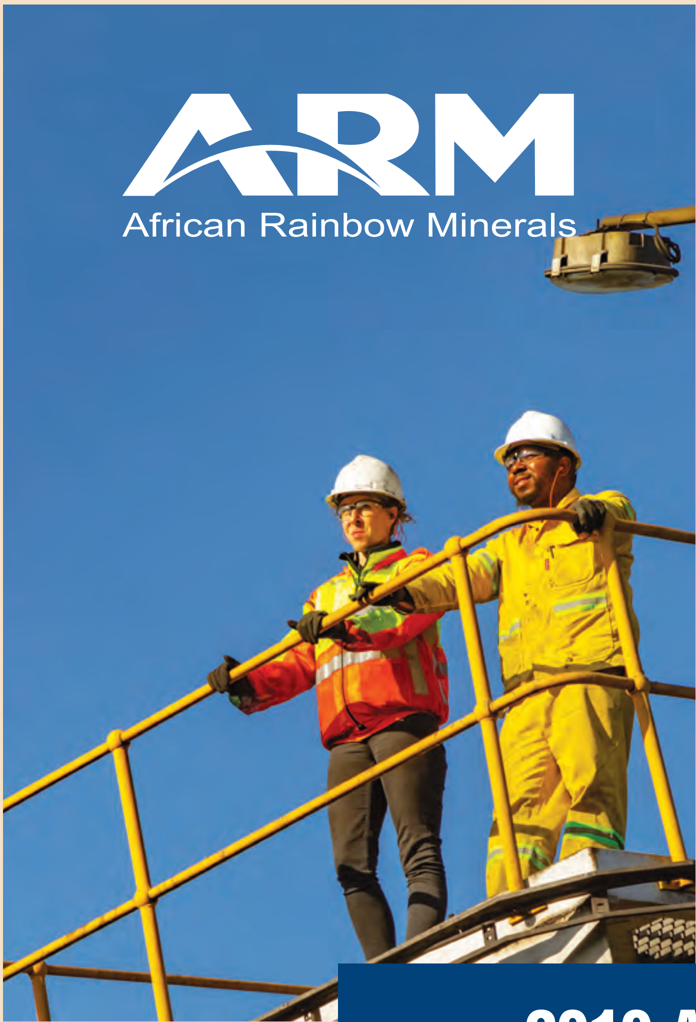
ARM

African Rainbow Minerals

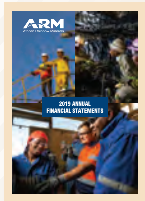


2019 ANNUAL FINANCIAL STATEMENTS

CONTENTS

OUR 2019 SUITE OF REPORTS
and additional material are available at **www.arm.co.za**

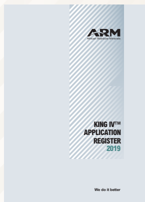
2019 INTEGRATED ANNUAL REPORT



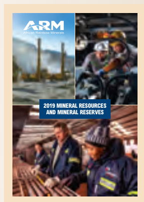
2019 ANNUAL FINANCIAL STATEMENTS

2019 SUSTAINABILITY REPORT

2019 CORPORATE GOVERNANCE REPORT



2019 KING IV™ [1] APPLICATION REGISTER



2019 MINERAL RESOURCES AND RESERVES REPORT

REFERENCES TO 2019 SUITE OF REPORTS

IAR 2019 Integrated annual report

AFS 2019 Annual financial statements

SR 2019 Sustainability report

RR 2019 Mineral Resources and Mineral Reserves report

CGR 2019 Corporate governance report

www.arm.co.za

All monetary values in this report are stated in South African Rand unless otherwise stated. Rounding may result in computational discrepancies on management and operational review tabulations.

CONTACT DETAILS

African Rainbow Minerals Limited

Registration number: 1933/004580/06
Incorporated in the Republic of South Africa
JSE share code: ARI
A2X share code: ARI
ISIN: ZAE000054045

Registered and Corporate Office

ARM House
29 Impala Road
Chislehurston
Sandton
2196

PO Box 786136, Sandton, 2146

Telephone: +27 11 779 1300
Fax: +27 11 779 1312
E-mail: ir.admin@arm.co.za
Website: **www.arm.co.za**

Company Secretary

Alyson D'Oyley, BCom, LLB, LLM
Telephone: +27 11 779 1300
Fax: +27 11 779 1312
E-mail: cosec@arm.co.za

Investor Relations

Jongisa Magagula
Corporate Development and Head of Investor Relations
Telephone: +27 11 779 1507
Fax: +27 11 779 1312
E-mail: jongisa.magagula@arm.co.za

Auditors

External auditor: Ernst & Young Inc.
Internal auditor: Deloitte & Touche

Bankers

ABSA Bank Limited
FirstRand Bank Limited
The Standard Bank of South Africa Limited
Nedbank Limited

Sponsors

Investec Bank Limited

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

PO Box 61051, Marshalltown, 2107

Telephone: +27 11 370 5000
Fax: +27 11 688 5222
E-mail: web.queries@computershare.co.za
Website: www.computershare.co.za

Directors

Dr PT Motsepe (executive chairman)
MP Schmidt (chief executive officer)
F Abbott*
M Arnold**
Dr MMM Bakane-Tuoane*
TA Boardman*
AD Botha*
JA Chissano (Mozambican)*
WM Gule*
AK Maditsi*
HL Mkatshana
AM Mukhuba
JP Möller*
DC Noko*
Dr RV Simelane*
JC Steenkamp**
ZB Swanepoel*
AJ Wilkens

* *Independent non-executive*
** *Non-executive*

Forward-looking statements

Certain statements in this report constitute forward-looking statements that are neither reported financial results nor other historical information. They include but are not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Such forward-looking statements may or may not take into account and may or may not be affected by known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include among others: economic, business and political conditions in South Africa; decreases in the market price of commodities; hazards associated with underground and surface mining; labour disruptions; changes in government regulations, particularly environmental regulations; changes in exchange rates; currency devaluations; inflation and other macro-economic factors; and the impact of the HIV & Aids epidemic in South Africa. These forward-looking statements speak only as of the date of publication of these pages. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these pages or to reflect the occurrence of unanticipated events.

STUDIO 5

DIRECTORS' RESPONSIBILITY

Directors' responsibility for the annual financial statements

The company's directors are responsible for the preparation, integrity and fair presentation of these consolidated and separate annual financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act 71 of 2008, as amended. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The going-concern basis has been used to prepare the consolidated and separate annual financial statements. The directors are satisfied that the group and company have access to adequate resources to continue as a going concern for the ensuing year.

