shares of RMH as at 30 June:

000's	Direct beneficial	Indirect beneficial	Held by associates	Total 2019	%	Total 2018
Executive						
Herman Bosman	–	–	–	–	–	–
Non-executive						
Jannie Durand	–	–	–	–	–	–
Johan Burger	–	1 234	–	1 234	0.09	1 234
Peter Cooper	750	–	3 061	3 811	0.27	3 811
Sonja De Bruyn	–	–	–	–	–	–
Laurie Dippenaar	–	75 096	233	75 329	5.34	75 329
Paul Harris	–	7 000	–	7 000	0.50	7 000
Albertinah Kekana	–	–	–	–	–	–
Per Lagerström	–	–	–	–	–	–
Mamongae Mahlare	–	–	–	–	–	–
Murphy Morobe	–	–	–	–	–	–
Ralph Mupita	–	–	–	–	–	–
Obakeng Phetwe	–	–	–	–	–	–
James Teeger	–	52	–	52	–	52
David Frankel (alternate)	–	–	–	–	–	–
Faffa Knoetze (alternate)	–	–	–	–	–	–
David Wilson (alternate) (resigned 1 July 2019)	–	–	–	–	–	–
TOTAL	750	83 382	3 294	87 426	6.20	87 426

From the end of the financial year to the date of this report, the interests of directors have remained unchanged.

Directors' emoluments and participation in incentive schemes

Directors' emoluments and participation in incentive schemes are disclosed in note 23 and 24 to the annual financial statements.

Directors' service contracts

All eligible, non-executive directors are elected for a period of three years. All executives and prescribed officers have a notice period of one month. Directors and prescribed officers are not entitled to additional compensation in the event of being removed from office.

Insurance

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

Company secretary and registered address

EJ Marais is the company secretary. Her address is that of the company's registered office. The company's registered office is at: 3rd Floor, 2 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196.

Special resolutions

A full list of the special resolutions passed by the company during the year is available to shareholders on request.

Events subsequent to reporting date

On 17 July 2019, the shareholders of Pareto Limited subscribed for 25% of Atterbury Europe for Euro 100 million, diluting RMH Property's shareholding from 50% to 37.5%. The investment provides Atterbury Europe with an additional strategic shareholder and more development capital to expand its European operation.

The consolidated and separate annual financial statements were approved and signed by the chairman and chief executive officer on 6 September 2019, having been duly authorised to do so by the board of directors.

Audit and risk committee report

THE AUDIT AND RISK COMMITTEE HAS PLEASURE IN SUBMITTING THIS REPORT, AS REQUIRED IN TERMS OF THE COMPANIES ACT.

THIS COMMITTEE IS THE GUARDIAN OF THE FOLLOWING FORM OF CAPITAL:

FINANCIAL

Audit and risk committee membership and meetings

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. Members are appointed by the shareholders. The current members are the chairperson, SEN De Bruyn LLB (Hons) LSE MA (McGill) SFA, P Lagerström BSc (Accounting) MSc (Economics) (London School of Economics) and JA Teeger B Comm BAcc CA(SA) HDip Tax.

The chairperson is an independent, non-executive director and attends the annual general meeting. The committee meets at least twice a year or at the request of the chairperson, any member of the committee, the board or the external auditor. Comprehensive minutes of meetings are kept. The chief executive officer/financial director attends the meetings. The committee invites, at its discretion, the appropriate representatives of the external auditor, other professional advisors, officers or members of staff whose input may be required. Board members have the right to attend. The chairman may excuse from the meeting or from the proceedings in respect of any item on the agenda any of the attendees at a meeting who may be considered to have a conflict of interest.

During the year under review, two meetings were held.

Member	September 2018	**March 2019**
SEN De Bruyn (chairperson)	✓	✓
P Lagerström	✓	✓
JA Teeger	✓	✓

Roles and responsibilities

At the meetings, the members fulfilled all their functions as prescribed by section 94(7) of the Companies Act, the JSE Listings Requirements and its charter, which is updated annually and approved by the board. The committee's objectives are to assist the board of directors in fulfilling its fiduciary duties regarding:

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 corporate governance practices;
- Review of the annual integrated report, including key audit matters outlined in the external auditor's report;
- The business conduct of the group and its officials;
- Ensuring that the accounting policies applied are consistent, appropriate and in compliance with IFRS; and
- The appointment of the external auditor and the evaluation of their services and independence.

Combined assurance

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

The various assurance providers to the board comprise the following:

- Senior management, that considers the company's risk strategy and policy, along with the effectiveness and efficiency thereof; and
- The audit and risk committee, that considers the adequacy of risk management strategies, systems of internal control, risk profiles, legal compliance, internal and external audit reports and reviews the independence of the external auditor, the extent and nature of audit engagements, scope of work and findings. This committee also reviews the level of disclosure in the consolidated and separate 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.

The finance function

The committee considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function. The committee reviewed the performance, appropriateness and expertise of the financial director, HL Bosman, and the company secretary, EJ Marais, and confirms that they are suitable as financial director and company secretary respectively in terms of the JSE Listings Requirements.

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.

External audit

The audit and risk committee considered the performance of the external auditor and concluded that their performance was satisfactory. PricewaterhouseCoopers Inc. was re-appointed as external auditor of the company until the next annual general meeting. PricewaterhouseCoopers Inc. has been the external auditor of RMH for 31 years. Prior to the formation of RMH, PricewaterhouseCoopers Inc. were the sole auditor of RCI Limited for 11 years. The partner responsible for the audit is required to rotate every five years. On 2 July 2017, the Independent Regulatory Board of Auditors formally implemented mandatory audit firm rotation for all public interest entities for years commencing on or after 1 April 2023. RMH has decided not to early-rotate its auditor.

The committee approved the 2019 audit plan and fees. The external audit scope of work is adequately integrated with the internal audit function without restricting the scope. The committee believes that the external auditor has observed the highest level of business and professional ethics. The committee is satisfied that the external auditor has at all times acted with unimpaired independence. The committee meets with the external auditor independently of senior management.

Details of fees paid to the external auditor are disclosed in note 13 to the annual financial statements. All non-audit services were approved by the committee before engagement during the current financial year.

Findings reported by the external auditor were duly considered, specifically the key audit matters for the 2019 year, as reported in the independent auditor's report. The committee is satisfied that all these matters are appropriately reflected in the consolidated and separate annual financial statements.

See **pages 8** and **9** for an analysis of the key audit matters which arose during the audit and how they were addressed.

Internal audit

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

The audit and risk committee is of the opinion that, based on enquiries made and the reports from the internal and external auditors, the risk management processes and systems of internal control of the company and its subsidiaries were effective for the year under review.

Annual financial statements

The audit and risk committee has reviewed and recommended approval of the consolidated and separate annual financial statements by the board.

Focus during the year ahead

The committee shall continue to attend to its roles and responsibilities during the year ahead. In addition, it will pay particular attention to the following:

- Implementation and disclosure of new accounting standards, in particular *IFRS 16: Leases;* and
- Ensuring that any new regulatory requirements are fully met.

SEN De Bruyn
Chairperson of the audit and risk committee

6 September 2019

Independent auditor's report

To the shareholders of RMB Holdings Limited

Report on the audit of the consolidated and separate annual financial statements

OUR OPINION

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of RMB Holdings Limited (the company) and its subsidiaries (together the group) as at 30 June 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

RMB Holdings Limited's consolidated and separate annual financial statements set out on pages 11 to 59 comprise:

- The consolidated and separate statements of financial position as at 30 June 2019;
- The consolidated and separate income statements for the year then ended;
- The consolidated and separate statements of comprehensive income for the year then ended;
- The consolidated statement of changes in equity and the separate statement of changes in equity for the year then ended;
- The consolidated and separate statements of cash flows for the year then ended;
- The accounting policies; and
- The notes to the annual financial statements.

BASIS FOR OPINION

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

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

Independence

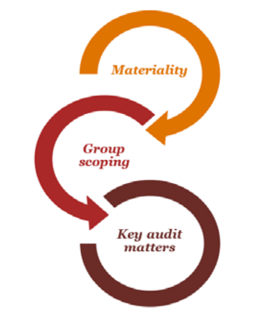
We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics

Standards Board for Accountants ` International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

Our audit approach

OVERVIEW



Overall group materiality • Overall group materiality: R,500 million, which represents 5% of consolidated profit before tax.
Group audit scope The components that are in scope include the financially significant components of the group. Financially significant components were identified based on the component's contribution to consolidated profit before tax.
Key audit matters • Equity accounted earnings of the associate, FirstRand Limited.

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

MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the annual financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated annual financial statements.

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

Overall group materiality	R500 million
How we determined it	5% of consolidated profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

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

We performed full scope audits for all financially significant subsidiaries and associates of the group. For the work performed by component auditors from other PwC network firms in South Africa and, for in-scope subsidiaries and associates, by component auditors not part of the PwC network and operating under our instruction, we issued group instructions and performed cross-reviews on their audit working papers on an ongoing basis. We determined the level of involvement we needed to have in the audit work of those component teams to be satisfied that sufficient audit evidence had been obtained for the purposes of our opinion. We kept regular communication with audit teams throughout the audit and appropriately directed their audits.

Further audit procedures were performed by the group engagement team, including analytical review procedures over the remaining balances and substantive procedures over the consolidation process. The work carried out at the component levels, together with these additional procedures performed at the group level, provided us with sufficient evidence to express an opinion on the group as a whole.

Key audit matters

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

The following key audit matter relates to the consolidated annual financial statements. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate annual financial statements of the company for the current period.

Key audit matter	How our audit addressed the key audit matter
EQUITY ACCOUNTED EARNINGS OF THE ASSOCIATE, FIRSTRAND LIMITED	
Refer to the following accounting policies and notes to the annual financial statements for detail: • Accounting policy note C, *Principles of consolidation and equity accounting, Interest in associates;* • Note 4, *Investment in associates and joint ventures;* and • Note 17, *Segment reporting.* The group holds investments which are equity accounted for in terms of *IAS 28: Investments in associates and joint ventures.* The group has a 34.06% ownership interest in its most significant associate, FirstRand Limited. For the purposes of this audit report, FirstRand Limited and its subsidiaries are collectively referred to as "FirstRand". The group's share of the after-tax profits of FirstRand for the year ended 30 June 2019 was R10 290 million and the group's share of FirstRand's net assets was R44 175 million as at 30 June 2019. The equity accounting of this investment was considered to be a matter of most significance to our current year audit due to the inherent risk of material misstatement arising from the manual nature of the calculations supporting equity accounting entries and the magnitude of the equity accounted amounts recognised in relation to the reported results of the group.	Due to the significance of the group's share of the after-tax profits in FirstRand, we maintained continual interaction with the FirstRand audit team and involvement in their work. We held discussions with the component auditors and issued them with group instructions as described in the section 'How we tailored our group audit scope' and we assessed the competence, knowledge and experience of the component auditors. Furthermore, we evaluated the identified audit risks at the FirstRand level and the audit approach throughout all phases of the audit process, examined working papers and performed cross-review procedures in evaluating the results of the work. We obtained the equity accounted analysis of associates prepared by management and performed the following procedures: • We obtained the audited financial results of FirstRand, evaluated the consistency of its accounting policies with those of the group and compared them to the equity accounted results and movements recorded in the consolidated annual financial statements of the group. We found no exceptions; • We inspected an independently obtained custodian statement and verified the number of FirstRand shares held by the group. We noted no exceptions; • We re-performed management's calculation of the effective interest in FirstRand. We agreed the inputs in management's calculation to the number of shares held by the group and to the issued share capital of FirstRand. We noted no material differences; • We tested the mathematical accuracy of the equity analysis by agreeing the group's share in equity accounted earnings, other comprehensive income and equity movements to the audited annual financial statements of FirstRand, and tracing them to the consolidation journals and the consolidation sheets. We noted no material differences; and • We recalculated management's consolidation workings to test for mathematical accuracy and assessed the completeness of journal entries with reference to the prior year journal entries. We found no material inconsistencies.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "RMB Holdings Limited Annual Financial Statements for the year ended 30 June 2019", which includes the directors' report, the audit and risk committee report and the declaration by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "RMB Holdings Limited Annual Integrated Report 2019", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate annual financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate annual financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of RMB Holdings Limited for 31 years. Prior to the formation of RMB Holdings Limited, PricewaterhouseCoopers Inc. was the sole auditor of Rand Consolidated Investments Limited for 11 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Johannes Grosskopf
Registered Auditor

Johannesburg

6 September 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

		As at 30 June			
		GROUP		COMPANY	
R million	Note	2019	2018	2019	2018
ASSETS					
Cash and cash equivalents	1	117	43	24	38
Loans and receivables	2	848	57	46	1
Investment securities	3	184	523	184	202
Taxation receivable		1	4	–	4
Derivative financial instruments	3	70	55	70	36
Investment in associates and joint ventures	4	52 038	48 590	–	–
Investment in subsidiaries	5	–	–	13 044	13 024
Total assets		53 258	49 272	13 368	13 305
EQUITY					
Capital and reserves attributable to the company's equity holders					
Share capital and premium	6	8 825	8 825	8 825	8 825
Reserves	7	40 478	37 498	2 053	2 004
Total equity		49 303	46 323	10 878	10 829
LIABILITIES					
Trade and other payables	8	190	232	1 253	1 257
Taxation payable		3	–	–	–
Financial liabilities	9	3 697	2 692	1 217	1 202
Derivative financial instruments	3	19	–	–	–
Long-term liabilities	23	26	–	–	–
Deferred tax liability	10	20	25	20	17
Total liabilities		3 955	2 949	2 490	2 476
Total equity and liabilities		53 258	49 272	13 368	13 305

