RMB HOLDINGS

2007 ANNUAL REPORT

KEY HIGHLIGHTS

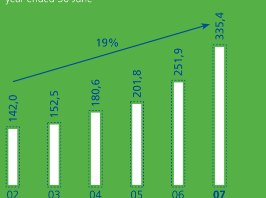
NORMALISED EARNINGS
+33% to 335,4c or R3,98 billion

DIVIDEND
+25% to 141,5c or R1,68 billion

INTRINSIC VALUE
+34% to 3 486c or R41,41 billion

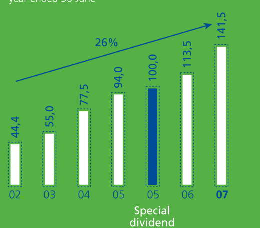
Normalised earnings (unaudited) (cents)

year ended 30 June



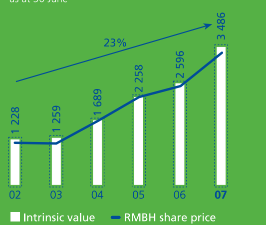
Dividends (cents)

year ended 30 June



Intrinsic value (cents)

as at 30 June



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Gymnast, poised to defy gravity on the rings with fine judgement and perfect balance, and the grace of real strength. To bring long years of careful preparation in every sphere, not least in self-belief, into a focused moment; that already holds the memory of a great peformance.

OUR STRUCTURE

RMBH IS THE HOLDING COMPANY OF SOME OF SOUTH AFRICA'S LEADING FINANCIAL SERVICES COMPANIES. OUR INTERESTS INCLUDE:

EFFECTIVE INTEREST 32,8%

FirstRand Limited (the "FirstRand Group")

BANKING | **ASSURANCE**

The FirstRand Group is a uniquely structured financial services group with critical mass in both banking and insurance. For regulatory oversight purposes, its operations are housed in three subsidiary groups under FirstRand Bank Holdings Limited, Momentum Group Limited and Discovery Holdings Limited.

The FirstRand Banking Group provides customers with a comprehensive range of products and services according to specific target market segments.

- First National Bank ("FNB") services the retail, business and medium corporate segments. In addition it provides transactional services to the Group's large corporate clients.
- Rand Merchant Bank ("RMB") is responsible for the large corporate segment, to which it provides loans, value added advisory and structuring services.
- WesBank is South Africa's dominant movable asset financier. It is active in both the retail and corporate sectors.

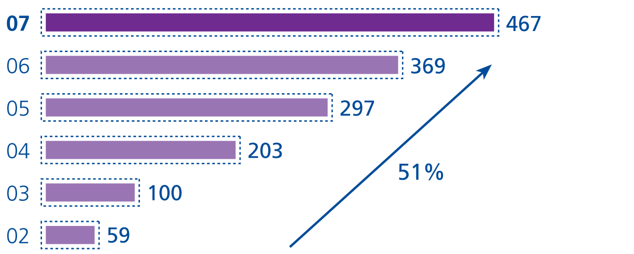
Momentum Group targets individuals in the middle and upper income markets, principally under the Momentum Life, Momentum Wealth, Momentum Health and RMB Unit Trust brand names.

EFFECTIVE INTEREST 62,2%

FirstRand STI Holdings Limited ("OUTsurance")

OUTsurance is a direct personal lines and small business short-term insurer. Pioneers of the OUTbonus concept, it has grown rapidly by applying a scientific approach to risk selection, product design and claims management.

OUTsurance
Headline earnings (Rmillion)

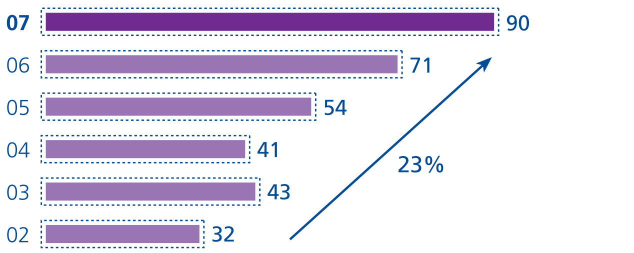


EFFECTIVE INTEREST 80,0%

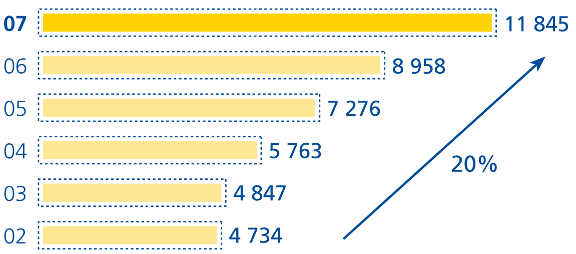
RMBSI Limited ("RMBSI")

RMBSI holds both short-term and life assurance licences. It creates bespoke insurance and financial risk solutions for South Africa's large corporations by using sophisticated risk techniques and innovative financial structures.

RMB Structured Insurance
Headline earnings (Rmillion)



FirstRand Group
Normalised earnings (Rmillion)



FirstRand Group
Normalised earnings

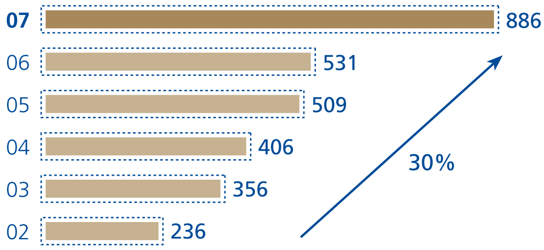
EFFECTIVE INTEREST 25,0%*

Discovery Holdings Limited ("Discovery")

Discovery Group services the health insurance and life assurance markets. Discovery Health is South Africa's leading health care funder, while Discovery Life is the country's fastest growing life assurer.

*RMBH interest after proposed unbundling transaction

Discovery Group
Headline earnings (Rmillion)

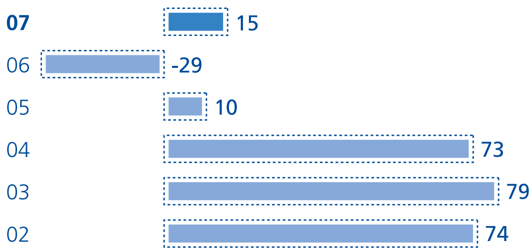


EFFECTIVE INTEREST 15,8%

Glenrand M.I.B Limited ("Glenrand M.I.B")

Glenrand M.I.B is a financial services group focused on providing innovative and cost effective risk advisory services and short-term broking services in the corporate, mid-market and personal lines sectors.

Glenrand M.I.B
Headline earnings (Rmillion)



RMBH's attributable share of normalised earnings was derived from the following areas of business:

	2007 Rmillion	2006 Rmillion	% change
FIRSTRAND BANKING GROUP			
FNB	1 356	1 062	28
RMB	1 153	628	84
WesBank	271	310	(13)
Other	182	182	–
MOMENTUM GROUP			
Insurance operations	338	267	27
Asset management operations	100	91	10
Other	68	84	(19)
DISCOVERY GROUP	158	124	27
FIRSTRAND LIMITED	(132)	(129)	(2)
RMBH's share of FirstRand's normalised earnings	3 494	2 619	33
SHORT-TERM INSURANCE AND BROKING			
OUTsurance	282	221	28
RMB Structured Insurance	69	55	25
Glenrand M.I.B	2	(8)	>100
RMB HOLDINGS LIMITED	137	105	30
Normalised earnings of RMBH Group	3 984	2 992	33

Source of income by business unit

- FirstRand Banking Group 71%
- Momentum Group 13%
- Discovery Group 4%
- OUTsurance, RMBSI and Glenrand M.I.B 9%
- RMB Holdings Limited 3%

Source of income by industry sector

- Retail and Corporate Banking 35%
- Merchant Banking 29%
- Instalment Sales 7%
- Life Assurance and Asset Management 17%
- Short-tern Insurance 9%
- Investment income 3%

The "effective interest" held by RMBH in these businesses shows variations between years as a result of consolidation, by such entities of:

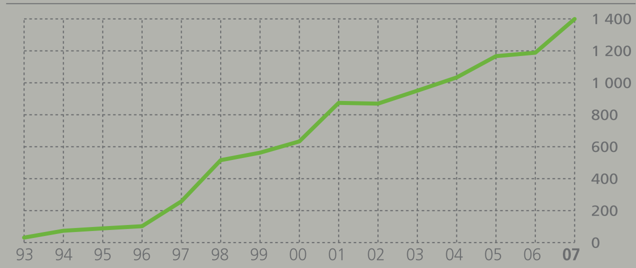
- Treasury shares held by them;
- Shares held in them by their staff share incentive trusts; and/or
- "Deemed" treasury shares held in them by policyholders and mutual funds managed by them; as well as
- "Deemed" treasury shares arising from BEE transactions entered into.

Since listing on the JSE in November 1992, RMBH has delivered uninterrupted growth in net asset value, headline earnings and dividends.

Annual compound growth

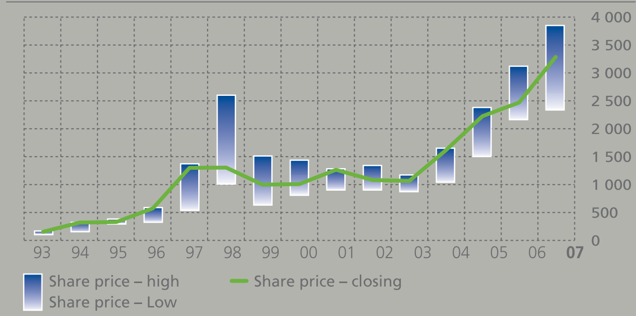
Per share	Since 1993	5 years	3 years	1 year
• Net asset value	31%	10%	11%	18%
• Normalised earnings	31%	19%	23%	33%
• Dividend	31%	26%	22%	25%
• Share price (closing)	24%	25%	27%	33%

Net asset value per share (cents)



Earnings history (cents)

Share price history (cents)



EXECUTIVE REVIEW

GT Ferreira Chairman

Peter Cooper Chief Operating Officer

Dear fellow shareholders

As if to celebrate RMBH's 20th anniversary, our Group delivered a truly outstanding set of results in its financial year to 30 June 2007.

ECONOMIC ENVIRONMENT

For the major part of the year to June 2007 the South African financial services sector operated in a robust environment, and largely succeeded in shrugging off the impact of:

- A 250 basis point increase in interest rates over the period;
- A higher current account deficit; as well as
- Steadily increasing inflation rates (driven by higher oil and food prices).

In the face of this, consumer demand for credit showed a level of resilience that increasingly has become cause for concern from the Central Bank's perspective. At the same time, increasing capital expenditure (on the back of the government's extensive infrastructure development program) and increased corporate action gave rise to good growth in the corporate sector.

Local equity markets remained strong (+32% for the year) while South African interest and currency markets remained volatile. In global markets, credit was cheap and there was strong demand for commodities. These contributed to good gains in most developed and emerging markets.

FINANCIAL OUTCOME

Notwithstanding a challenging assurance market, our portfolio of financial services businesses flourished in these market conditions, with the following outstanding increases in normalised earnings being recorded:

• FirstRand Banking Group	+35% to R10,0 billion
• Discovery	+33% to R920 million
• OUTsurance	+28% to R480 million
• RMBSI	+26% to R90 million

Sprinter, rises for the starting gun in the silent fractions of time before a burst of concentrated speed and agility. Every early training hour, every bead of sweat, every cramping muscle, every breath draws together in an instant; the finish within reach.

These excellent results allowed RMBH to report the following income statement outcomes for our ordinary shareholders:

- Earnings + 31% to R4,11 billion (2006: R3,15 billion)
- Normalised earnings + 33% to R3,98 billion (2006: R2,99 billion)

On a per share basis this translates to:

- Attributable earnings per share + 31% to 349,7c (2006: 267,8c)
- Normalised earnings per share + 33% to 335,4c (2006: 251,9c)

The intrinsic value of the Group's investment portfolio reflects the strong equity markets experienced during the period under review, with the intrinsic value of RMBH rising by 34% to R41,4 billion (or 3 486 cents per share (2006: 2 596 cents)).

RMBH declared a final dividend of 80,0 cents per share (2006: 63,0 cents). Such final dividend, together with the interim dividend of 61,5 cents brings the total dividends for the year ended 30 June 2007 to 141,5 cents (2006: 113,5 cents). This represents a year-on-year increase of 25% and a dividend cover ratio (on normalised earnings) of 2,4 times (2006: 2,2 times).

World markets in turmoil after the year end

We would be amiss, while basking in the glow of this very satisfying outcome, not to draw the attention of shareholders to the turmoil that has been visited upon global financial markets since the Group's year end in June.

We have witnessed a significant correction in global markets which has created increased uncertainty and investor nervousness, causing a broad re-pricing of risk in all financial markets. We cannot avoid this kind of contagion and clearly this turmoil will also impact on South Africa.

This changing landscape is meaningful for a group such as ours and whilst our diverse portfolio of businesses produced an impressive performance for the year under review, there clearly are challenges ahead and we will need to proceed with circumspection.

SOURCES OF INCOME

Substantially all of our earnings are derived from our investment in separately listed FirstRand (FirstRand Banking, Momentum, Discovery) and our portfolio of short-term insurance interests (OUTsurance, RMB Structured Insurance and Glenrand M.I.B).

Within these businesses RMBH has built up a comprehensive range of financial products and services, giving us a diversified and resilient base of earnings. To date these have predominantly been sourced from Southern Africa.

The contributions of the various businesses have been stable between years, save for the stellar performance of the FirstRand Banking Group which increased its relative contribution to normalised earnings from 69% in 2006 to 71% in the current year. This was driven to a large extent by its investment bank (RMB) that increased its relative contribution from 21% in 2006 to 29% in 2007.

INTRINSIC VALUE OF INVESTMENT PORTFOLIO

The intrinsic value of the Group's investment portfolio showed strong growth during the year, in line with South African equity markets. The increase in value over the last year may be summarised as follows:

As at 30 June

Rmillion	2007	2006	% change
Market value of listed interests (FirstRand, Glenrand M.I.B)	38 353	28 527	+34
Directors' valuation of unlisted interests (OUTsurance, RMBSI)	2 769	2 081	+33
Net cash resources/investments	283	232	+22
Total intrinsic value (unaudited)	41 405	30 840	+34
Per RMBH share (cents)	3 486c	2 596c	+34

Source of income by business unit

FirstRand Banking Group	71%
Momentum Group	13%
Discovery Group	4%
OUTsurance, RMBSI and Glenrand M.I.B	9%
RMB Holdings Limited	3%

Source of income by industry sector

Retail and Corporate Banking	35%
Merchant Banking	29%
Instalment Sales	7%
Life Assurance and Asset Management	17%
Short-tern Insurance	9%
Investment income	3%

At 30 June 2007 RMBH's market capitalisation amounted to R39,03 billion or 3 286c per share, (2006: R29,34 billion) representing a 6% discount (2006: 5%) to the Group's underlying intrinsic value.

BROADENING RMBH'S INVESTMENT PORTFOLIO

After a period of research and reflection, we have concluded that RMBH has reached a point in its development where it is appropriate to give consideration to further investment opportunities that will allow RMBH to grow shareholder returns.

This view is based on three main considerations:

- The relative stability and maturity of the FirstRand Group, our core investment –

  Our investment in the FirstRand Group represents 93% of RMBH's intrinsic value and in the last year produced some 88% of our normalised earnings. As such, it will always be the strategic core of our investment philosophy. That said, FirstRand has reached a level of maturity and has a clearly laid out strategy in place, allowing RMBH to focus on further investment opportunities;

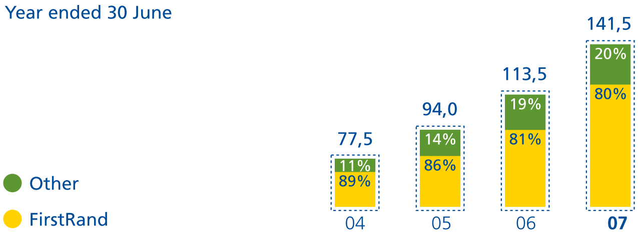
- The relatively insignificant level of borrowings within RMBH itself –

  At the centre, RMBH is substantially without borrowings and, when viewed from a broader market perspective, could potentially be regarded as having an underutilised or "lazy" balance sheet. At the end of June 2007 our borrowings amounted to some R373 million, directed largely at the emerging markets portfolio discussed below and at meeting our working capital requirements; and

- The level of dividend flows that we now derive from outside the FirstRand Group –

  RMBH has succeeded in growing the dividends generated from non FirstRand sources at a faster rate, primarily due to our other investments operating with a lower dividend cover than FirstRand. In the last two financial years, approximately 20% of the dividends paid to RMBH shareholders (some R340 million in 2007 (2006: R250m)), were derived from non FirstRand sources.

Sources of RMBH dividends (cents per share)



Such accelerated dividend growth from our non FirstRand investments highlights the potential that could be unlocked by broadening our investment profile.

The RMBH board is acutely aware of the potential conflicts of interest that may be awakened within the greater Group by broadening RMBH's interests. We take comfort from our past experience in recognising such potential conflicts and managing them appropriately. We do not believe there are any historical situations which suggest we have not been able to manage such positions appropriately.

Investment criteria

Shareholders will recognise the main investment criteria that we have developed for new investments as being classical "value investing" principles, namely:

- RMBH will be seeking to make significant investments in established businesses with demonstrated, consistent earning power, expected to be mainly in financial services. We believe that our investments will probably not be less than R500 million at a time. It is unlikely that RMBH will invest in turn around or greenfield situations.
- The businesses should have first class management teams, which should also hold a significant stake in the business, as we see RMBH entering into a long-term partnership with the management group.
- It is intended that RMBH will fund its investments with debt. Only in exceptional circumstances will we revert to RMBH equity. Consequently, the investment will need to produce a good return on equity and have little or no debt.
- Our shareholders should not readily be able to invest directly in the entity themselves. We do not believe that it would be appropriate for RMBH to have insignificant stakes in listed South African entities where a shareholder would be able to invest directly on a significant scale.

RMBH dividend policy

Given that not all of the investments will initially be self-funding, it may be necessary at the outset to support RMBH's new investments from its existing dividend stream.

To this end we are of the view that it would be inappropriate to divert any dividends arising from RMBH's investment in FirstRand to support such new investments. As a minimum RMBH will thus strive to act as a "conduit" and pay over to its shareholders any dividends received from FirstRand. To the extent that dividends from our other investments are not required to support new investments, they will also be paid to shareholders.

Such approach will by its very nature place a limitation on the quantum and number of new investments that RMBH would be seeking to make.

Investments made/proposed to date

To date we have identified three opportunities that meet our internal criteria:

- Consolidation of our investment in the Discovery Group

  FirstRand has announced its intention to seek approval to unbundle its 57,1% interest in Discovery. As a consequence, RMBH will receive a direct stake in Discovery of approximately 16%.

  Given our fundamental belief in the investment case presented by Discovery, we believe that RMBH should seek to build a stake of not less than 25% in that group. To this end we have announced that:

  – RMBH has reached agreement with Remgro Limited that RMBH will acquire the 4,5% interest in Discovery that Remgro will receive as a result of its direct stake in FirstRand. We intend to settle the purchase consideration due to Remgro through a fresh issue of RMBH shares; and

  – RMBH has entered into further purchase agreements in terms of which it will acquire a further 4,5% interest in Discovery. These acquisitions will be cash settled.

  Upon completion of the transaction RMBH will have invested an additional R1,4 billion in Discovery (over and above the R2,6 billion interest received out of the unbundling), resulting in our desired 25% stake. This will cause RMBH to be the most significant shareholder in Discovery. Discovery's management group will own some 18% of Discovery.

  In return for our investment, we will hold a significant, but not controlling, stake in an entity that we believe has excellent growth prospects and we will effectively be in partnership with a management team whose entrepreneurial skills we have long admired.

- Creation of a diversified emerging market equity portfolio

  In FirstRand and our other investments we already have significant stakes in arguably South Africa's pre-eminent financial services groups. FirstRand has stated its objective to build, over time, a portfolio of investments in emerging markets. When this comes to pass, FirstRand will naturally be RMBH's entry point and we stand ready to support them in meeting any realistic capital calls that may be required.

  In the interim, we believe that there are attractive investment opportunities presenting themselves in the markets that the greater group will in due course enter. To this end, we have over the last nine months, with the help of independent investment counsel built a bespoke emerging market portfolio of selected listed financial services equities, primarily in India and Brazil.

  RMBH has invested R500 million in the portfolio. At the outset, the portfolio was geared 50% with the underlying capital drawn from our surplus resources at the centre. The portfolio performance has been gratifying and at year end was valued in excess of R650 million. The portfolio has been designated as a "fair value through profit or loss" asset for accounting purposes and the gain has been recorded in income. While the portfolio has not avoided the contagion mentioned above, it is at the time of writing still valued at levels above that recorded at year end.

- Underwriting OUTsurance's international expansion

  We make reference elsewhere in this report to OUTsurance's proposed international expansion plans. RMBH and FirstRand (as co-shareholders in OUTsurance) agreed at the outset to underwrite the capital requirements arising (of the order of R400 million over three years). This will allow the local business to continue to drive its South African growth plans unfettered by the burden of the international start up costs that will need to be incurred.

Shareholders should rest assured that we will only invest in new opportunities if we are comfortable that they meet our investment criteria as set out above and if we believe that such investments will add to shareholder value.

GROUP CAPITAL POSITION

In the financial year ending 30 June 2008 we will need to escalate our borrowing levels to implement the transactions envisaged in consolidating our interest in Discovery and in supporting OUTsurance's international expansion. We have sufficient banking facilities available to meet these calls. At present, we do not foresee any further capital requirements from the other companies in which RMBH is invested.

Dividend payment

The Board has resolved to declare a final dividend of 80,0 cents per share (2006: 63,0 cents). Such final dividend, together with the interim dividend of 61,5 cents brings the total dividends for the year ended 30 June 2007 to 141,5 cents (2006: 113,5 cents). This represents a year-on-year increase of 25% and a dividend cover ratio (on normalised earnings) of 2,4 times (2006: 2,2 times), in line with that of RMBH's major investments.

In assessing future dividend payment profiles, shareholders should bear our objectives regarding possible new investments, as set out above, in mind. While we will seek to maintain a long-term sustainable rate of growth in dividends, our investment objectives together with the inherently more volatile earnings flowing from the fair value accounting basis underlying IFRS will cause the dividend cover ratio to show greater volatility between years.

OUTLOOK FOR THE COMING YEAR

We anticipate that, given the increased uncertainty in financial markets since the year-end, the next financial year will be a more challenging operating environment.

With interest rates and inflation increasing, consumer spending is expected to slow down, with growth in retail credit moderating. As levels of consumer indebtedness rise, bad debts could also increase further. The corporate sector however, is expected to continue to show robust growth due to public sector investment combined with private fixed investment.

Against this background, FirstRand expects its banking businesses to show continued growth in assets and earnings, although the mix will change:

- WesBank and FNB are likely to experience stronger demand for credit from their corporate and commercial businesses which may, to an extent, be muted by the expected slow down in retail credit demand.
- RMB will continue to benefit from increased infrastructure spend, corporate capacity building and BEE activity, but the exceptional performance in the current year from certain of the trading businesses will be a challenge to exceed.

Momentum should continue to grow new business volumes, particularly as collaboration with FNB gains further traction and new distribution channels come on line.

RMBH's other investments should also continue to perform well. As reported elsewhere, OUTsurance is likely, as a result of its entry into Australia, to report a slow down in its historical earnings growth trajectory.

Our strategy remains focused on building a diverse portfolio of leading financial services franchises in South Africa. We will also, admittedly from a small base, increasingly focus on selected international opportunities, particularly in Africa, India and Brazil.

We believe that the anticipated organic growth in the local franchises combined with growing returns from the international initiatives will, over the medium-term, underpin our ability to continue to achieve a 10% real return to shareholders.

A MOMENT OF REFLECTION AND A WORD OF THANKS

Included with these financial statements is the notice to shareholders of RMBH's twentieth annual general meeting. In these twenty years our Group grew from the proverbial "ninety-eight pound weakling" to one of Southern Africa's leading financial services companies.

- In 1987, RMBH's first year of existence, the greater group reported earnings of R13 million. Twenty years later, normalised earnings approached R4 billion (a compound factor of some 33% per annum).
- While there was active over the counter trade in our share prior to listing in 1993, our share price on 30 June 1993 (our first year end after listing on the JSE) was 155 cents. On 30 June 2007 it closed at 3 286 cents, a compound growth rate of some 24% per annum. Over the fourteen year period since listing, RMBH reported earnings per share growth of 31% per annum.
- To take a leaf out of the marketing efforts of one of South Africa's most admired asset managers, R10 000 invested in RMBH shares in 1993 (with re-investment of dividends) will now be worth R324 000, a growth rate of 28% per annum.

The Group achieved this excellent outcome only as a result of the efforts of all our management and staff, past and present. On behalf of the Board of Directors and the shareholders, we thank them sincerely for their contribution.

To our fellow directors, thank you for your wise counsel, patience and support.

Finally, to you our fellow shareholders, a special word of thanks. Without your support, the RMBH Group cannot grow and prosper. We shall endeavour to reward your faith by ensuring that you receive the best possible returns on your investments.

For and on behalf of the Board

GT Ferreira	P Cooper
Chairman	Chief Operating Officer

Sandton

19 September 2007

FIRSTRAND GROUP

Paul Harris
Chief Executive Officer, FirstRand

Notwithstanding the high base created in prior years, FirstRand exceeded both its main performance targets, being 10% real growth in earnings as well as return on equity of 10% over the weighted cost of capital. FirstRand seeks to deliver consistent long-term growth by focusing on four core strategies which underpin the manner in which it approaches its business, namely:

- Organic growth through innovation, collaboration across business units and an empowering business philosophy;
- Acquisitions which provide diversification (and often a quantum leap in size);
- Establishing new businesses, backing entrepreneurial management teams with capital and operating platforms; and
- Holistic capital and balance sheet management.

These strategies have remained consistent within the Group over a long period and over the last five years have enabled it to deliver a compound growth rate of 22% per annum.

FirstRand's diversified portfolio of businesses benefited handsomely from the market conditions experienced during the year to 30 June 2007. The retail, corporate and investment banking segments performed particularly well, although the life assurance markets remained challenging.

All entities within the FirstRand Group exceeded its two main performance targets, these being real earnings growth of 10% pa and ROE of 10% pa above the weighted average cost of capital. The FirstRand Group of companies achieved a normalised return on equity of 28% per annum and grew normalised earnings by 32%.