The directors are also responsible for the group's system of internal controls. These are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The audit and risk committee has confirmed that effective systems of internal control and risk management are maintained. There were no breakdowns in the functioning of internal financial control systems during the year that had a material impact on the group and company annual financial statements. A description of the audit and risk committee's functions appears on pages 2 to 4.

The board considers that, in preparing the consolidated and separate annual financial statements, the most appropriate accounting policies have been consistently applied besides the adoption of IFRS 9 and IFRS 15 and supported by reasonable and prudent judgements and estimates in line with IFRS. The directors are satisfied that the annual financial statements of the group and company fairly present the results of operations and their cash flows for the year ended 30 June 2019, and the financial position at 30 June 2019. The directors are also satisfied that additional information included in the integrated annual report is accurate and consistent with the financial statements in this report.

The responsibility of the external auditor, Ernst & Young Incorporated, is to express an independent opinion on the fair presentation of the annual financial statements, based on its audit of the group and company. The audit and risk committee has satisfied itself that the external auditor was independent.

The consolidated and separate annual financial statements on pages 1 to 123 were approved by the board and are signed on its behalf by:

Dr Patrice Motsepe
Executive chairman

Mike Schmidt
Chief executive officer

Johannesburg

11 October 2019

CERTIFICATE OF THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm, to the best of my knowledge and belief, that in terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, for the year ended 30 June 2019, the company has lodged with the commissioner of the Companies and Intellectual Property Commission all such returns and notices that are required for a public company in terms of this Act, and that all such returns and notices are true, correct and up to date.

Alyson D'Oyley
Company secretary

Johannesburg

11 October 2019

REPORT OF THE AUDIT AND RISK COMMITTEE

This report is provided by the audit and risk committee appointed for the 2019 financial year (F2019) in compliance with section 94 of the Companies Act 71 of 2008, as amended (the Companies Act).

CGR Information on the membership and composition of the committee, terms of reference and procedures appears in the corporate governance report on the company's website: **www.arm.co.za**

Executing designated functions

The committee has executed its duties and responsibilities during the financial year in line with its terms of reference relating to ARM's accounting, internal auditing, internal control, risk and financial reporting practices.

In the review period, in terms of the external auditor and external audit, the committee:

- Recommended to shareholders that Ernst & Young Inc be reappointed as the external auditor and that Mr PD Grobbelaar be appointed as the designated auditor.
- Began planning for the rotation of the designated auditor, who is due to rotate after the F2019 audit.
- Requested the required accreditation information from the audit firm to assess its suitability for appointment as well as the suitability of the designated audit partner.
- Ensured the appointment of the external auditor complied with the Companies Act and all applicable legal and regulatory requirements.
- Approved the external audit plan and audit fees payable to the external auditor.
- Confirmed it is satisfied that the external auditor is independent of the company and group, and considered the following in its determination:
  - Reviewed and evaluated the effectiveness of the external auditor and its independence
  - Obtained and accepted an annual written statement from the auditor that its independence was not impaired
  - Determined the nature and extent of all non-audit services provided by the external auditor
  - Pre-approved all permissible non-audit services provided by the external auditor in terms of its policy on approving audit services and pre-approving non-audit services
  - Considered the tenure of the external audit firm, Ernst & Young Inc, and its predecessor firms, which have been the auditor of African Rainbow Minerals Limited for 46 years. It was noted that in 2004, Ernst & Young Inc continued as the auditor of the African Rainbow Minerals Limited group, which was created following a range of invisible transactions involving certain interests of Anglovaal Mining Limited, African Rainbow Minerals & Exploration Investments Proprietary Limited and Harmony Gold Mining Company Limited. Ernst & Young Inc has been the auditor of the group for 15 years
- Considered mandatory audit-firm rotation
- Evaluated the quality of the external audit.

For the financial statements, the committee:

- Confirmed the going-concern status of the group and company as the basis of preparing the interim, provisional and annual financial statements.
- Examined and reviewed these financial statements, as well as all financial information disclosed to the public prior to submission and approval by the board.
- Ensured that the annual financial statements fairly present the financial position of the group and company at the end of the financial year, and the results of operations and cash flows for the financial year of the group and company, in line with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act.
- Considered accounting treatments, significant unusual transactions and accounting judgements.
- Considered the appropriateness of accounting policies adopted and any changes.
- Reviewed management's implementation of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*.
- Reviewed the independent auditor's report.
- Considered key audit matters, as set out in the independent auditor's report on pages 5 and 6.
- In terms of the JSE letter on the proactive monitoring process, dated 19 March 2019, considered the JSE's report titled 'Reporting back on proactive monitoring of financial statements in 2018'.
- Considered any issues identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements.
- Considered management's recommendation to the board on the going-concern solvency and liquidity assessment after paying dividends to shareholders.
- Met separately with management, the external auditor and internal auditor.

The committee considered the remeasurement on the ARM Coal debt, acquisition of Machadodorp Works, impairment of various assets, and the silicosis and tuberculosis class-action provision.

For internal control and internal audit, the committee:

- Reviewed significant issues raised by the internal audit process and the adequacy of corrective action in response to significant internal audit findings.
- Engaged with executives from Deloitte & Touche on allegations and developments in the internal audit profession
- Reviewed and approved the internal audit plan
- Evaluated the independence, effectiveness and performance of the internal auditor, Deloitte & Touche and found the internal auditor to be independent and effective
- Considered reports of the internal auditor on the group's systems of internal control
- Considered the internal auditor's finding that: "Overall, controls were functioning as intended to provide reasonable assurance that the organisation is safeguard against inherent risks and were assessed to be effective during the period under review."
- Considered the effectiveness of group systems of internal financial controls, with due regard to reports by management and noted reports by the internal auditor and also considered reports by the external auditor on the consolidated and separate annual financial statements.

For internal control and internal audit, the committee:

Based on the above, the committee concluded that nothing had come to its attention that would suggest internal financial controls were not effective for the year ended 30 June 2019. In addition, the committee considered the accounting practices and annual financial statements of the group and company and consider these to be fair and reasonable.

In terms of risk management and its oversight role of the management risk and compliance committee, the audit and risk committee:

» Reviewed the enterprise risk management framework setting out ARM's policies and processes on risk assessment and risk management throughout the group and company.
» Ensured the group and company have applied a combined assurance model for a coordinated approach to all assurance activities.
» Considered and reviewed the findings and recommendations of the management risk and compliance committee.