CONSOLIDATED AND SEPARATE INCOME STATEMENTS

		For the year ended 30 June			
		GROUP		COMPANY	
R million	Note	2019	2018	2019	2018
Investment income	11	26	26	5 231	5 068
Share of after-tax profit of associates and joint ventures	4	10 391	9 059	–	–
Revenue		10 417	9 085	5 231	5 068
Fee income		67	18	49	16
Net fair value gain on financial assets and liabilities	12	57	15	15	25
Net impairment losses		(143)	(307)	–	–
Net income		10 398	8 811	5 295	5 109
Administration expenses	13	(149)	(56)	(41)	(46)
Income from operations		10 249	8 755	5 254	5 063
Finance costs	14	(253)	(173)	(89)	(88)
Profit before tax		9 996	8 582	5 165	4 975
Income tax expense	15	(18)	(22)	(21)	(15)
Profit for the year		9 978	8 560	5 144	4 960
Earnings per share (cents)					
– Basic	16	706.9	606.5		
– Diluted	16	706.9	606.5		

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended 30 June			
	GROUP		COMPANY	
R million	2019	2018	2019	2018
Profit for the year	9 978	8 560	5 144	4 960
Other comprehensive income after tax				
Items that may subsequently be reclassified to profit or loss				
Share of other comprehensive profit of associate after tax and non-controlling interest*	65	250	–	–
Net profit on available-for-sale financial asset	–	21	–	–
Gain arising during the year	–	27	–	–
Deferred income tax	–	(6)	–	–
Exchange difference on translating foreign operations	(3)	94	–	–
Items that may not subsequently be reclassified to profit or loss				
Share of other comprehensive (loss)/profit of associate after tax and non-controlling interest	(78)	13	–	–
Other comprehensive (loss)/income for the year	(16)	378	–	–
Total comprehensive income for the year	9 962	8 938	5 144	4 960

* *Large movement due to translation of FirstRand's foreign operations.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the year ended 30 June						
	GROUP						
R million	Share capital and premium	Equity accounted reserves	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 July 2017	8 825	29 359	(14)	–	333	2 878	41 381
Total comprehensive income	–	263	21	94	–	8 560	8 938
Dividends paid	–	–	–	–	–	(4 828)	(4 828)
Income of associate retained	–	3 971	–	–	–	(3 971)	–
Reserve movements relating to associates	–	832	–	–	–	–	832
Balance as at 30 June 2018	8 825	34 425	7	94	333	2 639	46 323
Balance 30 June 2018 as previously reported	8 825	34 425	7	94	333	2 639	46 323
Adjustment for the adoption of IFRS 9 and 15 (accounting policy note R)	–	(1 868)	(7)	–	–	7	(1 868)
Balance as at 1 July 2018	8 825	32 557	–	94	333	2 646	44 455
Total comprehensive income	–	(13)	–	(3)	–	9 978	9 962
Dividends paid	–	–	–	–	–	(5 095)	(5 095)
Income of associate retained	–	5 102	–	–	–	(5 102)	–
Reserve movements relating to associates	–	(19)	–	–	–	–	(19)
Balance as at 30 June 2019	8 825	37 627	–	91	333	2 427	49 303
Note	6	7	7	7	7	7	

SEPARATE STATEMENT OF CHANGES IN EQUITY

	For the year ended 30 June				
	COMPANY				
R million	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings**	**Total equity**
Balance as at 1 July 2017	14	8 811	333	1 539	10 697
Total comprehensive income	–	–	–	4 960	4 960
Dividends paid	–	–	–	(4 828)	(4 828)
Balance as at 30 June 2018	14	8 811	333	1 671	10 829
Balance as at 1 July 2018	14	8 811	333	1 671	10 829
Total comprehensive income	–	–	–	5 144	5 144
Dividends paid	–	–	–	(5 095)	(5 095)
Balance as at 30 June 2019	14	8 811	333	1 720	10 878
Note	6	7	7	7	

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

		For the year ended 30 June			
		GROUP		COMPANY	
R million	Note	**2019**	2018	**2019**	2018
Cash flow from operating activities					
Cash generated from operations	25.1	5 204	5 201	5 189	5 296
Income tax paid		(17)	(8)	(14)	(8)
Net cash generated from operating activities		5 187	5 193	5 175	5 288
Cash flow from investing activities					
Investment in subsidiaries		–	–	(20)	(372)
Investment in associates		(470)	(397)	–	–
Loans to associates		(746)	–	–	–
Disposal/(additions) to investments securities		387	(157)	–	–
Additions to derivatives		–	(11)	–	–
Net cash outflow in investment activities		(829)	(565)	(20)	(372)
Cash flow from financing activities	25.2				
Preference shares issued		150	372	–	–
Notes issued		850	–	–	–
Borrowings drawn		15	5	15	5
Interest paid		(14)	(5)	–	–
Dividends paid on preference shares in issue		(190)	(168)	(89)	(88)
Dividends paid to equity holders		(5 095)	(4 828)	(5 095)	(4 828)
Net cash outflow in financing activities		(4 284)	(4 624)	(5 169)	(4 911)
Net increase in cash and cash equivalents		74	4	(14)	5
Cash and cash equivalents at the beginning of the year		43	39	38	33
Cash and cash equivalents at the end of the year		117	43	24	38

Accounting policies

The following accounting policies were adopted in preparing the consolidated and separate annual financial statements. The policies have been consistently applied to all the years presented.

The group and company applied the following standards and amendments for the first time in the consolidated and separate annual financial statements:

- *IFRS 9: Financial Instruments;* and
- *IFRS 15: Revenue from Contracts with Customers.*

Recognition and measurement *(IFRS 9)*, had the most significant impact on the group. *IFRS 9* introduced a principle-based approach for classifying financial assets based on the entity's business model and changed the way impairments are calculated on financial assets at amortised cost from the incurred loss model to the expected loss model. *IFRS 15*, which contains a single model that is applied when accounting for contracts with clients, replaced revenue recognition guidance previously included in *IAS 18: Revenue (IAS 18)* and *IFRIC 13: Customer Loyalty Programmes (IFRIC 13)*. The adoption of *IFRS 9* and *IFRS 15* impacted the group's results on the date of initial adoption, being 1 July 2018. The impact of adoption of *IFRS 9* and *IFRS 15* can be found in Note R of the accounting policies.

No other new or amended IFRS become effective for the year ended 30 June 2019 that impacted the group's reported earnings, financial position or reserves, or the accounting policies.

a. Basis of preparation

RMH's consolidated and separate annual financial statements are prepared in accordance with IFRS and interpretations issued by the IFRS Interpretations committee (IFRIC), the requirements of the Companies Act, 71 of 2008, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and the Listings Requirements of the JSE Limited.

The consolidated and separate annual financial statements are prepared on a going concern basis. The preparation of the annual financial statements in conformity with IFRS necessitates the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Although estimates are based on management's best knowledge and judgements of current facts as at the reporting date, the actual outcome may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate annual financial statements, are outlined in notes 4 and 21.

b. Foreign currency translation

FUNCTIONAL AND PRESENTATION CURRENCY

Functional currency	Items included in the annual financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates
Functional and presentation currency of consolidated RMH	South African Rand
Amounts	All amounts are stated in millions of Rand (R million), unless otherwise indicated

GROUP COMPANIES

Assets and liabilities of group foreign operations whose functional currency is different to the presentation currency are translated from their respective functional currency into the group's presentation currency at closing rates ruling at statement of financial position date.

The income and expenditure and equity movements are translated into the group's presentation currency at rates approximating the foreign exchange rates ruling at the date of the various transactions. All resulting translation differences arising from the consolidation and translation of foreign operations are recognised in other comprehensive income and accumulated in equity as a foreign currency translation reserve.

When a foreign operation is partially disposed of or sold, the cumulative amount of the exchange differences in the foreign currency translation reserve relating to that foreign operation is reclassified from the reserve to profit or loss when the gain or loss on disposal is recognised.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

c. Principles of consolidation and equity accounting

The consolidated annual financial statements include the results of the company and its subsidiaries.

Type	Measurement
Subsidiaries	Subsidiaries are defined as entities that are controlled by the group. For control to exist, the group must have: 1. Power over the investee; 2. Exposure or rights to variable returns from involvement with the investee; and 3. The ability to use power over the investee to affect the amount of the group's returns. The group must possess all three elements to conclude that it controls an investee. Subsidiaries are consolidated from the date on which control is transferred to the group (effective date of acquisition) and are no longer consolidated from the date that control ceases (effective date of disposal). Gains and losses on disposal of subsidiaries are included in profit or loss. The accounting policies for subsidiaries are consistent, in all material respects, with the policies adopted by the group. Intergroup transactions, balances and unrealised gains and losses are eliminated on consolidation. Interests in subsidiary companies in the separate annual financial statements comprise shares, which are measured at cost less any required impairment. Acquisition costs are recorded as an expense in the period in which they are incurred, the carrying amounts of these investments are reviewed annually for impairment.
Interest in associates	An associate is an entity over which the group can exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investment. Judgement is applied in assessing which entities the group can significantly influence. In the case of voting rights, it is generally demonstrated by the group holding 20% or more of the voting power of the investee. Investments in associates are subsequently equity accounted. The group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. Other equity movements are assessed based on the substance of the transaction and accounted for accordingly, with a corresponding adjustment to the carrying amount of the investment. Equity accounted earnings, net of dividends received, are transferred to equity accounted reserves. Unrealised gains on transactions 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 transferred asset. Certain equity accounted investments have year-ends that differ from that of RMH. In such circumstances, the management accounts of the equity accounted investments as at RMH's reporting date are used in equity accounting.
Interest in joint ventures	A joint arrangement in terms of which RMH and the other contracting parties have joint control as defined in *IFRS 11*. Joint ventures are those joint arrangements where the group has rights to the net assets of the arrangement. Joint ventures are initially recognised at cost (including goodwill) and subsequently equity accounted in the same way as interests in associates. Refer to the above.
Change in ownership	The group treats transactions with non-controlling interests that do not result in the loss of control as transactions with equity owners. If the ownership interest in an associate changes but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit and loss.

d. Related party transactions

Considering the definition of related parties in *IAS 24: Related party disclosure*, the related parties of RMH have been identified as follows:

PRINCIPAL SHAREHOLDERS

Details of major shareholders are disclosed in the directors' report. The principal shareholders are Financial Securities Limited (Remgro), Royal Bafokeng Holdings Proprietary Limited and LL Dippenaar.

KEY MANAGEMENT PERSONNEL

Key management personnel are the RMH board of directors and any entities which provide key management personnel services to the group.

Information on directors' emoluments and their shareholding in the company appears in note 24 to the annual financial statements and the directors' report respectively.

ASSOCIATES

Details of the investments in associates are disclosed in note 4 to the annual financial statements.

JOINT VENTURES

Details of the investments in joint ventures are disclosed in note 4 to the annual financial statements.

SUBSIDIARIES

Details of the investments in subsidiaries are disclosed in note 5 to the annual financial statements.

e. Revenue

Revenue consists of interest income, dividends received and income from associates and joint ventures.

Type	Measurement
Interest	Interest is recognised on an effective interest rate method (taking into account the principal outstanding, the effective rate and the period).
Dividend income	Dividend income is recognised when there is an irrevocable right to the dividend.
Income from associates and joint ventures	Refer accounting policy note C.

f. Income tax expense

The income tax expense includes both current and deferred tax. Income taxes include South African and foreign jurisdiction corporate taxation payable, as well as capital gains tax.

CURRENT TAX

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

DEFERRED TAX

Recognition

Deferred tax is recognised on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the annual financial statements.

These temporary differences typically include revaluation of certain financial assets and liabilities, including derivative contracts.

Measurement

Deferred tax is measured using the liability method in terms of *IAS 12* and applying tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax on temporary differences is measured based on the tax base of assets and liabilities and their carrying amounts in the consolidated and separate annual financial statements.

g. Recognition of contingent liabilities

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 group; 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.

h. Financial instruments

GENERAL

The group and company adopted *IFRS 9* prospectively on 1 July 2018 with any adjustments recognised in the group's opening 1 July 2018 retained earnings. Based on the transitional approach adopted, as permitted by *IFRS 9*, comparative financial results and disclosures were not restated. Accordingly, the group's previously reported financial results up to 30 June 2018 are presented in accordance with the requirements of *IAS 39* and for 2019, the financial instruments are presented in terms of *IFRS 9*. The impact of this is that 2018 classifications, measurements and disclosures remain in terms of *IAS 39*. For noting, *IFRS 9* did not change initial recognition, derecognition, offsetting or the fair values of financial instruments at fair value *(IFRS 13)*.

FINANCIAL ASSETS

Financial assets include:

- Cash and cash equivalents;
- Loans and receivables;
- Investment securities; and
- Derivatives.

Financial assets in terms of *IFRS 9*

From 1 July 2018 the group classifies its financial assets in the following measurement categories

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cashflow.

Initial recognition and measurement

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 measurement

Category	Measurement
Financial assets at fair value through profit or loss • Derivatives • Investment securities: equity instruments	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 period in which they arise. Investment securities and derivatives' mandatory classification is fair value through profit or loss.
Financial assets at amortised cost • Loans and receivables • Investment securities: debt instruments • Inter-company balances	Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in revenue using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss. Intergroup balances with subsidiaries, in terms of the *IFRS 9* business model assessment for 2019, are measured at amortised cost. These are subject to the expected credit loss impairment model.