FIRSTRAND

FirstRand normalised earnings

NORMALISED EARNINGS

+32%

RMBH INTEREST

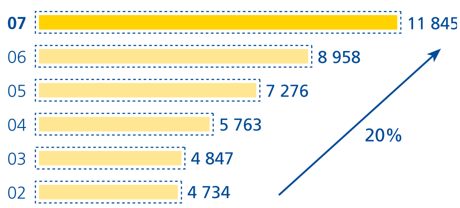
32,8%

Summary of FirstRand Financial Results

Year ended 30 June	2007 Rmillion	2006 Rmillion	% change
Normalised earnings for ordinary shareholders derived from:			
– FirstRand Banking Group	**10 041**	7 463	35
– Momentum Group	**1 716**	1 514	13
– Discovery Group	**536**	424	26
– FirstRand Ltd (inc. pref. div. payments)	**(448)**	(443)	-
Group normalised earnings	**11 845**	8 958	32
Attributable to RMBH*	**3 494**	2 619	33

**After consolidation eliminations*

FirstRand Group
Normalised earnings (Rmillion)



Golfer, tees up for a drive, the ball whose trajectory will read the placing of every sinew, and each decision taken. In the seconds before taking a swing, the integration of ability, accuracy and attitude flash in the imagination; the ball in flight already.

FIRSTRAND GROUP FirstRand Banking Group

Sizwe Nxasana
Chief Executive Officer, FirstRand Banking Group

The FirstRand Banking Group contributed 35% growth in normalised earnings, from R7,5 billion to R10,0 billion.

This exceptional outcome was achieved in an operating environment characterised by:

- Strong growth in consumer credit demand, particularly for asset backed finance, although growth moderated in the second half of the year;
- A rise in impairment charges due to, inter alia, the higher interest rate environment, higher levels of customer indebtedness and the introduction of the National Credit Act (the "NCA");
- Buoyant equity markets;
- Strong deal flow in corporate and structured finance;
- Substantial growth in retail client numbers and transaction volumes, benefiting fee and commission income;
- Favourable market conditions for the realisation of private equity investments; and
- Competitive pricing pressures, especially on banking assets.

FNB, the commercial and retail bank, achieved a significant increase in customer numbers, robust growth in deposits and advances, and strong volume growth, which all contributed to earnings growth of 27% to R4,1 billion, despite a 63% deterioration in the bad debts to advances ratio (predominantly in the retail portfolio).

The performance of the Banking Group's operations was underpinned by a particularly strong performance from the investment bank, RMB, which grew earnings 82% to R3,9 billion. This was driven by good performances across the entire portfolio with particularly significant earnings growth from the Investment Banking, Equity Trading and Private Equity divisions.

WesBank, the vehicle finance business, continued to experience "negative gearing" in its local franchise with retail asset growth slowing and a significant increase in bad debts. However, corporate sales increased and represented 28% of total new business compared to 25% in the previous year. Such negative gearing, which is to be expected at this point in the cycle, together with increased start up costs and operating losses in WesBank's international operations, resulted in earnings decreasing by 13% to R0,92 billion.

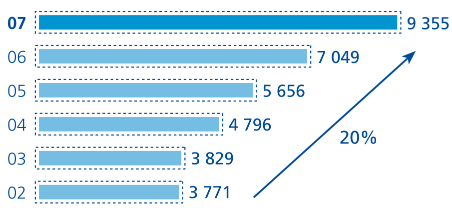
Introduction of the National Credit Act

The National Credit Act (NCA), which seeks to protect consumers from over indebtedness, became operational 1st June 2007. Whilst the cost of implementation was mainly experienced by the Banking Group's retail operations (FNB and WesBank) in the current year, the NCA is expected to impact certain retail banking revenues going forward. Since implementation of the NCA there has been a slight slow down in new business sales from mortgage, credit card and vehicle finance. It is however, too early to establish a trend, particularly as its implementation coincided with an interest rate increase.

FirstRand Banking Group Capital Position

From 2000 to 2004 FirstRand generated very high ROEs whilst the demand for capital from the Banking Group's lending businesses was low, resulting in the Group generating significant surplus capital. In the first half of 2005 the Group considered various mechanisms to return this excess to shareholders and reduced its dividend cover from 3 times to 2.5 times. However, from 2005 to date the lower interest rate, lower inflation environment translated into extremely favourable consumer credit markets, resulting in the high-growth retail lending operations of the Bank growing advances at a compound rate of 43%. Over time, this resulted in FirstRand Bank's core equity reducing to 8.1%, still above the minimum target of 8%. The Banking Group is actively seeking to increase this ratio through actions such as securitisation, first loss risk transfers and is further evaluating moving from an "originate and hold" to an "originate and distribute" strategy. The Banking Group does not believe that it will need to resort to shareholders to raise additional equity for existing operations.

FirstRand Banking Group
Headline earnings (Rmillion)



FIRSTRAND GROUP Momentum Group

EB Nieuwoudt
Managing Director, Momentum

The Group's wholly-owned insurance operations performed well. Momentum's insurance operations showed continued strong new business growth with margins improving compared to the first half of the year due to increased sales of higher margin products. Collaboration with FNB in the mass and middle market segments also continued to produce good growth.

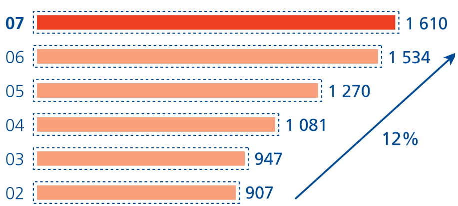
Momentum continued with its strategy to diversify its business with further investments in new distribution channels, products and markets. This assisted in it achieving a 17% increase in recurring retail premium income (driven by solid growth in both risk and savings products) while lump sum insurance inflows increased by 18% as a result of continued focus on specialist investment brokers and positive investor sentiment. FNB insurance made a significant contribution to growth in all areas with new annualised recurring premium growing by 65% to R364 million.

Momentum increased its normalised earnings by 13% to R1,7 billion. This outcome does not take cognisance of the impact of the payment of special dividends of R2,4 billion during the year from Momentum to FirstRand. Without such dividend payments, Momentum would have increased normalised earnings by 19%.

The embedded value of Momentum increased to R15,9 billion (2006: R14,4 billion), with the positive growth from equity markets being offset somewhat by the above-mentioned special dividends paid. Return on embedded value amounted to 28% for the year.

Gross new business volumes in Momentum's insurance operations reflected a pleasing increase of 19% to R23,5 billion.

Momentum Group
Headline earnings (Rmillion)



FIRSTRAND GROUP Discovery Group

Adrian Gore
Chief Executive Officer, Discovery

Discovery achieved a solid operational performance in substantially all of its businesses and increased normalised earnings by 33% to R920 million. (FirstRand's share amounts to R536 million)

Given its dominant size and resultant high base, Discovery Health performed particularly well through a strong focus on efficiencies. It grew operating profit by 12%. Discovery Life delivered a strong 29% increase in operating profit, reflecting its strong market position in pure risk insurance.

Of Discovery's international initiatives, UK based PruHealth performed as expected with new business growing strongly. Notwithstanding some operational successes, financial returns at USA based Destiny Health were disappointing. Discovery's board continues to monitor and evaluate its strategy regarding the USA initiative.

FirstRand has announced its intention to seek shareholder approval to unbundle its 57,1% interest in Discovery. Separate commentary regarding RMBH's intention in this regard is offered elsewhere in this report.

NORMALISED EARNINGS

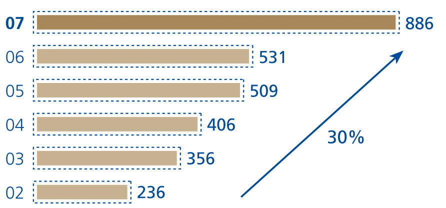
+33%

RMBH INTEREST*

25,0%

*After proposed unbundling by FirstRand

Discovery Group
Headline earnings (Rmillion)



OUTSURANCE Directly held insurance interest

Willem Roos
Joint Managing Director, OUTsurance

Howard Aron
Joint Managing Director, OUTsurance

The OUTsurance Group is active in the short-term insurance market and has now entered its tenth year of operation. During this period it has succeeded in establishing itself as a respected player in the personal lines market and successfully launched several new profitable initiatives, including Business OUTsurance, directed at smaller commercial enterprises. It also provides pricing and administration infrastructure for entities within the FirstRand Group.

The Group continues to grow and perform extremely well. Undoubtedly the operational highlight of the year was a 44% increase in new business volumes. As a result, net earned premium income increased by 28% to R2,7 billion (2006: R2,1 billion). Claims experience has been favourable and in line with expectations. Cost ratios continue to improve due to economies of scale and improved processes. Headline earnings attributable to ordinary shareholders also increased by 28% to R480 million (2006: R376 million). At 30 June 2007 OUTsurance had total assets of R2,6 billion (2006: R2,1 billion) with a solvency margin of 42%.

RMBH's attributable share of OUTsurance's normalised headline earnings for the year amounted to R282 million (2006: R221 million).

OUTsurance Australia

Over the last two years OUTsurance has conducted intensive research to determine the transportability of its business model into international markets. This work is fast coming to fruition and OUTsurance is due to launch its first international program by entering the Australian short-term market during the first half of calendar 2008. The start up cost attaching to this program is expected to be in the region of R400 million over a three year period. Such costs are likely to cause OUTsurance's growth in earnings for the 2008 financial year to be somewhat muted when compared to its historical growth trajectory.

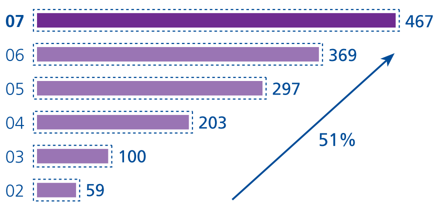
NORMALISED EARNINGS

+28%

RMBH INTEREST

62,2%

OUTsurance
Headline earnings (Rmillion)



RMB STRUCTURED INSURANCE Directly held insurance interest

Gustavo Arroyo
Chief Executive Officer, RMB Structured Insurance

RMBSI is active in both the short-term and life assurance sectors. It creates individual insurance and financial risk solutions for large corporates by using innovative financial structures.

RMBSI recorded a 14% growth in net insurance premiums to R2,6 billion, and reported a pleasing outcome with headline earnings increasing by 26% to R90 million (2006: R71 million). At 30 June 2007 RMBSI had total assets of R4,2 billion (2006: R3,6 billion) and was adequately capitalised in all the jurisdictions in which it operates.

The Group has developed and started marketing a new suite of products that exploit the challenges and opportunities presented by changes to accounting, statutory and fiscal environments such as the hedging of employee share incentive costs and the treatment of treasury shares. However, the complexity and sometimes counter-intuitive outcomes of such accounting changes have resulted in slower than expected implementation of the new products.

A core element of RMBSI's business is the provision of specialist insurance services to the retail furniture sector. While its current suite of products is compliant with the requirements of the NCA, it is too early to determine whether the general slowdown experienced by the sector upon implementation of the Act will persist over time.

RMBH's attributable share of RMBSI's normalised headline earnings for the year amounted to R69 million (2006: R55 million).

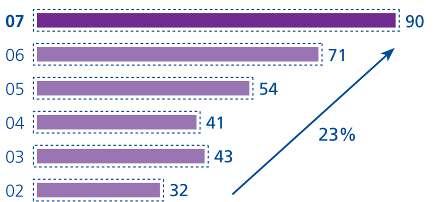
NORMALISED EARNINGS

+26%

RMBH INTEREST

80,0%

RMB Structured Insurance
Headline earnings (Rmillion)



GLENRAND M.I.B Other financial services interests

Dudu Kunene
Chairman and acting Chief Executive Officer

In the year ended 30 June 2007 Glenrand M.I.B returned to profitability and has re-focused on its profitable businesses to enhance the future sustainability of the group. Glenrand M.I.B has made significant progress towards the implementation of various strategic initiatives aimed at growing the business and achieving greater efficiencies.

The Group has returned to its core Risk Advisory Services business, with the loss making Benefit Services business having been sold (subject to certain resolutive conditions) at the year end. The Group moved away from its strategy of being a composite intermediary when it was unable to return the Benefit Services business to profitability.

The Risk Services business provides short-term insurance broking, risk advisory services and claims and policy administration services to both individual and corporate clients. Glenrand M.I.B is a market leader in the corporate sector and enjoys significant critical mass in the mid-market commercial and personal lines sectors.

Despite continuing soft and increasingly competitive market conditions, Risk Services achieved new business flows that were ahead of expectation. Its margins were impacted by investments in, inter alia, new information technology systems, selected acquisitions and the retention of specialist skills. Management is confident that these initiatives will bear fruit in the near future.

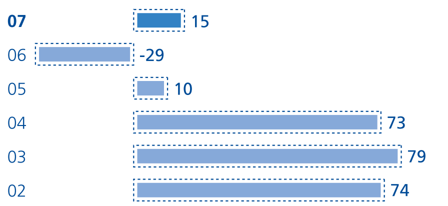
Glenrand M.I.B reported headline earnings of R15 million (2006: loss R29 million). This outcome reflects that, as a result of its disposal, the loss making Benefit Services business was treated as a "discontinuing operation" and accordingly excluded from the calculation of headline earnings.

RMBH's share of Glenrand M.I.B's headline earnings amounted to R2 million (2006: loss R8 million).

RMBH INTEREST

15,8%

Glenrand M.I.B
Headline earnings (Rmillion)



NORMALISED EARNINGS

The Group believes normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies. These unaudited adjustments are consistent with those reported at 30 June 2006, except for share based payments and listed property associates.

Computation of normalised earnings

for the year ended 30 June

	Notes	**2007 Un-audited Rmillion**	2006 Un-audited Rmillion	% change
Headline earnings attributable to ordinary shareholders		**3 770**	2 908	30
RMBH's share of FirstRand's adjustments:				
Treasury shares	1	**169**	135	
Private equity realisations and National Treasury settlement	2	**130**	80	
Adjustment of listed property associates to net asset value	3	**8**	(8)	
IFRS 2 share based expenses	4	**121**	50	
		4 198	3 165	33
Adjustment for:				
RMBH shares held by policyholders	5	**96**	69	
Group treasury shares	6	**(312)**	(242)	
IFRS 2 share based expenses	4	**2**	-	0
Normalised earnings attributable to ordinary shareholders		**3 984**	2 992	33
Weighted average number of shares in issue (millions)		**1 188**	1 188	
Normalised earnings per share (cents)		**335.4**	251.9	33
Diluted normalised earnings per share (cents)		**335.3**	251.6	33
Dividend cover (relative to normalised earnings)		**2.4**	2.2	

Sources of normalised earnings

for the year ended 30 June

	2007 Un-audited Rmillion	2006 Un-audited Rmillion	% change
Normalised earnings from:			
FirstRand	**3 494**	2 619	33
Glenrand M.I.B	**2**	(8)	>100
OUTsurance	**282**	221	28
RMBSI Structured Insurance	**69**	55	25
	3 847	2 887	33
RMBH and other	**137**	105	30
Normalised earnings	**3 984**	2 992	33

Notes:

1 Deconsolidation of treasury shares and "deemed" treasury shares created by FirstRand to account for:
– the Discovery BEE transaction;
– FirstRand shares acquired to hedge liabilities under staff share schemes; and
– FirstRand shares held as policyholders' assets by Group insurers.

2 Adjustment to include recurring Private Equity realisations and Insurance Settlement Agreement with National Treasury in operational performance.

3 Adjustment of listed property associates from net asset value to fair value in order to match the policyholder's liability which is based on the fair value of the units held.

4 Adjustment for IFRS 2 share based expenses.

5 Deconsolidation of "deemed" RMBH's treasury shares held for policyholders by Group insurers.

6 Adjustment to reflect earnings impact based on actual RMBH shareholding in Group companies, i.e. reflecting treasury shares as if they are minority shareholders.

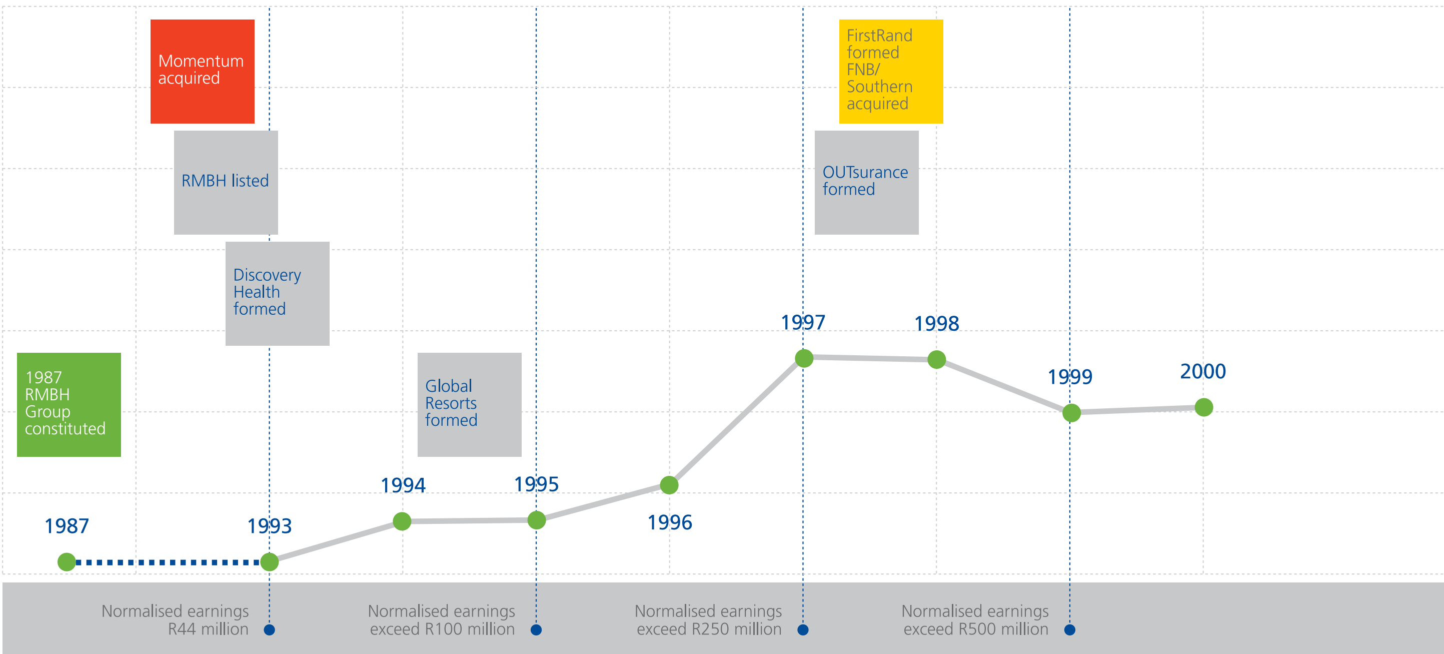
Fencer, raises the foil accepting a challenge to rigorous training and discipline of form. Glimpses of lithe thrust and parry executed in razor-sharp responses, behind the mask mental acuity and poise;
the contender outmanoeuvred.

HISTORICAL REVIEW

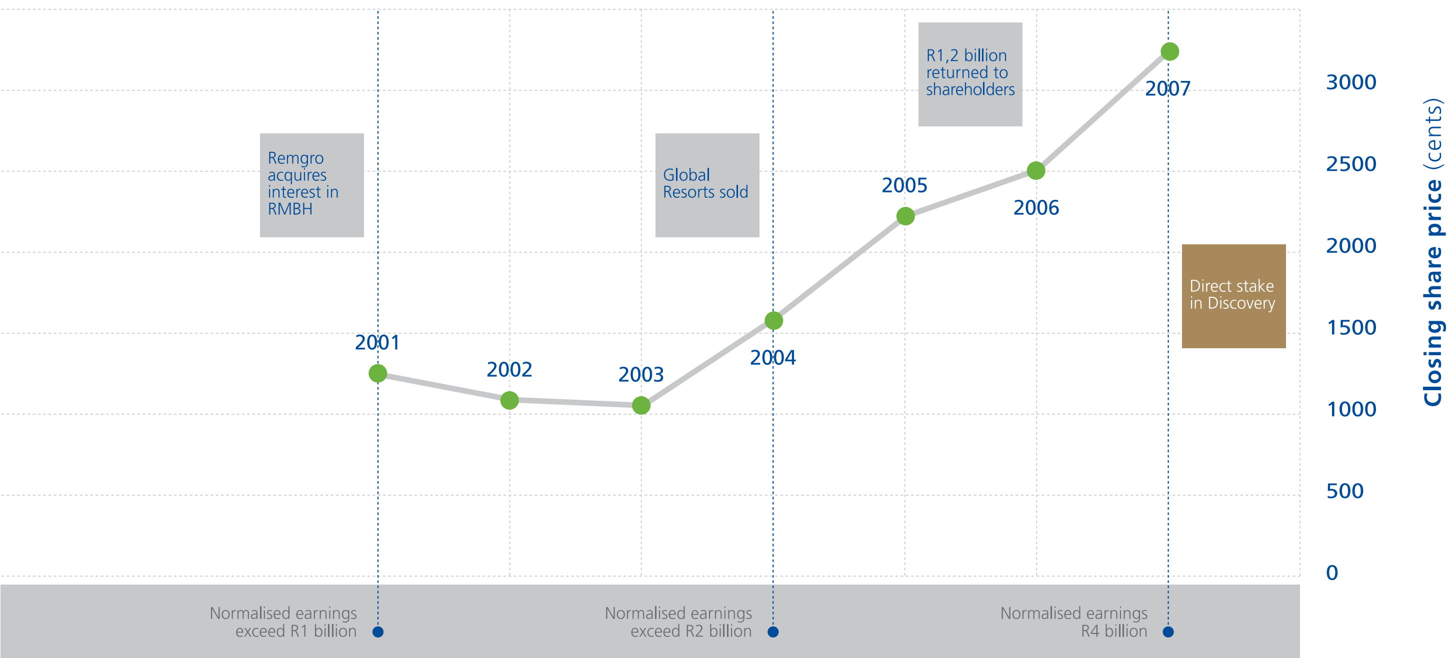
	1993* Rmillion	1994 Rmillion	1995 Rmillion	1996 Rmillion	1997 Rmillion	1998 Rmillion	1999 Rmillion
Ordinary shareholders' funds	172	542	653	753	1 899	3 949	5 128
Capital and reserves	309	680	909	998	2 119	4 049	5 228
Headline earnings attributable to ordinary shareholders	44	94	115	161	250	385	621
Normalised earnings attributable to ordinary shareholders	44	94	115	161	250	385	621
PER-SHARE DATA	cents	cents	cents	cents	cents	cents	cents
Earnings per share	8,1	12,9	15,6	21,4	157,2	41,3	54,8
Headline earnings per share	8,1	12,9	15,6	21,9	34,0	50,2	68,2
Normalised earnings per share	8,1	12,9	15,6	21,9	34,0	50,2	68,2
Dividend per share	3,2	5,1	6,4	9,0	13,6	20,1	25,1
Dividend cover (times) – headline earnings	2,5	2,5	2,4	2,4	2,5	2,5	2,7
SHARE PRICE HISTORY	cents	cents	cents	cents	cents	cents	cents
Share price – Closing	155	320	330	575	1 300	1 305	998
Share price – High	165	320	380	585	1 370	2 600	1 510
Share price – Low	100	157	290	322	535	1 005	630
Volume of shares traded (million)	8,0	2,3	3,1	3,9	33,4	117,0	178,9

** 1993 year of JSE listing*

A few big steps...



2000 Rmillion	2001 Rmillion	2002 Rmillion	2003 Rmillion	2004 Rmillion	2005 Rmillion	2006 Rmillion	**2007 Rmillion**	% increase over 2006	% compound growth 1993 – 2007
5 786	9 178	10 331	11 293	12 277	13 861	14 117	**16 623**	18%	39%
5 886	9 278	10 431	11 293	12 277	13 861	14 117	**16 623**	18%	33%
810	1 184	1 687	1 812	2 145	2 491	2 908	**3 770**	30%	37%
810	1 184	1 687	1 812	2 145	2 397	2 992	**3 984**	33%	38%
cents	cents	cents	cents	cents	cents	cents	cents		
83,3	93,5	124,3	122,8	173,7	272,0	267,8	**349,7**	31%	31%
88,7	112,8	142,0	152,5	180,6	209,7	247,6	**320,9**	30%	30%
88,7	112,8	142,0	152,5	180,6	201,8	251,9	**335,4**	33%	31%
30,0	36,0	44,4	55,0	77,5	94,0	113,5	**141,5**	25%	31%
3,0	3,1	3,2	2,8	2,3	2,2	2,2	**2,3**		
cents	cents	cents	cents	cents	cents	cents	cents		
1 010	1 265	1 082	1 065	1 615	2 225	2 470	**3 286**	33%	24%
1 435	1 280	1 340	1 170	1 650	2 380	3 120	**3 850**	23%	25%
806	900	900	870	1 030	1 500	2 150	**2 335**	9%	25%
236,0	254,3	251,0	224,5	298,4	267,4	329,2	**334,3**		



CORPORATE GOVERNANCE

Attitude to governance

RMBH is a diversified financial services group that currently holds significant investments in four entities (collectively referred to as the "Group") as set out on page 2. RMBH subscribes to a set of values which seek to foster integrity, innovation, individual empowerment and personal accountability.

While the RMBH board is responsible for the maintenance of sound corporate governance, it believes that its implementation is best managed at an operational level. Consequently each principal Group entity has its own board of directors, executive team, audit, risk and remuneration committees that monitor operations and deal with governance and transformation related issues. RMBH strives to apply a consistent policy of good corporate governance throughout the Group. The board and all its committees annually assess their effectiveness.

The directors of RMBH and the various Group entities endorse the Code of Corporate Practices and Conduct (the "King Code 2002") contained within the King Report on Corporate Governance for South Africa 2002.

Classification of directors

In the light of discussions currently surrounding the classification of directors and in particular the definition of independence, it is thought appropriate to advise stakeholders of the basis on which directors have been classified in terms of their independence in this annual report:

- executive directors are employed in a fulltime capacity by RMB Holdings;
- non-executive directors are those who, while not in the fulltime employment of the company, are members of the management committee or who have been nominated by a shareholder owning more than 20% of the company;
- independent non-executive directors are all other directors irrespective of the period during which they have been members of the board.

No director has an automatic right to a position on the board. All directors are required to be elected by shareholders at an annual general meeting.

The board of directors

Composition

RMBH has a unitary board with a non-executive director as Chairman. The roles of Chairman and Chief Operating Officer are separate.

The board comprises eight members of whom seven are non-executive directors. Three of the non-executive directors are also independent directors as defined in the King Code 2002. Further details are disclosed under the section "Directorate" on page 26.

The directors are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgement and broad deliberations in the decision-making process. There is an appropriate balance of power and authority on the board.

The Board each year evaluates its composition to ensure an appropriate mix of skills and experience. New directors are subject to a "fit and proper" test. An informal orientation programme is available to incoming directors.