For legal and regulatory requirements that may have an impact on the consolidated and separate annual financial statements, the committee:

» Reviewed with management and, to the extent deemed necessary, internal and/or external counsel, legal matters that could have a material impact on the group and company.
» Discharged the statutory obligations of an audit committee prescribed by section 94 of the Companies Act.
» Monitored complaints received via ARM's whistleblowers' hotline.
» Considered reports from management and the internal auditor on compliance with legal and regulatory requirements.

The committee also considered the experience, expertise and effectiveness of the finance director and finance function and concluded that these were appropriate.

In F2020, the audit and risk committee will consider, *inter alia*:

» The effective operation of the group and company's financial systems, processes and controls, and their capacity to respond to industry and environment changes
» Management's implementation of the financial provisioning regulations of the National Environmental Management Act and other pronouncements and standards
» The impact of developments in the audit industry to ensure to ensure continued audit independence and objectivity.

Qualifications of audit and risk committee members[1, 2]

TOM BOARDMAN (69)
Independent non-executive director

Chairman of audit and risk committee; member of non-executive directors' and remuneration committees

BCom (Wits), CA(SA)

Committee member since February 2011

DR MANANA BAKANE-TUOANE (71)
Independent non-executive director

Member of audit and risk, nomination, non-executive directors', remuneration and social and ethics committees

BA (economics and statistics) (University of Botswana, Lesotho and Swaziland), MA (econ, international trade) (University of Oregon USA), PhD (econ) (University of Saskatchewan, Canada)

Committee member since July 2008

ANTON BOTHA (66)
Independent non-executive director

Chairman of remuneration committee; member of audit and risk, investment, non-executive directors' committees

BCom (marketing) (University of Pretoria), BProc (Unisa), BCom (hons) (University of Johannesburg), senior executive programme (Stanford)

Committee member since June 2010

ALEX MADITSI (57)
Lead independent non-executive director

Chairman of nomination committee and non-executive directors' committees; member of audit and risk, investment, remuneration and social and ethics committees

BProc (University of the North), LLB (Wits), HDip company law (Wits), LLM company and labour law (Pennsylvania, USA), LLM international commercial law (Harvard, USA)

Committee member since July 2004

DR REJOICE SIMELANE (67)
Independent non-executive director

Chairman of social and ethics committee, member of audit and risk, nomination and non-executive directors' committees

BA (economics and accounting) (University of Botswana, Lesotho and Swaziland), MA (econ) (University of New Brunswick, Canada, and University of Connecticut, USA), PhD (econ) (University of Connecticut), LLB (Unisa)

Committee member since July 2004

1 *The résumés of audit and risk committee members standing for re-election appear from page 138 and 139 of the notice of annual general meeting in the 2019 integrated annual report, available on the website.*
2 *All members of the audit and risk committee standing for re-election are independent non-executive directors.*

Independence of external auditor

The committee is satisfied that Ernst & Young Inc is independent of ARM. This conclusion was arrived at, *inter alia*, after considering the factors on page 2 and those below:

- Representations made by Ernst & Young Inc to the committee.
- The external auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the group and company.
- The external auditor's independence was not impaired by any consultancy, advisory or other work undertaken.
- The external auditor's independence was not prejudiced by any previous appointment as auditor.

Recommendation

Following our review of the consolidated and separate annual financial statements for the year ended 30 June 2019, we believe that, in all material respects, International Financial Reporting Standards as issued by the International Accounting Standards Board, they comply with the relevant provisions of the Companies Act and fairly present the consolidated and separate results of operations, cash flows, and the financial position of the group and company. On this basis, the audit and risk committee recommended the consolidated and separate annual financial statements of ARM as set out in the 2019 annual financial statements to the board for approval.

The board subsequently approved the 2019 annual financial statements, which will be open for discussion at the annual general meeting.

TA Boardman
Chairman of the audit and risk committee

11 October 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of African Rainbow Minerals Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of African Rainbow Minerals Limited and its subsidiaries ('the group') and company set out on pages 24 to 113, which comprise of the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of profit or loss, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and the directors' remuneration section in the Director's report on pages 12 to 19.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The Key audit matters applies equally to the audit of the consolidated and separate financial statements.

INDEPENDENT AUDITOR'S REPORT continued

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Impairment of property, plant and equipment, investments and goodwill (assets) (Consolidated and separate financial statements) The Group and company assess at the end of each reporting period whether there are any indications that property, plant and equipment or investments may be impaired. If any such indications exist, the Group and company estimates its recoverable amounts of those assets. Goodwill is tested for impairment annually. The carrying value of the Group's portfolio of assets has been impacted by: » sustained unfavourable commodity prices; » increase in overall raw material and production costs; and » decline of head grades and metal output at some operations. The key area of judgement relates to the Group and company's assessment of future cash flows for each cash generating unit ('CGU'), which is used to determine the recoverable amount of the assets. The future cash flows use forward looking estimates which are inherently difficult to determine with precision and there is a level of judgement applied in determining other key inputs. The most critical judgements include estimates of future: » commodity prices; » foreign exchange rates; » inflation rates; » operating costs; » capital expenditures; » production; and » discount rates. During the current year the Group recorded impairments of: » R1 490 million (before tax) against Property, Plant and Equipment and Goodwill » R528 million (before tax) which comprise primarily of Assmang (Pty) Ltd's equity-accounted investment, in Sakura Ferroalloys Sdh Bhd. The disclosure associated with impairment is set out in the consolidated and separate financial statements in Note 35 Impairment.	Our audit procedures involved, amongst others, the following: » We evaluated management's cash generating unit's ('CGU') identification in terms of International Financial Reporting Standards ('IFRS') and determined its alignment with our knowledge of the business and internal reporting structure; » We evaluated management's analysis and conclusion on impairment indicators as defined by IFRS; » We engaged, as part of our team, valuation specialists to assist us with our assessment, including comparisons against external market data, of: – reasonability of the discount rate; – key assumptions such as future commodity prices, inflation rates and foreign exchange rates; and – appropriateness of the valuation methodology used. » We analysed sensitivities such as the impact on headroom if future commodity price, inflation rates, exchange rates or discount rate changes; » We agreed operating and future capital expenditure and reserve and resource-life data to latest approved plans and budgets; » We assessed the historical accuracy of management's forecasts, particularly on costs, capital expenditure, and production achievements and compared current performance to forecasts. » We evaluated future assumptions around production, resultant revenue, capital expenditure and cost forecasts. » We evaluated the competency and objectivity of experts who produced the reserve statements utilised within the models by considering their professional qualifications and experience; and » We evaluated the adequacy of financial statement disclosures regarding assumptions applied and impairments recognised.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 124-page document titled "African Rainbow Minerals 2019 Annual financial statements", which includes the Directors' Report (except the directors' remuneration section on pages 12 to 19), the Report of the Audit and Risk Committee and the Certificate of the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc., and its predecessor firms, have been the auditors of African Rainbow Minerals Limited for 46 years.