Financial assets in terms of *IAS 39*

The group has applied *IFRS 9* retrospectively but has elected not to restate comparative information. As a result, the comparative information provided was accounted for in accordance with the group's previous accounting policy.

Classification

Until 30 June 2018, the group classified its financial assets in the following categories:

- Financial assets at fair value through profit or loss,
- Loans and receivables,
- Held-to-maturity investments, and
- Available-for-sale financial assets.

The classification was dependant on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

Reclassifications of financial assets in terms of *IFRS 9* are permitted when, and only when, the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified. In terms of *IAS 39*, financial assets could only be reclassified under certain rare circumstances.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the investments have expired or on trade date when they have been transferred and the group has also transferred substantially all risks and rewards of ownership.

Difference in classification of financial asset in terms of *IAS 39* and *IFRS 9*

IAS 39	*IFRS 9*
Available-for-sale	Fair value through profit and loss
Held-to-maturity	At amortised cost
Held for trading	Fair value through profit and loss

FINANCIAL LIABILITIES IN TERMS OF *IFRS 9*

Financial liabilities include:

- Trade and other payables;
- Borrowings;
- Financial guarantee contracts; and
- Derivatives.

Subsequent measurement

Category	Measurement
Financial liabilities • Trade and other payables • Borrowings • Financial guarantee contracts • Inter-company balances	The group initially recognises financial liabilities at the fair value of the considerations received. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Instruments with characteristics of debt, such as mandatorily redeemable preference shares, are included in financial liabilities and measured at amortised cost. The dividends on these preference shares are recognised in profit or loss as finance costs. Financial guarantee contracts are recognised as financial liabilities at the time the guarantees are issued. The liability is initially measured at fair value and subsequently at the higher of: • The amount determined in accordance with the expected credit loss model in terms of *IFRS 9* and • The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of *IFRS 15.* The fair values of financial guarantees are determined based on the present value of the difference in cash flows between the contractual payments required per the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Derecognition

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.

Reclassification

A financial liability may not be reclassified.

DERIVATIVE FINANCIAL INSTRUMENTS

The group initially recognises derivative financial instruments in the statement of financial position at fair value. Derivatives are subsequently remeasured at their fair values, with all movements in fair value recognised in profit or loss. When the fair value is positive, the derivative is recognised as a financial asset, and when the fair value is negative, the derivative is recognised as a financial liability.

i. Leases

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

j. Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount.

Measurement

Financial asset	Measurement
IAS 39	Until 30 June 2018, the group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. 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 was considered an indicator that the assets are impaired.
IFRS 9	From 1 July 2018, the group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. RMH applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all loan and receivables. Loans and receivables for which an impairment provision was recognised, are written off against the provision when there is no expectation of recovering any additional cash. ECLs are recognised as a deduction from the gross carrying amount of the asset. Therefore, assets subject to ECLs are disclosed on a net basis in the statement of financial position.

k. Share capital

SHARE CAPITAL

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as financial liabilities.

SHARE ISSUE COSTS

Instruments issued by the group are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs, directly related to the issue of new shares or options are shown as a deduction from equity, net of any related tax benefit.

DIVIDENDS PAID

Dividends paid on ordinary shares are recognised against equity in the period in which they are paid. Dividends declared after the reporting date are not recognised but disclosed as an event subsequent to the reporting date.

TREASURY SHARES

Where the company or other entities in the group purchase the company's equity share capital, unrealised gains and losses on transactions are eliminated to the extent of the group's interest in the entity. 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.

l. Provisions

Provisions are recognised when the group has a known present legal or constructive obligation of uncertain timing or amount, as a result of past events and it is probable that an outflow of the group resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Judgement is applied as to the quantum and timing of these resources considering all available information. Provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

m. Segment reporting

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

The chief operating decision-maker has been identified as the chief executive 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.

n. Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise:

- Coins and bank notes; and
- Money at call and short notice.

All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition.

o. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Refer note 16.

Diluted earnings per share

RMH does not have any potentially dilutive ordinary shares. Therefore, there is no difference between basic and diluted earnings per share.

p. Business combinations

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

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

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

Acquisition-related costs are expensed as incurred, except in the case of an investment in an associate, where it is capitalised.

The excess of the

- Consideration transferred;
- Amount of any non-controlling interest in the acquired entity; and
- Acquisition-date fair value of any previous equity interest in the acquired entity

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

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

q. Share-based payments

RMH has entered into an ownership-participation structure with the management of RMH Property, a subsidiary of RMH, as well as some individuals who are not employees of RMH but provide management services to RMH.

RMH measures the services received and liability incurred in respect of cash-settled share-based payment plans at the current fair value of liability. Refer note 23.

r. Impact of adopting *IFRS 9* and *IFRS 15*

RMH adopted *IFRS 9* and *IFRS 15* during the current period. The group, as permitted by these standards, elected not to restate any comparative information. Accordingly, the impact of adopting the revised requirements has been applied prospectively, with an adjustment to RMH's 1 July 2018 opening reserves. Reported information for the financial year ending 30 June 2018 was unaffected by the application of *IFRS 9* and *IFRS 15*.

R million	As reported at 30 June 2018	*IFRS 9* adjustment – FirstRand Note 1	*IFRS 15* adjustment – FirstRand Note 2	*IFRS 9* adjustment – RMH Note 3	As adjusted 1 July 2018
ASSETS					
Cash and cash equivalents	43	–	–	–	43
Loans and receivables	57	–	–	–	57
Investment securities	523	–	–	–	523
Taxation receivable	4	–	–	–	4
Derivative financial instruments	55	–	–	–	55
Investment in associates	48 590	(1 843)	(25)	–	46 722
TOTAL ASSETS	49 272	(1 843)	(25)	–	47 404
EQUITY					
Share capital and premium	8 825	–	–	–	8 825
Reserves	37 498	(1 843)	(25)	–	35 630
Equity accounted reserves	34 425	(1 843)	(25)	–	32 557
Available-for-sale reserve	7	–	–	(7)	–
Foreign currency translation reserve	94	–	–	–	94
Other reserves	333	–	–	–	333
Retained earnings	2 639	–	–	7	2 646
TOTAL EQUITY	46 323	(1 843)	(25)	–	44 455
LIABILITIES					
Trade and other payables	232	–	–	–	232
Financial liabilities	2 692	–	–	–	2 692
Deferred tax liability	25	–	–	–	25
TOTAL LIABILITIES	2 949	–	–	–	2 949
TOTAL EQUITY AND LIABILITIES	49 272	(1 843)	(25)	–	47 404

Note	Requirement	Description of change	Impact
1	*IFRS 9* Impact on FirstRand		
1.1	*IFRS 9* introduced a principle-based approach for the classification of financial assets based on the business model of the group.	Reclassification and remeasurement of certain advances, deposits and investment securities.	An increase of R305 million in equity accounted reserves and investment in associates.
1.2	*IFRS 9* introduced the principle of an expected credit loss ratio (ECL) which includes the incorporation of forward-looking information for impairment of financial assets.	Reclassification of certain assets as well as the measurement of underlying financial assets.	A decrease of R2 295 million in equity accounted reserves and investment in associates.
1.3	In terms of *IAS 39*, interest in suspense (ISP) was not capitalised to advances and interest suspended was tracked and managed separately off-balance sheet. In terms of *IFRS 9*, interest revenue is calculated by applying the effective interest rate to the amortised cost of financial assets classified in stage 3 (a financial asset is classified at stage 3, when it becomes credit impaired since initial recognition with ECL measured on a lifetime basis). The difference between the contractual interest and the interest recognised in line with *IFRS 9* is therefore suspended. This suspended interest is capitalised to the advance and immediately impaired.	Gross-up of advances and the remeasurement of ISP, on certain advances reclassified to amortised cost.	An increase of R147 million in equity accounted reserves and investment in associates.
2	*IFRS 15* impact on FirstRand		
	IFRS 15 contains a single model that is applied when accounting for contracts with clients. The model specifies that revenue is recognised as and when control of goods or services is transferred to a client and that revenue is recognised at the amount that an entity expects to receive. Depending on certain criteria, revenue is recognised at a point in time or over time.	The transition to *IFRS 15* resulted in the deferral of revenue relating to value added products and services provided to clients by WesBank.	A decrease of R25 million in equity accounted reserves and investment in associates.
3	*IFRS 9* impact on RMH Property		
	IFRS 9 introduced a principle-based approach for the classification of financial assets based on the business model of the group.	Certain equity securities were previously designated as available-for-sale in terms of *IAS 39*. As the underlying nature of the equity securities changed, management believes a reclassification as fair value through profit and loss to be more appropriate.	A decrease of R7 million in the available-for-sale reserve and an increase in retained earnings.

Accounting policies continued

s. Key judgements in applying accounting policies and options elected, where permitted by IFRS

Below is a summary of key judgements and accounting elections.

RMH made the following accounting elections in terms of IFRS, with reference to the detailed accounting policy:

- Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting; and
- Investments in subsidiaries and associates are carried at cost in the separate annual financial statements.

RMH made the following key judgements in applying accounting policies:

- Applying equity accounting where the investment percentage held is less than 20% but other considerations regarding the relevant activities of the investee result in significant influence;
- Any impairment loss in an investment in an associate is recognised by comparing the carrying value to the recoverable amount.

Further detail is provided in note 4.

- In making the judgement regarding the impairment of financial assets, RMH evaluates factors such as, inter alia, evidence of a deterioration in the financial health of the issuer, industry and sector performance; and
- Valuation of Level 3 fair value instruments uses valuation techniques with significant unobservable data.

Further detail is provided in note 21.

t. Standards, interpretations and amendments not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been early-adopted by RMH. RMH's assessment of the impact of these new standards and interpretations is set out below.

Standard	Impact assessment	Effective date
IFRS 16	**Leases** *IFRS 16* establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The direct impact of *IFRS 16* on RMH is not material as RMH has a monthly lease for its operating head office. The impact on RMH's associates is that assets and liabilities will be grossed-up, which will not flow through to RMH due to the equity accounted method being applied.	Annual periods commencing on or after 1 January 2019
IAS 28	**Long-term Interests in Associates (Amendments to *IAS 28*)** The amendments clarify that an entity should apply *IFRS 9*, including impairment requirements, to long-term interests in associates and joint ventures that in substance form part of the net investment in the associate or joint venture. RMH has assessed the impact of this amendment on the annual financial statements as part of the overall adoption of *IFRS 9* and confirmed that it currently complies with this amendment.	Annual periods commencing on or after 1 January 2019

There are no other standards that are not yet effective and that are expected to have a material impact on RMH in the current or future reporting periods and/or on foreseeable future transactions.

Notes to the annual financial statements

R million	As at 30 June GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
1. Cash and cash equivalents				
Cash at bank and on hand	117	43	24	38
Cash and cash equivalents represent current accounts and call deposits.				
2. Loans and receivables				
Loans to associate company at amortised cost[1]	109	56	–	–
Loans to associate company at fair value[2]	693	–	–	–
Accounts receivable at amortised cost[3]	46	1	46	1
Gross loans and receivables	848	57	46	1

1. *The loans are interest-bearing and have no fixed repayment terms. RMH is exposed to credit risk if the associate fails to make payments. The gross carrying amount reflects the maximum exposure to credit risk. At year-end, RMH applied judgement in assessing the risk of default and expected loss rates. The impairment provision is immaterial.*
2. *Loan to associate mandatorily classified as fair value through profit and loss as the loan does not pass the solely payments of principal and interest test.*
3. *The group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present:*
   - *Significant financial difficulties experienced by the debtor*
   - *Probability that the debtor will enter bankruptcy or financial reorganisation, and*
   - *Default or delinquency in payments (more than 30 days overdue).*

Management completed the exercise and no adjustment was required to opening retained income as a result of the transition to *IFRS 9* as the calculated expected loss was immaterial.

R million	As at 30 June GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
3. Financial instruments				
3.1 INVESTMENT SECURITIES				
Listed				
Equity instruments at fair value through profit and loss-mandatory	184	202	184	202
Unlisted				
Equity instruments at fair value through profit and loss-mandatory	–	151	–	–
Unlisted				
Corporate debt securities at amortised cost	–	170	–	–
Investment securities	184	523	184	202
Analysis of investment securities				
– Equities	184	353	184	202
– Debt securities	–	170	–	–
– Loss allowance on investment securities	–	–	–	–
Total investment securities	184	523	184	202

From 1 July 2018, debt securities carried at amortised cost was subject to the expected credit loss model in terms of *IFRS 9*. Management completed the exercised and no adjustment was required to opening retained income as a result of the transition to *IFRS 9*.

3. Financial instruments continued

3.2. DERIVATIVE FINANCIAL INSTRUMENTS

Use of derivatives

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not represent the group's exposure to credit or market risk. Derivative instruments become favourable (assets) or unfavourable (liabilities), based on changes in market prices and counterparty credit ratings. The aggregate notional amount of derivative financial instruments, the extent to which the instruments are favourable or unfavourable and the aggregate fair value can fluctuate over time.

R million	As at 30 June GROUP 2019 Notional	2019 Fair value	2018 Notional	2018 Fair value
Derivative assets				
Fair value through profit and loss				
Equity derivatives-mandatory				
– Swaps	368	70	302	36
– Options	–	–	31	19
Fair value through profit and loss	368	70	333	55

R million	As at 30 June GROUP 2019 Notional	2019 Fair value	2018 Notional	2018 Fair value
Derivative assets				
Fair value through profit and loss				
Equity derivatives-mandatory				
– Swaps	368	70	302	36
Fair value through profit and loss	368	70	302	36

R million	As at 30 June GROUP 2019 Notional	2019 Fair value	2018 Notional	2018 Fair value
Derivative liabilities				
Fair value through profit and loss				
Foreign currency-mandatory				
– Forward rate agreement	1 837	19	–	–
Fair value through profit and loss	1 837	19	–	–

Refer to note 21, which provides additional detail on the valuation of derivatives.