Board responsibilities

The fundamental responsibility of the board is to improve the economic prosperity of the group. The board has a fiduciary duty to act in good faith, with due care and diligence, and in the best interests of the Group and its stakeholders. It is the primary body responsible for the corporate governance values of the Group. While control is delegated to the management committee in the day-to-day management of the Group, the board retains full and effective control over the Group.

The board's responsibilities include the appointment of the executive officers, approval of corporate strategy, risk management and corporate governance. The board reviews and approves the business plans and monitors financial performance of the Group and implementation of the strategies.

A formal board charter, as recommended by the King Code 2002, has been adopted. The charter includes a code of ethics to which all directors subscribe. The code deals with duties of care and skill, as well as those of good faith, including honesty and integrity and the need to always act in the best interests of the company. Procedures exist in terms of which unethical business practices can be brought to the attention of the board by directors or employees.

The soliciting or acceptance of payments, other than declared remuneration, gifts and entertainment as consideration to act or fail to act in a certain way are disallowed. The Group does not make donations to political parties.

Term of office

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

The Chief Operating Officer has an employment contract that can, subject to fair labour practices, be terminated with one month's notice.

Board meetings

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

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

Board members have full and unrestricted access to relevant information and may, at the cost of the Group, seek independent professional advice in the fulfilment of their duties.

Details of the board meetings held during the year ended 30 June 2007, as well as the attendance by individual members are disclosed in the section "Directorate" on page 30.

Board committees

The Board has established three sub-committees to which it has delegated some of its responsibilities in meeting its corporate governance and fiduciary duties. There are:

- A management committee;
- An audit and risk committee; and
- A directors' affairs and governance committee (also responsible for remuneration matters).

Each committee has a charter, which sets out the objectives, authority, composition and responsibilities of the committee. The charters of these committees have been approved by the board. All the committees are free to take independent outside professional advice, as and when required, at the expense of the Group.

The names of the members of the committees, details of committee meetings held during the year ended 30 June 2007, as well as the attendance by individual members are disclosed in the section "Directorate" on page 30.

The committees, with a summary of their charter objectives, are as follows:

Management committee

The RMBH committee comprises four members, three of whom are non-executive. It is responsible for implementing the strategies approved by the board and for managing the affairs of the Group.

The committee is also responsible for:

- the development, implementation and monitoring of strategies and policies of the Group;
- the optimisation of the Group capital base and its financial resources;
- the timeous and transparent communication with all stakeholders;
- ensuring best practices in the terms of corporate governance across the Group;
- managing the Group image and reputational issues; and
- optimising overall Group profitability through synchronising the strategies of the operating units of the Group and leveraging off Group strength.

Audit and risk committee

The committee comprises a minimum of three members. The Chairman is a non-executive director.

The committee's objectives are to assist the board of directors in fulfilling its fiduciary duties with regard to:

- the safeguarding of the Group's assets;
- the financial reporting process;
- the system of internal control;
- the management of financial and non-financial risks;
- the audit process and approval of non-audit services;
- the Group's process for monitoring compliance with the laws and regulations applicable to it;
- the Group's compliance with the corporate governance practices;
- the business conduct of the group and its officials; and
- the appointment of the auditors and the evaluation of their services and independence.

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

The chairman of the committee attends the annual general meeting.

Directors' affairs and governance committee

The committee comprises all of the non-executive directors. It is chaired by the Chairman of the board.

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

- its determination and evaluation of the adequacy, efficiency and appropriateness of the corporate governance structures in the company;
- board and board committee structures;
- the maintenance of a board directorship continuity programme;
- the remuneration, other benefits and employment conditions of any executive directors;
- the self-assessment of the effectiveness of the board as a whole and the contribution of each director; and
- ensuring that succession plans are in place for the key posts in the greater Group.

The committee is also responsible for determining the remuneration of the Chief Operating Officer. Fees payable to non-executive directors are approved at the annual general meeting of shareholders.

Details of directors' remuneration for the period under review can be found on page 28 of this report.

Company secretary

The Company Secretary of RMBH is Adrian Arnott, a Chartered Accountant (South Africa). He was appointed by the board in 2002.

Auditor independence

The Group financial statements have been audited by the independent auditors PricewaterhouseCoopers Inc.

RMBH believes that the external auditor has observed the highest level of business and professional ethics. It has no reason to believe that the external auditor has not at all times acted with unimpaired independence.

Details of fees paid to the external auditor are included on page 74 of this report.

Risk management and internal control

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

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

The Group's risk management and control framework covers the following key aspects:

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

Overall effectiveness of control environment

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

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

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

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

During the period under review and up until the date of approval of the annual report and financial statements, nothing has come to the attention of the directors to suggest that any material breakdown in the functioning of the controls, procedures and systems, which could result in material losses, contingencies or uncertainties that would require disclosure in the financial statements, has occurred.

Corporate citizenship and sustainable business practices

RMBH is committed to good corporate citizenship practices and organisational integrity in the direction, control and stewardship of the Group's affairs. To the extent that it is possible, the directors of RMBH seek to ensure that this commitment is practised and reported on by all the company's subsidiaries and associates. This commitment provides stakeholders with the comfort that the Group's affairs are being managed in an ethical and disciplined manner.

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

Shareholders, customers, employees, suppliers, regulators and the communities in which Group companies operate are regarded as the Group's key stakeholders.

Shareholders

Communication

RMBH's communication practices are designed to allow investors to make decisions about the acquisition and ownership of shares.

The Company communicates formally with shareholders twice a year when it announces interim and year-end financial results. These comprehensive reports are sent to all shareholders and are accessible on the Company's internet site (www.rmbh.co.za). The Chairman and the Chief Operating Officer meet with investors and investment analysts from time to time.

Ownership

Significant shareholdings are disclosed on page 34. An analysis of the RMBH share price and trading data appears on page 110.

Customers

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

In terms of the Financial Sector Charter, Group companies are committed to providing banking and financial service facilities to previously disadvantaged communities.

Employees

Group companies all seek to be the employer of choice in their respective fields.

The Group's human resource strategy is to recruit and retain the best people from South Africa's diverse population base. In particular, it seeks people with entrepreneurial attitude and encourages an owner-manager culture. People are empowered, held accountable for their actions and rewarded accordingly.

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

- basic salary plus benefits; and, where appropriate,
- annual performance related rewards; as well as
- share incentive schemes.

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

Employment equity

In line with the business philosophy of empowerment, each business unit in the Group is charged with meeting its targets in terms of plans submitted to the Department of Labour as required by the Employment Equity Act. Group companies are also expected to exceed targets determined by the Financial Sector Charter.

In addition to setting affirmative action targets aimed at raising the number of designated groups as a percentage of the total staff complement, such plans commit Group companies to the following in pursuit of the appropriate employment equity in the organisation:

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

Employee wellness

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

Suppliers

The Group has established a set of procurement guidelines to assist Group companies in meeting their commitment to place business with BEE suppliers. At the FirstRand level a procurement council has been established to ensure that all suppliers are appropriately accredited.

Regulators

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

Group companies support initiatives aimed at infrastructure development, the promotion of democracy and business and government dialogue. The Group is represented on the council which oversees the implementation of the Financial Sector Charter.

Communities

All Group companies are committed to uplifting the societies in which they operate through following sound employment practices and meeting the real needs of the communities. In addition FirstRand Group companies contribute 1% of their after tax profits to the FirstRand Foundation which has, since its inception in 1999, contributed more than R450 million to various community upliftment programmes. In addition staff in Group companies is encouraged to give of their time and skills in community related work.

DIRECTORATE

1 GERRIT THOMAS FERREIRA (59)
Non-executive Chairman
BCom, Hons B (B&A), MBA
Appointed: November 1987

GT Ferreira has been involved in the financial services sector since graduating from the University of Stellenbosch. He started his career at the Bank of Johannesburg in 1972 and was a co-founder of Rand Consolidated Investments ("RCI") in 1977. RCI acquired control of Rand Merchant Bank ("RMB") in 1985 and he was managing director of RMB from 1985 to 1988 after which he was elected as executive chairman. When RMB Holdings was founded in 1987 he was appointed chairman, a position which he still holds. Following the formation of FirstRand in 1998 he was appointed non-executive chairman. He is a member of the Council of the University of Stellenbosch.

RMBH committee memberships
- Management committee • Audit and risk committee
- Directors' affairs committee

Listed directorships
FirstRand Limited – chairman • Glenrand M.I.B Limited

2 PETER COOPER (51)
Chief Operating Officer
BCom (Hons), CA (SA), HDipTax
Appointed: November 1999

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

RMBH committee memberships
- Management committee • Audit and risk committee

Listed directorships
- Glenrand M.I.B Limited (alternate)

3 LAURITZ LANSER DIPPENAAR (58)
Non-executive
MCom, CA (SA)
Appointed: November 1987

Laurie Dippenaar graduated from Pretoria University, qualified as a chartered accountant with Aiken & Carter (now KPMG) and spent three years with the Industrial Development Corporation before becoming a co-founder of Rand Consolidated Investments ("RCI") in 1977. RCI acquired control of Rand Merchant Bank ("RMB") in 1985 and he became an executive director. He was appointed managing director of RMB in 1988 which position he held until 1992 when RMB Holdings acquired a controlling interest in Momentum Life Assurers ("Momentum"). He served as executive chairman of that company from 1992 until the formation of FirstRand in 1998. He was appointed as the first chief executive of FirstRand and held this position until the end of 2005 when he assumed a non-executive role.

RMBH committee memberships
- Management committee • Audit and risk committee
- Directors' affairs committee

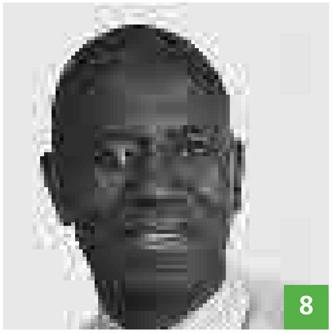
Listed directorships
- Discovery Holdings Limited – chairman • FirstRand Limited

4 JAN WILLEM DREYER (56)
Independent non-executive
BCom, LLB, HDip Co Law, HDipTax
Appointed: October 1987

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

RMBH committee membership
- Directors' affairs committee

Listed directorships
- Remgro Limited



5 DENIS MARTIN FALCK (61)

Non-executive
CA(SA)
Appointed: February 2001

Denis Falck left the auditing profession in 1971 to join the Rembrandt Group. He was appointed group financial director in 1990 and currently holds the same portfolio on the board of Remgro.

RMBH committee memberships
- Audit and risk committee
- Directors' affairs committee

Listed directorships
- Remgro Limited
- FirstRand Limited
- Trans Hex Group Limited

6 PATRICK MAGUIRE GOSS (59)

Independent non-executive
BEcon (Hons), BAccSc (Hons), CA (SA)
Appointed: November 1987

Pat Goss, after graduating from the University of Stellenbosch, served as President of the Association of Economics and Commerce Students (AIESEC), representing South Africa at The Hague and Basle. He thereafter qualified as a chartered accountant with Ernst and Young and then joined the Industrial Development Corporation where he worked for a number of years. A former chairman of the Natal Parks Board, his family interests include Umngazi River Bungalows and other conservation related activities.

RMBH committee memberships
- Directors' affairs committee

Listed directorships
- AVI Limited
- FirstRand Limited

7 PAUL KENNETH HARRIS (57)

Non-executive
MCom
Appointed: July 1992

Paul Harris graduated from the University of Stellenbosch and joined the Industrial Development Corporation. He was a co-founder of Rand Consolidated Investments ("RCI") in 1977. RCI acquired control of Rand Merchant Bank ("RMB") in 1985 and he became an executive director of the bank. He spent four years in Australia where he founded Australian Gilt Securities (later to become RMB Australia) and returned to South Africa in 1991 as deputy managing director of RMB. In 1992, he took over as chief executive officer. Subsequent to the formation of FirstRand, he was appointed chief executive officer of FirstRand Bank Holdings in 1999, a position he held until December 2005 when he was appointed chief executive officer of FirstRand.

RMBH committee memberships
- Management committee
- Audit and risk committee
- Directors' affairs committee

Listed directorships
- FirstRand Limited – chief executive officer
- Remgro Limited

8 KHEHLA CLEOPAS SHUBANE (51)

Independent non-executive
BA (Hons), MBA
Appointed: November 1993

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

RMBH committee membership
- Directors' affairs committee

Listed directorships
- FirstRand Limited

DIRECTORS' INTERESTS IN ORDINARY SHARES OF RMBH

According to the register of directors' interests maintained by the Company in accordance with section 140 of the Companies Act, directors have disclosed the following interest in the ordinary shares of RMBH at 30 June 2007:

000's	Direct beneficial	Indirect beneficial	Indirect non-beneficial	**Total 2007**	Total 2006
P Cooper	539	–	1 861	**2 400**	2 400
LL Dippenaar	1 786	88 556	–	**90 342**	90 342
JW Dreyer	1	–	–	**1**	1
DM Falck	–	–	–	**–**	–
GT Ferreira	23 353	3 734	60 104	**87 191**	87 191
PM Goss	–	11 505	–	**11 505**	11 365
PK Harris	1 420	28 675	–	**30 095**	30 095
KC Shubane	–	–	–	**–**	–
Total interest	**27 099**	**132 470**	**61 965**	**221 534**	221 394

DIRECTORS' EMOLUMENTS

Schedule of directors' emoluments in respect of the year ended 30 June 2007

	Services as directors R000's	Cash package R000's	Other benefits R000's	Performance related R000's	**Total 2007 R000's**	Total 2006 R000's
Executive						
P Cooper	–	2 050	456	5 000	**7 506**	6 168
Non-executive						
GT Ferreira	265	–	–	–	**265**	250
LL Dippenaar	75	–	–	–	**75**	35
JW Dreyer	109	–	–	–	**109**	85
DM Falck	125	–	–	–	**125**	117
PM Goss	64	–	–	–	**64**	64
PK Harris	100	–	–	–	**100**	87
KC Shubane	75	–	–	–	**75**	70
Total	813	2 050	456	5 000	**8 319**	6 876

Notes:

1 "Other benefits" comprise provident fund and medical aid contributions.

2 "Performance related" payments are in respect of the year ended 30 June 2007, but will be paid (together with an interest factor) in three tranches during the year ended 30 June 2008

3 Mr Harris is a full-time executive of FirstRand. The fees receivable by him have been waived and ceded to that company and do not accrue to him in his private capacity.

4 Messrs Cooper and Harris are also participants under the FirstRand Group Share Incentive Schemes. Details thereof are disclosed on page 29.

DIRECTORS' PARTICIPATION IN FIRSTRAND GROUP SHARE INCENTIVE SCHEMES

Share option scheme: ordinary shares

		Strike price cents	Strike date From	To	Opening balance 30 June 2006 000's	Granted/ (taken up) this year 000's	**Closing balance 30 June 2007 000's**	Benefit derived R000's
P Cooper	FirstRand	655	17/9/2005	17/9/2007	740	–	**740**	–
	FirstRand	770	16/9/2006	16/9/2008	395	–	**395**	–
	FirstRand	1212	1/10/2007	1/10/2009	296	–	**296**	–
	FirstRand	1695	3/10/2008	3/10/2010	400	–	**400**	–
	FirstRand	1795	1/10/2009	1/10/2011	–	400*	**400**	–
PK Harris	FirstRand	655	17/9/2005	17/9/2007	1316	(658)	**658**	7 454
	FirstRand	770	16/9/2006	16/9/2008	493	(164)	**329**	1 674
	FirstRand	1212	1/10/2007	1/10/2009	395	–	**395**	–
	FirstRand	1695	3/10/2008	3/10/2010	540	–	**540**	–
	FirstRand	1795	1/10/2009	1/10/2011	–	800*	**800**	–

** Share appreciation rights*

Out-performance scheme preference shares

No directors benefited from this scheme during the year and in terms of the rules of the scheme their participation came to an end during the previous financial year.

BOARD MEETINGS

The board met six times during the year and attendance was as follows:

	September 2006	November 2006	February 2007	May 2007	May 2007*	June 2007*
GT Ferreira – Chair	√	√	√	√	√	√
P Cooper	√	√	√	√	√	√
LL Dippenaar	√	√	√	√	√	√
JW Dreyer	√	√	√	√	√	
DM Falck	√	√	√	√	√	√
PM Goss	√	√	√	√	√	√
PK Harris	√	√	√	√	√	√
KC Shubane	√	√		√	√	√

*Extra-ordinary strategic and budget meetings

MANAGEMENT COMMITTEE MEETINGS

The management committee continued to meet during the year on a regular basis. The members of the management committee are Mr GT Ferreira (Chair) and Messrs P Cooper, LL Dippenaar and PK Harris.

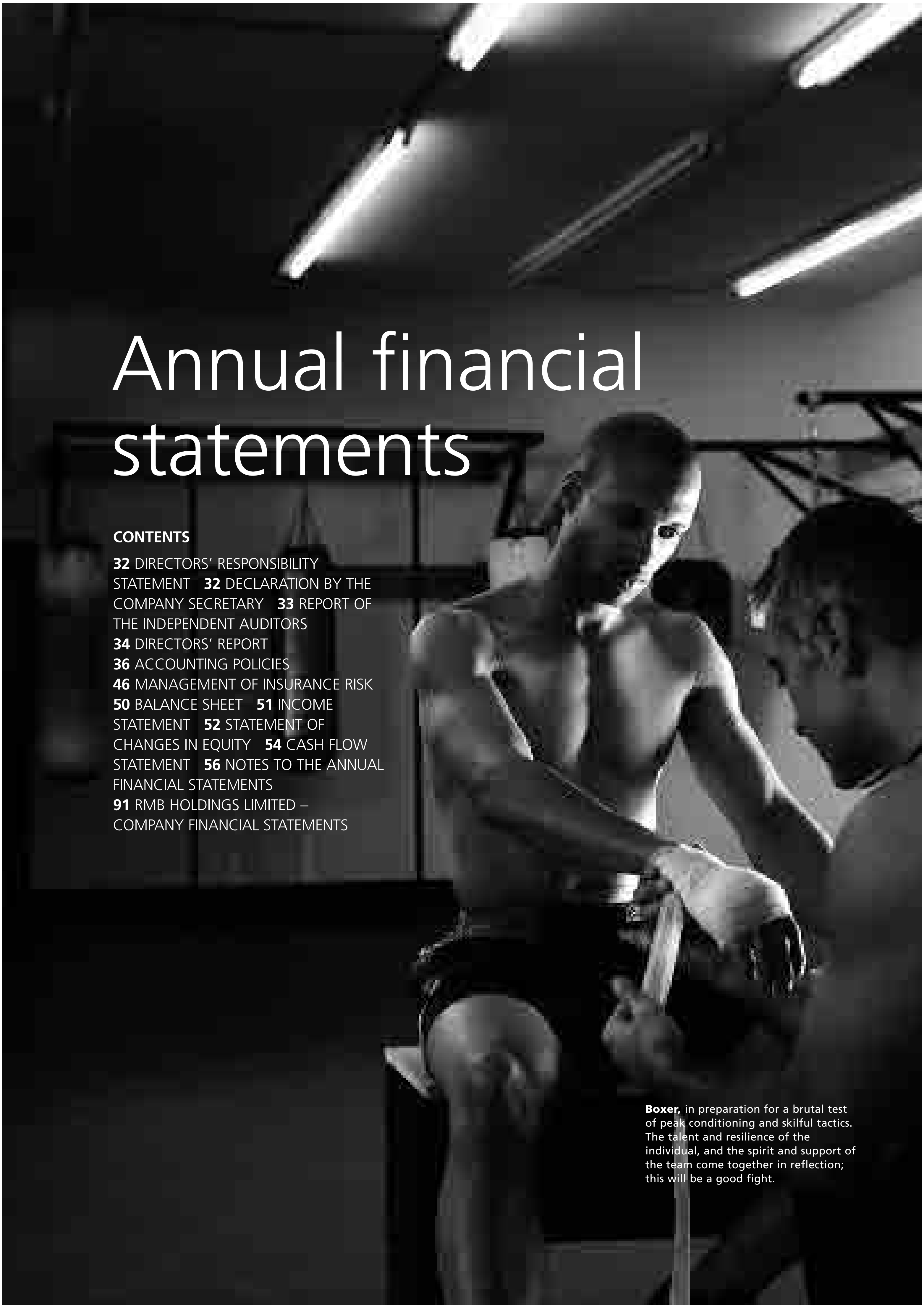
AUDIT COMMITTEE MEETINGS

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

	September 2006	February 2007
DM Falck – Chair	√	√
P Cooper	√	√
PK Harris	√	√

DIRECTORS' AFFAIRS COMMITTEE MEETINGS

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



Annual financial statements

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Boxer, in preparation for a brutal test of peak conditioning and skilful tactics. The talent and resilience of the individual, and the spirit and support of the team come together in reflection; this will be a good fight.

Directors' responsibility statement

The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of the RMB Holdings Limited Group. The external auditors, PricewaterhouseCoopers Inc., have audited the annual financial statements and their unqualified report appears on page 33.

The information provided in these annual financial statements has been prepared in accordance with the provisions of the Companies Act and conforms to International Financial Reporting Standards and prevailing practices of the insurance and banking industries.

In discharging their responsibilities, both for the integrity and fairness of these statements, the directors rely on systems of internal control and risk management procedures applied by the management of the main operating subsidiaries and associates ("the Group companies"). Based on the information and explanations given by management of the Company and of the underlying Group companies, the directors are of the opinion that:

- the internal controls are adequate;
- the financial records may be relied upon in the preparation of the annual financial statements;
- appropriate accounting policies, supported by reasonable and prudent judgments and estimates have been applied; and
- the annual financial statements fairly present the financial position of the Group.

The annual financial statements are prepared on a going concern basis and nothing has come to the attention of the directors to indicate that the Company will not remain a going concern.

The Company and Group annual financial statements, including the directors' report, were approved by the board of directors on 19 September 2007 and are signed on its behalf by:

G T Ferreira
Chairman

P Cooper
Chief Operating Officer

Declaration by the Company secretary in respect of section 268(d) of the Companies Act

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

A H Arnott
Company secretary

Report of the independent auditors

To the members of RMB Holdings Limited

We have audited the annual financial statements and Group annual financial statements of RMB Holdings Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 105.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as of 30 June 2007, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

Director: F Tonelli
Registered Auditor

Sandton
19 September 2007

Directors' report

for the year ended 30 June 2007

NATURE OF BUSINESS

RMB Holdings Limited ("RMBH") is a diversified financial services holding company listed on the JSE Limited ("JSE") under the banking sector. Its investments include:

	Effective interest At 30 June	
	2007	2006
FirstRand Limited – "FirstRand"	**32,8%**	32,7%
RMBSI Investments (Pty) Limited – "RMBSI"	**80,0%**	80,0%
FirstRand STI Holdings Limited – "OUTsurance"	**62,2%**	63,0%
Glenrand M.I.B Limited – "Glenrand M.I.B"	**15,8%**	15,8%

Further details regarding the investments are provided on pages 86 to 88 of these annual financial statements.

In terms of a written agreement between Remgro Limited ("Remgro") and RMBH, the most significant shareholders of FirstRand, RMBH has management control over FirstRand.

SHARE CAPITAL

Ordinary shares

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

At the annual general meeting of the shareholders of the Company held on 24 November 2006 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 RMB Holdings Limited 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 10% of the Company's issued share capital. This resolution is subject to the provisions of the Companies Act, as amended, and the Listings Requirements of the JSE.

To date, no action in terms of this resolution has taken place.

Preference shares

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

SHAREHOLDER ANALYSIS

(Disclosure in terms of Section 140A (8(a)) of the Companies Act)

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.

	2007	2006
Financial Securities Limited (Remgro)	**23,7%**	23,1%
Public Investment Corporation	**8,6%**	6,4%
LL Dippenaar	**7,6%**	7,6%
GT Ferreira	**7,3%**	7,3%

EARNINGS

Headline earnings for the year ended 30 June 2007 amounted to R 3,77 billion (2006: R2,91 billion).

DIVIDENDS

The following ordinary dividends were declared and paid by RMBH during the year under review:

- An interim dividend for the period ended 31 December 2006 of 61,5 cents (2005: 50,5 cents) per ordinary share, declared on 28 February 2007 and paid on 26 March 2007.
- A final dividend for the year ended 30 June 2007 of 80,0 cents (2006: 63,0 cents) per ordinary share, declared on 19 September 2007, payable on 22 October 2007.

The last day to trade in RMBH shares on a cum-dividend basis in respect of the final dividend will be Friday, 12 October 2007, while the first day to trade ex-dividend will be Monday, 15 October 2007. The record date will be Friday, 19 October 2007 and the payment date Monday 22 October 2007.

No dematerialisation or rematerialisation of shares may be done during the period Monday, 15 October 2007 to Friday, 19 October 2007, both days inclusive.

DIRECTORATE

The directorate consists of:

GT Ferreira *(Chairman)*
LL Dippenaar
DM Falck
PK Harris
P Cooper *(Chief Operating Officer)*
JW Dreyer
PM Goss
KC Shubane

Since the last annual report there has been no change to directorate.

DIRECTORS' INTERESTS IN RMBH

Details of individual directors' interests in the Company are disclosed on page 28.

INTEREST OF DIRECTORS AND OFFICERS

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

DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed on page 28.

Directors' participation in Group share incentive schemes
RMBH does not operate a share incentive scheme in its own right.

Mr Harris is a full-time executive director of FirstRand. Mr Cooper is a member of the FirstRand executive committee. As a result of this relationship, they are participants in the FirstRand Group Share Incentive Schemes, details of which are provided in the FirstRand annual financial statements.

Their interests at 30 June 2007 in the FirstRand schemes are set out on page 29.

FirstRand recovers the annual cost attributable to Mr Cooper's participation in its share incentive schemes from RMBH. During the year ended 30 June 2007 the costs incurred by RMBH in this regard amounted to R246 622 (2006: R64 384).

PROPERTY AND EQUIPMENT

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

INSURANCE

RMBH has protection against crime risks as well as professional indemnity by carrying large deductibles through a structured insurance risk financing program, with the balance of the risks being fully insured up to R2 billion.

COMPANY SECRETARY AND REGISTERED OFFICES

AH Arnott is the Company secretary. The address of the Company secretary is that of the Company's registered office. The Company's registered office is at:

4th Floor, 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton 2196.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Other than the matters disclosed in note 38 to the financial statements, there are no material facts or circumstances that have occurred between the accounting date and the date of this report.

Accounting policies

1. BASIS OF PREPARATION

RMBH's company and Group financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the South African Companies Act, Act 61 of 1973, as amended, and the Listings Requirements of the JSE Limited.

The financial statements are prepared on a going concern basis using the historical cost basis, except for certain financial assets and liabilities where it adopts the fair value basis of accounting. Such financial assets and liabilities include financial assets and liabilities held for trading; financial assets classified as available-for-sale; and financial instruments elected to be carried at fair value through profit or loss.