In 2004, Ernst & Young Inc. continued as the auditor of the African Rainbow Minerals Limited group, which was created following a range of indivisible transactions involving certain interests of Anglovaal Mining Limited, African Rainbow Minerals & Exploration Investments (Pty) Ltd and Harmony Gold Mining Company Limited. Ernst & Young Inc. has been the auditor of the group for 15 years.

Ernst & Young Inc.
Director – Lance Ian Neame Tomlinson
Registered Auditor
Chartered Accountant (SA)

11 October 2019

102 Rivonia Road
Sandton
2146

DIRECTORS' REPORT

The directors have pleasure in presenting their report on ARM for the year-ended 30 June 2019.

Nature of business

ARM is a diversified South African mining company with long-life, low unit-cost operations in key commodities. ARM, its subsidiaries, joint ventures, joint operations and associates explore, develop, operate and hold interests in the mining and minerals industry.

IAR For more on ARM's strategy, see page 18 of the integrated annual report.

The current operational focus is on precious metals, base metals, ferrous metals and alloys, which include platinum group metals, nickel, coal, iron ore, manganese ore and ferromanganese. ARM also has an investment in Harmony Gold Mining Company Limited.

ARM's partners at the various South African operations are Anglo American Platinum Limited, Assore Limited, Impala Platinum Holdings Limited, Norilsk Nickel Africa Proprietary Limited and Glencore Operations South Africa Proprietary Limited.

Holding company

The company's largest shareholder is African Rainbow Minerals & Exploration Investments Proprietary Limited (ARMI), holding 39.82% of its issued ordinary share capital at 30 June 2019 (30 June 2018: 40.1%). The sole shareholder of ARMI is Ubuntu-Ubuntu Commercial Enterprises Proprietary Limited, the shares of which are held by trusts, all of which, except The Motsepe Foundation, own those shares for the benefit of Dr PT Motsepe and his immediate family. The Motsepe Foundation applies the benefits of its indirect shareholding in ARM for philanthropic purposes.

In addition, at 30 June 2019, 0.50% of the issued share capital of ARM was held by Botho-Botho Commercial Enterprises Proprietary Limited (30 June 2018: 0.51%), in turn owned by trusts, all of which, with the exception of The Motsepe Foundation, hold those shares for the benefit of Dr Motsepe and his immediate family.

As one of the largest black-controlled mineral resource companies in South Africa, ARM is committed to the spirit and objectives of the Mineral and Petroleum Resources Development Act 28 of 2002, and the broad-based socio-economic charter for the South African mining industry (the mining charter). Accordingly, and for the benefit of historically disadvantaged South Africans (HDSAs), the company created the ARM Broad-Based Economic Empowerment Trust (ARM Trust). The beneficiaries of this trust include seven regional upliftment trusts, a women's upliftment trust, union representatives, a church group and community leaders. The ARM Trust owns 15 897 412 ARM shares (30 June 2018: 15 897 412) or 7.16% of ARM's issued share capital at 30 June 2019 (30 June 2018: 7.24%).

Review of operations

IAR For a review of operations, see reviews by the executive chairman, chief executive officer and finance director, and reviews of operations for F2019, on pages 26 to 49 and 52 to 84 of the integrated annual report.

Corporate governance

The board is committed to high standards of corporate governance and continuously reviews governance matters and control systems to ensure these are in line with global good practices. These standards are evident throughout the company's systems of internal controls, practices, policies and procedures to ensure the sustainability of the business.

In 2017, ARM introduced the principles of King IV™. For details of how the company applies these principles, see the King IV™ application register on our website.

Financial results

AFS The consolidated and separate financial statements and accounting policies appear on pages 23 to 113.

The results for the year-ended 30 June 2019 have been prepared in accordance with IFRS and interpretations of those standards as adopted by the International Accounting Standards Board (IASB), the SAICA financial reporting guides issued by the Accounting Practices Committee, financial reporting pronouncements issued by the Financial Reporting Standards Council, the requirements of the Companies Act and JSE Listings Requirements. The annual financial statements fairly present the state of affairs of the group and company, and adequate accounting records have been maintained.

Borrowings and cash

Total borrowings at 30 June 2019 were R2 031 million (F2018: R2 296 million). The decrease is largely due to the reduction in ARM Coal debt. Consolidated net cash (overdrafts, short-term and long-term borrowings less cash and cash equivalents) at 30 June 2019 was R2 601 million (30 June 2018: R995 million). There are no borrowing-power provisions in ARM's memorandum of incorporation.

AFS Details of cash and borrowings appear in notes 12, 15 and 20 to the financial statements.

Going concern

To determine whether the group and company are going concerns, the directors have considered facts and assumptions, including group and company cash-flow forecasts for the year to 30 June 2020. The board believes the company has adequate resources to continue business in the foreseeable future. For this reason, the group and company continue to adopt the going-concern basis in preparing these financial statements.

Taxation

The latest tax assessment for the company is for the financial year ended 30 June 2018. All tax submissions up to and including those for F2018 have been submitted.

Subsidiaries, joint arrangements, associates and investments

AFS The company's direct and indirect interests in its principal subsidiaries, joint arrangements (which include joint ventures and joint operations), associates and investments are reflected in separate schedules on pages 111 to 113.

Dividends

An interim gross dividend of 400 cents per ordinary share was declared on 1 March 2019 for the six months ended 31 December 2018 (1H F2018: 250 cents) amounting to a distribution of approximately R888 million which was paid on Monday, 8 April 2019. The following additional information is disclosed:

- The dividend was declared out of income reserves
- The South African dividends withholding tax (dividends tax) rate is 20%
- The gross local dividend amount was 400 cents per ordinary share for shareholders exempt from dividends tax
- The net local dividend amount was 320.00000 cents per ordinary share for shareholders liable to pay dividends tax, and
- As at the date of the dividend declaration, ARM had 221 933 850 ordinary shares in issue.