R million	As at 30 June GROUP 2019	2018	COMPANY 2019	2018
4. Investment in associates and joint ventures				
Shares at cost	11 265	10 785	–	–
Share of post-acquisition reserves	40 773	37 805	–	–
CLOSING CARRYING VALUE	52 038	48 590	–	–
Analysis of movement in the carrying value of associates and joint ventures				
Opening carrying value	48 590	43 130	–	–
Adjustment for adoption of *IFRS 9* and *IFRS 15*	(1 868)	–	–	–
Cost of new investments bought and additional investments made	480	397	–	–
Shareholder's loan to associate	53	144	–	–
Share of after-tax profits of associates and joint ventures	10 381	9 064	–	–
Impairments	(89)	(247)	–	–
Dividends received	(5 431)	(5 082)	–	–
Other comprehensive income	(13)	263	–	–
Share of other reserves	(19)	832	–	–
Foreign currency translation	(3)	94	–	–
Change in effective shareholding	10	(5)	–	–
Shareholders' loan transferred to loans and receivables	(53)	–	–	–
CLOSING CARRYING VALUE	52 038	48 590	–	–

R million	GROUP 2019	2018	COMPANY 2019	2018
Carrying values of associates and joint ventures				
Listed				
FirstRand Limited	49 503	46 557	–	–
Unlisted				
Atterbury Property Holdings Proprietary Limited	524	620	–	–
Atterbury Mauritius Limited	28	–	–	–
Atterbury Europe Holding B.V.	1 794	1 408	–	–
Divercity Urban Property Fund Proprietary Limited	151	–	–	–
Carrying values of unlisted joint ventures				
Integer Properties 1 Proprietary Limited (Genesis Properties Proprietary Limited)	18	–	–	–
Integer Properties 2 Proprietary Limited (Genesis Properties One Proprietary Limited)	9	–	–	–
Integer Properties 3 Proprietary Limited (Genesis Properties Three Proprietary Limited)	11	5	–	–
Atterbury Bucharest B.V.	–	–	–	–
CLOSING CARRYING VALUE	52 038	48 590	–	–
Market value at closing price on 30 June				
Listed				
FirstRand Limited	130 960	122 058	–	–

4. Investment in associates and joint ventures continued

DETAIL OF ASSOCIATES AND JOINT VENTURES

The group's interests in its associates and joint ventures are as follows:	Number of shares 2019	2018	Percentage held 2019	2018
Name of associates or joint ventures				
Listed				
FirstRand Limited	1 910 433 050	1 910 433 050		
% of ownership			34.06	34.06
% of voting rights			34.07	34.07
Unlisted				
Atterbury Property Holdings Proprietary Limited	28 448 276	28 448 276		
% of ownership			27.50	27.50
% of voting rights			27.50	27.50
Atterbury Mauritius Limited	38 100	–		
% of ownership			27.44	–
% of voting rights			27.44	–
Atterbury Europe Holding B.V.	44 536	31 932		
% of ownership			50.00	43.87
% of voting rights			50.00	43.87
Integer Properties 1 Proprietary Limited (Genesis Properties Proprietary Limited)	900	–		
% of ownership			9.00	–
% of voting rights			9.00	–
Integer Properties 2 Proprietary Limited (Genesis Properties One Proprietary Limited)	20	–		–
% of ownership			20.00	–
% of voting rights			20.00	–
Integer Properties 3 Proprietary Limited (Genesis Properties Three Proprietary Limited)	100	80		
% of ownership			50.00	40.00
% of voting rights			50.00	40.00
Divercity Urban Property Fund Proprietary Limited	144 208 114	–		
% of ownership			18.30	–
% of voting rights			18.30	–
Atterbury Bucharest B.V.	50	–		
% of ownership			50.00	–
% of voting rights			50.00	–

4. Investment in associates and joint ventures continued

DETAIL OF ASSOCIATES AND JOINT VENTURES continued

Listed

FirstRand Limited	
Financial year-end	30 June
Year used for equity accounting	30 June
Country of incorporation	Republic of South Africa
Principal place of business	Republic of South Africa
Nature of activities	Financial services

R million	2019	2018
Statement of financial position		
Assets		
Current assets	659 798	593 144
Non-current assets	1 009 264	939 145
TOTAL ASSETS	1 669 062	1 532 289
Current liabilities	1 218 348	1 102 841
Non-current liabilities	306 121	298 650
TOTAL LIABILITIES	1 524 469	1 401 491
NET ASSET VALUE	144 593	130 798
RMH's share of net asset value	44 175	41 229
Notional goodwill	5 328	5 328
CLOSING CARRYING VALUE	49 503	46 557
Statement of comprehensive income		
Net profit for the year	31 760	28 144
Other comprehensive income	(136)	676
TOTAL COMPREHENSIVE INCOME	31 624	28 820
Dividends received	5 426	5 082

Unlisted

RMH Property	
Financial year-end	Various
Year used for equity accounting	Various
Country of incorporation	South Africa, European Union and Mauritius
Principal place of business	South Africa, European Union and Mauritius
Nature of activities	Property investment entities
Date acquired	Various

4. Investment in associates and joint ventures continued

DETAIL OF ASSOCIATES AND JOINT VENTURES continued

R million	2019	2018
Statement of financial position		
Assets		
Current assets	1 442	734
Non-current assets	18 874	11 759
TOTAL ASSETS	20 316	12 493
Current liabilities	5 777	4 168
Non-current liabilities	8 131	3 374
TOTAL LIABILITIES	13 908	7 542
Net asset value	6 408	4 951
RMH Property's share of net asset value	2 321	1 896
Notional goodwill	214	137
CLOSING CARRYING VALUE	2 535	2 033

R million	2019	2018
Statement of comprehensive income		
Net profit for the year	276	138
Other comprehensive income	129	116
TOTAL COMPREHENSIVE INCOMe	405	254
Dividends received from associates and joint ventures	6	–
GUARANTEES ISSUED IN RESPECT OF FUNDING NOT INCLUDED IN CARRYING VALUE	1 400	1 352

IMPAIRMENT OF ASSOCIATE

Propertuity

Due to the material underperformance by Propertuity against expectations influenced by various factors, including optimistic asset selection and unrealistic valuation expectations, limited management capacity, excessive gearing and operational challenges, RMH impaired its 49.9% investment in Propertuity and provided for contingencies at 30 June 2018. In October 2018, Propertuity was placed in liquidation. During the current year, further impairments and liquidation costs were provided for by RMH.

Atterbury SA

The South African property industry has experienced significant headwinds during the current financial year. The majority of listed property funds are trading at a discount to net asset value. Management has therefore impaired the goodwill acquired in Atterbury Property Holdings Proprietary Limited by R89 million. This bears no relation to the performance of Atterbury Property Holdings Proprietary Limited. The calculation took into consideration capitalisation rate changes since acquisition, changes in the embedded value of the development and asset management business since acquisition.

R million	As at 30 June COMPANY 2019	2018
5. Investment in subsidiaries		
Opening balance	13 024	–
Additions	20	13 024
Unlisted shares at cost	13 044	13 024

List of subsidiaries	% Voting rights 2019	2018	% Ownership 2019	2018
Direct subsidiaries				
RMH Treasury Company Limited	100	100	100	100
RMH Asset Holding Company Proprietary Limited	100	100	100	100
Indirect subsidiaries				
RMH Property Holdings Proprietary Limited	100	100	100	100
RMH PropHoldco 1 Proprietary Limited	100	100	100	100
RMH PropHoldco 2 Proprietary Limited	100	100	100	100
RMH PropHoldco 3 Proprietary Limited	100	100	100	100
RMH PropHoldco 4 Proprietary Limited	100	100	100	100
RMH PropHoldco 5 Proprietary Limited	100	100	100	100
RMH PropHoldco 6 Proprietary Limited	100	–	100	–

R million	GROUP AND COMPANY Number of shares million	Share capital	Share premium	Total
6. Share capital and premium				
As at 30 June 2018	1 411,7	14	8 811	8 825
As at 30 June 2019	1 411,7	14	8 811	8 825

The total authorised number of shares is 2 000 000 000 (2018: 2 000 000 000), with a par value of one cent per share (2018: one cent). During the current year, no shares were issued (2018: nil). 5 % of 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 (2018: 100 000 000), with a par value of one cent per share (2018: one cent). During the year, no preference shares were issued. As these preference shares are redeemable, they are classified as financial liabilities at amortised cost (see note 9). All preference shares are unlisted.

R million	GROUP 2019	2018	COMPANY 2019	2018
7. Reserves				
Retained earnings	2 427	2 639	1 720	1 671
Other reserves				
Equity accounted reserves	37 627	34 425	–	–
Available-for-sale reserve	–	7	–	–
Foreign currency translation reserve	91	94	–	–
Capital surpluses on disposal and restructuring of strategic investments	333	333	333	333
Other reserves	38 051	34 859	333	333
RESERVES	40 478	37 498	2 053	2 004

R million	As at 30 June GROUP 2019	2018	COMPANY 2019	2018
8. Trade and other payables				
Trade payables and accrued expenses	87	179	35	22
Accrued redeemable preference share dividends (see note 9)	31	31	15	15
Accrued interest (see note 9)	49	–	–	–
Unclaimed dividends	23	22	23	22
Intergroup debt	–	–	1 180	1 198
TRADE AND OTHER PAYABLES	190	232	1 253	1 257
Detail of intergroup debt				
Owing by subsidiary company				
Loan bearing interest at prime rate with no fixed repayment term, included in trade and other payables	–	–	(59)	(54)
Owing to subsidiary company				
Interest free loan with no fixed repayment term, included in trade and other payables	–	–	1 239	1 252
INTERGROUP DEBT	–	–	1 180	1 198

R million	As at 30 June GROUP 2019	2018	COMPANY 2019	2018
9. Financial liabilities				
Variable rate, cumulative, redeemable preference shares	1 702	1 552	1 180	1 180
Fixed rate, cumulative, redeemable preference shares	957	957	–	–
Interest-bearing loans and notes	1 038	22	37	22
Accrued redeemable preference dividend	31	31	15	15
Interest accrued on notes	49	–	–	–
Financial guarantee contract liability	–	161	–	–
Short-term portion of accrued preference dividend and interest transferred to trade and other payables (note 8)	(80)	(31)	(15)	(15)
FINANCIAL LIABILITIES	3 697	2 692	1 217	1 202
Variable rate, cumulative, redeemable preference shares				
Shares in issue at the beginning of the year	1 552	1 180	1 180	1 180
Issued during the year	150	372	–	–
Shares in issue at the end of the year	1 702	1 552	1 180	1 180
Fixed rate, cumulative, redeemable preference shares				
Shares in issue at the beginning of the year	957	957	–	–
Shares in issue at the end of the year	957	957	–	–

Detail of unlisted variable rate, cumulative, redeemable preference shares:

Issuer	Issue date	Interest rate	Redemption date	No of shares	Issued amount
RMB Holdings Limited	9 June 2017	71.67% of Prime	10 June 2020	11 800	1 180
RMH Treasury Company Limited	13 February 2018	70% of Prime	24 July 2021	371 825	372
RMH Treasury Company Limited	29 October 2018	68.25% of Prime	1 November 2021	150 000	150

Detail of unlisted fixed rate, cumulative, redeemable preference shares:

Issuer	Issue date	Interest rate	Redemption date	No of shares	Issued amount
RMH Treasury Company Limited	9 June 2017	7.08%	10 June 2020	667 829	667
RMH Treasury Company Limited	12 June 2017	7.34%	15 June 2020	289 800	290

R million	GROUP AND COMPANY 2019	2018
9. Financial liabilities continued		
Interest-bearing loans		
Funding raised by the company	37	22
BALANCE AS AT 30 JUNE	37	22

The company financed its obligation by means of a loan obtained from FirstRand Bank Limited. The loan is unsecured and bears interest at a rate linked to prime.