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

These polices have been consistently applied to all years presented, unless otherwise stated.

Amendment to published standards effective in the current year

The following amendment to published standards is mandatory for the Group's current accounting period:

- **IAS 39 amendment – The fair value option**

This amendment restricts the possibility for the Company to designate financial instruments at fair value through profit or loss that are not held for trading or derivatives. The designation of an instrument to be at fair value is now possible when it removes or significantly reduces accounting mismatches in measurement or presentation, or where financial instruments are managed and their performance is evaluated on a fair value basis.

Certain financial assets held previously as "at fair value through profit or loss" have been de-designated in accordance with IAS 39. Details of the change in reflected in note 44 – Change in accounting policy and restatement of comparatives.

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

2. CONSOLIDATION

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

Subsidiaries: Subsidiaries that have been consolidated are companies in which the Group, directly or indirectly, has a long-term interest of more than one half of the voting rights or has power to exercise control over the operations.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is accounted for directly in the income statement.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from or to the date on which effective control was acquired or ceased.

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

Consolidation of share incentive trusts and collective investment schemes (including policyholders): The Group consolidates share incentive trusts and collective investment schemes in which it is considered to have control through its size of investment, voting control or related management contracts.

Associate companies: Associates are entities in which the Group holds an equity interest of less than 50% and over which it has the ability to exercise significant influence, but does not control.

The Group includes the results of associates in its Group financial statements using the equity accounting method, from the effective date of acquisition to the effective date of disposal. The investment is initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition. When the Group's share of losses in an associated company equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The Group's share of retained income is transferred to non-distributable reserves. The Group's share of other movements in the reserves of associated companies is accounted for as changes in consolidated non-distributable reserves.

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

Dilutionary and anti-dilutionary effects of equity transactions by associated companies that RMBH is not party to, are accounted for directly against reserves.

Accounting policies of subsidiaries and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Separate financial statements: In RMBH's separate financial statements, investments in subsidiaries, joint ventures and associated companies are carried at cost.

3. REVENUE AND EXPENDITURE RECOGNITION

Interest income and expense: The Group recognises interest income and expense in the income statement for all instruments measured at amortised cost using the effective interest method.

Instruments with characteristics of debt, such as redeemable preference shares, are included in financial assets and financial liabilities. Dividends received or paid on these instruments are included and accrued in interest income and expense.

Fee and commission income: The Group generally recognises fee and commission income on an accrual basis when the service is rendered. Certain fees and transaction costs that form an integral part of the yield of available-for-sale and amortised cost financial instruments are capitalised and recognised as part of the effective yield of the financial instrument over the expected life of the financial instruments. Commission income on acceptances, bills and promissory notes endorsed is credited to income over the lives of the relevant instruments on a time apportionment basis.

Dividends: The Group recognises dividends when the Group's right to receive payment is established. This is on the last day to trade for listed shares, and on the date of declaration for unlisted shares.

4. FOREIGN CURRENCY TRANSLATION

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

Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

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

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

5. BORROWING COSTS

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset up to date on which construction or installation of the assets is substantially completed.

Other borrowing costs are expensed when incurred.

Accounting policies (continued)

6. DIRECT TAXES

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

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

Taxation in respect of the South African Life insurance operations is determined using the four fund method applicable to Life insurance companies.

7. RECOGNITION OF ASSETS

Assets

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

Contingent assets

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

8. RECOGNITION OF LIABILITIES, PROVISIONS AND CONTINGENT LIABILITIES

Liabilities and provisions: The Group recognises liabilities, including provisions, when:

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Contingent liabilities: The Group discloses a contingent liability where:

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

9. FINANCIAL INSTRUMENTS

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

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

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

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

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

Financial assets (or portions thereof) are derecognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable, as well as any prior adjustments to reflect fair value that had been recognised in equity, is included in the income statement.

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 the income statement.

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

Where a current legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

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

10. PROPERTY AND EQUIPMENT

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

Property and equipment is depreciated on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives. Freehold properties and properties held under finance leases are further broken down into significant components that are depreciated to their respective residual values over the economic lives of these components.

The periods of depreciation used are as follows:

• Freehold property and property held under finance Lease	
Buildings and structures	50 years
Mechanical, electrical and components	20 years
• Computer equipment	3 years
• Furniture, fittings and office equipment	6 years
• Motor vehicles	5 years

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

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

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

11. INTANGIBLE ASSETS

Goodwill: Goodwill represents the excess of the cost of an acquisition over the attributable fair value of the Group's share of the net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is disclosed separately. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Other intangible assets are stated at historic cost less accumulated amortisation and any recognised impairment losses. Intangible assets are recognised if it is probable that future economic benefits will flow to the Group from the assets and the costs of these assets can be measured reliably. Intangible assets are amortised on a straight line basis over their expected useful lives. The amortisation charge is reflected in marketing and administration expenses in the income statement.

The carrying amounts of intangible assets are reviewed for impairment on an annual basis or sooner if there is an indication of impairment. Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount, with the impairment recognised in the income statement when incurred.

Computer software development costs are generally expensed in the year incurred.

Amortisation and impairments of intangible assets are reflected under operating expenditure in the income statement.

12. IMPAIRMENT OF ASSETS

Impairment – subsidiaries, joint ventures and associates

An asset is impaired if its carrying amount is greater than its estimated recoverable amount, which is the higher of its fair value less cost to sell or its value in use. The carrying amounts of subsidiaries, joint ventures and associated companies are reviewed annually and written down for impairment where necessary.

Investment property, and property and equipment

Where these assets are identified as being impaired, that is when the recoverable amount has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. Such written-off amounts are accounted for in the income statement.

Financial instruments carried at amortised cost

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in the income statement.

Financial assets carried at fair value

At each balance sheet date the Group assesses whether there is objective evidence of possible impairment of financial assets carried at fair value. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement.

Impairment losses on equity instruments that were recognised in the income statement are not subsequently reversed through the income statement – such reversals are accounted for in equity.

Goodwill

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

13. DEFERRED TAXATION

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

Secondary taxation on companies is provided for in respect of dividend payments, net of dividends received or receivable and is recognised as a taxation charge for the year.

14. EMPLOYEE BENEFITS

Post-employment benefits: The Group operates defined benefit (through its associates) and defined contribution schemes, the assets of which are held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the relevant Group companies, taking account of the recommendations of independent qualified actuaries. For defined benefit plans the pension accounting costs are assessed using the projected unit credit method.

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

These funds are registered in terms of the Pension Funds Act, 1956, and membership is compulsory for all Group employees. Qualified actuaries perform annual valuations.

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

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

Leave pay: The Group recognises in full employees rights to annual leave entitlement in respect of past service.

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

15. BORROWINGS

The Group initially recognises borrowings, including debentures, at the fair value of the consideration received. Borrowings are subsequently measured at amortised cost. Discounts or premiums on debentures issued are amortised on a basis that reflects the effective yield on the debentures over their life span. Interest paid is recognised in the income statement on an effective interest rate basis.

Instruments with characteristics of debt, such as redeemable preference shares, are included in liabilities. Dividends paid on such instruments are included in interest expense.

16. SHARE CAPITAL

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

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

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

Accounting policies (continued)

17. SEGMENT REPORTING

The Group defines a segment as a distinguishable component or business that provides unique products or services in a distinct business segment and/or products or services within particular geographical segments. Segments with a majority of revenue earned from charges to external customers and whose revenue, results or assets are 10% or more of all the segments, are reported separately.

18. SHARE BASED PAYMENTS

The Group operates equity-settled share-based compensation plans.

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

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each balance sheet date, the Group revises its estimate of the number of options expected to vest.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are measured at fair value and include cash at hand, short-term deposits held with banks and listed government bonds under resale agreements.

Short-term deposits with banks and listed government bonds under resale agreements are considered instruments that can be liquidated within a period of three months from the reporting date. Short-term deposits which cannot be accessed within this period are classified as financial assets.

20. INSURANCE CONTRACTS

Classification of insurance and investment contracts

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

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

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

Insurance contracts

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

20.1 Short-term insurance

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

Recognition and measurement

- *Premium revenue*

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

- *Unearned premium provision*

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

* *Unexpired risk provision*

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

* *Provision for claims reported but not paid*

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

* *Provision for claims incurred but not reported*

  Incurred but not reported reserves represent a provision for claims incurred up to the end of the financial year but not yet reported. The provision for claims incurred but not reported is estimated based on actual reported claims and referring to net premium written.

* *Salvage and subrogation recoveries*

  Certain insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (i.e. salvage) as well as to pursue third parties for payment of some or all costs (subrogation). Salvage and subrogation recoveries are recognised when it is reasonably certain that the amounts will be recovered. The recoveries are credited to claims incurred in the income statement.

* *Deferred acquisition costs ("DAC")*

  Acquisition costs, which represent commission paid in respect of insurance contracts are recognised as an intangible asset and amortised over the duration of the insurance agreement as premium is earned.

* *Deferred acquisition revenue ("DAR")*

  Reinsurance commission is recognised as a liability and amortised over the duration of the reinsurance agreement as reinsurance premium is expensed.

* *Reinsurance contracts held*

  The Group seeks reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

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

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

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

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

* *Contingency reserve*

  A reserve is made in respect of the Group's short-term insurance operations in South Africa as required by the regulatory authorities. Transfers to and from this reserve are treated as appropriation of retained income. The contingency reserve is not distributable. The contingency reserve is calculated as 10% of the net written premiums in terms of the South African Short-Term Insurance Act, 1998.

- *Receivables and payables related to insurance contracts*
  Receivables and payables are recognised when due. These include amounts due to and from brokers and insurance contract holders.

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

- *Cash bonus provision*
  A provision is made for probable future cash bonus payments during the period in which the premium is collected using statistical techniques, past experience and management's expectations regarding future trends in claims experiences. Certain personal lines clients are eligible for this benefit, which returns a contracted percentage of the client's premium paid, upon achievement of a pre-specified claim free period as stipulated in the client's insurance contract.

20.2 Long-term insurance

Long-term insurance provides benefits under long-term policies for credit life. Premium revenue includes all premiums for the period of risk covered by the policy, regardless of whether or not these are for payment in the accounting period. Premiums are shown before the deduction of commission. Benefits are recorded as an expense when they are incurred.

The liabilities under life insurance contracts are valued in accordance with the Actuarial Society of South Africa's guidelines and in particular PGN103 (version 4) and PGN104 (version 6). The operating surpluses or losses arising from life insurance contracts are determined by the annual valuation. These surpluses or losses are arrived at after taking into account the movement in actuarial liabilities under matured policies, provisions for profit commissions accrued and adjustments to other reserves within the policyholder liabilities.

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

Liability adequacy test

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

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

Investment contracts

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

Liabilities for individual market related long-term insurance policies where benefits are in part dependent on the performance of underlying investment portfolios are taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date. The liability is based on assumptions of the best estimate of future experience, plus compulsory margins as required in terms of PGN 104.

21. CONVERTIBLE DEBENTURES

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

22. PREFERENCE SHARES

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

23. POLICYHOLDERS' PROFIT SHARE

The Group and its clients share in the operating result of the insurance business. The entitlement to the participation in the operating result remains contingent until the termination of the agreement with the client or until contractually determined.

During the duration of the profit sharing agreement the estimated entitlement to profit or losses by clients is determined annually and transferred to the policyholder profit share liability. Increases and decreases in the estimated entitlement to operating result that may become apparent in future periods are transferred from or to the operating result of that period.

24. ACCOUNTING FOR CELL CAPTIVE ARRANGEMENTS

Certain cell captive arrangements have been entered into by businesses within the Group. Per these arrangements, certain risk products marketed and distributed by these companies are underwritten by the Company's subsidiary, OUTsurance Insurance Company Limited.

The collection of premium and the payment of claims is a function that is performed by the cell or its administrator. The results of the cell are fully consolidated into the results of the Group.

Economic benefits generated by the cell are distributed by way of a bi-annual preference dividend to the preference shareholder, an entity independent of the cell. Losses incurred by the cell are for the Group and there is no recourse against the cell for such losses. The Group however, retains the right to offset such losses against future profits generated by the cell in the determination of any preference dividends to be paid to the preference shareholder.

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

Provisions in relation to insurance contracts, other than the provision for incurred but not reported claims and the provision for unearned premium, concluded by the cell are determined by the cell administrator. The provision for incurred but not reported claims is carried by the Group at the statutory rate of 7% of net written premiums.

Management of insurance risk

for the year ended 30 June 2007

The Group's insurance businesses are conducted in two separate subsidiaries, namely FirstRand STI Holdings Limited ("OUTsurance") and RMB-SI Investment (Pty) Limited ("RMB Structured Insurance").

RMB Structured Insurance holds both short-term and life insurance licences. It creates individual insurance and financial risk solutions for large corporates by using sophisticated risk techniques and innovative financial structures.

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

As the insurance offerings of these businesses differ, the management of insurance risk are presented for each business below.

RMB STRUCTURED INSURANCE ("RMBSI")

RMBSI issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Group manages them.

The business strategy is to mitigate insurance risk by passing a significant portion of risk back to the policyholders or external parties or to write business where the overall portfolio insurance risk is controlled within acceptable limits with minimal residual risk accruing to shareholders.

RMBSI generally writes a few policies for a number of large corporate clients. In the case of customer protection and credit insurance, policies are written over the entire customer base of the corporate client. This business is written at all retail outlets of the corporate client which has branches throughout South Africa and its adjoining territories. The geographic diversity of this business reduces concentration risk to acceptable levels.

RMBSI's insurance business comprises a small number of large corporate insurance contracts issued to corporates and institutions, as well as a large number of smaller insurance contracts issued on behalf of the Group by its corporate clients under underwriting mandates. The Group's compliance committee meets on a regular basis, performing a detailed review of all new corporate insurance contracts and underwriting mandates, and annually reviews the status of these contracts and mandates. The Group's risk appetite is determined with reference to past experience, its capital base, predictability and volatility of the underwriting result, economic climate, and the availability of reinsurance cover, where applicable. There is a large number of small contracts therefore the risk exposure on this business is diversified.

RMBSI's more significant categories of business are:

- Customer protection insurance and reinsurance of personal lines business.

  These policies grant protection to policyholders who have entered into instalment sale agreements. The protection is for the loss and/or damage to the property under the instalment sale agreement as well as for the accidental loss of life and/or retrenchment of the policy holder. RMBSI Group has significant historical data for this type of business as it has underwritten these risks for the last ten years and has a well diversified book of business. Gross and net premium written in respect of Customer Protection Insurance for the current year amounted to R1 476 million. Gross and net premium written in respect of reinsurance of personal lines business for the current year amounted to R185 million.

- Credit insurance

  Credit insurance offers companies cover should they incur bad debts on credit sales. Here too the Group has significant historical data for this type of business as it has underwritten these risks for the last eight years and has a well diversified book of business. Additionally, RMBSI has secured standby third party capital should prolonged underwriting losses prevail over an insurance cycle. Premium written in respect of Credit Insurance for the current year amounted to gross R675 million, and net R631 million.

- Liability insurance

  RMBSI has issued policies to cover companies and a university for their future uncertain employee obligations. In some cases they are able to mitigate the risk by limiting the limit of indemnity to the amount of funds actually held. In other cases we have worked closely with independent actuaries to ensure that we have an appropriate underwriting and investment strategy to meet the tailored liabilities. Gross and net premium written in respect of Liability Insurance since inception of such contracts amounted to R2 098 million.

  In respect to long-term insurance, the calculation of the investment contract liability is an amount equal to the underlying financial assets.

RMBSI mainly underwrites insurance risk in South Africa, with a small portion arising from risks in the Far East, Australia, United Kingdom, United States of America, Lesotho and Swaziland.

Due to the number and size of insurance contracts, the profile of the Group's business changes regularly, and as a result thereof gross premiums and gross claims show little comparability between different reporting periods.

RMBSI therefore manages its insurance risk in respect of each insurance contract separately through limits of indemnity, reinsurance arrangements or through other arrangements with the Group's clients where they provide the risk capital required for the business, whether on an actual or contingent basis. The Group does not pool insurance risks, with the exception of the credit protection business. The Group is able to re-price under most of its insurance products in respect of future risks.

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

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

Short-term insurance

Discounted liabilities

Where the liability term is deemed to be long enough for the effect of investment returns earned on provisions held to be material, explicit account is taken thereof by discounting future net cash-flows at the expected long-term investment return.

In short-term insurance this may be necessary where the delay between the date of a claim and the date of payment of the claim exceeds a predetermined period or where the policy term extends beyond a predetermined length.

This approach may or may not be taken on a policy by policy basis, depending on the nature of the business and the provision being calculated.

The basis of the projections is a "best estimate" assumption basis.

Undiscounted liabilities

The undiscounted liabilities of the Group include the following:

Unearned premium provision ("UPR")

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

For debt-related business, the premium in any period is related to the value of the outstanding debt. We therefore calculate the outstanding debt value as a proportion of the original debt and apply this to the total written premium to obtain the UPR.

Unexpired risk provision ("URR") and additional unexpired risk provision ("AURR")

The URR is equal to the expected cost of future claims and related expenses expected to arise from policies that have unexpired cover as at the valuation date. The methods used to estimate the URR may differ from one case to another. For most of the insurance transactions it was considered the historical loss ratios to form a view on the URR. If the URR exceeds the UPR this could indicate that the premiums charged are inadequate for the risks covered.

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

Incurred but not reported ("IBNR") provision

The most common techniques used to determine IBNR provisions are the Chain-Ladder and the Bornheutter-Ferguson methods. Both these methods were considered.

The Chain-Ladder method is used to analyse historic claims experience to determine estimated future development factors for the projection of future losses. The Bornheutter-Ferguson method combines the Chain-Ladder technique with a market- or company-related estimate of ultimate loss ratio and is intended to stabilise the projections where data is scarce. This method is often useful where developed claims experience is not available in respect of the business being analysed.

The majority of the Group's IBNR is calculated as a percentage of premiums written. This percentage is a best estimate provision, which represents the expected value of the unreported claims liabilities. Different percentages are applicable for different classes of business and their appropriateness is assessed against the Group's past claims experience.

The actuaries review the adequacy of the claims provisions. The Chain-Ladder method is used for the majority of the Group's business to calculate a best estimate outstanding claims liability which is then compared to the outstanding claims liability raised by the operation. The actuaries report did not highlight any areas of inadequate provisioning.

The provision for reported claims and IBNR is initially estimated at a gross level. A separate calculation is then carried out to determine the estimated reinsurance recoveries.

Management of insurance risk (continued)

Contingency reserve

A contingency reserve is held to meet unforeseen future losses that may arise over the remaining term of in-force policies and will give rise to unexpected increase in the claims. Since the extent and nature of such contingencies are unknown, this reserve is generally set at a predetermined percentage of the gross premium income of the preceding year.

Long-term insurance

The liabilities for insurance contracts include discounted and undiscounted liabilities. Discounted liabilities are calculated by projecting liability outgo and expected future premiums and discounting the cashflows to the valuation date based on the valuation interest rate. The undiscounted liability is an additional incurred but not reported ("IBNR") provision due to it being credit life business.

The split of the long-term gross and net actuarial liability for insurance contracts between discounted and undiscounted liabilities is as follows:

	June 2007 R'000	June 2006* R'000
Gross actuarial liability		
Discounted liabilities	**56 885**	63 216
Undiscounted liabilities	**7 951**	4 278
	64 836	**67 494**
Net actuarial liability		
Discounted liabilities	**9 228**	8 039
Undiscounted liabilities	**802**	4 278
	10 030	**12 317**

** In 2006, the undiscounted liability included an accounting accrual.*

OUTSURANCE

OUTsurance conducts short-term insurance business on various different classes of short-term insurance risk. Furthermore, it underwrites risk products marketed and distributed through companies within the wider FirstRand Group.

Types of insurance contracts written	Personal lines	Commercial	Cell captive
Personal accident	X	X	
Liability	X	X	
Miscellaneous	X	X	X
Motor	X	X	X
Property	X	X	
Transportation	X	X	

The personal lines segment of the business sells insurance to the general public allowing them to cover their personal possessions and property. The commercial segment of the business targets medium and small businesses in South Africa. Insurance products are sold with either a monthly or an annual premium payable by the covered party or entity. Cell captive business refers to arrangements whereby the Group underwrites various risk products marketed and distributed by other FirstRand Group companies. The management of cell captive risks underwritten by the Group is performed by the cell itself.

Management of insurance risk

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

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

OUTsurance manages its insurance risk through its reinsurance programme which is structured to protect it against material losses to either a single insured risk, or a Group of insured risks in the case of a catastrophe where there would tend to be a concentration of insured risks.

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

Underwriting strategy

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

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

Risks are rated individually by programmes loaded onto the computer system based on information captured by staff for each risk. Conditions and exclusions are also automatically set at an individual risk level. Individual risks are only automatically accepted up to predetermined thresholds which vary by risk type. Risks with larger exposure than the thresholds are automatically referred and underwritten individually by the actuarial department. These limits are set at a substantially lower level than the reinsurance retention limits. No risks which exceed the upper limits of the reinsurance can be accepted without the necessary facultative cover being arranged.

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

Reinsurance strategy

OUTsurance reinsures a portion of the risk it assumes through its reinsurance programme in order to control the exposure of OUTsurance to losses arising from insurance contracts and in order to protect the profitability of the Group and its capital. A suite of treaties are purchased in order to limit losses suffered from individual and collective insurance risks. Facultative reinsurance is purchased for certain individual risks that have been identified as being outside the limits set for these risks. The retention limits are modelled to optimise the balance between acceptable volatility and reinsurance cost. Acceptable volatility is as defined by the limits set by the board.

Concentrations of risk and mitigating policies

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

OUTsurance is exposed to a concentration of insurance risk in the Gauteng province of South Africa where 50% of OUTsurance's total sum insured is domiciled. In order to manage this concentration of insurance risk, OUTsurance has entered into a catastrophe excess of loss reinsurance treaty that would limit the loss of OUTsurance to pre-determined levels following the occurrence of a localised catastrophe in this area.

Exposure to catastrophes and policies mitigating this risk

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

Contingency reserve

A contingency reserve is held to meet unforeseen future losses that may arise over the remaining term of in-force policies and will give rise to unexpected increase in the claims. Since the extent and nature of such contingencies are unknown, this reserve is generally set at a predetermined percentage of the gross premium income of the preceding year.

Balance sheet

as at 30 June 2007

	Notes	GROUP 2007 Rmillion	GROUP 2006 Rmillion
ASSETS			
Property and equipment	1	**103,8**	104,8
Intangible assets	2	**7,4**	12,9
Investment in associates	3	**15 192,9**	13 121,7
Financial assets			
Equity securities:			
– available-for-sale	4	**793,7**	796,2
– at fair value through profit or loss	4	**3 667,1**	1 462,4
Debt securities:			
– held to maturity	4	**67,2**	64,4
– at fair value through profit or loss	4	**863,0**	720,7
Loans and receivables including insurance receivables	5	**521,9**	531,0
Deferred acquisition cost		**7,0**	0,3
Reinsurance contracts	6	**55,7**	24,0
Deferred taxation	7	**145,8**	103,1
Cash and cash equivalents	8	**1 978,2**	2 235,6
Total assets		**23 403,7**	19 177,1
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital and premium	9	**4 439,0**	4 465,7
Reserves	10	**12 184,1**	9 650,9
Total shareholders' equity		**16 623,1**	14 116,6
Minority interest		**971,7**	399,1
Total equity		**17 594,8**	14 515,7
LIABILITIES			
Insurance contracts	6	**3 734,1**	3 205,6
Financial liabilities			
Convertible debentures	11	**15,0**	15,0
Preference shares	12	**126,3**	126,5
Interest bearing loans	13	**736,7**	403,5
Policyholders' profit share	14	**(101,3)**	(48,8)
Policyholders' contingency provision	15	**15,5**	15,3
Derivative financial instruments	16	**–**	0,1
Investment contracts:			
– at fair value through profit or loss	17	**793,1**	630,2
Liability related to intangible asset	18	**–**	8,3
Deferred acquisition reserve		**9,0**	–
Provisions	19	**22,7**	21,1
Trade and other payables	20	**262,4**	199,6
Deferred taxation	7	**72,7**	39,3
Taxation		**110,5**	36,9
Short-term portion of financial liabilities		**12,2**	8,8
Total liabilities		**5 808,9**	4 661,4
Total equity and liabilities		**23 403,7**	19 177,1

Income statement

for the year ended 30 June 2007

	Notes	GROUP 2007 Rmillion	GROUP 2006 Rmillion
Share of after-tax profits of associate companies	3	3 589,6	2 756,9
Impairment loss		(12,8)	–
Profit on sale of interest in associate companies		–	6,1
Equity accounted earnings		3 576,8	2 763,0
Gross insurance premium revenue		5 135,8	4 391,0
Less: reinsurance premiums		(113,6)	(80,0)
Net insurance premiums		5 022,2	4 311,0
Change in provision for unearned premiums net of reinsurance		304,2	104,1
Net insurance premium revenue	21	5 326,4	4 415,1
Commission income		5,1	–
Fee income	22	67,1	51,9
Investment income	23	218,8	238,2
Net fair value gains on financial assets at fair value through profit or loss	24	988,7	679,9
Net income		6 606,1	5 385,1
Gross claims paid	25	(2 968,7)	(2 483,1)
Reinsurance recoveries received	25	8,4	56,8
Investment contract benefits	26	(166,8)	(172,1)
Transfer from policyholders' profit share	14	52,3	133,5
Provision for cash bonuses	6.5	(179,5)	(142,2)
Acquisition expenses	27	(1 363,3)	(1 307,5)
Marketing and administration expenses	28	(558,8)	(438,0)
Result of operating activities		1 429,7	1 032,5
Result of operating activities of the Group		5 006,5	3 795,5
Finance cost	29	(296,1)	(232,4)
Profit before taxation		4 710,4	3 563,1
Taxation	30	(332,7)	(270,3)
Profit for the year		4 377,7	3 292,8
Attributable to:			
Equity holders of the Company		4 108,9	3 144,3
Minority interest		268,8	148,5
		4 377,7	3 292,8
Earnings per share (cents) – basic	32	349,7	267,8
Earnings per share (cents) – diluted	32	340,6	260,5
Dividend per share (cents)	33	141,5	113,5