A final gross dividend of 900 cents per ordinary share was declared on Friday, 30 August 2019 for the year ended 30 June 2019 (F2018: 750 cents per share), amounting to a distribution of approximately R1 998 million (F2018: R1 648 million). The following additional information is disclosed:

- The dividend was declared out of income reserves
- The South African dividends withholding tax (dividends tax) rate is 20%
- The gross local dividend amount was 900 cents per ordinary share for shareholders exempt from dividends tax
- The net local dividend amount was 720.00000 cents per ordinary share for shareholders liable to pay dividends tax, and
- As at the date of the dividend declaration, ARM had 222 008 324 ordinary shares in issue.

In line with section 4 of the Companies Act, the board determined that the prescribed solvency and liquidity requirements were met for the payment of dividends.

ARM's income tax reference number is 9030/018/60/1.

Capital expenditure

Capital expenditure for F2019 totalled R1 134 million (F2018: R990 million).

IAR Full details of capital expenditure appear in the operational reviews on pages 52 to 84 of the integrated annual report.

Events after the reporting date

Subsequent to the financial year-end, Assmang declared a dividend of R4 000 million. ARM's attributable portion of the dividend is R2 000 million.

AFS For additional events after the reporting date, see note 45 of the annual financial statements.

Share capital

The share capital of the company, both authorised and issued, is set out in note 13 to the consolidated annual financial statements. A wholly-owned subsidiary of ARM, Opilac Proprietary Limited, owns 12 717 328 ARM shares (F2018: 12 717 328) after a share repurchase from the ARM Trust in F2016 as set out in notes 14 and 31.

Shareholder analysis

A comprehensive analysis of shareholders, together with direct or indirect beneficial holdings exceeding 5% of the ordinary shares of the company at 30 June 2019, is set out on pages 121 and 122.

Directorate

Changes in the directorate since the previous report are noted below.

Mr JP Möller resigned from the board on 30 June 2019 to pursue other interests.

The memorandum of incorporation provides for one-third of elected non-executive directors to retire by rotation. The non-executive directors affected by this requirement are Messrs F Abbott, M Arnold, DC Noko and JC Steenkamp, each of whom is available to stand for re-election at the forthcoming annual general meeting.

At the date of this report, the directors of the company were:

- **Executive Directors:** Dr PT Motsepe (executive chairman), MP Schmidt (chief executive officer), HL Mkatshana, AM Mukhuba (finance director) and AJ Wilkens.
- **Independent non-executive directors:** AK Maditsi (lead independent non-executive director), F Abbott, Dr MMM Bakane-Tuoane, TA Boardman, AD Botha, JA Chissano, WM Gule, DC Noko, Dr RV Simelane and ZB Swanepoel.
- **Non-executive directors:** M Arnold and JC Steenkamp.

IAR CGR Summarised résumés of the directors are included in the notice of annual general meeting on pages 138 to 139 of the 2019 integrated annual report. Detailed résumés appear in the corporate governance report on our website.

Interests of directors

The direct and indirect beneficial and non-beneficial interests of directors in the issued share capital of the company were as follows:

	30 June 2019				30 June 2018			
	Direct		Indirect		Direct		Indirect	
Director	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Dr PT Motsepe	**–**	**–**	**89 526 698**	**–**	–	–	89 218 185	–
M Arnold[1]	**131 561**	**–**	**–**	**–**	87 122	–	–	–
AD Botha	**–**	**–**	**22 450**	**–**	–	–	22 450	–
MP Schmidt	**326 533**	**–**	**–**	**–**	195 308	–	–	–
Dr RV Simelane	**1 350**	**–**	**–**	**–**	1 350	–	–	–
HL Mkatshana	**70 003**	**–**	**–**	**–**	48 760	–	–	–
AM Mukhuba	**–**	**–**	**–**	**–**	–	–	–	–
JC Steenkamp[2]	**205 729**	**–**	**–**	**–**	96 091	–	–	–
AJ Wilkens	**422 391**	**–**	**194 334**	**–**	324 076	–	194 334	–
Total	**1 157 567**	**–**	**89 743 482**	**–**	752 707	–	89 434 969	–

1 *Mr M Arnold retired as financial director from 10 December 2017 and became a non-executive director from 11 December 2017.*
2 *Mr JC Steenkamp was a prescribed officer at the time of retiring from the company on 30 June 2017 and was appointed to the board as a non-executive director from 10 October 2017.*

No directors acquired or sold a direct or indirect beneficial or non-beneficial interest in the issued share capital of the company between 30 June 2019 and the date of this report.

Directors' remuneration: executive directors and prescribed officers (audited)

The remuneration of executive directors and prescribed officers comprises:

- **Total cost-to-company,** which is base salary plus benefits
- **Incentive-based** rewards in the form of competitive incentives compared to those offered by other employers in the mining and mineral resources sector, earned through achieving performance targets consistent with shareholder expectations over the short-term and long-term:
  - **Short-term incentives**, i.e. cash bonuses based on performance measures and targets, and structured to reward effective operational performance
  - **Long-term (share-based) incentives** used to align the long-term interests of management with those of shareholders and that are responsibly implemented to avoid exposing shareholders to unreasonable or unexpected financial impact.

Executive directors and prescribed officers do not receive directors' fees.

DIRECTORS' REPORT continued

EMOLUMENTS PAID TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED)

	2019							
				Allowances				
All figures in R000	Basic salary	Retirement fund contributions (including pension scheme contributions)	Medical benefits	Non-cash benefit[10]	Other benefits[11]	**Total annual package before incentives**	Cash bonus	**Total gross annual package**
Executive directors								
Dr PT Motsepe[1]	7 832	–	–	4 994	2	**12 828**	9 719	**22 547**
MP Schmidt[2]	7 515	511	–	–	154	**8 180**	8 185	**16 365**
M Arnold[3]	–	–	–	–	–	**–**	–	**–**
HL Mkatshana[4]	3 951	325	–	–	114	**4 390**	3 953	**8 343**
AM Mukhuba[5]	4 220	445	–	–	68	**4 733**	4 261	**8 994**
AJ Wilkens[6]	7 735	–	68	162	78	**8 043**	7 096	**15 139**
Total for executive directors	31 253	1 281	68	5 156	416	**38 174**	33 214	**71 388**
Prescribed officers[7]								
A Joubert[8]	4 321	483	–	3	214	**5 021**	5 480	**10 501**
FA Uys[9]	–	–	–	–	–	**–**	–	**–**
Total for prescribed officers	4 321	483	–	3	214	**5 021**	5 480	**10 501**
Total for executive directors and prescribed officers	35 574	1 764	68	5 159	630	**43 195**	38 694	**81 889**