The following interest-bearing notes are issued by RMH Treasury Company Limited in terms of the RMH debt programme:

Issuer	Issue date	Interest rate	Redemption date	GROUP 2019	GROUP 2018
Note A	13 February 2018	3-month Jibar plus 180 basis points	13 August 2019	151	–
Note B	12 October 2018	3-month Jibar plus 200 basis points	17 September 2021	152	–
Note C	16 November 2018	3-month Jibar plus 139 basis points	16 November 2019	698	–
BALANCE AT 30 JUNE				1 001	–

	As at 30 June			
	GROUP		COMPANY	
R million	2019	2018	2019	2018
10. Deferred income tax				
Movement on the deferred income tax account is shown below:				
Balance at the beginning of the year	–	4	–	–
Deferred income tax charged on items directly taken to other comprehensive income	–	(4)	–	–
TOTAL DEFERRED INCOME TAX ASSET	–	–	–	–
Movement on the deferred income tax account is shown below:				
Balance at the beginning of the year	25	11	17	11
Deferred income tax charged current year	(5)	12	3	6
Deferred income tax charged on items directly taken to other comprehensive income	–	2	–	–
TOTAL DEFERRED INCOME TAX LIABILITY	20	25	20	17
Deferred income tax liabilities arise from:				
Unrealised fair value of investment securities	20	25	20	17
TOTAL DEFERRED INCOME TAX LIABILITY	20	25	20	17

	For the year ended 30 June			
	GROUP		COMPANY	
R million	2019	2018	2019	2018
11. Investment income				
Dividend income – subsidiary	–	–	5 217	5 054
Dividend income – investment securities	13	6	6	6
Interest income	13	20	2	3
Interest income from RMH Treasury Company Limited	–	–	6	5
INVESTMENT INCOME	26	26	5 231	5 068

	For the year ended 30 June			
	GROUP		COMPANY	
R million	2019	2018	2019	2018
12. Net fair value gains on financial assets and liabilities				
Fair value gain on derivative assets and liabilities	12	25	34	17
Fair value loss on loans and receivables	(9)	–	–	–
Fair value gain/(loss) on investment securities	54	(10)	(19)	8
NET FAIR VALUE GAIN	57	15	15	25

	For the year ended 30 June			
	GROUP		COMPANY	
R million	2019	2018	2019	2018
13. Administrative expenses				
Expenses by nature				
– Professional fees and regulatory compliance cost	(10)	(6)	(5)	(3)
– Management fees*	(23)	(28)	(23)	(28)
– Operating lease rentals	(1)	(1)	(1)	(1)
– Audit fees	(3)	(2)	(3)	(2)
– Staff costs	(9)	(6)	–	–
– Management participation scheme (Note 23)	(26)	–	–	–
– Liquidation costs	(65)	–	–	–
– Directors' fees	(3)	(3)	(3)	(3)
– Other expenses	(9)	(10)	(6)	(9)
ADMINISTRATIVE EXPENSES	(149)	(56)	(41)	(46)
Audit fees				
Statutory audit – current year	(2)	(2)	(2)	(2)
Statutory audit – prior year	(1)	–	(1)	–
Other services	–	–	–	–
AUDIT FEES	(3)	(2)	(3)	(2)

* *Management fees are paid to Rand Merchant Investment Holdings Limited (RMI) for services rendered. These services include a recovery of personnel cost and shared expenses.*

	For the year ended 30 June			
	GROUP		COMPANY	
R million	2019	2018	2019	2018
14. Finance costs				
Interest expense on borrowings	(63)	(5)	(2)	–
Dividends accrued on redeemable preference shares	(190)	(168)	(87)	(88)
FINANCE COSTS	(253)	(173)	(89)	(88)

15. Taxation

	For the year ended 30 June			
	GROUP		COMPANY	
R million	2019	2018	2019	2018
SA income tax				
Current tax				
– Current year	(23)	(9)	(18)	(9)
Deferred tax				
– Current year	5	(13)	(3)	(6)
TAXATION	(18)	(22)	(21)	(15)
The tax on accounting profits differs from the actual tax paid:				
Profit before tax	9 996	8 582	5 165	4 975

	%	%	%	%
Standard income tax rate of South Africa	28.00	28.00	28.00	28.00
Dividend income	–	–	(28.31)	(28.44)
Income from associates	(29.11)	(28.75)	–	–
Expenses not subject to tax	3.41	1.80	0.66	0.62
EFFECTIVE TAX RATE	2.30	1.05	0.35	0.18

16. Earnings, headline earnings and dividend per share

	GROUP			
	R million		cents per share	
	2019	2018	2019	2018
Earnings attributable to ordinary equity holders				
– Basic	9 978	8 560	706.9	606.5
– Diluted	9 978	8 560	706.9	606.5
Headline earnings				
– Basic	9 390	8 851	665.2	627.2
– Diluted	9 390	8 851	665.2	627.2
Ordinary dividend declared during the year	5 308	4 955	376.0	351.0
– Interim	2 513	2 372	178.0	168.0
– Final*	2 795	2 583	198.0	183.0
Ordinary dividends paid during the year	5 095	4 828	361.0	342.0

* *A final gross dividend for the year ended 30 June 2019 of 198.0 cents (2018: 183.0 cents) per ordinary share, declared on 6 September 2019, payable on 30 September 2019*

16.1 WEIGHTED AVERAGE NUMBER OF SHARES

	GROUP	
	2019	2018
Number of shares issued as at 30 June	1 411 703 218	1 411 703 218
Number of treasury shares	(175 839)	(353 753)
NUMBER OF SHARES	1 411 527 379	1 411 349 465
Weighted number of shares issued as at 30 June	1 411 703 218	1 411 703 218
Weighted number of treasury shares	(175 839)	(423 666)
WEIGHTED NUMBER OF SHARES	1 411 527 379	1 411 279 552
Weighted number of shares issued as at 30 June	1 411 527 379	1 411 279 552
Diluted weighted number of treasury shares	–	–
DILUTED WEIGHTED NUMBER OF SHARES	1 411 527 379	1 411 279 552

16. Earnings, headline earnings and dividend per share continued

16.2 HEADLINE EARNINGS RECONCILIATION

	GROUP			
	2019		2018	
R million	Gross	Net	Gross	Net
Earnings attributable to ordinary equity holders		9 978		8 560
Adjusted for:	(815)	(588)	291	291
Adjustments made by associates				
FirstRand				
Gain on disposal of investment securities and other investments of capital nature	(657)	(510)	(10)	(8)
Gain on disposal of available-for-sale assets	–	–	31	23
Transfer to foreign currency translation reserve	(24)	(25)	37	29
Profit on disposal of investments in non-private equity associates	(369)	(286)	–	–
Impairment of investments in non-private equity associates	11	11	–	–
Gain on disposal of investments in subsidiaries	(2)	(2)	(33)	(26)
Gain on disposal of property and equipment	(18)	(13)	(21)	(12)
Fair value movement on investment properties	–	–	(10)	(7)
Impairment of goodwill	–	–	4	2
Impairment of assets in terms of *IAS 36*	42	33	14	7
Gain from a bargain purchase	–	–	(14)	(14)
Other	–	–	(10)	(6)
RMH Property and its associates				
Fair value movement on investment properties	(6)	(4)	–	–
Loss on change in effective shareholding of associate	47	47	–	–
Impairment of assets in terms of *IAS 36*	36	36	61	61
Impairment of associates	135	135	247	247
RMH's own adjustments				
Loss on deemed sale of associate due to change in effective shareholding	(10)	(10)	(5)	(5)
HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS		9 390		8 851

17. Segment reporting

GROUP'S CHIEF OPERATING DECISION-MAKER

The chief operating decision-maker has been identified as the chief executive officer. Information provided is aligned with the internal reporting provided to the chief executive officer.

IDENTIFICATION AND MEASUREMENT OF OPERATING SEGMENTS

Information provided is aligned with the internal reporting provided to the chief executive officer. Operating segments whose total revenue, absolute profit or loss for the period or total assets are 10% or more of all the segments' revenue, profit or loss or total assets, are reported separately. The group currently considers the results of FirstRand (the group's most significant investment), RMH Property and the remaining instruments as the key operating segments and has accordingly proportioned segmental information on these as explained below.

FIRSTRAND

FirstRand is a diverse financial services group. It consists of a portfolio of leading financial services franchises. These are FNB (the retail and commercial bank), RMB (the corporate and investment bank), WesBank (the instalment finance business) and Aldermore (the recently acquired UK bank).

The franchises of FirstRand can be described as follows:

Franchise	Products and services	Footprint
FNB retail and commercial	FNB represents FirstRand's activities in the retail and commercial segments in South Africa and the broader African continent. FNB offers a diverse set of financial products and services to market segments including consumer, small business, agricultural, medium corporate, parastatals and government entities. FNB's products cover the entire spectrum of financial services – transactional, lending, insurance, investment and savings – and include mortgage loans, credit and debit cards, personal loans, funeral, credit life, life and other insurance policies, and savings and investment products. Services include transactional and deposit taking, card acquiring, credit facilities, insurance and FNB distribution channels (branch network, ATMs, call centres, cellphone and online). DirectAxis, previously reported as part of WesBank's earnings, has been moved into a personal loans cluster within FNB, alongside the FNB loans business.	FNB operates in South Africa, Namibia, Botswana, Lesotho, Swaziland, Zambia, Mozambique, Tanzania and Ghana.
RMB corporate and investment banking	RMB represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. RMB offers advisory, financing, trading, corporate transactional banking and principal investing solutions.	RMB operates in South Africa, Namibia, Botswana and Nigeria, and manages FirstRand Bank's representative offices in Kenya. It also operates in the UK, India and China (through FirstRand Bank branches and representative offices), and in Zambia, Tanzania, Mozambique, Swaziland, Lesotho and Ghana (through FirstRand's subsidiaries).
WesBank installment finance	WesBank represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa. Through the MotoVantage brand, WesBank provides insurance and related value-added products into the motor sector.	WesBank offers its products and services in South Africa.
Aldermore	Aldermore is a UK specialist lender and savings bank. It offers simple financial products and solutions to meet the needs of underserved small and medium-sized enterprises (SMEs), as well as homeowners, professional landlords and savers. Aldermore focuses on specialist lending across five areas: asset finance, invoice finance, SME commercial mortgages, residential mortgages and buy-to-let mortgages. It is funded primarily by deposits from UK savers. Following the integration of the MotoNovo business into Aldermore with effect from 5 May 2019, new MotoNovo business is originated in the Aldermore group.	Aldermore serves customers and intermediary partners online, by phone and face to face through a network of eight regional offices located around the UK.

17. Segment reporting continued

Franchise	Products and services
FCC and other	FCC represents group-wide functions, including group treasury (capital, funding and liquidity and financial resource management), group finance, group tax, enterprise risk management, regulatory and conduct risk management and group internal audit. FCC has a custodianship mandate which includes managing relationships on behalf of the group with key external stakeholders (e.g. shareholders, debt holders, regulators) and the ownership of key group strategic frameworks (e.g. performance measurement, risk/reward). Its objective is to ensure the group delivers on its commitments to stakeholders. The reportable segment includes all management accounting and consolidated entries. Ashburton Investments offers focused traditional and alternative investment solutions to individual and institutional investors and combines established active fund management expertise with alternative investment solutions from product providers across the FirstRand group. Ashburton Investments' results are included in this reportable segment as these are not material on a segmental basis. MotoNovo, the UK-based vehicle finance business, was previously reported under WesBank's results, but the total operational performance prior to the integration with Aldermore of MotoNovo, is reported in the London branch, which forms part of FCC/Group Treasury (GTSY) and is completely excluded from WesBank's performance. Following the finalisation of the transaction with Discovery, the Discovery card business has been moved out of FNB into FCC/Group Treasury.

Basis of preparation of segment information	
RMH believes that normalised earnings more accurately reflect operational performance. Headline earnings is adjusted to take into account the following non-operational and accounting anomalies for internal management reporting purposes:	
1. RMH's portion of normalised adjustments made by its associate FirstRand Limited which have a financial impact:	• FirstRand shares held for client trading activities; • *IAS 19: Remeasurement of plan asset;* • The consolidation of private equity subsidiaries which is excluded from the Rule 1 exemption of Circular/2018, Headline Earnings per Share; and • Cash-settled share-based payments and the economic hedge.
2. RMH shares held for client trading activities by FirstRand in terms of *IAS 28: Investments in Associates,* upstream and downstream profits are eliminated when equity accounting is applied, and, in terms of *IAS 32,* profits or losses cannot be recognised on an entity's own equity instruments. For the income statement, RMH's portion of the fair value change in RMH shares by FirstRand is, therefore, deducted from equity accounted earnings and the investment recognised using the equity accounted method.	
3. Adjustment to reflect earnings impact based on actual RMH shareholding in FirstRand based on actual number of shares issued by FirstRand.	

MAJOR CUSTOMERS

In terms of *IFRS 8,* a customer is regarded as a major customer if the revenue from transactions with this customer exceeds 10% or more of the entity's revenue. The group has no major customer as defined and is therefore not reliant on the revenue from one or more major customers.

RMH PROPERTY

RMH Property includes the results of the recently established property business.

OTHER

Other includes the results of the RMH company, consolidation of RMH shares held by FirstRand and RMH consolidation entries.