Statement of changes in equity

for the year ended 30 June 2007

GROUP Rmillion	Share capital	Equity accounted reserves	Other non-distributable reserves	Retained earnings	Minority interest	Total equity
Balance at 1 July 2005						
– As previously reported	5 590,9	4 931,1	460,2	2 113,9	313,3	13 409,4
Restatement as a result of de-designating certain financial assets	–	–	(1,5)	1,5	–	–
Restated balance at 1 July 2005	5 590,9	4 931,1	458,7	2 115,4	313,3	13 409,4
Net profit for the year	–	–	–	3 144,3	148,5	3 292,8
Return of capital	(1 187,8)	–	–	–	–	(1 187,8)
Dividends paid	–	–	–	(1 217,5)	(77,2)	(1 294,7)
Income of associate companies retained	–	1 732,6	–	(1 732,6)	–	–
Retained income of associate sold – transferred	–	(0,7)	–	0,7	–	–
Movement in treasury shares	62,6	–	–	–	–	62,6
Capital invested by minorities	–	–	–	–	11,5	11,5
Transfer to contingency reserve	–	–	26,5	(26,5)	–	–
Share option expense reserve – IFRS2	–	–	4,2	–	–	4,2
Transfers relating to short-term insurance interests:						
– Revaluation of investments	–	–	0,3	–	0,2	0,5
– Movement on foreign currency translation reserves	–	–	(0,4)	–	–	(0,4)
– Change in reserves due to change in holding	–	–	–	–	2,8	2,8
Change in carrying value of associate due to elimination of treasury shares	–	(18,8)	–	–	–	(18,8)
Transfers relating to associates:						
– Movement on foreign currency translation reserves	–	73,5	–	–	–	73,5
– Movement in revaluation reserves	–	73,3	–	–	–	73,3
– Consolidation of share trust	–	(35,5)	–	–	–	(35,5)
– Decrease in reserves due to change in holding	–	(1,7)	–	–	–	(1,7)
– Share based payment reserve	–	91,6	–	–	–	91,6
– Effective change in shareholding of subsidiary	–	25,8	–	–	–	25,8
– Other	–	6,6	–	–	–	6,6
Balance at 30 June 2006	4 465,7	6 877,8	489,3	2 283,8	399,1	14 515,7

GROUP Rmillion	Share capital	Equity accounted reserves	Other non-distributable reserves	Retained earnings	Minority interest	**Total equity**
Balance at 1 July 2006	4 465,7	6 877,8	489,3	2 283,8	399,1	**14 515,7**
Net profit for the year	–	–	–	4 108,9	268,8	**4 377,7**
Dividends paid	–	–	–	(1 478,8)	(103,4)	**(1 582,2)**
Income of associate companies retained	–	2 343,9	–	(2 343,9)	–	**–**
Movement in treasury shares	(26,7)	113,0	–	2,9	–	**89,2**
Capital invested by minorities	–	–	–	–	407,0	**407,0**
Transfer to contingency reserve	–	–	35,7	(35,7)	–	**–**
Share option expense reserve – IFRS2	–	–	5,5	–	2,2	**7,7**
Transfers relating to short-term insurance interests:						
– Movement in revaluation reserve	–	–	(15,0)	1,2	(8,4)	**(22,2)**
– Change in reserves due to change in holding	–	–	(1,8)	–	6,4	**4,6**
Change in carrying value of associate due to elimination of treasury shares	–	25,9	–	–	–	**25,9**
Transfers relating to associates:						
– Movement on foreign currency translation reserves	–	3,6	–	–	–	**3,6**
– Movement in revaluation reserves	–	44,9	–	–	–	**44,9**
– Consolidation of share trust	–	(352,5)	–	–	–	**(352,5)**
– Share based payment reserve	–	77,7	–	–	–	**77,7**
– Effective change in shareholding of subsidiary	–	4,9	–	–	–	**4,9**
– Other	–	(7,2)	–	–	–	**(7,2)**
Balance at 30 June 2007	**4 439,0**	**9 132,0**	**513,7**	**2 538,4**	**971,7**	**17 594,8**

Cash flow statement

for the year ended 30 June 2007

	Note	GROUP 2007 Rmillion	GROUP 2006 Rmillion
Cash flows from operating activities			
Cash generated from operations	A	**2 195,8**	1 691,1
Investment income		**259,2**	324,1
Dividends received		**48,7**	46,8
Income tax paid		**(285,7)**	(353,3)
Net cash generated from operating activities		**2 218,0**	1 708,7
Cash flows from investing activities			
Purchase of property and equipment		**(22,7)**	(22,3)
Proceeds from disposal of property and equipment		**1,8**	2,0
Net additions to investments		**(876,5)**	(426,8)
Acquisition of intangible asset		**(5,5)**	(4,0)
Investment in associate companies		**–**	(611,5)
Proceeds from sale of interest in associate companies		**–**	11,4
Net cash used in investing activities		**(902,9)**	(1 051,2)
Cash flows from financing activities			
Funding raised from minority shareholders		**31,6**	47,8
Return of share capital		**–**	(1 187,8)
Issue of preference shares		**1,3**	–
Redemption of preference shares		**(1,4)**	(8,2)
Net amount of borrowings raised		**330,4**	27,2
Cost of funding		**(48,8)**	(23,4)
Dividends paid on preference shares in issue		**(265,5)**	(208,8)
Dividends paid by subsidiary to minority shareholders		**(142,1)**	(142,6)
Dividends paid to shareholders		**(1 477,6)**	(1 214,5)
Net cash used in financing activities		**(1 572,1)**	(2 710,3)
Net decrease in cash and cash equivalents for the year		**(257,0)**	(2 052,8)
Unrealised foreign currency translation adjustment included in cash and cash equivalents		**(0,4)**	(9,5)
Cash and cash equivalents at the beginning of the year		**2 235,6**	4 297,9
Cash and cash equivalents at the end of the year		**1 978,2**	2 235,6

Note to the cash flow statement

for the year ended 30 June 2007

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
A. Cash flows from operating activities		
Reconciliation of profit before taxation to cash generated from operations:		
Profit before taxation	**4 710,4**	3 563,1
Adjusted for:		
Profit on sale of interest in associate	**–**	(6,1)
Impairment loss	**12,8**	–
Revaluation of treasury shares	**2,7**	0,7
Loss on dilution of shareholding	**4,7**	13,6
Equity accounted earnings	**(2 343,9)**	(1 732,6)
Depreciation	**21,4**	21,7
Loss/(Profit) on sale of fixed assets	**0,5**	(0,2)
Share option expenses	**7,7**	6,1
Investment income	**(306,0)**	(362,2)
Funding costs	**63,0**	37,6
Dividends accrued on preference shares in issue	**274,6**	226,5
Net fair value gains on assets at fair value through profit or loss	**(928,8)**	(561,9)
Changes in insurance balances:		
Gross provision for unearned premiums	**30,6**	50,7
Reinsurers' share of provision for unearned premiums	**(30,6)**	2,6
Gross provision for claims reported but not paid	**70,3**	53,5
Gross provision for claims incurred but not reported	**11,1**	10,2
Provision for OUTbonus	**179,5**	142,2
OUTbonus paid	**(105,8)**	(81,3)
Insurance contracts	**343,7**	473,0
Investment contracts	**162,9**	166,8
Investment contract benefits paid	**–**	(160,6)
Deferred acquisition costs	**(6,7)**	(0,3)
Deferred acquisition revenue	**9,0**	–
Amortisation of restraint of trade	**5,5**	6,7
Transfer from policyholders' profit share	**(52,3)**	(133,5)
Changes in working capital		
Current receivables and prepayments	**0,3**	11,3
Current payables and provisions	**59,2**	(56,5)
Cash generated from operations	**2 195,8**	1 691,1

Notes to the annual financial statements

for the year ended 30 June 2007

	Land and buildings Rmillion	Furniture, fittings and equipment Rmillion	Motor vehicles Rmillion	Total Rmillion
1. PROPERTY AND EQUIPMENT				
At 1 July 2005:				
Cost	71,7	99,8	3,9	175,4
Accumulated depreciation	(2,5)	(65,6)	(1,4)	(69,5)
Net book amount	69,2	34,2	2,5	105,9
Year ended 30 June 2006				
Opening net book amount	69,2	34,2	2,5	105,9
Additions	0,7	19,2	2,2	22,1
Disposals	(0,9)	–	(0,7)	(1,6)
Depreciation charge (note 28)	(1,8)	(18,8)	(1,0)	(21,6)
Closing net book amount	67,2	34,6	3,0	104,8
At 30 June 2006:				
Cost	71,5	118,4	4,6	194,5
Accumulated depreciation	(4,3)	(83,8)	(1,6)	(89,7)
Net book amount	67,2	34,6	3,0	104,8
Year ended 30 June 2007				
Opening net book amount	**67,2**	**34,6**	**3,0**	**104,8**
Additions	**0,5**	**20,3**	**1,9**	**22,7**
Disposals	**–**	**(0,1)**	**(2,2)**	**(2,3)**
Depreciation charge (note 28)	**(1,8)**	**(18,5)**	**(1,1)**	**(21,4)**
Closing net book amount	**65,9**	**36,3**	**1,6**	**103,8**
At 30 June 2007:				
Cost	**72,0**	**137,8**	**2,3**	**212,1**
Accumulated amortisation	**(6,1)**	**(101,5)**	**(0,7)**	**(108,3)**
Net book amount	**65,9**	**36,3**	**1,6**	**103,8**

Land at a cost of R0,95 million is described as portion 4 of Erf 21, Highveld Township. The land was developed as a parking area for employees. This land was disposed of during the previous financial year. R65,9 million (2005: R67,2 million) of land and buildings is described as Erf 1478, 1479, Zwartkop Ext 7, Centurion. The subsidiary of the Company, OUTsurance Insurance Company Limited, entered into a ten year lease arrangement on 1 February 2004 with an option to buy the land and buildings at the end of the lease period. The lease agreement is therefore viewed as a finance lease on a Group basis and the land and buildings capitalised accordingly. The lease liability is detailed in note 13.

Motor vehicles with a book value of R1,6 million (2006:R3,0 million) are held under hire purchase agreements as indicated under note 13.

Depreciation expense of R21,4 million (2006:R21,6 million) has been charged in marketing and administration expenses.

2. INTANGIBLE ASSETS

	Goodwill Rmillion	Restraint of trade asset Rmillion	Total Rmillion
At 1 July 2005:			
Cost	19,7	20,5	40,2
Accumulated amortisation	(16,4)	(4,1)	(20,5)
Net book amount	3,3	16,4	19,7
Year ended 30 June 2006			
Opening net book amount	3,3	16,4	19,7
Amortisation charge (note 28)	–	(6,8)	(6,8)
Closing net book amount	3,3	9,6	12,9
At 30 June 2006:			
Cost	19,7	20,5	40,2
Accumulated amortisation	(16,4)	(10,9)	(27,3)
Net book amount	3,3	9,6	12,9
Year ended 30 June 2007			
Opening net book amount	**3,3**	**9,6**	**12,9**
Amortisation charge (note 28)	**–**	**(5,5)**	**(5,5)**
Closing net book amount	**3,3**	**4,1**	**7,4**
At 30 June 2007:			
Cost	**19,7**	**20,5**	**40,2**
Accumulated amortisation	**(16,4)**	**(16,4)**	**(32,8)**
Net book amount	**3,3**	**4,1**	**7,4**

Amortisation of R5,5 million (2006:R 6,8 million) has been included in marketing and administration expenses.

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

The intangible asset – restraint of trade asset refers to the purchase of the intellectual property of Specialised Assessing Services (Pty) Ltd, as well as the conclusion of certain restraint of trade agreements with key personnel of that company. The effective date of conclusion is 1 April 2008. The asset is carried at cost less accumulated amortisation charges.

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
3. INVESTMENT IN ASSOCIATES		
Shares at cost	**7 591,6**	7 591,6
Net asset value at acquisition	**3 380,9**	3 380,9
Goodwill created	**4 210,7**	4 210,7
Amortisation of goodwill	**(1 114,9)**	(1 114,9)
Impairment loss	**(12,8)**	–
Investment in fund consolidated	**(182,6)**	–
Treasury shares	**(181,7)**	(268,4)
Change in carrying value due to change in effective holding	**(1 076,2)**	(1 102,1)
Share of post-acquisition increase in reserves of associate companies at the beginning of the year	**7 801,1**	6 069,2
Share of retained income for the year	**2 343,9**	1 732,6
Share of retained income of associate sold transferred to retained income	**–**	(0,7)
Decrease in carrying value of investment due to issuing of shares at a price lower than net asset value	**(18,5)**	(18,5)
Share of associates' non-distributable reserves	**(50,0)**	178,6
Dividend declared by subsidiary to associate	**93,0**	54,3
At end of year	**15 192,9**	13 121,7
Market values and directors' valuation:		
Listed	**38 353,4**	28 526,9
Analysis of income:		
Per audited financial statements	**3 589,6**	2 756,9
Retained income for the year	**2 343,9**	1 732,6
Dividends received for the year	**1 245,7**	1 024,3
	3 589,6	2 756,9

The impairment loss relates to Glenrand M.I.B Limited as the fair value of the investment is lower that the carrying value.

The Group's interests in its associates, all of which are listed, were as follows (see note 40):

Name of company	Number of shares	% of equity
FirstRand Limited	1 694 843 615	32,8*
Glenrand M.I.B Limited	35 892 605	15,8*

** After consolidation of share trust*

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
4. FINANCIAL ASSETS		
The Group's financial assets are summarised by measurement category in the table below:		
Held to maturity	**67,2**	64,4
Available for sale	**793,7**	796,2
Fair value through profit or loss	**4 530,1**	2 183,1
	5 391,0	3 043,7

An analysis of the amounts recoverable within 12 months and more is provided in note 34.3.

The assets comprised in each of the categories above are detailed in the tables below:

Held to maturity financial assets, at amortised cost

Debt securities – other interest bearing instruments	**67,2**	64,4

Financial assets held to maturity are carried on the Group's balance sheet at amortised cost.

At the year-end, other interest bearing instruments included an inflation-linked annuity issued by the South African National Road Fund for the building of the N3 toll road.

The cash flow stream pays quarterly CPI (metropolitan and other urban areas) adjusted annuities in February, May, August and November of each year up to November 2024. The inflation-linked cash flow stream is carried at cost plus interest amortised at the real effective yield of 8,05% per annum and is adjusted for changes in the CPI (metropolitan and other urban areas). The carrying amount is reduced by the cash flows received.

Available for sale financial assets

Equity securities		
– unlisted preference shares	**512,1**	577,1
– listed preference shares	**281,6**	219,1
	793,7	796,2

Unlisted preference share investments are made in special purpose vehicles administered by large South African banks. To mitigate credit risk, the preference share investments are secured by put options to those banks. The purpose of the investments is to match the Group's contracted obligations to pay dividends on the variable rate cumulative redeemable preference shares in issue (see note 12).

The investments are held to redemption and are carried at cost, which equals redemption value and approximates fair value. The preference shares are redeemable at any time with the notice period ranging from thirty days to three years. Accrued dividends are disclosed as accrued investment income.

Dividend yields range from 57% to 63% of the prime overdraft rate of larger South African banks.

Listed preference share are carried at fair value as determined by the market value.

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
4. FINANCIAL ASSETS (continued)		
Financial assets at fair value through profit or loss		
Equity securities		
– listed	**3 065,5**	1 462,4
– collective investment scheme	**601,6**	–
	3 667,1	1 462,4
Debt securities – listed	**863,0**	720,7
	4 530,1	2 183,1

Listed equity securities are ordinary listed shares traded in organised financial markets. The carrying amount represents the quoted bid prices on these markets at the close of business on the last day of the financial year-end.

Debt securities represent South African Government issued interest securities and other listed interest securities on the Bond Exchange of South Africa ("BESA"). The carrying amount represents the quoted bid prices at the close of business on the last business day of the financial year-end.

The collective investment scheme assets are held at fair value through income. The fair value of these instruments is determined by market value.

Equity and debt securities classified at fair value through profit or loss are designated in this category upon initial recognition.

The following is a reconciliation of movements in financial assets balances:

	Held to maturity Rmillion	Available-for-sale Rmillion	Fair value through profit or loss Rmillion	Total Rmillion
At the beginning of 2006	63,5	545,0	1 508,5	2 117,0
Treasury shares	–	–	(9,5)	(9,5)
Additions	0,4	251,7	2 338,1	2 590,2
Interest accrued at effective yield	9,3	–	–	9,3
Disposals (sales and redemptions)	(8,8)	–	(1 976,4)	(1 985,2)
Maturing instruments	–	–	(117,7)	(117,7)
Fair value net (loss)/gains	–	(0,5)	440,1	439,6
At the end of 2006	**64,4**	**796,2**	**2 183,1**	**3 043,7**
Treasury shares	**–**	**–**	**(0,1)**	**(0,1)**
Additions	**–**	**165,1**	**5 397,5**	**5 562,6**
Interest accrued at effective yield	**9,6**	**–**	**–**	**9,6**
Disposals (sales and redemptions)	**(6,8)**	**(145,0)**	**(3 935,9)**	**(4 087,7)**
Fair value net (loss)/gains	**–**	**(22,6)**	**885,5**	**862,9**
At the end of 2007	**67,2**	**793,7**	**4 530,1**	**5 391,0**

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
5. LOANS AND RECEIVABLES INCLUDING INSURANCE RECEIVABLES		
Receivables arising from insurance and reinsurance contracts:		
– due from policyholders	**420,4**	422,5
– due from intermediaries	**16,4**	19,7
– due from reinsurers	**33,9**	31,8
Other receivables:		
– accrued investment income	**36,4**	33,5
– income tax receivable	**2,1**	8,6
– other receivables	**12,7**	14,9
	521,9	531,0
Loans and receivables are considered current assets.		
An analysis of the amounts recoverable within 12 months and longer is provided in note 34.3.		
6. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS		
Gross insurance contracts		
Short-term insurance contracts		
– claims reported	**554,9**	299,4
– claims incurred but not reported	**394,8**	236,1
– unearned premiums	**1 126,2**	1 399,4
– unexpired risk provision	**1 248,4**	932,0
– provision for cash bonuses	**344,9**	271,2
Long-term insurance contracts		
– claims incurred but not reported	**64,9**	67,5
Total insurance liabilities, gross	**3 734,1**	3 205,6
Recoverable from reinsurers		
Short-term insurance contracts		
– claims reported	**9,4**	8,6
– claims incurred but not reported	**5,9**	4,2
– unearned premiums	**40,4**	11,2
Total recoverable from reinsurers	**55,7**	24,0
Net		
Short-term insurance contracts		
– claims reported	**545,5**	290,8
– claims incurred but not reported	**388,9**	231,9
– unearned premiums	**1 085,8**	1 388,2
– unexpired risk provision	**1 248,4**	932,0
– provision for cash bonuses	**344,9**	271,2
Long-term insurance contracts		
– claims incurred but not reported	**64,9**	67,5
Total insurance liabilities, net	**3 678,4**	3 181,6

	Gross Rmillion	Re-insurance Rmillion	Net Rmillion
6. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS (continued)			
6.1 Analysis of movement in net claims reported provision			
At the beginning of 2006	165,0	20,4	144,6
Current year claims incurred	1 952,4	132,8	1 819,6
Change in previous year claims estimates	8,1	–	8,1
Current year claims paid	(1 475,6)	(134,8)	(1 340,8)
Prior year claims paid	(351,9)	(9,8)	(342,1)
Cell captive outstanding claims adjustment	1,4	–	1,4
At the end of 2006	**299,4**	**8,6**	**290,8**
Current year claims incurred	**2 371,8**	**106,1**	**2 265,7**
Change in previous year claims estimates	**19,9**	**3,7**	**16,2**
Current year claims paid	**(1 991,6)**	**(96,7)**	**(1 894,9)**
Prior year claims paid	**(146,4)**	**(12,3)**	**(134,1)**
Cell captive outstanding claims adjustment	**1,8**	**–**	**1,8**
At the end of 2007	**554,9**	**9,4**	**545,5**
6.2 Analysis of movement in net claims incurred but not reported provision			
At the beginning of 2006	300,3	5,4	294,9
Current year claims incurred	(6,8)	(1,2)	(5,6)
Change in assumptions	(14,4)	–	(14,4)
Charge to profit and loss for the year	24,5	–	24,5
At the end of 2006	**303,6**	**4,2**	**299,4**
Current year claims incurred	**160,5**	**1,7**	**158,8**
Change in previous year claims estimates	**127,9**	**–**	**127,9**
Change in assumptions	**(20,0)**	**–**	**(20,0)**
Charge to profit and loss for the year	**31,2**	**–**	**31,2**
Prior year claims paid	**(143,5)**	**–**	**(143,5)**
At the end of 2007	**459,7**	**5,9**	**453,8**
6.3 Analysis of movement in unearned premium provision			
At the beginning of 2006	1 507,8	11,6	1 496,2
Charge to profit and loss for the year	(104,5)	(0,4)	(104,1)
Unearned commission	(3,9)	–	(3,9)
At the end of 2006	**1 399,4**	**11,2**	**1 388,2**
Charge to profit and loss for the year	**(275,0)**	**29,2**	**(304,2)**
Unearned commission	**1,8**	**–**	**1,8**
At the end of 2007	**1 126,2**	**40,4**	**1 085,8**

		GROUP 2007 Rmillion	GROUP 2006 Rmillion
6.4	**Analysis of change in unexpired risk provision**		
	Opening balance	**932,0**	386,1
	Charge to profit and loss for the year	**316,4**	545,9
	Closing balance	**1 248,4**	932,0
6.5	**Analysis of movement in provision for cash bonuses**		
	Opening balance	**271,2**	210,3
	Cash bonuses paid during the year	**(105,8)**	(81,3)
	Charge to profit and loss for the year	**179,5**	142,2
	Closing balance	**344,9**	271,2

Critical accounting estimates and judgements in applying accounting policies:

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

Unearned premiums provision

The provision for unearned premiums comprises the proportion of gross premium revenue which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the method most reflective of any variation in the incidence of risk during the period covered by the contract. No unearned premium provision is created for long-tail insurance contracts where the Group has reinsured all its insurance risk.

Unexpired risks provision

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

Outstanding claims provision

The estimation of the liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. Several sources of uncertainty have to be considered in estimating the liability that the Group will ultimately be exposed to such claims. The risk environment can change quickly and unexpectedly owing to a wide range of events or influences. The Group is constantly refining the tools with which it monitors and manages risks to place the Group in a position to assess risk situations appropriately, despite the greatly increased pace of change. The growing complexity and dynamism of the environment in which we operate means that there are natural limits, however. There cannot and never will be absolute security when it comes to identifying risks at an early stage and measuring them sufficiently.

Claims incurred but not reported

The provision for claims incurred but not reported is estimated based on actual reported claims and referring to net premium written.

Provision for cash bonuses

The provision for cash bonuses is determined by taking into account the past experience and the underlying structure of the cash bonus benefit, with the implicit assumption that the future experience will be similar. Management take cognisance of trends that are inherent in the pool of risks that are eligible for this benefit in order to ensure that the reserving rate is sufficient to cover future payments made.

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
7. DEFERRED TAXATION		
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts are as follows:		
Deferred tax assets		
Provisions	**107,8**	83,1
Unrealised investment gains and losses	**(0,1)**	(2,3)
Tax loss	**37,9**	22,3
Effect of foreign currency translation adjustment on deferred taxation	**0,2**	–
Total deferred tax assets	**145,8**	103,1
Deferred tax liabilities		
Provisions	**–**	(2,6)
Unrealised investment gains and losses	**(48,8)**	–
Tax loss	**–**	(8,8)
Secondary tax on companies	**(4,3)**	(3,0)
Fair value adjustment on financial assets	**(0,3)**	–
Finance lease of building	**(0,2)**	–
Imputation of CFC	**(19,1)**	(24,9)
Total deferred tax liabilities	**(72,7)**	(39,3)
Reconciliation of movement		
Deferred tax asset at the beginning of the year	**103,1**	74,0
Effect of foreign currency translation adjustment on deferred taxation	**0,2**	–
Deferred tax credit to the income statement for the year (see note 30)	**42,5**	29,1
Deferred tax asset at the end of the year	**145,8**	103,1
Deferred tax liability at the beginning of the year	**(39,3)**	(24,6)
Effect of foreign currency translation adjustment on deferred taxation	**2,0**	(0,5)
Balance acquired	**(9,6)**	–
Prior year STC reclassification	**3,0**	–
Deferred tax charge for the year (see note 30)	**(28,8)**	(14,2)
Deferred tax liability at the end of the year	**(72,7)**	(39,3)

Deferred income taxation assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
8. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**238,7**	177,2
Short-term bank deposits	**831,0**	828,4
Money market investments	**806,9**	1 002,4
Advances made under resale agreement	**44,8**	170,8
Credit linked notes	**56,8**	56,8
	1 978,2	2 235,6

Cash and cash equivalents represent current accounts, call deposits and short-term fixed deposits with large banks in South Africa, Ireland and Mauritius, or listed South African government bonds acquired by the Group under resale agreements. The short-term deposits with banks are spread among these banks to reduce the credit risk exposure. Since all short-term deposits and listed South African government bonds under resale agreements will be held to maturity, it is carried at cost plus accrued interest.

Advances made under resale agreements are collateralised by listed bond investments, which are South African Government issued interest securities held under short duration resale agreements. At 30 June 2007, the Group held a nominal of R49,9 million R209 bonds at an effective yield of 7,21%. During the year the average yield earned on bonds under resale agreements amounted to 8,17%.

	Number of shares million	Ordinary shares Rmillion	Share premium Rmillion	Treasury shares Rmillion	Total Rmillion
9. SHARE CAPITAL AND PREMIUM					
At 1 July 2005	1 187,8	11,9	5 780,9	(201,9)	5 590,9
Capital returned to shareholders	–	–	(1 187,8)	–	(1 187,8)
Movement in treasury shares	–	–	–	62,6	62,6
At 30 June 2006	**1 187,8**	**11,9**	**4 593,1**	**(139,3)**	**4 465,7**
Movement in treasury shares	**–**	**–**	**–**	**(26,7)**	**(26,7)**
At 30 June 2007	**1 187,8**	**11,9**	**4 593,1**	**(166,0)**	**4 439,0**

The total authorised number of ordinary shares is 2 000 000 000 (2006: 2 000 000 000), with a par value of one cent per share (2006: one cent). The total authorised number of redeemable cumulative preference shares is 100 000 000 (2006: 100 000 000), with a par value of one cent per share (2006: one cent). No redeemable cumulative preference shares have been issued. The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting.

Treasury shares

The life insurance businesses of an associate and a subsidiary acquired RMBH shares as part of their investment programme aimed at meeting policyholders' liabilities. The investment banking business of an associate traded RMBH shares as part of its proprietary trading activities. These shares are treated as treasury shares and any gains or losses are reversed from Group earnings.