Total annual package before incentives = cost-to-company

1. *The calculated F2018 bonus was R9.609 million. Prior to this amount accruing, Dr PT Motsepe elected to defer 100% of any bonus for F2018 and the equivalent value of deferred bonus shares (ie 75 115 bonus shares) and performance shares (ie 75 115 performances shares) was allocated by the company. The F2019 bonus was paid in cash.*
2. *F2019 and F2018 bonuses were paid in cash.*
3. *Mr M Arnold retired as financial director from 10 December 2017, and became a non-executive director from 11 December 2017. For additional information about his remuneration, see the schedules of non-executive directors' remuneration on page 19 and for awards settled in F2019 and F2018, see the corporate governance report available on the company's website.*
4. *Following a benchmarking study by the remuneration consultants in F2019, Mr HL Mkatshana received a 4% increase in cost-to-company with effect 1 July 2018, in addition to the annual cost to company increase of 6%. F2019 and F2018 bonuses were paid in cash.*
5. *Ms AM Mukhuba was the chief financial officer of the company until 10 December 2017 and was appointed as finance director from 11 December 2017. Following a benchmarking study by the remuneration consultants in F2019, Ms Mukhuba received a 12% increase in cost-to-company with effect from 1 July 2018, in addition to the annual cost to company increase of 6%. F2019 and F2018 bonuses were paid in cash.*
6. *F2019 and F2018 bonuses were paid in cash.*
7. *Prescribed officers of the company were determined under section 66(10) of the Companies Act, and as described in section 38 of regulations to the Act. Their remuneration is disclosed in terms of the Companies Act, section 30(40(a).*
8. *Following a benchmarking study by the remuneration consultants in F2019, Mr Joubert received a 4% increase in cost-to-company with effect 1 July 2018, in addition to the annual cost to company increase of 6%. F2019 and F2018 bonuses were paid in cash.*
9. *Mr FA Uys retired from the company from 8 January 2018.*
10. *Includes protection services.*
11. *Includes travel, UIF and risk benefits.*

IAR For more information, see the summarised remuneration report in the integrated annual report on the company's website.

	2018							
				Allowances				
	Basic salary	Retirement fund contributions (including pension scheme contributions)	Medical benefits	Non-cash benefit[10]	Other benefits[11]	Total annual package before incentives	Cash bonus	Total gross annual package
	7 389	–	–	2 848	2	10 239	–	10 239
	7 086	478	–	–	153	7 717	8 092	15 809
	2 266	185	31	–	30	2 512	2 392	4 904
	3 594	296	–	–	93	3 983	3 758	7 741
	3 276	353	–	–	18	3 647	3 776	7 423
	7 297	–	64	73	151	7 585	7 016	14 601
	30 908	1 312	95	2 921	447	35 683	25 034	60 717
								–
	3 920	440	–	13	192	4 565	4 938	9 503
	1 858	185	–	–	41	2 084	1 960	4 044
	5 778	625	–	13	233	6 649	6 898	13 547
	36 686	1 937	95	2 934	680	42 332	31 932	74 264

Conditional shares under the 2018 conditional share plan

Awards of conditional shares were made to eligible participants in the Paterson grade F band under the 2018 conditional share plan. Conditional shares will be settled after three years, subject to the company achieving prescribed performance criteria over this period.

CGR For additional information about performance criteria, see part III of the remuneration report in the corporate governance report on our website.

The total number of conditional shares awarded in F2019 was 768 853. In F2019, no conditional shares were settled or forfeited. The total number of conditional shares at 30 June 2019 was 768 853.

The number of conditional shares awarded to executive directors and the prescribed officer is summarised below.

CONDITIONAL SHARES AWARDED IN F2019

	Executive directors					Prescribed officer
	Dr PT Motsepe	HL Mkatshana	AM Mukhuba	MP Schmidt	AJ Wilkens	A Joubert
	Number of shares					
Opening balance at 1 July 2018	–	–	–	–	–	–
Conditional shares awarded 7 December 2018	159 694	45 313	48 849	126 274	81 351	51 796
Closing balance as at 30 June 2019[1]	**159 694**	**45 313**	**48 849**	**126 274**	**81 351**	**51 796**

1 *No conditional shares were awarded or settled for these directors or the prescribed officer between 30 June 2019 and the date of this report.*

Conditional awards under the 2018 cash-settled conditional share plan

[1]No conditional awards under the 2018 cash-settled conditional share plan were made to eligible participants in the Paterson grade F band. The total number of conditional awards in F2019 to eligible management (in the Paterson grade D-E bands) was 333 070.

Performance shares under the 2008 share plan

Conditional awards of performance shares were made to eligible participants under the 2008 share plan until November 2018. Performance shares vest and are settled after three years, subject to the company achieving prescribed performance criteria over this period.

CGR For additional information about performance criteria, see part III of the remuneration report in the corporate governance report on our website.

The total number of performance shares awarded in F2019 was 102 812. In the review period, 1 874 528 performance shares vested and were settled, including 92 430 performance shares held by employees who retired during the year, and 5 556 performance shares were forfeited. The total number of performance shares at 30 June 2019 was 3 251 802.

Between 30 June 2019 and the date of this report, no performance shares were settled or forfeited. The number of performance shares awarded to executive directors and the prescribed officer is summarised below.

PERFORMANCE SHARES AWARDED AND SETTLED IN F2019

	Executive directors					Prescribed officer
	Dr PT Motsepe	HL Mkatshana	AM Mukhuba	MP Schmidt	AJ Wilkens	A Joubert
	Number of shares					
Opening balance at 1 July 2018	766 499	192 032	87 655	524 678	337 070	212 915
Performance shares awarded						
6 November 2018[1]	75 115	–	–	–	–	–
Performance shares settled[2]						
15 October 2018	(165 373)	(43 392)	–	(130 764)	(81 003)	(49 591)
26 November 2018	(71 570)	(31 814)	–	(57 953)	(50 247)	(37 319)
Closing balance at 30 June 2019[3]	**604 671**	**116 826**	**87 655**	**335 961**	**205 820**	**126 005**

1 The final allocation of performance shares awarded in terms of the company's deferred bonus/co-investment scheme.
2 Based on the performance criteria assessment by an independent third party, the targeted (1x) number of performance shares was settled. For additional information, refer to part III of the remuneration report in the corporate governance report on our website.
3 No performance shares were awarded or settled for these directors or the prescribed officer between 30 June 2019 and the date of this report.