17. Segment reporting continued

R million	GROUP								
	FNB	RMB	WesBank	Aldermore	FCC and other	FirstRand	RMH Property	Other	RMH
Year ended 30 June 2019									
Investment income	–	–	–	–	–	–	16	10	26
Share of after-tax profit of associates	6 007	2 413	616	565	689	10 290	91	10	10 391
Revenue	6 007	2 413	616	565	689	10 290	107	20	10 417
Fee income	–	–	–	–	–	–	–	67	67
Net fair value gain on financial assets	–	–	–	–	–	–	42	15	57
Net impairment losses	–	–	–	–	–	–	(143)	–	(143)
Net income	6 007	2 413	616	565	689	10 290	6	102	10 398
Administration expenses	–	–	–	–	–	–	(79)	(70)	(149)
Income/(loss) from operations	6 007	2 413	616	565	689	10 290	(73)	32	10 249
Finance costs	–	–	–	–	–	–	(6)	(247)	(253)
Profit/(loss) before tax	6 007	2 413	616	565	689	10 290	(79)	(215)	9 996
Income tax expense	–	–	–	–	–	–	5	(23)	(18)
PROFIT/(LOSS) FOR THE YEAR	6 007	2 413	616	565	689	10 290	(74)	(238)	9 978
Headline earnings	6 007	2 413	616	565	(103)	9 498	140	(248)	9 390
Normalised earnings	6 007	2 413	616	565	(99)	9 502	140	(248)	9 394
As at 30 June 2019									
Assets	–	–	–	–	–	–	815	405	1 220
Investment in associates	–	–	–	–	–	49 503	2 535	–	52 038
TOTAL ASSETS	–	–	–	–	–	49 503	3 350	405	53 258
TOTAL LIABILITIES	–	–	–	–	–	–	1 268	2 687	3 955
Year ended 30 June 2018									
Revenue	–	–	–	–	–	–	18	8	26
Share of after-tax profit of associate	5 404	2 505	632	94	408	9 043	11	5	9 059
Revenue	5 404	2 505	632	94	408	9 043	29	13	9 085
Fee income	–	–	–	–	–	–	–	18	18
Net fair value gain on financial assets	–	–	–	–	–	–	7	8	15
Net impairment losses	–	–	–	–	–	–	(307)	–	(307)
Net income	5 404	2 505	632	94	408	9 043	(271)	39	8 811
Administration expenses	–	–	–	–	–	–	(10)	(46)	(56)
Income/(loss) from operations	5 404	2 505	632	94	408	9 043	(281)	(7)	8 755
Finance costs	–	–	–	–	–	–	(5)	(168)	(173)
Profit/(loss) before tax	5 404	2 505	632	94	408	9 043	(286)	(175)	8 582
Income tax expense	–	–	–	–	–	–	(6)	(16)	(22)
PROFIT/(LOSS) FOR THE YEAR	5 404	2 505	632	94	408	9 043	(292)	(191)	8 560
Headline earnings	5 404	2 505	632	94	395	9 030	16	(195)	8 851
Normalised earnings	5 403	2 504	631	94	363	8 995	16	(196)	8 815
As at 30 June 2018									
Assets	–	–	–	–	–	–	397	285	682
Investment in associates	–	–	–	–	–	46 557	2 033	–	48 590
TOTAL ASSETS	–	–	–	–	–	46 557	2 430	285	49 272
TOTAL LIABILITIES	–	–	–	–	–	–	363	2 586	2 949

Geographical segments

R million	South Africa	UK	Europe	RMH
Year ended 30 June 2019				
Share of after-tax profit of associate	9 623	565	203	10 391
Profit for the year	9 210	565	203	9 978
As at 30 June 2019				
Investment in associates	43 506	6 709	1 823	52 038
Year ended 30 June 2018				
Share of after-tax profit of associate	8 921	94	44	9 059
Profit for the year	8 422	94	44	8 560
As at 30 June 2018				
Investment in associates	42 224	4 644	1 722	48 590

17. Segment reporting continued

R million	GROUP 2019	GROUP 2018
Earnings attributable to ordinary equity holders	9 978	8 560
Headline earnings adjustments (refer note 16)	(588)	291
Headline earnings attributable to ordinary equity holders (Note 19)	9 390	8 851
RMH's share of adjustments made by FirstRand		
TRS and *IFRS 2* liability remeasurement	27	(18)
Treasury shares	–	6
IAS 19 adjustment	(33)	(37)
Private equity subsidiary realisations	9	16
Adjusted for:		
Group treasury shares	1	(3)
NORMALISED EARNINGS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS	9 394	8 815
Normalised earnings per share		
– Basic	665.4	624.4
– Diluted	665.4	624.4

18. Related parties

PRINCIPAL SHAREHOLDERS

Details of major shareholders are disclosed in the directors' report. The principal shareholders are Financial Securities Limited (Remgro), Royal Bafokeng Holdings (Proprietary) Limited and LL Dippenaar.

KEY MANAGEMENT PERSONNEL AND THEIR ASSOCIATES

Only RMH's directors are key management personnel. Information on directors' emoluments and their shareholding in the company appears in the directors' report. RMI has been identified as an associate of key management personnel.

ASSOCIATE AND JOINT VENTURES

Details of the investment in associates and joint ventures are disclosed in note 4.

R million	For the year ended 30 June GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Transactions of RMB Holdings Limited with:				
Principal shareholders				
Dividends paid	2 473	2 343	2 473	2 343
Key management personnel				
Salaries and other benefits	5	6	5	6
Directors' fees	3	39	3	39

R million	For the year ended 30 June GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Transactions of RMB Holdings Limited or its wholly-owned subsidiaries with FirstRand				
Income statement effect				
Dividends received	5 426	5 081	–	–
Interest received	7	3	2	2
Preference shares dividends paid	162	146	87	88
Finance costs	25	5	2	5
Balance sheet effect				
Cash and cash equivalents	117	43	24	38
Preference share liabilities	2 219	2 220	1 180	1 180
Trade and other payables	76	165	15	15
Interest-bearing loans	570	22	37	22
Derivative financial instruments	19	–	–	–

18. Related parties continued

R million	For the year ended 30 June GROUP 2019	2018
Transactions of RMB Holdings Limited wholly-owned subsidiaries with RMH Property associates and joint ventures		
Income statement effect		
Fee income:	50	–
Fees received from Atterbury Europe B.V.	46	–
Fees received from Atterbury Property Holdings Proprietary Limited	3	–
Fees received from Integer 3 Proprietary Limited	1	–
Investment income:		
Interest received from Integer 3 Proprietary Limited	6	5
Balance sheet effect		
Loans and receivables:	802	56
Loan to Integer 3 Proprietary Limited	80	56
Atterbury Europe Holding B.V.	29	–
Loan to Atterbury Bucharest B.V.	693	–
Transactions of RMB Holdings Limited's key management personnel with FirstRand		
Loans in normal course of business (mortgages, other loans, instalment finance and credit cards)	–	1
Cheque and current accounts	1	8
Savings accounts	–	–
Term deposits	–	84
Ashburton funds	249	244
Financial consulting fees and commissions	1	5

R million	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Transactions of RMB Holdings Limited's with RMI				
Income statement effect				
Administration expenses				
– Management fee	(23)	(28)	(23)	(28)
Balance sheet effect				
Investment securities	184	202	184	202
Derivative financial instruments	70	36	70	36

19. Contingent liabilities

R million	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Guarantees	3 881	2 833	–	–

20. Subsequent events

On 17 July 2019, the shareholders of Pareto Limited subscribed for 25% of Atterbury Europe for Euro 100 million, diluting RMH Property's shareholding from 50% to 37.5%. The investment provides Atterbury Europe with an additional strategic shareholder and more development capital to expand its European operation.

21. Fair value measurements and analysis of assets and liabilities

This note provides information about how the fair values of instruments are determined and includes judgements and explanation on the uncertainty estimation involved.

VALUATION METHODOLOGY APPLIED

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. Fair value is therefore a market-based measurement and, when measuring fair value, RMH uses the assumptions that market participants would use when pricing an asset or liability under current market conditions, including assumptions about risk. When determining fair value, it is presumed that the entity is a going concern and the fair value is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

The fair value of non-traded derivatives is based on discounted cash flow models and option pricing models, as appropriate. The group recognises derivatives as assets when the fair value is positive and as liabilities when the fair value is negative. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or based on a valuation technique with variables that include only data from observable markets. When such evidence exists, the group recognises profits or losses on day one. Where fair value is determined using valuation techniques with variables that include non-observable market data, the difference between the fair value and the transaction price (the day one profit or loss) is not recognised in the statement of financial position. These differences are, however, monitored for disclosure purposes. If observable market factors that market participants would consider in setting a price subsequently become available, the balance of the deferred day one profit or loss is released to profit or loss.

FAIR VALUE MEASUREMENT

Fair value measurements are determined on both a recurring and non-recurring basis.

Recurring fair value measurements

Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non-financial assets.

Financial instruments

When determining the fair value of a financial instrument, RMH uses the most representative price.

Non-financial assets

When determining the fair value of a non-financial asset, a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use, is taken into account. This includes the use of the asset that is physically possible, legally permissible and financially feasible. In determining the fair value of the group's investment properties and commodities, the highest and best use of the assets is their current use.

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non-current assets or disposal groups held for sale under *IFRS 5,* where fair value less costs to sell is the recoverable amount, *IFRS 3: Business Combinations,* where assets and liabilities are measured at fair value at acquisition date, and *IAS 36: Impairments of Assets,* where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case-by-case basis as they occur within each reporting period.

OTHER FAIR VALUE MEASUREMENTS

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS standard, e.g. financial instruments at amortised cost. The fair values of these items are determined by using observable quoted market prices where these are available, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis.

FAIR VALUE HIERARCHY AND MEASUREMENTS

Valuations based on observable inputs include:

- **Level 1** – Fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured on the reporting date. An active market is one in which transactions occur with sufficient volume and frequency to reliable provide pricing information on an ongoing basis.
- **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 available, and rely as little as possible on entity-specific estimates.

Valuations based on unobservable inputs include:

- **Level 3** – Fair value is determined through valuation techniques that use significant unobservable inputs.

21. Fair value measurements and analysis of assets and liabilities continued

The table below sets out the valuation techniques applied by RMH for fair value measurements of financial assets and liabilities categorised as Level 2 asset and liabilities in the fair value hierarchy.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Derivative financial instruments – Equity derivative	Quoted market closing price less market-related interest rate times the number of units	The models calculate fair value based on input parameters such as closing share price on valuation date and the interest rate charged on the overdraft facility.	Market interest rates and prices
Loans and receivables	Discounted cash flows	The future cash flows are discounted using a market-related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and interest rate curves
Financial assets and liabilities not measured at fair value but for which fair values are disclosed	Discounted cash flows	The future cash flows are discounted using a market-related interest rate and curves adjusted for credit inputs (which are not considered a significant input)	Market interest rates and curves
Derivative financial instruments – Forward exchange contract	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Spot price of underlying instrument, interest rate curves and dividend yield

The table below sets out the valuation techniques applied by RMH for fair value measurements of financial assets and liabilities categorised as Level 3 asset and liabilities in the fair value hierarchy.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Unobservable inputs
Financial guarantee contracts	Discounted cash flows	Present value of the assessment of the probability of default times the exposure at default	Probability of default
Long-term liabilities	Discounted cash flows	The difference of the carrying value of the underlying investment less the notional outstandings.	Carrying value of unlisted investments

21. Fair value measurements and analysis of assets and liabilities continued

	GROUP			
R million	Level 1	Level 2	Level 3	Total
As at 30 June 2019				
Recurring fair value measurements				
Financial assets measured at fair value				
Investment securities: equity instruments	184	–	–	184
Loans and receivables	–	693	–	693
Derivative financial instruments	–	70	–	70
Financial assets not measured at fair value but for which fair value is disclosed				
Investment in associate	130 960	–	–	130 960
FAIR VALUE OF FINANCIAL ASSETS	131 144	763	–	131 907
Recurring fair value measurements				
Financial liabilities measured at fair value				
Financial liabilities	–	3 697	–	3 697
Derivative financial instruments	–	19	–	19
Long-term liabilities	–	–	26	26
FAIR VALUE OF FINANCIAL LIABILITIES	–	3 716	26	3 742
As at 30 June 2018				
Financial assets measured at fair value				
Investment securities: equity instruments	202	–	151	353
Investment securities: debt instruments	–	–	170	170
Derivative financial instruments	–	36	–	36
Financial assets not measured at fair value but for which fair value is disclosed				
Investment in associate	122 058	–	–	122 058
FAIR VALUE OF FINANCIAL ASSETS	122 260	36	321	122 617
Recurring fair value measurements				
Financial liabilities measured at fair value				
Financial liabilities	–	2 531	161	2 692
FAIR VALUE OF FINANCIAL LIABILITIES	–	2 531	161	2 692

	GROUP	
Reconciliation of Level 3 assets measured at fair value	2019	2018
Balance at the beginning of the year	321	123
Additions in the current year	–	156
Disposals during the current year	(388)	–
Fair value movement recognised in profit	67	14
Fair value movement recognised in other comprehensive income	–	28
BALANCE AT 30 JUNE	–	321

	GROUP	
Reconciliation of Level 3 liabilities measured at fair value	2019	2018
Balance at the beginning of the year	161	–
Disposals during the current year	(177)	–
Fair value movement recognised in profit	42	161
BALANCE AT 30 JUNE	26	161

21. Fair value measurements and analysis of assets and liabilities continued

Effect of changes in significant unobservable assumption of Level 3 instruments:

R million	Description of valuation technique and main assumptions	Changes to significant unobservable data	As at 30 June 2019 GROUP Fair value	Using more positive assumptions	Using more negative assumptions
Liabilities					
Long-term liabilities	Discounted cash flow	Reduced and increased the underlying value by 10%	26	29	23

R million	Description of valuation technique and main assumptions	Changes to significant unobservable data	As at 30 June 2018 GROUP Fair value	Using more positive assumptions	Using more negative assumptions
Assets					
Investment securities: equity instruments	The net asset value of the underlying entity is used as basis of calculation. The net asset value is then adjusted for non-tangible liabilities such as deferred tax and future development profit not included in the net asset value	Reduced and increased underlying value by 10%	151	182	122
Investment securities: debt instruments	Accrued value at current market rates	Reduced and increased underlying rate by 10%	170	165	164
Liabilities					
Financial guarantee contract	Discounted cash flow	Reduced and increased the probability of default by 10%	161	144	161

21. Fair value measurements and analysis of assets and liabilities continued

R million	Level 1	Level 2	Total
COMPANY			
Recurring fair value measurements			
As at 30 June 2019			
Financial assets measured at fair value			
Investment securities: equity instruments	184	–	184
Derivative financial instruments	–	70	70
FAIR VALUE OF FINANCIAL ASSETS	184	70	254
Financial liabilities measured at fair value			
Financial liabilities	–	1 217	1 217
FAIR VALUE OF FINANCIAL LIABILITIES	–	1 217	1 217
As at 30 June 2018			
Financial assets measured at fair value			
Investment securities: equity instruments	202	–	202
Derivative financial instruments	–	36	36
FAIR VALUE OF FINANCIAL ASSETS	202	36	238
Financial liabilities measured at fair value			
Financial liabilities	–	1 202	1 202
FAIR VALUE OF FINANCIAL LIABILITIES	–	1 202	1 202

22. Management of financial risk

Various financial risks have an impact on the group's results: market risk (including currency risk, interest rate risk and other price risk), credit risk, concentration risk and liquidity risk. The risk management framework is aimed at minimising the negative impact that the unpredictable financial markets can have on the group. RMH has implemented a governance structure to assist with the management of risk. The various sub-committees and their responsibilities as well as reports from the various committees are included in the corporate governance report. This section addresses the quantitative impact market risk, credit risk and liquidity risk have on the results of the group.