	2007 Rmillion	2006 Rmillion
Number of shares held at 30 June	**11,5**	11,2
Weighted number shares held through the year	**13,0**	13,7
Cost of shares held at 30 June	**166,0**	139,3
Fair value adjustment	**186,9**	204,6
Fair value of treasury shares	**352,9**	343,9

Notes to the annual financial statements (continued)

for the year ended 30 June 2007

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
9. SHARE CAPITAL AND PREMIUM (continued)		
***Treasury shares* (continued)**		
The treasury shares are eliminated from the weighted number of shares in issue for the purposes of calculating earnings and headline earnings per share:		
Issued shares	**1 187,8**	1 187,8
Less: weighted number of treasury shares	**(13,0)**	(13,7)
Weighted number of shares in issue	**1 174,8**	1 174,1
10. RESERVES		
Distributable reserves		
Retained earnings	**2 538,4**	2 283,8
Non-distributable reserves – Equity accounted reserves		
Equity accounted earnings from associates	**10 145,0**	7 801,1
Change in carrying value of associate due to change in effective holding	**(1 076,2)**	(1 102,1)
Treasury shares	**113,0**	–
Non-distributable reserves	**(49,8)**	178,8
	9 132,0	6 877,8
Non-distributable reserves – Other		
Contingency reserve of subsidiary	**162,0**	126,3
Retained income transferred due to dilutionary effect of share issue by subsidiary	**25,0**	26,8
Investment revaluation deficit of subsidiary	**(17,2)**	(2,2)
Share based payments reserves	**10,5**	5,0
Capital surpluses on disposals and restructuring of strategic investments	**333,4**	333,4
	513,7	489,3
Total reserves	**12 184,1**	9 650,9
11. CONVERTIBLE DEBENTURES		
Convertible debentures in issue	**15,0**	15,0
The debentures are unsecured and subordinated and can be converted at the option of the debenture holders to non-redeemable preference shares on 30 June or 31 December of any year and are compulsorily convertible to non-redeemable preference shares of R1 each on 30 June 2022. The effective net cost incurred on these instruments amounts to 1,5% per annum.		
12. PREFERENCE SHARES		
Preference shares in issue		
At beginning of year	**126,5**	144,7
1 000 (2006: 1) Preference share issued	**1,2**	1,8
141 (2006: 100) Preference shares redeemed	**(1,4)**	(10,0)
0 (2006: 556) Preference shares written off	**–**	(10,0)
At end of year	**126,3**	126,5

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
12. PREFERENCE SHARES (continued)		
A subsidiary has 100 000 authorised variable rate cumulative redeemable preference shares of 1 cent each and has issued 2 153 (2005: 1 294) of these preference shares. During the year 1 000 (2006: 1) variable rate cumulative redeemable preference share was issued, 141 (2006: 100) variable rate cumulative redeemable preference shares were redeemed.		
The variable rate cumulative redeemable preference shares are redeemable at the discretion of the directors of the subsidiary company.		
The holders of variable rate cumulative redeemable preference shares have no voting rights at any meeting of the Company, unless dividends payable on these shares are in arrears, the redemption payment of any capital is in arrears, or if a resolution is passed which affects the rights attached to the preference shares, or where the Company proposes to dispose of a material portion of its assets.		
The variable rate cumulative redeemable preference shares are issued to investors to meet the short-term insurance subsidiaries' statutory solvency requirements:		
Issued to investors to meet Group's capital requirements:	**15,1**	15,1
Preference shares of R10 million accrue dividends at an average rate which varies between 58% and 62,5% of the prime interest rate. The remaining preference shares of R5 million accrue dividends at a fixed rate of 10%. The cost of funding is expensed to profit/(loss) before tax.		
Preference shares are issued to certain policyholders to meet the capital requirements of their cells.	**111,2**	111,4
Some preference shares accrue dividends equal to an amount of dividends received from an investment in preference shares equal to the amount in issue, included in the amount disclosed in available for sale financial assets note 4. The Group does not incur any costs with regard to these preference shares.		
Preference shares issued to policyholders may also entitle the policyholder to participate in the operating result of its business cell, distributed as a dividend. The dividends paid are included in dividends accrued on the preference share capital in the income statement.		
13. INTEREST BEARING LOANS		
Interest bearing loans consist of:		
Hire purchase agreements on motor vehicles	**0,6**	2,3
Finance lease	**60,9**	64,1
Unsecured bank borrowing originated by the Group	**–**	50,0
Secured bank borrowing originated by the Group	**320,9**	251,1
Funding raised by the Company	**354,3**	36,0
	736,7	403,5

	GROUP 2007 Rmillion	GROUP 2006 Rmillion

13. INTEREST BEARING LOANS (continued)

Hire purchase agreements on motor vehicles

A subsidiary entered into hire purchase agreements to purchase motor vehicles. The hire purchase agreements are secured over certain of the motor vehicles with a book value of R1,5 million (2006: R3,0 million). The borrowings are repayable in monthly instalments. The borrowings attract interest at the bank's prime overdraft rate less 1,25%.

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
Hire purchase agreements on motor vehicles	**1,2**	3,2
Less: amounts due within one year	**(0,6)**	(0,9)
	0,6	2,3
Reconciliation of borrowings – hire purchase agreements		
Opening balance	**3,2**	2,6
Borrowings repaid during the year	**(3,9)**	(1,6)
New borrowings raised during the year	**1,9**	2,2
Closing balance	**1,2**	3,2

The present value of future payments are:	0 – 12 months Rmillion	2 – 5 years Rmillion	Beyond 5 years Rmillion
Capital	0,6	0,6	–
Interest	0,1	0,1	–

Finance lease

The finance lease is secured by land and buildings with a book value of R65,9 million (2006: R66,5 million). The Company's subsidiary entered into a ten year lease with a Group company on 1 February 2004. The Company has an option to purchase the land and buildings at the end of the ten year lease and as a result of this the rental lease is treated as a finance lease in the books of the Group. The lease is payable monthly in advance and expires on 31 January 2014. The liability represents the present value of the discounted expected future lease cash flows at an average market value of 12,42% per annum.

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
Finance lease	**64,2**	66,5
Less: amounts due within one year	**(3,3)**	(2,4)
	60,9	64,1
Reconciliation of borrowings – finance leased building		
Opening balance	**66,5**	67,9
Borrowings repaid during the year	**(2,3)**	(1,4)
Closing balance	**64,2**	66,5

The present value of future payments are:	0 – 12 months Rmillion	2 – 5 years Rmillion	Beyond 5 years Rmillion
Capital	3,3	27,5	33,4
Interest	7,4	23,4	4,7

	GROUP 2007 Rmillion	GROUP 2006 Rmillion

13. INTEREST BEARING LOANS (continued)

Unsecured bank borrowing originated by the Group

The borrowing is unsecured and bears interest at the corporate loan rate. The borrowing is refinanced on a regular basis. During the year interest accrued at an average rate of 9,2% p.a.

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
The closing carrying amount at 30 June 2007 is analysed as follows:		
Cost	**50,0**	50,0
Repayments	**(50,6)**	–
Interest accrued on the effective yield (2006: amounts below R50 000)	**0,6**	–
	–	50,0

Secured bank borrowing originated by the Group

The Group obtained a credit facility of R400 million from FirstRand Bank Limited subject to a surety from RMB Holdings Limited of R400 million. During the year interest accrued at an average rate of 9,2% p.a. The borrowing is refinanced on a regular basis.

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
The closing carrying amount at 30 June 2007 is analysed as follows:		
Cost	**330,5**	258,0
Repayments	**(11,0)**	(7,0)
Interest accrued on the effective yield	**1,4**	0,1
	320,9	251,1

Unutilised credit facilities at the year-end amounted to R80 million (2006: R49 million).

Funding raised by the Company

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
The company financed its obligations by means of a loan obtained from Rand Merchant Bank, a division of FirstRand Bank Limited. The loan is unsecured and bears interest at a rate linked to the prime interest rate.	**354,3**	36,0

14. POLICYHOLDERS' PROFIT SHARE

Reconciliation of carrying value

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
Balance at the beginning of the year	**(48,8)**	59,1
Transfer (to)/from contingency provision	**(0,2)**	15,6
Preference shares written off	**–**	10,0
Transfer to profit and loss	**(52,3)**	(133,5)
Balance at the end of the year	**(101,3)**	(48,8)

An analysis of revenue reserves is made between retained earnings attributable to shareholders and policyholders. The policyholders' profit share represents the accumulated profit or loss after tax and dividends attributable to policyholders.

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
15. POLICYHOLDERS' CONTINGENCY PROVISION		
Reconciliation of carrying value		
Balance at the beginning of the year	**15,3**	30,9
Transfer from/(to) policyholders' profit share account	**0,2**	(15,6)
Balance at the end of the year	**15,5**	15,3

A provision is made in respect of certain of the Group's short-term insurance operations in South Africa as required by the regulatory authorities. This reserve is held for policyholders and transfers to/from this reserve are reflected in the policyholders' profit share account. The contingency reserve is not distributable to shareholders.

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
16. DERIVATIVE FINANCIAL INSTRUMENT		
Derivative financial instrument – carrying value	**–**	**0,1**

During the prior year the RMB Structured Insurance Limited PCC ("PCC") current inflation hedge was extended to better match its policyholders' liabilities. PCC invested in bonds following which it entered into an interest rate swap whereby fixed bond cash flows have been swapped for a CPI-Linked annuity cash flow. In terms of IAS 39 derivative financial instruments are carried at fair value on the balance sheet. Both the bond and the swap were marked to market on a monthly basis and were adjusted to reflect their fair value. Any gains or losses were taken directly to profit and loss.

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
17. INVESTMENT CONTRACTS		
Reconciliation of carrying value		
Balance at the beginning of the year	**630,2**	624,0
Fees deducted from account balances	**(3,9)**	(5,3)
Account balances paid on termination in the year	**–**	(160,6)
Fair value movement credited to profit and loss	**166,8**	172,1
Balance at the end of the year	**793,1**	630,2

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
18. LIABILITY RELATED TO INTANGIBLE ASSET		
Liability related to restraint of trade asset		
Present value of loan	**13,9**	18,8
Finance charges on unwinding of liability	**(0,1)**	(0,9)
Payments made during the year	**(5,5)**	(4,0)
Net liability at the end of the year	**8,3**	13,9
Less: amounts due within one year	**(8,3)**	(5,6)
	–	8,3

The present value of future restraint of trade payments are:	0 – 12 months Rmillion	2 – 5 years Rmillion	Beyond 5 years Rmillion
Capital	8,0	–	–
Deferred finance charges	0,3	–	–

The liability has been determined by discounting future cash flows in respect of the restraint of trade at appropriate market rates. The discount rate used was 7% (2006: 7%), being comparable to the Group's opportunity cost of cash on hand.

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
19. PROVISIONS		
Staff incentive bonus		
Balance at the beginning of the year	**21,1**	18,1
Additional provisions	**34,9**	27,3
Unutilised provisions reversed	**(1,5)**	(1,6)
Utilised during the year	**(31,8)**	(22,7)
Balance at the end of the year	**22,7**	21,1
All amounts are expected to be settled in 12 months.		
20. TRADE AND OTHER PAYABLES		
Trade payables and accrued expenses	**92,3**	70,9
Unclaimed dividends	**7,8**	6,6
Profit participation payable	**69,2**	63,5
Due to reinsurers	**87,2**	52,5
Due to intermediaries	**5,9**	6,1
	262,4	199,6
21. NET INSURANCE PREMIUM REVENUE		
Long-term insurance contracts	**696,8**	699,8
Short-term insurance contracts		
Premium receivable	**4 439,0**	3 691,2
Change in unearned premium provision	**275,1**	104,5
Premium revenue arising from insurance contracts issued	**5 410,9**	4 495,5
Short-term reinsurance contracts		
Premium payable	**(113,6)**	(80,0)
Change in unearned premium provision	**29,1**	(0,4)
Premium revenue ceded to reinsurers on insurance contracts issued	**(84,5)**	(80,4)
Net insurance premium revenue	**5 326,4**	4 415,1
22. FEE INCOME		
Policy fees earned	**14,8**	13,9
Take-on fees earned	**17,8**	12,3
Collection fees earned	**24,1**	18,5
Policy administration and asset management services on investment contracts (note 17)	**3,9**	5,3
Other fee income	**6,5**	1,9
	67,1	51,9
Other fee income was received for administration and accounting services rendered.		

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
23. INVESTMENT INCOME		
Available-for-sale:		
– dividend income	**95,0**	15,3
Fair value assets		
– dividend income	**11,3**	36,7
Held to maturity interest income	**9,6**	9,3
Cash and cash equivalents interest income	**121,0**	200,0
Loans and receivables interest income	**0,4**	0,1
Foreign currency translation loss	**(0,1)**	(9,5)
Treasury shares	**(2,7)**	–
Realised loss on investment	**(11,0)**	–
Loss on dilution in holding	**(4,7)**	(13,7)
	218,8	238,2

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
24. NET FAIR VALUE GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Fair value gains	**992,3**	691,7
Fair value losses	**(3,6)**	(11,8)
	988,7	679,9
Net fair value gains and losses comprise:		
Equity securities	**821,8**	673,5
Dividend income	**41,3**	47,7
Interest income	**0,2**	0,1
Unrealised mark to market	**597,1**	418,8
Realised mark to market	**183,2**	206,9
Debt securities	**166,9**	6,4
Interest income	**20,0**	–
Unrealised mark to market	**153,2**	18,2
Realised mark to market	**(6,3)**	(11,8)
Total net fair value gains	**988,7**	679,9

	Gross Rmillion	Re-insurance Rmillion	Net Rmillion
25. INSURANCE BENEFITS AND CLAIMS INCURRED			
2006			
Claims paid			
Long-term insurance contracts	(51,4)	–	(51,4)
Short-term insurance contracts	(1 743,7)	66,7	(1 677,0)
Change in provision for outstanding claims			
Short-term insurance contracts	(138,8)	(8,6)	(147,4)
Change in IBNR			
Long-term insurance contracts	(8,6)	–	(8,6)
Short-term insurance contracts	5,3	(1,3)	4,0
Change in provision for unexpired risks			
Short-term insurance contracts	(545,9)	–	(545,9)
	(2 483,1)	56,8	(2 426,3)
2007			
Claims paid			
Long-term insurance contracts	**(51,3)**	**–**	**(51,3)**
Short-term insurance contracts	**(2 189,4)**	**0,3**	**(2 189,1)**
Change in provision for outstanding claims			
Short-term insurance contracts	**(255,6)**	**6,4**	**(249,2)**
Change in IBNR			
Long-term insurance contracts	**2,6**	**–**	**2,6**
Short-term insurance contracts	**(158,7)**	**1,7**	**(157,0)**
Change in provision for unexpired risks			
Short-term insurance contracts	**(316,3)**	**–**	**(316,3)**
	(2 968,7)	**8,4**	**(2 960,3)**

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
26. INVESTMENT CONTRACT BENEFITS		
Investment contract benefits	**(166,8)**	(172,1)

Benefits from unit linked investment contracts are accrued to the account of the contract holder as the fair value of the net gains arising from the underlying linked assets. All these contracts are designated as at fair value through profit or loss. (See note 17)

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
27. ACQUISITION EXPENSES		
Expenses by nature:		
Commission paid	**(1 360,4)**	(1 289,0)
Claims administration expenses	**–**	(0,2)
Deferred acquisition cost	**(1,0)**	3,8
Profit participation paid	**(1,9)**	(18,8)
Broker management expenses	**–**	(1,0)
Referral fees for successful leads	**–**	(2,3)
	(1 363,3)	(1 307,5)
28. MARKETING AND ADMINISTRATION EXPENSES		
Expenses by nature:		
Depreciation	**(21,4)**	(21,6)
Employee benefit expenses	**(308,9)**	(241,2)
Professional fees and regulatory compliance cost	**(4,2)**	(4,2)
Insurance	**(0,2)**	(1,0)
Operating lease rentals	**(5,5)**	(4,0)
Asset management services	**(5,7)**	(5,7)
Restraint of trade amortisation	**(5,5)**	(6,8)
Audit fees	**(3,2)**	(2,1)
(Loss)/Profit on sale of property and equipment	**(0,5)**	0,2
Other expenses	**(203,7)**	(151,6)
	(558,8)	(438,0)
Depreciation		
Buildings	**(1,8)**	(1,8)
Computer equipment	**(15,6)**	(16,0)
Furniture and fittings	**(2,9)**	(2,8)
Motor vehicles	**(1,1)**	(1,0)
	(21,4)	(21,6)
Employee benefit expenses		
Salaries and incentive bonuses	**(282,6)**	(219,8)
Share based payment charge	**(5,9)**	(5,3)
Retirement funding	**(20,0)**	(15,4)
Other employee benefit expenses	**(0,4)**	(0,7)
	(308,9)	(241,2)
Audit fees		
Statutory audit – current year	**(2,8)**	(2,2)
Statutory audit – (under)/over provision prior year	**(0,3)**	0,1
Other services	**(0,1)**	–
	(3,2)	(2,1)

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
29. FINANCE COSTS		
Interest expense		
Interest paid on compulsory convertible debentures	**(1,7)**	(1,4)
Interest paid on bank borrowings	**(44,9)**	(26,6)
Interest paid – building lease	**(7,7)**	(7,9)
Dividends on redeemable preference shares	**(236,6)**	(194,8)
Other interest paid	**(5,2)**	(1,7)
	(296,1)	(232,4)

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
30. TAXATION		
SA normal taxation		
Current tax		
Current year	**(283,1)**	(227,1)
Previous year	**6,6**	0,3
Deferred tax		
Current year	**13,0**	4,7
Previous year	**–**	–
Secondary tax on companies	**(55,6)**	(54,0)
Mauritian Tax		
Current tax		
Current year	**–**	(0,2)
Previous year	**–**	–
Deferred tax		
Current year	**0,7**	10,2
Previous year	**–**	–
Irish Tax		
Current tax		
Current year	**(14,3)**	(4,2)
Previous year	**–**	–
Deferred tax		
Current year	**–**	–
Previous year	**–**	–
	(332,7)	(270,3)

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
30. TAXATION (continued)		
The tax on the Group's profits before taxation differs from the theoretical amount that would arise using the basic tax rate of South Africa as follows:		
Profit before taxation	**4 710,4**	3 563,1
	%	%
Tax calculated at a tax rate of 29%	**29,00**	29,00
Net income and expenses not subject to tax	**(5,02)**	(5,77)
Tax on capital profits	**0,23**	–
Transfer from policyholder's profit share	**(0,32)**	(1,09)
Dividends paid on preference shares	**1,69**	1,84
Prior year adjustments	**(0,14)**	(0,02)
Recognition of deferred tax asset	**0,61**	0,11
Income tax rate differential	**(0,09)**	1,40
Imputed net income from controlled foreign company	**0,25**	0,14
Deferred tax assets not recognised in respect of insurance reserves	**1,96**	1,50
Mauritius – Category I Global Business License tax rebate at 80% of current tax charge	**(0,13)**	1,53
Mauritius – Tax credit	**–**	(0,23)
Associate equity accounted using after tax profits	**(22,26)**	(22,44)
Secondary tax on companies	**1,28**	1,61
Effective tax charge	**7,06**	7,58

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
31. HEADLINE EARNINGS PER SHARE		
Headline earnings per share is calculated by dividing the adjusted earnings attributable to shareholders by the weighted number of ordinary shares in issue during the year.		
Headline earnings reconciliation		
Earnings attributable to ordinary shareholders	**4 108,9**	3 144,3
Profit on sale of associate (after tax)	**–**	(6,1)
Loss on dilution of shareholding	**4,7**	13,7
Impairment loss	**12,8**	–
Adjustments made by associates:		
Reversal of private equity realisations	**(130,3)**	(71,3)
Profit on sale of subsidiaries/associates	**(22,3)**	(30,0)
Profit on sale of shares in subsidiary	**–**	(12,1)
Net asset value in excess of purchase price of subsidiaries	**–**	(7,2)
Loss on disposal of assets	**(2,0)**	6,3
Impairment of goodwill	**17,5**	0,8
Impairment of property and equipment	**–**	0,3
Impairment of intangible asset	**15,8**	–
Realised profit on sale of available-for-sale assets	**(224,5)**	(117,3)
Profit on disposal of investments	**(10,4)**	(14,2)
Headline earnings attributable to ordinary shareholders	**3 770,2**	2 907,2
Weighted average number of ordinary shares in issue	**1 174 851 804**	1 174 071 691
Headline earnings per share (cents): – basic	**320,9**	247,6
Headline earnings attributable to ordinary shareholders	**3 770,2**	2 907,2
Dilution on earnings from associates	**(97,4)**	(86,5)
Diluted headline earnings attributable to ordinary shareholders	**3 672,8**	2 820,7
Weighted average number of ordinary shares in issue	**1 174 851 804**	1 174 071 691
Headline earnings per share (cents): – diluted	**312,6**	240,3
32. EARNINGS PER SHARE		
Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted number of ordinary shares in issue during the year.		
Earnings attributable to ordinary shareholders	**4 108,9**	3 144,3
Weighted average number of ordinary shares in issue	**1 174 851 804**	1 174 071 691
Earnings per share (cents): – basic	**349,7**	267,8
Earnings attributable to ordinary shareholders	**4 108,9**	3 144,3
Dilution on earnings from associates	**(107,2)**	(85,4)
Diluted earnings attributable to ordinary shareholders	**4 001,7**	3 058,9
Weighted average number of ordinary shares in issue	**1 174 851 804**	1 174 071 691
Earnings per share (cents): – diluted	**340,6**	260,5

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
33. DIVIDEND PER SHARE		
Total dividends paid during the year	**1 478,8**	1 217,5
Total dividends declared during the year	**1 680,7**	1 348,2
Number of ordinary shares in issue	**1 187 808 570**	1 187 808 570
Dividends declared per share (cents)	**141,5**	113,5

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

34.1 Foreign currency risk

The Group's foreign currency exposures are managed in terms of limits approved by its board of directors. At the year-end, the following currency exposures existed.

	June 2007 USD million	June 2007 EURO million
Financial assets	**192,1**	–
Cash and cash equivalents	**1,3**	–

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

34.2 Market risk

Market risk is the risk that the value of a financial instrument may fluctuate as a result of changes in the market prices or changes in market interest rates. Investments valued at fair value are therefore subject to changes in value due to market fluctuations which may impact on the net income during those financial years in which such fluctuations occur.

This risk is managed by predetermined mandates set by the investment committee and, in the case of investment contracts, agreed by the policyholder. At the year-end, the following interest rate exposures existed:

Rmillion	Carrying amount	0 – 6 months	7 – 12 months	1 – 5 years	>5 years	Non-interest earning/ bearing
Assets						
Property and equipment	103,8	–	–	–	65,9	37,9
Intangible asset	7,4	–	–	–	–	7,4
Investment in associate companies	15 192,9	–	–	–	–	15 192,9
Financial assets						
Equity securities:						
– available-for-sale	793,7	593,7	–	200,0	–	–
– at fair value through profit or loss	3 667,1	601,6	–	–	–	3 065,5
Debt securities:						
– held to maturity	67,2	2,7	2,6	23,7	28,1	10,1
– at fair value through profit or loss	863,0	711,1	–	–	–	151,9
Receivables including insurance receivables	521,9	38,7	–	–	–	483,2
Deferred acquisition costs	7,0	–	–	–	–	7,0
Reinsurers' share of insurance contracts provisions	55,7	–	–	–	–	55,7
Deferred taxation assets	145,8	–	–	–	–	145,8
Cash and cash equivalents	1 978,2	1 114,5	806,9	–	56,8	–
Total assets	23 403,7	3 062,3	809,5	223,7	150,8	19 157,4
Liabilities						
Insurance contracts	3 734,1	–	–	–	–	3 734,1
Financial liabilities						
Convertible debentures	15,0	–	–	–	15,0	–
Preference shares	126,3	–	–	126,3	–	–
Interest bearing loans	736,7	675,2	–	28,1	33,4	–
Policyholders' profit share	(101,3)	–	–	–	–	(101,3)
Contingency reserves	15,5	–	–	–	–	15,5
Derivative financial instruments	–	–	–	–	–	–
Investment contracts:						
– at fair value through profit or loss	793,1	–	–	–	–	793,1
Deferred acquisition reserve	9,0	–	–	–	–	9,0
Provisions	22,7	–	–	–	–	22,7
Trade and other payables	262,4	–	–	–	–	262,4
Deferred taxation liabilities	72,7	–	–	–	–	72,7
Taxation	110,5	–	–	–	–	110,5
Short-term portion of financial liabilities	12,2	12,2	–	–	–	–
Total liabilities	5 808,9	687,4	–	154,4	48,4	4 918,7
Net interest sensitivity gap		2 374,9	809,5	69,3	102,4	14 238,7

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

34.3 Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet commitments associated with financial instruments. To mitigate this risk, the Company maintains prudent levels of liquid assets.

Rmillion	Carrying amount	0 – 6 months	7 – 12 months	1 – 5 years	>5 years	No liquidity risk
Assets						
Property and equipment	103,8	–	65,9	–	–	37,9
Intangible asset	7,4	–	–	–	–	7,4
Investment in associate companies	15 192,9	–	–	–	–	15 192,9
Financial assets						
Equity securities:						
– available-for-sale	793,7	465,4	–	328,3	–	–
– at fair value through profit or loss	3 667,1	3 667,1	–	–	–	–
Debt securities:						
– held to maturity	67,2	3,6	3,6	35,6	24,4	–
– at fair value through profit or loss	863,0	863,0	–	–	–	–
Loans and receivables including insurance receivables	521,9	521,9	–	–	–	–
Deferred acquisition costs	7,0	–	–	–	–	7,0
Reinsurers' share of insurance contracts provisions	55,7	–	–	–	–	55,7
Deferred taxation assets	145,8	–	44,8	101,0	–	–
Cash and cash equivalents	1 978,2	1 921,4	–	–	56,8	–
Total assets	23 403,7	7 442,4	114,3	464,9	81,2	15 300,9
Liabilities						
Insurance contracts	3 734,1	628,1	192,6	289,3	24,8	2 599,3
Financial liabilities						
Convertible debentures	15,0	–	–	–	15,0	–
Preference shares	126,3	–	–	126,3	–	–
Interest bearing loans	736,7	675,2	–	28,1	33,4	–
Policyholders' profit share	(101,3)	(101,3)	–	–	–	–
Contingency reserves	15,5	–	–	–	–	15,5
Derivative financial instruments	–	–	–	–	–	–
Investment contracts:						
– at fair value through profit or loss	793,1	793,1	–	–	–	–
Deferred acquisition reserve	9,0	–	–	–	–	9,0
Provisions	22,7	22,7	–	–	–	–
Trade and other payables	262,4	262,4	–	–	–	–
Deferred taxation liabilities	72,7	48,6	19,3	4,8	–	–
Taxation	110,5	110,5	–	–	–	–
Short-term portion of financial liabilities	12,2	12,2	–	–	–	–
Total liabilities	5 808,9	2 451,5	211,9	448,5	73,2	2 623,8

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

34.4 Credit risk

Credit risk is the risk that a financial asset may not be realisable due to the inability or unwillingness of the issuer of such instrument to discharge its contractual obligations. Significant concentrations of credit risk, if applicable, are disclosed in the financial statements. The credit exposure to any one counterparty is managed by the Board of Directors in accordance with the requirements of the Short-term Insurance Act of 1998 and Long-term Insurance Act of 1998 and by setting transaction/exposure limits, which are reviewed at each board and audit committee meeting. The credit worthiness of existing and potential clients is monitored quarterly at the board meeting and bi-annually by the actuarial committee.