Bonus shares under the 2008 share plan

In terms of the 2008 share plan, eligible participants received grants of bonus shares that matched a portion of the annual cash incentive accruing to them according to a specified ratio. Bonus shares are only settled to participants after three or four years, conditional on continued employment. Bonus shares have not been granted in annual allocations since 2015, although waived bonus or deferred bonus shares were subsequently granted until November 2018.

CGR For additional information about bonus shares, see part III of the remuneration report in the corporate governance report on our website.

The total number of bonus shares granted in November 2018 was 102 812. In the review period, 390 512 bonus shares vested and were settled. No bonus shares were held by employees who retired during the year, and no bonus shares were forfeited. The total number of bonus shares at 30 June 2019 was 278 932.

Between 30 June 2019 and the date of this report, no bonus shares were settled or forfeited. The number of bonus shares granted to executive directors and the prescribed officer is summarised below.

BONUS SHARES GRANTED AND SETTLED IN F2019

	Executive directors					Prescribed officer
	Dr PT Motsepe	HL Mkatshana	AM Mukhuba	MP Schmidt	AJ Wilkens	A Joubert
	Number of shares					
Opening balance at 1 July 2018	197 095	38 386	8 077	74 439	50 247	37 319
Bonus shares granted						
6 November 2018[1]	75 115	–	–	–	–	–
Bonus shares settled						
26 November 2018	(71 570)	(31 814)	–	(57 953)	(50 247)	(37 319)
Closing balance at 30 June 2019[2]	**200 640**	**6 572**	**8 077**	**16 486**	**–**	**–**

1 The final allocation of bonus shares granted in terms of the company's deferred bonus/co-investment scheme.
2 No bonus shares were granted or settled for these directors or the prescribed officer between 30 June 2019 and the date of this report.

Share option scheme

Between 2008 and 2013, annual allocations of share options under The African Rainbow Minerals share incentive scheme (the scheme) were made to eligible participants, but on a much reduced scale after the company adopted the 2008 share plan. Share options have not been allocated to executive directors and prescribed officers since October 2013. Schedules of share option awards accruing to executive directors and the prescribed officer, and transactions in F2019, are set out below.

SCHEDULE OF SHARE OPTION AWARDS

	Executive directors					
	Dr PT Motsepe		HL Mkatshana		MP Schmidt	
	No of options	Avg price R	No of options	Avg price R	No of options	Avg price R
Opening balance at 1 July 2018	62 583	183.27	22 874	183.62	54 281	182.84
Options exercised	–	–	–	–	(864)	168.37
Options lapsed	–	–	–	–	(4 863)	178.49
Options cancelled[1]	–	–	–	–	(17 263)	168.37
Closing balance at 30 June 2019[2]	**62 583**	**183.27**	**22 874**	**183.62**	**31 291**	**191.89**
Grant date						
9 November 2011	19 396	182.67	–	–	15 328	182.67
3 April 2012	–	–	6 861	182.19	–	–
15 October 2012	22 964	168.37	8 167	168.37	–	–
29 October 2013	20 223	200.75	7 846	200.75	15 963	200.75

1 Share options cancelled using the net settlement process.
2 No share options were granted or settled for executive directors between 30 June 2019 and the date of this report.

	Executive director		Prescribed officer	
	AJ Wilkens		A Joubert	
	No of options	Avg price R	No of options	Avg price R
Opening balance at 1 July 2018	64 037	182.32	32 966	182.58
Options exercised	(751)	168.37	–	–
Options lapsed	(12 072)	178.49	(4 863)	178.49
Options cancelled[1]	(16 712)	168.37	–	–
Closing balance at 30 June 2019[2]	**34 502**	**190.72**	**28 103**	**183.29**
Grant date				
9 November 2011	19 124	182.67	7 997	182.67
15 October 2012	–	–	10 691	168.37
29 October 2013	15 378	200.75	9 415	200.75

1 Share options cancelled using the net settlement process.
2 No share options were granted or settled for the prescribed officer between 30 June 2019 and the date of this report.

Vesting dates

Conditional shares

Annual and interim allocations

Conditional shares conditionally awarded to senior executives on or after 7 December 2018: Conditional shares vest and are settled after a performance period of three years, subject to achieving predetermined performance criteria.

SCHEDULE OF CONDITIONAL SHARES VESTING DATES

	Number of conditional shares
Conditional shares outstanding at 30 June 2019	**768 853**
Vesting on 8 December 2021	768 853

Conditional awards

Annual and interim allocations

Conditional awards conditionally awarded to participants other than senior executives under the cash-settled conditional share plan on or after 7 December 2018: Conditional awards vest and are settled after a performance period of three years, subject to achieving predetermined performance criteria.

SCHEDULE OF CONDITIONAL AWARDS VESTING DATES

	Number of conditional awards
Conditional awards outstanding at 30 June 2019	**333 070**
Vesting on	
8 December 2021	311 667
28 May 2022	21 403

Performance shares

Performance share allowances are no longer made.

For performance shares awarded after 5 December 2014, retirement does not accelerate the vesting period.

Annual and interim allocations

Performance shares conditionally awarded to participants other than senior executives after 1 November 2011: Performance shares vest and are settled after a performance period of three years, subject to achieving predetermined performance criteria.

Performance shares conditionally awarded after 1 November 2014: Performance shares vest and are settled after a performance period of three years, subject to achieving predetermined performance criteria.

Deferred bonus/co-investment scheme

Matching performance shares conditionally awarded under the deferred bonus/co-investment scheme vest and are settled after a performance period of three years, subject to achieving predetermined performance criteria.

Waived bonus method

Matching performance shares conditionally awarded under the waived bonus method vest and are settled after a performance period of three years, subject to achieving predetermined performance criteria.

SCHEDULE OF PERFORMANCE SHARE VESTING DATES

	Award type	Number of shares
Performance shares outstanding at 30 June 2019		**3 251 802**
Vesting on		
15 November 2019	DB and WB	57 584
10 December 2019	PS3	1 769 848
16 May 2020	PSI	37 856
17 November 2020	PS3	1 107 192
17 November 2020	DB	118 536
12 December 2020	PSA	18 644
12 June 2021[1]	PSI	39 330
7 November 2021	DB	102 812

1 Performance shares granted to management other than senior executives.
PS3: Annual award (3-year)
DB: Deferred bonus/co-investment scheme matching award
WB: Waived bonus method matching award
PSA: Additional interim award
PSI: Interim award

Bonus shares

Bonus share allocations are no longer made.