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 foreign currency and group entities with functional currencies other than Rand.

During the year, the group invested in foreign-denominated unlisted equity and debt security. The impact of the movement in the Rand/Euro exchange rate on the results of the group is demonstrated below:

	GROUP			
R million	10% increase 2019	10% decrease 2019	10% increase 2018	10% decrease 2018
Investment in associates	37	(37)	47	(47)
Investment securities: debt instruments	72	(72)	43	(21)
Investment securities: equity instruments	–	–	12	(12)
Derivative financial instrument	174	(72)	–	–

INTEREST RATE RISK

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

As the company and the group have entered into various loan and funding agreements, the table below reflects the equity holders' exposure to interest rate risk. The effective interest rate method is used and an interest rate shock of 200 bps applied to the underlying interest rate. An increase or decrease in the market interest rate would result in the following changes in the profit before tax of the group:

	GROUP				COMPANY			
R million	200 bps increase 2019	200 bps decrease 2019	200 bps increase 2018	200 bps decrease 2018	200 bps increase 2019	200 bps decrease 2019	200 bps increase 2018	200 bps decrease 2018
Cash and cash equivalents	2	(2)	*	*	*	*	*	*
Loans and receivables	16	(16)	*	*	1	(1)	1	(1)
Investment securities: debt instruments	–	–	12	(10)	–	–	–	–
Trade payables and accrued expenses	–	–	(1)	1	–	–	–	–
Financial liabilities					–	–	–	–
– Preference shares	(34)	34	(17)	17	(24)	24	(9)	9
– Interest-bearing loans	(21)	21	–	–	(1)	1	–	–

* *Amount less than R500 000.*

22. Management of financial risk continued

OTHER PRICE RISK

Equity risk is the risk of the fair value or future cash flows of a financial instrument fluctuating 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 group has entered into certain equity investment (listed and unlisted) and equity derivative contracts which are exposed to the value of the underlying security.

The table below reflects the equity holders' exposure to the equity price risk of these underlying securities. A hypothetical 10% increase or decrease in the equity prices would result in the following changes in the profit before tax of the group:

	GROUP				COMPANY			
R million	10% increase 2019	10% decrease 2019	10% increase 2018	10% decrease 2018	10% increase 2019	10% decrease 2019	10% increase 2018	10% decrease 2018
Assets								
Financial assets								
– Listed shares	18	(18)	20	(20)	18	(18)	20	(20)
– Unlisted shares	–	–	15	(15)	–	–	–	–
Derivative financial instrument	29	(29)	29	(29)	29	(29)	29	(29)

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:

- Loans and receivables;
- Cash and cash equivalents;
- Derivative financial instruments; and
- Off-balance sheet exposures

No defaults were experienced on loans and receivables.

There is no significant concentration of credit risk. The creditworthiness of existing and potential exposures is monitored quarterly at the board meeting. The table below provides information on the credit risk exposure by credit ratings at the year-end (where available):

R million	BB	Not rated	Balance as at 30 June 2019	BB+	Not rated	Balance as at 30 June 2018
GROUP						
Cash and cash equivalents	117	–	117	43	–	43
Loans and receivables	–	155	155	–	57	57
Investment securities	–	–	–	–	170	170
Derivative financial instruments	–	70	70	–	55	55
Off-balance sheet exposure	3 800	81	3 881	1 481	1 352	2 833
	3 917	306	4 223	1 524	1 634	3 158
COMPANY						
Cash and cash equivalents	24	–	24	38	–	38
Loans and receivables	–	46	46	–	1	1
Derivative financial instruments	–	70	70	–	36	36
	24	116	140	38	37	75

22. Management of financial risk continued

CREDIT RISK continued

The ratings were obtained from Standard & Poor's. 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

BB An obligor is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments.

BB+ An obligation rated 'BB' is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions, which could lead to the obligors' inadequate capacity to meet its financial commitment on the obligation

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.

CONCENTRATION RISK

Credit concentration risk is the risk of loss to the group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity.

The following tables provide a breakdown of the gross credit exposure across geographical areas.

R million	South Africa	Other Europe	Balance as at 30 June 2019	South Africa	Other Europe	Balance as at 30 June 2018
GROUP						
Cash and cash equivalents	117	–	117	43	–	43
Loans and receivables	155	693	848	57	–	57
Investment securities	184	–	184		170	170
Derivative financial instruments	70	–	70	55	–	55
Off-balance sheet exposure	3 078	803	3 881	2 030	803	2 833
	3 604	1 496	5 100	2 185	973	3 158
COMPANY						
Cash and cash equivalents	24	–	24	38	–	38
Loans and receivables	–	46	46	1	–	1
Derivative financial instruments	70	–	70	36	–	36
	94	46	140	75	–	75

LIQUIDITY RISK AND ASSET/LIABILITY MATCHING

Liquidity risk is the risk that RMH will encounter difficulty in meeting obligations associated with financial liabilities. RMH'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 cash calls are monitored quarterly at the board meeting. RMH is exposed to roll-over risk in the bracket of two to five years. The board is comfortable with this risk, due to the liquidity of its investment in FirstRand and the implementation of a debt programme in the prior year.

Debt programme

During the prior year, RMH implemented a debt programme through its new wholly-owned subsidiary, RMH Treasury Company Proprietary Limited.

The following is a summary of the significant features:

- The programme size was set at R15 billion. To increase the size, permission would be required from current funders.
- The programme contains the following significant redemption events:
  1. If RMH decreased its shareholding in FirstRand to below 25.1%;
  2. If Remgro decreased its shareholding in RMH to below 25%;
  3. If RMH is delisted;
  4. If the market capitalisation of RMH decreases by more than 60% in any rolling 12-month period;
  5. If the market value to group debt ratio decreases to below 4 times;
  6. If there is a change of control in RMH which requires a mandatory offer in term of section 123 of the Companies Act; or
  7. If RMH receives a qualified audit opinion.

Funding provided under the debt programme carries a guarantee from RMH Asset Holding Proprietary Limited and RMH.

22. Management of financial risk continued

CONTRACTUAL DISCOUNTED CASH FLOW ANALYSIS

	GROUP					
R million	0 – 6 months	7 – 12 months	2 – 5 years	Over 5 years	Non-financial	Total
As at 30 June 2019						
Total assets	377	693	150	–	52 038	53 258
Total liabilities	(1 093)	(2 157)	(684)	–	(21)	(3 955)
NET LIQUIDITY GAP	(716)	(1 464)	(534)	–	52 017	49 303
CUMULATIVE LIQUIDITY GAP	(716)	(2 180)	(2 714)	(2 714)	49 303	49 303
As at 30 June 2018						
Total assets	467	160	55	–	48 590	49 272
Total liabilities	(81)	(151)	(2 692)	–	(25)	(2 949)
NET GAP	386	9	(2 637)	–	48 565	46 323
CUMULATIVE LIQUIDITY GAP	386	395	(2 242)	(2 242)	46 323	46 323

	COMPANY					
R million	0 – 6 months	7 – 12 months	2 – 5 years	Over 5 years	Non-financial	Total
As at 30 June 2019						
Total assets	254	–	70	–	13 044	13 368
Total liabilities	(1 290)	(1 180)	–	–	(20)	(2 490)
NET LIQUIDITY GAP	(1 036)	(1 180)	70	–	13 024	10 878
CUMULATIVE LIQUIDITY GAP	(1 036)	(2 216)	(2 146)	(2 146)	10 878	10 878
As at 30 June 2018						
Total assets	245	–	36	–	13 024	13 305
Total liabilities	(1 257)	–	(1 202)	–	(17)	(2 476)
NET GAP	(1 012)	–	(1 166)	–	13 007	10 829
CUMULATIVE LIQUIDITY GAP	(1 012)	(1 012)	(2 178)	(2 178)	10 829	10 829

22. Management of financial risk continued

UNDISCOUNTED CASH FLOW ANALYSIS

	GROUP			
R million	0 – 6 months	7 – 12 months	2 – 5 years	Total
As at 30 June 2019				
Financial liabilities	1 012	2 252	768	4 032
Derivative liabilities	–	19	–	19
Long-term liabilities	–	–	26	26
Trade and other payables	189	–	10	199
TOTAL LIABILITIES	1 201	2 271	804	4 276
As at 30 June 2018				
Financial liabilities	92	90	2 742	2 924
Trade and other payables	74	158	–	232
TOTAL LIABILITIES	166	248	2 742	3 156

	COMPANY			
R million	0 – 6 months	7 – 12 months	2 – 5 years	Total
As at 30 June 2019				
Financial liabilities	81	1 234	–	1 315
Trade and other payables	1 253	–	–	1 253
Total liabilities	1 334	1 234	–	2 568
As at 30 June 2018				
Financial liabilities	43	43	1 276	1 362
Trade and other payables	1 257	–	–	1 257
TOTAL LIABILITIES	1 300	43	1 276	2 619

22. Management of financial risk continued

The following table analyses the assets in the statement of financial position per category of financial instrument and by measurement basis according to when the assets are expected to be realised:

	As at 30 June 2019					
	GROUP					
R million	At fair value through profit and loss: Mandatory	At amortised cost	Non-financial instrument	Total carrying value	Current	Non-current
Cash and cash equivalents	–	117	–	117	117	–
Loans and receivables	693	155	–	848	768	80
Investment securities	184	–	–	184	184	–
Derivative financial instruments	70	–	–	70	–	70
Taxation receivable	–	1	–	1	1	–
Investment in associates	–	–	52 038	52 038	–	52 038
TOTAL ASSETS	947	273	52 038	53 258	1 070	52 188

	As at 30 June 2019					
	COMPANY					
R million	At fair value through profit and loss: Mandatory	At amortised cost	Non-financial instrument	Total carrying value	Current	Non-current
Cash and cash equivalents	–	24	–	24	24	–
Loans and receivables	–	46	–	46	46	–
Investment securities	184	–	–	184	184	–
Derivative financial instruments	70	–	–	70	–	70
Investment in subsidiaries	–	–	13 044	13 044	–	13 044
TOTAL ASSETS	254	70	13 044	13 368	254	13 114

22. Management of financial risk continued

R million	Held-for-trading	Loans and receivables	Available-for-sale assets	Non-financial instrument	Total carrying value	Current	Non-current
	As at 30 June 2018						
	GROUP						
Cash and cash equivalents	–	43	–	–	43	43	–
Loans and receivables	–	57	–	–	57	57	–
Investment securities	202	170	151	–	523	523	–
Derivative financial instruments	55	–	–	–	55	–	55
Taxation receivable	–	4	–	–	4	4	–
Investment in associates	–	–	–	48 590	48 590	–	48 590
TOTAL ASSETS	257	274	151	48 590	49 272	627	48 645

R million	Held-for-trading	Loans and receivables	Available-for-sale assets	Non-financial instrument	Total carrying value	Current	Non-current
	As at 30 June 2018						
	COMPANY						
Cash and cash equivalents	–	38	–	–	38	38	–
Loans and receivables	–	1	–	–	1	1	–
Investment securities	202	–	–	–	202	202	–
Derivative financial instruments	36	–	–	–	36	–	36
Taxation receivable	–	4	–	–	4	4	–
Investment in subsidiaries	–	–	–	13 024	13 024	–	13 024
TOTAL ASSETS	238	43	–	13 024	13 305	245	13 060

The following table analyses the liabilities in the statement of financial position per category of financial instrument and, therefore, by measurement basis according to when the liabilities are expected to be realised:

R million	At fair value through profit and loss: Mandatory	Financial liabilities at amortised cost	Non-financial instrument	Total carrying value	Current	Non-current
	As at 30 June 2019					
	GROUP					
Trade and other payables	–	190	–	190	180	10
Taxation payable	–	3	–	3	3	–
Financial liabilities	–	3 697		3 697	3 039	658
Derivative financial instruments	19	–	–	19	19	–
Long-term liabilities	–	–	26	26	–	26
Deferred tax liability	–	–	20	20	–	20
TOTAL LIABILITIES	19	3 890	46	3 955	3 241	714

R million	Financial liabilities at amortised cost	Non-financial instrument	Total carrying value	Current	Non-current
	As at 30 June 2019				
	COMPANY				
Trade and other payables	1 253	–	1 253	1 253	–
Financial liabilities	1 217	–	1 217	1 217	–
Deferred tax liability	–	20	20	–	20
TOTAL LIABILITIES	2 470	20	2 490	2 470	20

22. Management of financial risk continued

R million	Financial liabilities at amortised cost	Non-financial instrument	Total carrying value	Current	Non-current
	As at 30 June 2018				
	GROUP				
Trade and other payables	232	–	232	232	–
Financial liabilities	2 692	–	2 692	–	2 692
Deferred tax liability	–	25	25	–	25
TOTAL LIABILITIES	2 924	25	2 949	232	2 717

R million	Financial liabilities at amortised cost	Non-financial instrument	Total carrying value	Current	Non-current
	As at 30 June 2018				
	COMPANY				
Trade and other payables	1 257	–	1 257	1 257	–
Financial liabilities	1 202	–	1 202	22	1 180
Deferred tax liability	–	17	17	–	17
TOTAL LIABILITIES	2 459	17	2 476	1 279	1 197

CAPITAL MANAGEMENT

RMH is not regulated by the Financial Sector Regulation Act, 9 of 2017, and does not have to meet any minimum regulatory capital requirements. Capital is therefore managed within a set risk appetite, taking into account the capital requirements of the group.