34.5 Fair value

At the year-end, the carrying amounts of cash and short-term fixed deposits approximated their fair values due to the short-dated maturities of these financial assets.

The following methods and assumptions were applied in determining the fair values:

Financial instruments, traded in an organised financial market, are valued at the quoted market price at the close of business on the last day of the financial year.

Financial instruments that are not traded in an organised financial market are valued at market closing prices of comparable listed instruments, and are adjusted for those attributes of the price that are different, such as maturity date and risk profile.

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

– amounts receivable from policyholders,
– other amounts receivable,
– cash and cash equivalents,
– unlisted preference share investments,
– accounts payable and accruals, and
– provisions for liabilities and charges.

The maturity value of interest-bearing debt is discounted using current market interest rates, adjusted for the timing of cash flows and risk to arrive at an estimated fair value for interest-bearing borrowings.

35. RELATED PARTIES

Principal shareholders

Details of major shareholders are disclosed in the directors' report. The principal shareholders are Remgro Limited, Mr Dippenaar and Mr Ferreira.

Key management personnel

Only RMBH's directors are key management personnel. Information on directors' emoluments and their shareholding in the Company appears in the directors' report.

Subsidiaries

Details of income from and investments in subsidiaries are disclosed in note 41.

RMBSI paid RMBH a guarantee fee of R3,5 million for surety provided by RMBH in respect of a loan obtained by RMBSI (see note 13).

Associates

Details of income from and investments in associates are disclosed in note 40.

Other

RMBH invested in preference shares issued by New Seasons Financial Services (Pty) Limited ("NSFS"). NSFS is a shareholder of RMB Structured Insurance Limited.

Notes to the annual financial statements (continued)

for the year ended 30 June 2007

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
35. RELATED PARTIES (continued)		
Related party transactions		
Transactions of RMB Holdings Limited and its subsidiary companies with:		
Principal shareholders		
Dividends paid	**562,3**	462,9
Key management personnel		
Salaries and other benefits	**7,5**	6,2
Directors' fees	**0,8**	0,7
Associates		
Income statement effect:		
Dividends received	**1 245,7**	1 214,4
Dividends paid	**118,8**	95,1
Gross insurance premiums revenue	**25,0**	155,3
Gross change in unearned premium	**173,2**	81,1
Fee and commission income	**6,5**	0,5
Investment income	**99,1**	119,8
Preference shares dividends received	**8,4**	11,7
Net fair value gains on assets at fair value through income	**13,6**	–
Administration fee income	**2,5**	2,5
Insurance benefits and claims incurred	**(656,9)**	(225,0)
Acquisition expenses	**10,9**	6,7
Bank charges	**6,5**	8,4
Asset manager administration fees	**3,7**	3,2
Operating lease rentals	**11,3**	1,3
Retirement fund contributions	**1,1**	0,7
Medical aid premiums paid	**17,7**	13,9
Preference shares dividends paid	**118,7**	87,9
Finance costs	**48,5**	29,9
Balance sheet effect:		
Financial assets – available for sale	**179,1**	241,2
Financial assets – at fair value through profit or loss	**55,6**	–
Loans and receivables	**19,0**	–
Reinsurers' share of insurance contracts provision	**9,0**	9,0
Cash and cash equivalents	**1 071,4**	1 167,7
Insurance contracts	**1 993,0**	1 787,2

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
35. RELATED PARTIES (continued)		
Interest bearing loans		
Balance 1 July	**337,1**	308,9
Borrowing raised	**317,2**	35,2
Capitalised interest	**20,9**	–
Repayments during year	**–**	(7,0)
Balance 30 June	**675,2**	337,1
Convertible debentures	**15,0**	15,0
Preference shares	**15,1**	15,1
Trade and other payable	**15,5**	22,2
Other		
Income statement effect		
Investment income	**4,8**	3,2
Balance sheet effect:		
Financial assets – available for sale	**33,8**	33,8
Loans and receivables	**3,2**	–
Transactions of RMB Holdings Limited's key management with associates of the Group		
Loans in normal course of business (mortgages, other, instalment finance and credit cards)		
Balance 1 July	**–**	36,0
Granted during year	**45,0**	120,0
Repayments during year	**(21,0)**	(157,0)
Interest paid	**1,0**	1,0
Balance 30 June	**25,0**	–
Share scheme loans		
Balance 1 July	**–**	7,0
Repayments during year	**–**	(7,0)
Balance 30 June	**–**	–
Cheque and current accounts		
Credit balance 1 July	**7,0**	8,0
Net deposits/(withdrawals)	**7,0**	(1,0)
Net interest, fees and bank charges	**1,0**	–
Balance 30 June	**15,0**	7,0

	GROUP 2007 Rmillion	GROUP 2006 Rmillion
35. RELATED PARTIES (continued)		
Savings accounts		
Balance 1 July	**33,0**	63,0
Net withdrawals	**(4,0)**	(34,0)
Interest income	**3,0**	4,0
Balance 30 June	**32,0**	33,0
Investment products		
Fund value opening balance	**474,0**	198,0
Deposits	**60,0**	222,0
Net investment return credited	**173,0**	56,0
Commission and other transaction fees	**(3,0)**	(2,0)
Fund closing balance	**704,0**	474,0
Other fees		
Financial consulting fees and commissions	**3,0**	2,0

36. CONTINGENT LIABILITIES

The following contingencies and guarantees exist at 30 June 2007:

– The Company provided a guarantee in respect of funding facilities of a subsidiary for an amount not exceeding R400 million.

37. RETIREMENT BENEFITS

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

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

38. POST-BALANCE SHEET EVENT

- **Consolidation of investment in the Discovery Group**

  Since the year end FirstRand announced its intention to seek approval to unbundle its 57,1% interest in Discovery. As a consequence, RMBH will receive a direct stake in Discovery of approximately 16%.

  Simultaneously RMBH announced that:

  o RMBH has reached agreement with Remgro Limited that RMBH will acquire the 4,5% interest in Discovery that Remgro will acquire via its direct stake in FirstRand. We intend to settle the purchase consideration due to Remgro through a fresh issue of RMBH shares; and

  o RMBH has entered into further purchase agreements in terms of which it will acquire a further 4,5% interest in Discovery. These acquisitions will be cash settled.

- **Final dividend declaration**

  The final dividend declaration is dealt within the directors' report.

39. ACCOUNTING STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE

The Group will comply with the following new standards and interpretations applicable to its business from the stated effective date.

		Effective date
IFRS 7	*Financial instruments: Disclosure (including amendments to IAS 1 – Presentation of financial statements: capital disclosures)* This standard deals with the disclosure of financial instruments, as well as the disclosure of related qualitative and quantitative risks associated with financial instruments. As IFRS 7 will supersede the current disclosure required in IAS 30 and IAS 32, the standard will not impact the results of the Group, but will result in potentially more disclosure than that currently provided in the Group's financial statements. The Group does not intend to adopt this standard early.	Annual periods commencing on or after 1 January 2007.
IFRS 8	*Operating Segments* IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources in assessing performance. The Group does not intend to adopt this standard early.	Annual periods commencing on or after 1 January 2009.
IFRIC 10	*Interim Financial Reporting and Impairment* This interpretation addresses the interaction between the requirements of IAS 34 and the recognition of impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39, and the effect of that interaction on subsequent interim and annual financial statements. The amendment will not have a significant impact on the Group's interim results.	Annual periods commencing on or after 1 November 2006.
IFRIC 11	*IFRS 2 – Group and Treasury Share Transactions* IFRIC 11 clarifies the application of IFRS 2 Share based payment to certain share based payment arrangements involving the entity's own equity instruments and to arrangements involving equity instruments of the entity's parent. This interpretation is not expected to have a significant effect on the Group's results	Annual periods commencing on or after 1 March 2007.
IFRIC 12	*Service Concession Arrangements* The interpretations addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. This interpretation is not applicable to the Group.	Annual periods commencing on or after 1 January 2008.
IAS 23 Amendment	*Borrowing Costs* The amendment removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The capitalisation of borrowing costs as part of the cost of such assets is therefore now required. However, it does not require the capitalisation of borrowing costs relating to assets measured at fair value and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale. The Group's accounting policy is to capitalise borrowing costs on a qualifying asset. The amendment will therefore not have an effect on the Group's results.	Annual periods commencing on or after 1 January 2009.

39. ACCOUNTING STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE (continued)

IFRIC 13	*Customer Loyalty Programmes* The interpretation requires entities to allocate some of the proceeds of the initial sale of the award credits (such as 'points' or travel miles) and recognise these proceeds as revenue only when the entity has fulfilled its obligations. An entity may fulfil its obligation by supplying awards themselves or engaging a third party to do so. This interpretation is applicable to a business unit in an associate.	Annual periods commencing on or after 1 July 2008.
IFRIC 14	*IAS 19* – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction This interpretation clarifies that an additional liability need not be recognised by the employer unless the contributions that are payable under the minimum funding requirement cannot be returned to the Company.	Annual periods commencing on or after 1 January 2008.

	FirstRand Ltd		Glenrand M.I.B Ltd	
	2007 Rmillion	2006 Rmillion	**2007 Rmillion**	2006 Rmillion
40. ASSOCIATES				
Listed associates				
Financial year	**30 June**	30 June	**30 June**	30 June
Year used for equity accounting	**30 June**	30 June	**30 June**	30 June
Country of incorporation		Republic of South Africa		Republic of South Africa
Number of shares held ('000)	**1 694 844**	1 694 844	**35 893**	35 893
Interest held (%) (after consolidation of share trust)	**32,78%**	32,69%	**15,84%**	15,84%
Carrying value of investment in associates	**15 143,0**	13 071,8	**49,9**	49,9
Total share of post-acquisition increase in reserves of associates	**10 139,5**	7 998,3	**30,0**	17,2
Income attributable to RMBH for the year	**3 576,9**	2 752,1	**12,7**	4,8
Less: Dividends received	**(1 245,7)**	(1 014,5)	**–**	(9,8)
Share of retained income for the year	**2 331,2**	1 737,6	**12,7**	(5,0)
Market value	**38 303,5**	28 473,4	**49,9**	53,5
Glenrand M.I.B is equity accounted on the basis that RMBH is represented on the Board of Directors and is the largest individual shareholder.				
Balance sheet				
Assets				
Cash and short-term funds	**46 952,0**	46 684,0	**–**	–
Derivative financial instruments	**33 244,0**	37 934,0	**–**	–
Advances	**378 945,0**	313 885,0	**–**	–
Investment securities and investments	**221 950,0**	173 848,0	**10,4**	19,7
Commodities	**1 118,0**	676,0	**–**	–
Accounts receivable	**9 257,0**	6 046,0	**427,2**	541,1
Investment in associates and joint venture companies	**11 809,0**	5 069,0	**–**	–
Property and equipment	**6 411,0**	5 011,0	**23,4**	30,4
Deferred taxation	**1 306,0**	1 043,0	**40,6**	41,9
Intangible assets and deferred acquisition costs	**4 302,0**	4 076,0	**84,4**	84,1
Investment properties	**2 356,0**	6 141,0	**6,4**	6,4
Policy loans on insurance contracts	**166,0**	118,0	**–**	–
Reinsurance assets	**595,0**	292,0	**–**	–
Tax asset	**34,0**	7,0	**–**	–
Linked investments backing policyholders funds	**–**	–	**–**	5 129,8
Assets classified as held for sale	**–**	–	**5 398,1**	55,8
Assets arising from insurance contracts	**3 114,0**	1 766,0	**–**	–
Total assets	**721 559,0**	602 596,0	**5 990,5**	5 909,2

	FirstRand Ltd		Glenrand M.I.B Ltd	
	2007	2006	**2007**	2006
	Rmillion	Rmillion	**Rmillion**	Rmillion
40. ASSOCIATES (continued)				
Shareholders' equity and liabilities				
Deposits	**416 507,0**	340 649,0	**–**	–
Short trading positions	**36 870,0**	25 967,0	**–**	–
Derivative financial instruments	**24 505,0**	22 370,0	**–**	–
Creditors and accruals	**13 887,0**	16 645,0	**351,9**	486,7
Provisions	**3 598,0**	2 407,0	**–**	–
Tax liability	**1 368,0**	1 024,0	**–**	–
Post-retirement funding liability	**1 882,0**	1 635,0	**–**	–
Deferred taxation	**6 279,0**	5 159,0	**0,1**	0,1
Long-term liabilities	**9 250,0**	10 576,0	**34,6**	37,7
Reinsurance liabilities	**20,0**	24,0	**–**	–
Policyholders liabilities under insurance contracts	**46 979,0**	40 740,0	**–**	–
Policyholders liabilities under investment contracts	**111 239,0**	93 720,0	**–**	5 244,6
Liabilities arising to third parties	**1 568,0**	1 725,0	**–**	–
Deferred revenue liability	**387,0**	451,0	**–**	–
Liabilities classified as held for sale	**–**	–	**5 407,5**	15,9
Capital and reserves attributable to equity holders	**43 548,0**	36 530,0	**192,4**	107,1
Minority interest	**3 672,0**	2 974,0	**4,0**	17,1
Total shareholders' equity and liabilities	**721 559,0**	602 596,0	**5 990,5**	5 909,2
Income statement				
Net profit for the year	**13 078,0**	9 988,0	**84,2**	62,6
Contingent liabilities	**42 047,0**	65 945,0	**–**	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2007

	OUTsurance Ltd* 2007 Rmillion	OUTsurance Ltd* 2006 Rmillion	RMB Structured Insurance Ltd** 2007 Rmillion	RMB Structured Insurance Ltd** 2006 Rmillion
41. SUBSIDIARIES				
Unlisted subsidiaries				
Financial year	**30 June**	30 June	**30 June**	30 June
Year used for consolidation	**30 June**	30 June	**30 June**	30 June
Country of incorporation		Republic of South Africa		Republic of South Africa
Number of shares held ('000)	**1 584 225**	1 584 225	**200 000**	200 000
Interest held (%) (after consolidation of share trust)	**62,23**	63,00	**80,00**	80,00
Shares at cost	**90,0**	90,0	**25,5**	25,5
Indebtedness				
– by subsidiaries	**–**	–	**–**	–
– to subsidiaries	**–**	–	**–**	–
Net profit for the year	**467,1**	368,3	**89,9**	71,1
Directors' valuation of RMBH's investment	**2 366,6**	1 763,6	**402,2**	317,1
Income statement				
Gross premiums written	**2 959,4**	2 341,1	**2 361,6**	2 198,7
Reinsurance premiums	**(215,3)**	(169,2)	**(83,5)**	(59,6)
Net premiums written	**2 744,1**	2 171,9	**2 278,1**	2 139,1
Change in the gross provision for unearned premiums	**(29,6)**	(54,2)	**304,7**	158,7
Change in the reinsurers' share of provision for unearned premiums	**0,8**	(0,4)	**28,4**	–
Earned premiums, net of reinsurance	**2 715,3**	2 117,3	**2 611,2**	2 297,8
Commission income	**31,1**	24,5	**–**	–
Insurance related fee income	**56,7**	44,7	**14,9**	7,2
Investment income	**192,6**	161,2	**713,4**	653,3
Total revenue	**2 995,7**	2 347,7	**3 339,5**	2 958,3
Claims incurred, net of reinsurance	**(1 431,5)**	(1 094,5)	**(1 528,9)**	(1 331,8)
Gross amount	**(1 543,8)**	(1 177,8)	**(1 531,5)**	(1 389,0)
Reinsurers' share	**112,3**	83,3	**2,6**	57,2
Investment contract benefits	**–**	–	**(166,8)**	(172,1)
Transfer from policyholders' profit share	**–**	–	**52,3**	133,5
Provision for cash bonuses	**(179,5)**	(142,2)	**–**	–
Acquisition expenses	**(50,3)**	(44,8)	**(1 343,6)**	(1 287,3)
Marketing and administration expenses	**(490,8)**	(394,9)	**(38,0)**	(30,7)
Results from operating activities	**843,6**	671,3	**314,5**	269,9
Finance costs	**(8,5)**	(9,4)	**(33,5)**	(28,2)
Net profit before tax taxation	**835,1**	661,9	**281,0**	241,7
Taxation	**(249,8)**	(205,2)	**(34,7)**	(32,5)
Net profit after taxation	**585,3**	456,7	**246,3**	209,2
Dividends accrued on preference shares in issue	**(118,2)**	(88,4)	**(156,4)**	(138,1)
Net profit for the year	**467,1**	368,3	**89,9**	71,1

** Indirectly held through FirstRand STI Holdings Limited.*

*** Indirectly held through RMBSI Investments (Pty) Limited.*

42. SEGMENT REPORT

Primary Segments (Business)

Rmillion	Banking & financial services	Long-term insurance	Short-term insurance	Other	Total
Year ended 30 June 2006					
Share of associates	2 256,7	748,6	–	(248,4)	2 756,9
Operating profit	–	–	908,8	129,8	1 038,6
Finance costs	–	–	(232,4)	–	(232,4)
Profit before taxation	2 256,7	748,6	676,4	(118,6)	3 563,1
Taxation	–	–	(237,7)	(32,6)	(270,3)
Profit for the year	2 256,7	748,6	438,7	(151,2)	3 292,8

Rmillion	Banking, financial services & long-term insurance	Short-term insurance	Other	Total
Year ended 30 June 2006				
Segment assets	–	6 004,3	47,8	6 052,1
Associates	13 121 ,7	–	–	13 121,7
Goodwill	–	3,3	–	3,3
Total assets	13 121,7	6 007,6	47,8	19 177,1
Segment liabilities	–	4 586,0	75,4	4 661,4

Rmillion	Banking & financial services	Long-term insurance	Short-term insurance	Other	Total
Year ended 30 June 2007					
Share of associates	**3 052,1**	**874,4**	**–**	**(336,9)**	**3 589,6**
Operating profit	**–**	**–**	**1 120,2**	**296,7**	**1 416,9**
Finance costs	**–**	**–**	**(275,2)**	**(20,9)**	**(296,1)**
Profit before taxation	**3 052,1**	**874,4**	**845,0**	**(61,1)**	**4 710,4**
Taxation	**–**	**–**	**(284,5)**	**(48,2)**	**(332,7)**
Profit for the year	**3 052,1**	**874,4**	**560,5**	**(109,3)**	**4 377,7**

Rmillion	Banking, financial services & long-term insurance	Short-term insurance	Other	Total
Year ended 30 June 2007				
Segment assets	**–**	**6 800,7**	**1 406,8**	**8 207,5**
Associates	**15 192,9**	**–**	**–**	**15 192,9**
Goodwill	**–**	**3,3**	**–**	**3,3**
Total assets	**15 192,9**	**6 804,0**	**1 406,8**	**23 403,7**
Segment liabilities	**–**	**5 354,9**	**454,0**	**5 808,9**

42. SEGMENT REPORT (continued)

The Group is organised into four main business segments:

- Banking and Financial Services – consist of the banking business of FirstRand and the financial services business of Glenrand M.I.B
- Long-term insurance – consists of the insurance business of FirstRand
- Short-term insurance – consists of the insurance business of OUTsurance and RMB Structured Insurance
- Other – consists of the holding Company revenues and costs in respect of RMB Holdings Limited and FirstRand Limited.

All transactions between the different business segments are conducted at arm's length transactions.

Secondary segments (geographical)

The secondary reporting format is by geographical analysis. The directors consider that there is only one geographical segment, being the Republic of South Africa.

43. SHARE TRUSTS

RMBH does not operate a share incentive scheme in its own right.

FirstRand STI Holdings Limited has an equity settled share scheme. The FirstRand STI Holdings Share Trust was registered on 11 November 1999 under Trust No. IT.11708/99. In terms of the current trust deed, 12% of the issued share capital of the Company is available to the trust for the granting of options to employees. The trust currently holds 3,9% (2006: 4,7%) of the shares in FirstRand STI Holdings Limited. Options have been granted to certain employees on these shares. The vesting period of the options granted is 5 years. The options vest in three equal tranches at the end of years 3, 4 and 5. Options may be exercised at any point during the 5 year period. An expense of R5,6 million (2006: R4,9 million) relating to this scheme was recognised in the income statement.

RMB Structured Insurance (Pty) Limited has an equity settled share scheme. The RMBSI Investments Share Trust was created to give certain employees of RMB Structured Insurance Limited the opportunity to acquire shares in RMBSI. The maximum number of scheme shares shall not exceed 10% of the issued ordinary shares capital of RMBSI. The vesting period of the options granted is 5 years. The options vest in three equal tranches at the end of years 3, 4 and 5. Options may be exercised at any point during the 5 year period. An expense of R0,3 million (2006: R0,3 million) relating to this scheme was recognised in the income statement.

44. CHANGE IN ACCOUNTING POLICY AND RESTATEMENT OF COMPARATIVES

The accounting policy for preference shares was changed during the year to achieve fairer presentation of the financial statements in accordance with the amendments to IAS 39 effective for the first time in 2007. As such, unrealised gains and losses on preference shares arising each year are reflected in equity and only expensed through the income statement on realisation, whereas the unrealised gains and losses were previously reflected directly in the income statement. The change in policy reflects the true nature of the financial assets as these assets are not managed on a fair value basis. Comparatives have been changed to reflect the change in accounting policy.

The effect of the change in accounting policy was as follows:

Item description	As restated	As originally stated	Difference	Reason
Profit for the year	3 292,8	3 293,3	(0,5)	
Equity securities – available for sale	796,2	197,1	599,1	The de-designation of certain financial assets as at fair value through profit or loss
Equity securities – at fair value	1 462,4	2 061,5	(599,1)	
Distributable reserve	2 283,8	2 282,6	1,2	
Non-distributable reserve	489,3	490,5	(1,2)	
Deferred taxation liabilities	39,3	36,3	3,0	
Taxation	36,9	39,9	(3,0)	

Company financial statements

for the year ended 30 June 2007

Balance sheet

as at 30 June 2007

	Notes	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
ASSETS			
Investment in subsidiaries	2	**345,3**	618,9
Investment in associates	3	**7 212,3**	7 234,2
Financial assets			
Equity securities:			
– available-for-sale	4	**33,8**	33,8
– at fair value through profit or loss	4	**653,2**	–
Loans and receivables	5	**8,8**	7,5
Cash and cash equivalents	7	**8,1**	6,5
Total assets		**8 261,5**	7 900,9
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital and premium	8	**4 605,0**	4 605,0
Reserves	9	**3 242,3**	3 220,6
Total shareholders' equity		**7 847,3**	7 825,6
LIABILITIES			
Financial liabilities			
Interest bearing loans	10	**354,3**	36,0
Provisions	11	**5,9**	4,0
Trade and other payables	12	**27,9**	23,5
Deferred income tax	6	**19,2**	–
Taxation		**6,9**	11,8
Total liabilities		**414,2**	75,3
Total equity and liabilities		**8 261,5**	7900,9

Income statement

for the year ended 30 June 2007

	Notes	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
Profit on sale of interest in associate companies		**–**	1,4
Investment income	13	**1 434,1**	1 183,8
Net fair value gains on financial assets at fair value through profit or loss	14	**153,7**	–
Net income		**1 587,8**	1 185,2
Marketing and administration expenses	15	**(48,5)**	(12,3)
Result of operating activities of the Company		**1 539,3**	1 172,9
Finance cost	16	**(20,9)**	–
Profit before taxation		**1 518,4**	1 172,9
Taxation	17	**(19,6)**	(22,9)
Profit for the year		**1 498,8**	1 150,0
Attributable to:			
Equity holders of the Company		**1 498,8**	1 150,0

Statement of changes in equity

for the year ended 30 June 2007

Rmillion	Share capital	Share premium	Non-distributable reserves	Retained earnings	Total equity
Balance at 1 July 2005	11,9	5 780,9	334,0	2 953,3	9 080,1
Net profit for the year	–	–	–	1 150,0	1 150,0
Return of capital	–	(1 187,8)	–	–	(1 187,8)
Dividends paid	–	–	–	(1 217,5)	(1 217,5)
Share option expense reserve – IFRS2	–	–	0,8	–	0,8
Balance at 30 June 2006	**11,9**	**4 593,1**	**334,8**	**2 885,8**	**7 825,6**
Net profit for the year	**–**	**–**	**–**	**1 498,8**	**1 498,8**
Dividends paid	**–**	**–**	**–**	**(1 478,8)**	**(1 478,8)**
Share option expense reserve – IFRS2	**–**	**–**	**1,7**	**–**	**1,7**
Balance at 30 June 2007	**11,9**	**4 593,1**	**336,5**	**2 905,8**	**7 847,3**

Cash flow statement

for the year ended 30 June 2007

	Note	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
Cash flows from operating activities			
Cash generated from operations	A	**1 412,9**	1 181,6
Income tax paid		**(5,3)**	(52,4)
Dividends paid to shareholders		**(1 477,6)**	(1 214,5)
Net cash generated from operating activities		**(70,0)**	(85,3)
Cash flows from investing activities			
Loans to subsidiary		**273,6**	(502,9)
Net additions to investments		**(499,4)**	–
Investment in associate companies		**–**	(266,0)
Proceeds from sale of interest in associate companies		**–**	11,4
Net cash used in investing activities		**(225,8)**	(757,5)
Cash flows from financing activities			
Return of share capital		**–**	(1 187,8)
Net amount of borrowings raised		**318,3**	36,0
Cost of funding		**(20,9)**	–
Net cash used in financing activities		**297,4**	(1 151,8)
Net increase/(decrease) in cash and cash equivalents for the year		**1,6**	(1 994,6)
Cash and cash equivalents at the beginning of the year		**6,5**	2 001,1
Cash and cash equivalents at the end of the year		**8,1**	6,5

Note to the cash flow statement

for the year ended 30 June 2007

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
A. Cash flows from operating activities		
Reconciliation of profit before taxation to cash inflow from operations:		
Profit before taxation	**1 518,4**	1 172,9
Adjusted for:		
Profit on sale of interest in associate	**–**	(1,4)
Impairment loss	**21,9**	–
Share option expenses	**1,7**	0,8
Finance costs	**20,9**	–
Fair value adjustment	**(153,7)**	–
Changes in working capital		
Current receivables and prepayments	**(1,3)**	35,4
Current payables and provisions	**5,0**	(26,1)
Cash generated from operations	**1 412,9**	1 181,6

Notes to the annual financial statements

for the year ended 30 June 2007

	Land and buildings Rmillion	Computer equipment Rmillion	Furniture, fittings and office equipment Rmillion	Motor vehicles Rmillion	Total Rmillion
1. PROPERTY AND EQUIPMENT					
At 1 July 2005:					
Cost	–	–	0,3	–	0,3
Accumulated depreciation	–	–	(0,3)	–	(0,3)
Net book amount	–	–	–	–	–
Year ended 30 June 2006					
Opening net book amount	–	–	–	–	–
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
Depreciation charge	–	–	–	–	–
Closing net book amount	–	–	–	–	–
At 30 June 2006:					
Cost	–	–	0,3	–	0,3
Accumulated depreciation	–	–	(0,3)	–	(0,3)
Net book amount	–	–	–	–	–
Year ended 30 June 2007					
Opening net book amount	–	–	–	–	–
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
Depreciation charge	–	–	–	–	–
Closing net book amount	–	–	–	–	–
At 30 June 2007:					
Cost	**–**	**–**	**0,3**	**–**	**0,3**
Accumulated amortisation	**–**	**–**	**(0,3)**	**–**	**(0,3)**
Net book amount	**–**	**–**	**–**	**–**	**–**

Notes to the annual financial statements

for the year ended 30 June 2007

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
2. INVESTMENT IN SUBSIDIARIES		
Shares at cost	**116,0**	116,0
Interest free loans granted	**229,3**	502,9
Investment in subsidiaries	**345,3**	618,9
Directors' valuation:		
Unlisted	**2 768,8**	2 080,6

Name of Company	Number of shares	% of equity
OUTsurance Holdings Limited *	1 584 225 400	46.9
RMBSI Investments (Pty) Limited **	200 000 000	80.0
Phed Investments (Pty) Limited	1	100.0
London & Dominion Trust Limited	500 000	100.0

* *Direct holding of 46.9% (after consolidation of share trust), indirect holding through FirstRand Limited 15.4%*
** *After consolidation of share trust*

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
3. INVESTMENT IN ASSOCIATES		
Shares at cost	**7 234,2**	7 234,2
Impairment loss	**(21,9)**	–
	7 212,3	7 234,2

The impairment loss relates to Glenrand M.I.B Limited as the fair value of the investment is lower than the carrying value.