RMH's objectives when managing capital are:

- To safeguard the group's ability to continue as a going concern so that it can continue to provide returns for equity holders and benefits for other stakeholders; and
- To provide an adequate return to equity holders by pricing insurance commensurately with the level of risk.

In order to maintain or adjust the capital structure, RMH may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or realise assets to reduce debt.

Management regard share capital, share premium, retained earnings, contingency reserves, as well as a portion of the unrealised profit in the listed associate as capital when managing capital and determining debt/equity ratios. During the year, the group's strategy remained unchanged. Refer to the statement of changes in equity for details regarding the group's capital.

	As at 30 June			
	GROUP		COMPANY	
R million	2019	2018	2019	2018
Total borrowings	3 728	2 562	1 232	1 217
Less: Cash and cash equivalents	(117)	(43)	(24)	(38)
Net debt	3 611	2 519	1 208	1 179
Total equity	49 303	46 323	10 878	10 829
Total capital	52 914	48 842	12 086	12 008
Gearing ratio (%)	7%	5%	11%	11%

23. Share-based payment

RMH MANAGEMENT PARTICIPATION STRUCTURE

In 2018, RMH implemented a management participation structure upon the activation of the portfolio and the establishment of the RMH Property portfolio. The aim of the structure is to align the interests of management with those of shareholders and establish a long-term focus. The structure had no financial impact during the prior year.

R million	GROUP 2019	GROUP 2018
Share-based payment liability	26	–
LONG-TERM LIABILITIES	26	–

Description of the structure

The purpose of this structure is to provide participants, including executive directors, with the opportunity to participate in the creation of long-term value in the RMH Property portfolio after RMH has been compensated for the capital it provides. The structure rewards the participants in accordance with the outperformance of the relevant investments over a hurdle rate and supports long-term retention.

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

Monetisation of the structure occurs after ten years through a put option to RMH, available for 365 days, or through the realisation of the underlying investment, whichever occurs first. The structure is not settled in RMH shares. The board has discretion concerning:

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

VALUATION METHODOLOGY

The following approach is followed:

Step 1 – Determine the value of the underlying investment

Underlying investments are valued either at carrying value or using market-accepted valuation methodologies such as discounted cash flow models, where a discount rate is determined taking into account specific risks relating to the underlying investments, or a price/earnings methodology, where a market-related ratio is applied. Investments can be valued using a combination of valuation methodologies, depending on the nature of the underlying investment.

Step 2 – Determine value per share

A value per share is determined by dividing the proportionate value of the underlying investment by the number of shares.

Step 3 – Calculate cost per share

A cost per share is then calculated by taking the capital amount injected and accruing the agreed upon hurdle rate on the amount. These numbers are added and divided by the number of shares.

Step 4 – Determine the value of the liability

The value per share calculated in Step 2 is reduced by the value per share calculated in Step 3. The determined value is then multiplied by the number of shares issued to participants to determine the value of the liability. An increase in the value of the liability leads to the charge of a share-based payment expense in profit and loss. If the value of the liability decreases, a negative share-based payment expense is charged to profit and loss.

R million	GROUP 2019	GROUP 2018
Gross value	106	90
Cost	(80)	(90)
BALANCE AT 30 JUNE	26	–
Total number of participants	7	7
Total number of shares issued to participants	1 284 322	1 282 800
Balance at the beginning of the year	1 282 800	–
Shares issued during the year	1 522	1 282 800

24. Directors' and prescribed officer emoluments

NON-EXECUTIVE DIRECTORS' EMOLUMENTS

R'000	Services as director	Total 2019	Services as director	Performance-related	Total 2018
Non-executive					
GT Ferreira (chairman) (retired 31 March 2018)	–	–	248	–	248
Jannie Durand[1]	351	351	209	–	209
Johan Burger[2]	176	176	167	–	167
Peter Cooper[3]	176	176	167	36 722	36 889
Sonja De Bruyn	283	283	232	–	232
Laurie Dippenaar	176	176	167	–	167
Jan Dreyer (retired 31 March 2018)	–	–	196	–	196
Pat Goss (retired 31 March 2018)	–	–	129	–	129
Paul Harris	176	176	167	–	167
Albertinah Kekana[4]	176	176	167	–	167
Per Lagerström	239	239	221	–	221
Mamongae Mahlare	176	176	43	–	43
Murphy Morobe	209	209	170	–	170
Ralph Mupita[5]	176	176	43	–	43
Obakeng Phetwe	176	176	140	–	140
James Teeger	220	220	50	–	50
Khehla Shubane (retired 31 March 2018)	–	–	124	–	124
David Frankel (alternate)	176	176	43	–	43
Faffa Knoetze(alternate)	–	–	–	–	–
David Wilson (alternate) (resigned 1 July 2019)	–	–	–	–	–
TOTAL	2 886	2 886	2 683	36 722	39 405

1. *Directors' fees for serviced rendered by Jannie Durand were paid to the Remgro group.*
2. *Directors' fees for serviced rendered by Johan Burger were paid to FirstRand Limited whilst still an executive director of FirstRand Limited.*
3. *During the prior year all outstanding RMH share appreciation rights awarded to Mr Cooper during his executive employment matured.*
4. *Directors' fees for serviced rendered by Albertinah Kekana were paid to Royal Bafokeng Holdings Proprietary Limited.*
5. *Directors' fees for serviced rendered by Ralph Mupita were paid to MTM Group Limited.*

NON-EXECUTIVE AND EXECUTIVE DIRECTORS' EMOLUMENTS PAID BY ASSOCIATE

R'000	Total 2019	Total 2018
Johan Burger[1]	19 498	49 378
Herman Bosman[2]	1 068	774
Laurie Dippenaar (retired 31 March 2018)	–	3 933
Jannie Durand[3]	394	884
Pat Goss	–	853
Paul Harris	–	444
Faffa Knoetze[3]	2 490	2 239
TOTAL	23 450	58 505

1. *This amount includes Johan Burger's total earnings for the prior year and part of 2019 from FirstRand as an executive director. His remuneration includes total compensation for being a prescribed officer of FirstRand. Prescribed officer remuneration disclosure has been aligned with King IV single figure reporting, which requires the disclosure of the performance-related incentives (both cash and deferred) in respect of the year and delivery of the past years long-term incentive awards (CIP) dependent on the fulfilment of the conditions during the year. The long-term CIP included in Johan Burger's remuneration is the CIP settled in the financial year at original award value.*
2. *Directors' fees for serviced rendered by Herman Bosman were paid to RMH.*
3. *Directors' fees for serviced rendered by Jannie Durand and Faffa Knoetze were paid to the Remgro group.*

24. Directors' and prescribed officer emoluments continued

EXECUTIVE DIRECTORS' EMOLUMENT AND PARTICIPATION IN THE RMH SHARE SCHEME AND THE OWNERSHIP PARTICIPATION STRUCTURE

R'000	Cash package[1]	Retirement benefits[2]	Other benefits[3]	RMH share scheme[4]	2019	Cash package[1]	Retirement benefits[2]	Other benefits[3]	RMH share scheme[4]	2018
Herman Bosman	2 780	286	45	1 390	4 501	2 454	247	76	3 675	6 452

1. *25% of Mr Bosman's salary paid by RMI is recouped from RMH in terms of a service level agreement.*
2. *25% of Mr Bosman's pension and provident fund contributions paid by RMI is recouped from RMH in terms of a service level agreement.*
3. *25% of Mr Bosman's cell phone allowance and medical aid contribution paid by RMI is recouped from RMH in terms of a service level agreement.*
4. *This includes the value of share appreciation rights granted by RMI on RMH shares which vest and becomes exercisable in the 12 months following the end of the reporting period.*

RMH share appreciation rights	Share	Strike price (cents)	Exercise date	Opening balance as at 1 July 2018 000's	Issued 000's	Forfeited 000's	Exercised 000's	Closing balance as at 30 June 2019 000's	Benefit derived[1] R'000
Herman Bosman	RMH	4 781	4/2/2017	126	–	–	–	126	4 625
	RMH	4 781	4/2/2018	126	–	–	–	126	4 625
	RMH	4 781	4/2/2019	126	–	–	–	126	4 625
	RMH	6 395	9/14/2018	6	–	–	–	6	157
	RMH	6 395	9/14/2019	6	–	–	–	6	149
	RMH	6 395	9/14/2020	6	–	–	–	6	119
	RMH	6 039	9/14/2019	40	–	–	–	40	1 147
	RMH	6 039	9/14/2020	40	–	–	–	40	859
	RMH	6 039	9/14/2021	40	–	–	–	40	682
	RMH	6 603	9/14/2020	36	–	–	–	36	421
	RMH	6 603	9/14/2021	36	–	–	–	36	555
	RMH	6 603	9/14/2022	36	–	–	–	36	409
	RMH	6 603	9/14/2021	–	41	–	–	41	230
	RMH	6 603	9/14/2022	–	41	–	–	41	171
	RMH	6 603	9/14/2023	–	41	–	–	41	134

1. *Benefit derived is based on the cash value paid out on exercised date or where the award has vested but has not been exercised the difference between the closing share price at 30 June and the strike price multiplied by the number of awards or where the award has not vested, the Cox-Rubenstein valuation per option, times the number of awards, times the number days since grant date till valuation date, divided by the total number of vesting days.*

EXECUTIVE DIRECTORS' PARTICIPATION IN RMH MANAGEMENT PARTICIPATION STRUCTURE

		Number of shares granted		Percentage holding (%)		Value R'000	
		2019	2018	2019	2018	2019	2018
Herman Bosman	RMH Prop Holdco 1 Proprietary Limited	250	250	2.6	2.5	–	–
	RMH Prop Holdco 2 Proprietary Limited	621	250	1.7			
	RMH Prop Holdco 3 Proprietary Limited	281	250	2.6	2.5	–	–
	RMH Prop Holdco 4 Proprietary Limited	250	250	2.6	2.5	–	–

25. Notes to the consolidated and separate statement of cash flows

25.1 CASH FLOWS FROM OPERATING ACTIVITIES

	For the year ended 30 June			
	GROUP		COMPANY	
R million	2019	2018	2019	2018
Reconciliation of profit before tax to cash generated from operations	9 996	8 582	5 165	4 975
Profit before tax				
Adjusted for:				
Share of profits of associates including impairments	(4 871)	(3 730)	–	–
Profit on sale of investments	(57)	–	–	–
Accruals	–	–	(1)	(1)
Share-based payment accrual	26	–	–	–
Interest paid on borrowings	63	–	–	–
Dividends paid on preference shares in issue	190	173	89	88
Fair value adjustment	–	(16)	(15)	(25)
Changes in working capital				
– Current receivables and prepayments	(39)	(4)	(45)	1
– Current payables and provisions	(104)	196	(4)	258
CASH GENERATED FROM OPERATIONS	5 204	5 201	5 189	5 296

25.2 NET DEBT RECONCILIATION

R million	Group 2019	Group 2018	Company 2019	Company 2018
Cash and cash equivalents	117	43	24	38
Borrowings	(3 697)	(2 531)	(1 217)	(1 202)
NET DEBT	(3 580)	(2 488)	(1 193)	(1 164)
Cash and cash equivalents	117	43	24	38
Gross borrowings – fixed rate	(957)	(957)	–	–
Gross borrowings – variable rate	(2 740)	(1 574)	(1 217)	(1 202)
NET DEBT	(3 580)	(2 488)	(1 193)	(1 164)
Net debt				
Opening balance	(2 488)	(2 115)	(1 164)	(1 164)
Movement in cash and cash equivalents	74	4	(14)	5
Movement in gross borrowings – variable rate	(1 166)	(377)	(15)	(5)
NET DEBT	(3 580)	(2 488)	(1 193)	(1 164)
Net debt				
Current	80	21	(13)	16
Due within 1 year	(2 986)	–	(1 180)	–
Due within 2 years – 5 years	(674)	(2 509)	–	(1 180)
NET DEBT	(3 580)	(2 488)	(1 193)	(1 164)

Administration

RMB HOLDINGS LIMITED (RMH)
(Incorporated in the Republic of South Africa)

Registration number:
1987/005115/06

JSE ordinary share code: RMH
ISIN code: ZAE000024501

DIRECTORS
JJ Durand (chairman), HL Bosman (chief executive officer and financial director), JP Burger, P Cooper, (Ms) SEN De Bruyn, LL Dippenaar, PK Harris, (Ms) A Kekana, P Lagerström, (Ms) MM Mahlare, MM Morobe, RT Mupita, O Phetwe and JA Teeger

Alternate directors: DA Frankel, F Knoetze and UH Lucht

SECRETARY AND REGISTERED OFFICE
(Ms) EJ Marais

Physical address:	3rd Floor, 2 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196
Postal address:	PO Box 786273, Sandton, 2146
Telephone:	+27 11 282 8000
Telefax:	+27 11 282 4210
Web address:	**www.rmh.co.za**

SPONSOR
(in terms of JSE Limited Listings Requirements)

RAND MERCHANT BANK
(a division of FirstRand Bank Limited)

Physical address:	1 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited

Physical address:	Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Postal address:	PO Box 61051, Marshalltown, 2107
Telephone:	+27 11 370 5000