Market values and directors' valuation:		
Listed	**38 353,4**	28 526,9

The Group's interests in its associates, all of which are listed, were as follows:

Name of Company	Number of shares	% of equity
FirstRand Limited	1 694 843 615	32.8*
Glenrand M.I.B Limited	35 892 605	15.8*

* *After consolidation of share trust*

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion

4. FINANCIAL ASSETS

The Company's financial assets are summarised by measurement category in the table below.

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
Available for sale	**33,8**	33,8
Fair value through profit or loss	**653,2**	–
	687,0	33,8

The current portion of financial assets is R653,2 million (2006: R0), the remainder being non-current.

The assets comprised in each of the categories above are detailed in the tables below.

Available for sale financial assets

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
Equity securities – unlisted preference shares	**33,8**	33,8

The investments are held to redemption and are carried at cost, which equals redemption value and approximates fair value. The preference shares are redeemable at any time but not later than 31 December 2014 with the notice period being five business days. Accrued dividends are disclosed as accrued investment income. The dividend yield is 13,7%.

Financial assets at fair value through profit or loss

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
Equity securities – listed	**653,2**	–

Listed equity securities are ordinary listed shares traded in organised financial markets. The carrying amount represents the quoted bid prices on these markets at the close of business on the last day of the financial year-end.

	Available-for-sale Rmillion	Fair value through profit or loss Rmillion	Total Rmillion
At the beginning and end of 2006	**33,8**	**–**	**33,8**
Additions	**–**	**499,5**	**499,5**
Interest accrued at effective yield	**–**	**–**	**–**
Disposals (sales and redemptions)	**–**	**–**	**–**
Coupon payments received	**–**	**–**	**–**
Fair value net gains	**–**	**153,7**	**153,7**
At the end of 2007	**33,8**	**653,2**	**687,0**

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
5. LOANS AND RECEIVABLES		
Other receivables:		
– accrued investment income	**3,2**	–
– income tax receivable	**–**	–
– other receivables	**5,6**	7,5
	8,8	7,5
All loans and receivables are current.		
6. DEFERRED TAXATION		
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.		
Deferred tax asset at the beginning of the year	**–**	1,6
Deferred tax charge for the year (see note 17)	**–**	(1,6)
Deferred tax asset at the end of the year	**–**	–
Deferred tax liability at the beginning of the year	**–**	–
Deferred tax charge for the year (see note 17)	**19,2**	–
Deferred tax liability at the end of the year	**19,2**	–
The net deferred tax asset at the end of the year can be analysed as follows:		
Unrealised investment gains and losses included in income	**19,2**	–
Deferred income taxation assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.		
7. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**8,1**	6,5

Cash and cash equivalents represent current accounts, call deposits and short-term fixed deposits with large banks in South Africa.

	Number of shares million	Ordinary shares Rmillion	Share premium Rmillion	Total Rmillion
8. SHARE CAPITAL AND PREMIUM				
At 1 July 2005	1 187,8	11,9	5 780,9	5 792,8
Capital returned to shareholders	–	–	(1 187,8)	(1 187,8)
At 30 June 2006	1 187,8	11,9	4 593,1	4 605,0
Movement in share capital and premium	–	–	–	–
At 30 June 2007	**1 187,8**	**11,9**	**4 593,1**	**4 605,0**

The total authorised number of ordinary shares is 2 000 000 000 (2006: 2 000 000 000), with a par value of one cent per share (2006: one cent). The total authorised number of redeemable cumulative preference shares is 100 000 000 (2006: 100 000 000), with a par value of one cent per share (2006: one cent). No redeemable cumulative preference shares have been issued. The unissued share capital is under the control of the board of directors until the forthcoming annual general meeting.

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
9. RESERVES		
Distributable reserves		
Retained earnings	**2 905,8**	2 885,8
Non-distributable reserves – Other		
Share based payments reserves	**3,1**	1,4
Capital surpluses on disposals and restructuring of strategic investments	**333,4**	333,4
	336,5	334,8
Total reserves	**3 242,3**	3 220,6
10. FINANCIAL LIABILITIES		
Interest bearing loans	**354,3**	36,0
The Company financed its obligations by means of a loan obtained from Rand Merchant Bank, a division of FirstRand Bank Limited. The loan is unsecured and bears interest at a rate linked to the prime interest rate.		
11. PROVISIONS		
Staff incentive bonus		
Balance at the beginning of the year	**4,0**	3,2
Additional provisions	**5,9**	4,0
Utilised during the year	**(4,0)**	(3,2)
Balance at the end of the year	**5,9**	4,0

All amounts are expected to be settled in 12 months.

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
12. TRADE AND OTHER PAYABLES		
Trade payables and accrued expenses	**20,1**	16,9
Unclaimed dividends	**7,8**	6,6
	27,9	23,5
13. INVESTMENT INCOME		
Available-for-sale:		
– dividend income	**4,8**	–
Dividend income from subsidiaries and associates	**1 428,2**	1 140,4
Cash and cash equivalents interest income	**1,1**	40,2
Loans and receivables interest income	**–**	3,2
	1 434,1	1 183,8
14. NET FAIR VALUE GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Fair value gains	**153,7**	–
Fair value losses	**–**	–
	153,7	–
Net fair value gains and losses comprise:		
Equity securities	**153,7**	–
Unrealised mark to market	**153,3**	–
Realised mark to market	**0,4**	–
Total net fair value gains	**153,7**	–

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
15. MARKETING AND ADMINISTRATION EXPENSES		
Expenses by nature:		
Depreciation	**–**	–
Professional fees and regulatory compliance cost	**(1,6)**	(0,8)
Insurance	**(0,2)**	(0,2)
Operating lease rentals	**(1,0)**	(0,5)
Impairment loss	**(21,9)**	–
Audit fees	**(0,8)**	(0,5)
Other expenses	**(23,0)**	(10,3)
	(48,5)	(12,3)
Audit fees		
Statutory audit – current year	**(0,5)**	(0,5)
Statutory audit – under provision prior year	**(0,3)**	–
Other services	**–**	–
	(0,8)	(0,5)
16. FINANCE COSTS		
Interest expense		
Interest paid on bank borrowings	**(20,9)**	–
17. TAXATION		
SA normal taxation		
Current tax		
Current year	**(1,2)**	(14,3)
Previous year	**6,5**	–
Deferred tax		
Current year	**(19,2)**	(1,6)
Previous year	**–**	–
Secondary tax on companies	**(5,7)**	(7,0)
	(19,6)	(22,9)

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the basic tax rate of South Africa as follows:

	COMPANY 2007	COMPANY 2006
Profit before taxation	**1 518,4**	1 172,9
	%	%
Tax calculated at a tax rate of 29%	**29,00**	29,00
Net income and expenses not subject to tax	**(28,92)**	(27,78)
Prior year adjustment	**(0,43)**	–
Recognition of deferred tax asset	**1,26**	0,14
Secondary tax on companies	**0,38**	0,60
Effective tax charge	**1,29**	1,96

Notes to the annual financial statements (continued)

for the year ended 30 June 2007

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
18. DIVIDEND PER SHARE		
Total dividends paid during the year	**1 478,8**	1 217,5
Total dividends declared during the year	**1 680,7**	1 348,2
Number of ordinary shares in issue	**1 187 808 570**	1 187 808 570
Dividends declared per share (cents)	**141,5**	113,5

19. RELATED PARTIES

Principal shareholders

Details of major shareholders are disclosed in the directors' report. The principal shareholders are Remgro Limited, Mr Dippenaar and Mr Ferreira.

Key management personnel

Only RMBH's directors are key management personnel. Information on directors' emoluments and their shareholding in the Company appears in the directors' report.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 2.

RMBSI paid RMBH a guarantee fee of R3.5m for surety provided by RMBH in respect of a loan obtained by RMBSI.

Associates

Details of investments in associates are disclosed in note 3.

Other

RMBH invested in preference shares issued by New Seasons Financial Services (Pty) Limited ("NSFS"). NSFS is a shareholder of RMBSI.

	COMPANY 2007 Rmillion	COMPANY 2006 Rmillion
19. RELATED PARTIES (continued)		
Related party transactions		
Transactions of RMB Holdings Limited with:		
Principal shareholders		
Dividends paid	**562,3**	462,9
Key management personnel		
Salaries and other benefits	**7,5**	6,2
Directors' fees	**0,8**	0,7
Subsidiaries		
Income statement effect:		
Dividends received	**195,4**	119,6
Guarantee fee received	**3,5**	3,5
Associates		
Income statement effect:		
Dividends received	**1 232,8**	1 024,3
Investment income	**–**	40,2
Administration fee income	**2,5**	2,5
Finance costs	**20,9**	0,8
Balance sheet effect		
Cash and cash equivalents	**8,1**	6,5
Interest bearing loans		
Balance 1 July	**36,0**	–
Borrowing raised	**297,4**	35,2
Capitalised interest	**20,9**	0,8
Repayments during year	**–**	–
Balance 30 June	**354,3**	36,0
Other		
Income statement effect		
Investment income	**4,8**	3,2
Balance sheet effect:		
Financial assets – available for sale	**33,8**	33,8
Loans and receivables	**3,2**	–

20. CONTINGENT LIABILITIES

Company

The following contingencies and guarantees exist at 30 June 2007:

– A guarantee provided in respect of funding facilities of a subsidiary for an amount not exceeding R400 million.

21. RETIREMENT BENEFITS

The Company is a participant in a defined contribution pension fund and a defined contribution provident fund.

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

Notice of the annual general meeting

RMB HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1987/005115/06)
Share Code: RMH
ISIN: ZAE000024501
("RMBH" or "the Company")

Notice is hereby given of the twentieth annual general meeting of the shareholders of RMB Holdings Limited to be held in the executive boardroom, 4th floor, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton on Friday, 30 November 2007 at 09:00 to, if approved, pass the following resolutions with or without modifications:

AGENDA

1. **Ordinary resolution number 1**

   Approval of annual financial statements

   Resolved that the audited annual financial statements of the Company and the Group for the year ended 30 June 2007 be accepted and approved.

2. **Ordinary resolution number 2**

   Election of directors

   To appoint directors in the positions of the under-mentioned directors who retire in terms of the Company's Articles of Association and who, being eligible, offer themselves for re-election.

   2.1 Gerrit Thomas Ferreira (59)
   Non-executive chairman
   Date of appointment: 12 November 1987
   Educational qualifications: BCom, Hons B (B&A), MBA
   Directorships: FirstRand Limited, Glenrand M.I.B. Limited

   2.2 Lauritz Lanser Dippenaar (58)
   Non-executive director
   Date of appointment: 12 November 1987
   Educational qualifications: MCom, CA(SA)
   Directorships: Discovery Holdings Limited, FirstRand Limited

   2.3 Jan Willem Dreyer (56)
   Independent non-executive director
   Date of appointment: 19 October 1987
   Educational qualifications: BCom, LLB, HDip Co Law, HDipTax
   Directorships: Remgro Limited

3. **Ordinary resolution number 3**

   Approval of directors' remuneration for the year ended June 2007

   Resolved that the remuneration of the directors as reflected on page 28 of the annual report be approved.

4. **Ordinary resolution number 4**

   Approval of directors' fees for the year ending 30 June 2008

   Resolved that the directors' fees for the year ending 30 June 2008 as set out below are approved:

Board (4 meetings per annum)	Per annum
– Chairman	R300 000
– Director	R100 000
Audit Committee (2 meetings per annum)	
– Chairman	R55 000
– Member	R27 500
Ad hoc meetings (per hour)	R2 400

5. **Ordinary resolution number 5**

   Place unissued ordinary shares under the control of the directors

   Resolved that 10% of the authorised but unissued ordinary shares in the Company (currently representing approximately 81 000 000 of the total authorised but unissued ordinary shares of 812 191 430), be and are hereby placed under the control of the directors as a general authority until the forthcoming annual general meeting and that they be and are hereby authorised to allot and issue these ordinary shares in the Company upon such terms and conditions as the directors at their discretion deem fit, subject to the Companies Act (Act 61 of 1973), as amended ("the Companies Act"), the Articles of Association of the Company and the Listings Requirements of the JSE limited ("JSE").

6. **Ordinary resolution number 6**

   General authority to issue ordinary shares for cash

   Resolved that the board of directors of the Company be hereby authorised, by way of a renewable general authority, to issue ordinary shares in the authorised but unissued ordinary share capital of the Company for cash as and when they at their discretion deem fit, subject to the Companies Act, the Articles of Association of the Company and the Listings Requirements of the JSE, when applicable, and the following limitations, namely that:

   - this authority shall be valid until the Company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter;
   - the ordinary shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
   - the ordinary shares must be issued to public shareholders as defined by the JSE Listings Requirements and not related parties;
   - the ordinary shares which are the subject of the issue for cash may not exceed 10% in the aggregate in any one financial year of the number of equity shares in the issue of that class;
   - a maximum discount at which the ordinary shares may be issued is 10% of the weighted average traded price of the Company's ordinary shares measured over 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the Company; and
   - a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of ordinary shares in issue prior to that issue, in terms of the JSE Listings Requirements.

   Approval for this ordinary resolution is obtained by achieving 75% majority of the votes cast in favour of this resolution at the annual general meeting by all ordinary shareholders present or represented by proxy.

7. **Special resolution number 1**

   General authority to repurchase Company shares

   Resolved that in terms of the Company's Articles of Association, the Company's directors be hereby authorised, by way of a general authority, to repurchase issued shares in the Company or to permit a subsidiary of the Company to purchase shares in the Company, as and when deemed appropriate, subject to the following initiatives:

   - that this authority shall be valid until the Company's next annual general meeting provided that it shall not extend beyond fifteen (15) months from the date of this annual general meeting;
   - that any such repurchase be effected through the order book operated by the JSE trading system and done without any prior understanding or agreement between the Company and the counterparty;
   - that a paid press release giving such details as may be required in terms of the JSE Listings Requirements be published when the Company or its subsidiaries have repurchased in aggregate 3% of the initial number of shares in issue, as at the time that the general authority was granted, and for each 3% in aggregate of the initial number of shares which is acquired thereafter;
   - that a general repurchase may not in the aggregate in any one financial year exceed 10% of the number of shares in the Company's issued share capital as at the beginning of the financial year provided that a subsidiary of the Company may not hold at any one time more than 10% of the number of issued shares of the Company;

- that no repurchases will be effected during a prohibited period unless there is in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- that at any point in time, the Company may only appoint one agent to effect repurchases on the Company's behalf;
- that the Company may only undertake a repurchase of securities if, after such repurchase the Company still complies with the JSE Listings Requirements concerning shareholder spread requirements;
- that, in determining the price at which shares may be repurchased in terms of this authority, the maximum premium permitted be 10% above the weighted average traded price of the shares as determined over the five (5) days prior to the date of repurchase;
- the sponsor to the Company provides a letter to the JSE on the adequacy of working capital in terms of section 2.12 of the JSE Listings Requirements prior to any repurchases being implemented on the open market of the JSE; and
- that such repurchase shall be subject to the Companies Act and the applicable provisions of the JSE Listings Requirements.

The board has no immediate intention to use this authority to repurchase company shares. However, the board is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

Having considered the effect in the event that the maximum allowed repurchase is effected, the directors are of the opinion that:

- the Company and the Group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the repurchase;
- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the repurchase. The assets and liabilities have been recognised and measured for this purpose in accordance with the accounting policies used in the latest audited annual group financial statements;
- the Company's and the Group's ordinary share capital and reserves will, after such payment, be sufficient for ordinary business purposes for a period of 12 months following the date of the repurchase; and
- the Company and the Group will, after such payment, have sufficient working capital to meet their needs for a period of 12 months following the date of the repurchase.

Reason for and effect of the special resolution number 1

The reason for and the effect of the special resolution is to grant the Company's directors a general authority, up to and including the date of the following annual general meeting of the Company, to approve the Company's purchase of shares in itself, or to permit a subsidiary of the Company to purchase shares in the Company. The effect of special resolution number 1 is to grant a general authority to the Company's directors accordingly.

For purposes of considering the special resolution and in compliance with Rule 11.26 of the JSE Listings Requirements, the information listed below has been included in the annual report, in which this notice of annual general meeting is included, at the places indicated:

- Directors and management – refer page 26;
- Major shareholders – refer page 34;
- Material change – refer page 35;
- Directors' interest in securities – refer page 28;
- Share capital of the Company – refer page 34;
- The directors, whose names are set out on pages 26 to 27, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution and certify that to the best of their knowledge and belief that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard; and
- Litigation – There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware) which may have or have had in the previous 12 months, a material effect on the Group's financial position.

8. Special resolution number 2

Approval to amend Articles of Association

Resolved that in terms of Section 62 of the Companies Act:

(a) article 8.1 of the Articles of Association of the Company be and is hereby amended by the deletion of the existing article 8.1 and the insertion of the following new article 8.1 in place thereof:

> "Subject to the provisions of Section 98 of the Act, the Company may issue preference shares which are, or at the option of the Company are liable, to be redeemed.";

(b) article 8.2.2 of the Articles of Association of the Company be and is hereby amended by the deletion of the word "The" and the insertion of the words "Each allotment of the" in place thereof;

(c) article 8.2.6 of the Articles of Association of the Company be and is herby amended by:

- the insertion of the words "redeemed or shall at the option of the Company be" after the words "shares shall be" at the end of the first line thereof;
- the deletion of the words "at the option of the Company" in the second line thereof; and
- the insertion of the following sentence at the end of the last line thereof:

"The Company shall be entitled to apply its share premium account to provide for the premium payable upon such redemption, subject to such conditions as the directors may determine in respect of each allotment of the preference shares."

Reason for and effect of special resolution number 2

The reason for and effect of special resolution number 2 is to amend the Articles of Association of the Company, to simplify and clarify the provisions of article 8.1 generally and to clarify the provisions of article 8.2 relating to the premium at which the preference shares may be issued, the manner in which the preference shares may be redeemed and the application of the Company's share premium account to provide for the premium payable on redemption

9. To transact any other business that may be transacted at an annual general meeting

IMPORTANT NOTICE REGARDING ATTENDANCE AT THE ANNUAL GENERAL MEETING.

General

Shareholders wishing to attend the annual general meeting have to ensure beforehand with the Transfer Secretaries of the Company that their shares are in fact registered in their name.

Certificated members

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms should be forwarded to the registered office of the Company/Company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited at 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) or at fax number (011) 688-5238 and be received by them no later than 09:00 on Wednesday, 28 November 2007.

Dematerialised shareholders

Shareholders who have dematerialised their shares, other than those members who have dematerialised their shares with "own name" registration should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and time stipulated in their agreement:

– to furnish them with their voting instructions; and

– in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

By order of the board of directors

AH Arnott
BCom, CA (SA)
Company secretary

12 October 2007

Shareholder's information*

as at 30 June 2007

	Shares held (000's)	%
ANALYSIS OF SHAREHOLDING		
Major shareholders (owners) holding more than 5%		
Financial Securities Limited (Remgro)	280 947	23,7
Public Investment Corporation	102 242	8,6
LL Dippenaar (direct and indirect)	90 342	7,6
GT Ferreira (direct and indirect)	87 191	7,3
	560 722	47,2
Shareholders holding less than 5% each	627 087	52,8
Total shareholders	1 187 809	100,0
Shareholder type		
Corporates	542 281	45,7
Pension funds	218 416	18,4
Insurance companies	28 637	2,4
Unit trusts	137 592	11,6
Private investors	257 626	21,7
Other managed funds	3 257	0,2
Total shareholders	1 187 809	100,0

	Number of shareholders	Shares held (000's)	%
Public and non-public shareholders			
Public	24 479	678 235	57,0
Non-public			
– Corporates (Remgro)	1	280 947	23,7
– Directors	6	221 534	18,7
– Share trust	1	7 093	0,6
Total	24 487	1 187 809	100,0

	Shares held (000's)	%
Geographic ownership		
South Africa	1 125 289	94,7
International	62 520	5,3
Total	1 187 809	100,0

** Extracted from shareholder analysis provided by Thomson Financial*

Performance on the JSE Limited

as at 30 June 2007	**2007**	2006
Number of shares in issue (000's)	**1 187 809**	1 187 809
Market prices (cents per share)		
Closing	**3 286**	2 470
High	**3 850**	3 120
Low	**2 335**	2 150
Weighted average	**3 084**	2 670
Closing price/net asset value per share	**2,3**	2,1
Closing price/earnings (headline)	**10,2**	10,0
Volume of shares traded (millions)	**334**	329
Value of shares traded (Rmillions)	**10 310**	8 791
Market capitalisation (Rmillions)	**39 031**	29 339

Shareholders' diary

REPORTING

Interim for 2008	31 December 2007
– Announcement of results	End February 2008
Final for 2008	30 June 2008
– Announcement of results for 2008	Mid-September 2008
– Annual report posted by	End October 2008
– Annual general meeting	End November 2008

DIVIDENDS

Interim for 2008	
– Declared	End February 2008
– Payable	End March 2008
Final for 2008	
– Declared	Mid-September 2008
– Payable	End October 2008

Administration

RMB HOLDINGS LIMITED

(Registration No 1987/005115/06)
Share code: RMH ISIN ZAE000024501 ("RMBH")

Company secretary
AH Arnott B Com, CA (SA)

Registered office
4th floor
4 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196

Postal address
PO Box 786273
Sandton
2146

Telephone

National	(011) 282 8000
International	+27 11 282 8000

Telefax
National (011) 282 8088
International +27 11 282 8088

Website
www.rmbh.co.za

AUDITORS

PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill 2157

SPONSOR (IN TERMS OF JSE LISTINGS REQUIREMENTS)

Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196

Telephone

National	(011) 282 8000
International	+27 11 282 8000

Telefax

National	(011) 282 8008
International	+27 11 282 8008

TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg
2001

Postal address
PO Box 61051
Marshalltown
2107

Telephone

National	(011) 370 5000
International	+27 11 370 5000

Telefax

National	(011) 688 5221
International	+27 11 688 5221

Form of proxy

Only for use by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

RMB HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1987/005115/06))
Share Code: RMH
ISIN: ZAE000024501
("RMBH" or "the Company")

For use by shareholders, who have not dematerialised their shares or who have dematerialised their shares but with own name registration, at the annual general meeting to be held at 09:00 on Friday 30 November 2007, in the Executive Boardroom, 4th floor, 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton, and at any adjournment thereof.

Shareholders who have dematerialised their shares other than with own name registration, must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend or they must provide their CSDP or broker with their voting instructions should they not wish to attend the general meeting in person.

I/We, the undersigned (name)

of (address)

the registered holder of

ordinary shares in RMB Holdings Limited (Reg No 1987/005115/06), hereby appoint

1. , of or failing him

2. , of or failing him

3. the chairperson of the annual general meeting, as my/our proxy to be present and act on my/our behalf, speak and on a poll, vote on my/our behalf as indicated below at the annual general meeting of shareholders of the Company to be held at 09:00 on Friday 30 November 2007 and at any adjournment thereof as follows: (see Note 2)

	Insert an "X" or the number of votes exercisable (one vote per ordinary share)		
	In favour of	**Against**	**Abstain**
Ordinary resolution number 1 Approval of annual financial statements			
Ordinary resolution number 2 Appointment of the following directors: 2.1 Gerrit Thomas Ferreira 2.2 Lauritz Lanser Dippenaar 2.3 Jan Willem Dreyer			
Ordinary resolution number 3 Approval of directors' remuneration for the year to June 2007			
Ordinary resolution number 4 Approval of directors' fees for the year to June 2008			
Ordinary resolution number 5 Place 10% of the unissued ordinary shares under the control of the directors			
Ordinary resolution number 6 General authority to issue ordinary shares for cash			
Special resolution number 1 General authority to repurchase Company shares			
Special resolution number 2 Approval to amend preference share terms in Articles of Association			

Instructions to my/our proxy are indicated by a cross in the space provided above or by the number of shares in the appropriate boxes where all shares held are not being voted.

2007

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

PLEASE SEE NOTES ON REVERSE SIDE OF THE FORM

Explanatory notes to the notice of annual general meeting

NOTES:

1. A shareholder, who is entitled to attend and vote at the annual general meeting, may appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the Company.
2. Every shareholder present in person or by proxy and entitled to vote at the annual general meeting of the Company shall, on a show of hands, have one vote only, irrespective of the number of shares such shareholder holds, but in the event of a poll, every ordinary share in the Company shall have one vote.
3. Dematerialised shareholders registered in their own names are shareholders who appointed Computershare Custodial Services as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertificated shares are to be registered in the electronic sub-register of members in their own names.

INSTRUCTIONS ON SIGNING AND LODGING THE PROXY FORM:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholders' voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting, as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid the completed proxy forms must be forwarded to the Company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) or at fax number (011) 688 5238 and be received by no later than 09:00 on Wednesday 28 November 2007. Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.
5. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.
8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a shareholder wishes to vote.

CONTACT DETAILS

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HOLDINGS