For bonus shares awarded after 5 December 2014, retirement does not accelerate the vesting period.

Annual and interim allocations

Bonus shares vest and are settled after three years, subject to continued employment.

Deferred bonus/co-investment scheme

Bonus shares granted under the deferred bonus/co-investment scheme vest and are settled after three years.

Waived bonus method

Bonus shares granted under the waived bonus method vest and are settled after three years.

SCHEDULE OF BONUS SHARE VESTING DATES

	Award type	Number of shares
Bonus shares outstanding at 30 June 2019		**278 932**
Vesting on		
15 November 2019	DB and WB	57 584
17 November 2020	DB	118 536
7 November 2021	DB	102 812

DB: Deferred bonus/co-investment scheme
WB: Waived bonus method

Share options

Share options are no longer allocated.

Options granted after 1 December 2008: No options could be exercised before the third anniversary of the issue date for such options.

Options granted to senior executives between 1 November 2011 and 30 June 2014: No options could be exercised prior to the fourth anniversary of the issue date for such options.

Options may not be exercised later than the eighth anniversary of the issue date, after which they lapse.

SCHEDULE OF SHARE OPTION VESTING DATES

		Number of options	Average issue price per option
Share options outstanding at 30 June 2019		**607 401**	**R185.41**
Vested on	Lapse on		
10 November 2015	9 November 2019	183 156	R182.67
4 April 2016[1]	3 April 2020	14 646	R182.19
16 October 2016	15 October 2020	172 138	R168.37
30 October 2016[1]	29 October 2021	114 834	R200.75
27 April 2017[1]	26 April 2021	4 615	R181.00
21 May 2017[1]	20 May 2022	6 899	R191.14
30 October 2017	29 October 2021	111 113	R200.75

1 Share options granted to management other than senior executives.

Below are summaries of movements in the company's long-term share-based incentive schemes.

MOVEMENTS: LONG-TERM SHARE-BASED INCENTIVES

	Share options		Performance shares		Bonus shares	
	F2019	F2018	**F2019**	F2018	**F2019**	F2018
Opening balance at 1 July	**898 759**	1 068 757	**5 029 074**	4 499 333	**566 632**	843 415
Exercised	**–**	–	**–**	–	**–**	–
Settled	**(28 688)**	–	**1 874 528**	(619 326)	**(390 512)**	(392 813)
Granted/awarded	**–**	–	**102 812**	1 289 335	**102 812**	118 536
Forfeited/cancelled/lapsed	**(262 670)**	(169 998)	**(5 556)**	(140 268)	**–**	(2 506)
Closing balance at 30 June	**607 401**	898 759	**3 251 802**	5 029 074	**278 932**	566 632
Post year-end:						
Forfeited/cancelled/lapsed	**–**	(13 152)[1]	**–**	–	**–**	–
Balance at the date of this report	**607 401**	885 607	**3 251 802**	5 029 074	**278 932**	566 632

1 Lapsed share options granted to management other than senior executives.

	Conditional shares		Conditional awards	
	F2019	F2018	**F2019**	F2018
Opening balance at 1 July	**–**	–	**–**	–
Exercised	**–**	–	**–**	–
Settled	**–**	–	**–**	–
Granted/awarded	**768 853**[1]	–	**333 070**[2]	–
Forfeited/cancelled/lapsed	**–**	–	**–**	–
Closing balance at 30 June	**768 853**	–	**333 070**	–
Post year-end:	**–**	–	**–**	–
Forfeited/cancelled/lapsed	**–**	–	**(24 497)**[3]	–
Balance at the date of this report	**768 853**	–	**308 573**	–

1 Conditional shares awarded to senior executives.
2 Conditional awards awarded to management other than senior executives.
3 Conditional awards forfeited by management other than senior executives.

Directors' remuneration: non-executive directors (audited)

The remuneration of non-executive directors comprises directors' fees. Board retainers and attendance fees and committee attendance fees are paid quarterly in arrears. The table below sets out emoluments paid to non-executive directors for F2019 and F2018.

	Directors' remuneration: non-executive directors									
	2019					2018				
R000	Board fees	Committee fees	Consultancy fees excl VAT[1]	VAT	Total including VAT	Board fees	Committee fees	Consultancy fees excl VAT[1]	VAT	Total incl VAT
Non-executive directors[2]										
Dr MMM Bakane-Tuoane[3]	**589**	**688**	**–**	**192**	**1 469**	662	715	–	196	1 573
F Abbott	**569**	**132**	**–**	**105**	**806**	618	347	–	138	1 103
M Arnold[4]	**589**	**84**	**243**	**108**	**1 024**	292	–	196	–	488
TA Boardman	**569**	**884**	**–**	**218**	**1 671**	663	782	–	205	1 650
AD Botha[5]	**569**	**646**	**–**	**182**	**1 397**	623	385	–	144	1 152
JA Chissano[6]	**467**	**28**	**634**	**74**	**1 203**	602	164	634	110	1 510
WM Gule	**589**	**–**	**375**	**–**	**964**	609	–	723	–	1 332
AK Maditsi	**697**	**1 238**	**–**	**290**	**2 225**	775	827	–	229	1 831
JP Möller[7]	**548**	**521**	**–**	**160**	**1 229**	583	229	–	116	928
DC Noko[8]	**569**	**–**	**–**	**–**	**569**	431	–	–	–	431
Dr RV Simelane	**589**	**510**	**–**	**165**	**1 264**	649	617	–	180	1 446
JC Steenkamp[9]	**569**	**167**	**62**	**–**	**798**	370	56	413	–	839
ZB Swanepoel[10]	**569**	**242**	**–**	**121**	**932**	600	125	–	104	829
Total for non-executive directors	**7 482**	**5 140**	**1 314**	**1 615**	**15 551**	7 477	4 247	1 966	1 422	15 112

1 *Additional information appears under Service agreements: non-executive directors in the integrated report.*
2 *Payments to reimburse out-of-pocket expenses have been excluded.*
3 *Stepped down as chairman of the remuneration committee from 9 May 2018, but remains a member.*
4 *Mr Arnold, former financial director, became a non-executive director from 11 December 2017. He was appointed to the investment committee from 10 October 2018.*
5 *Became chairman of the remuneration committee from 9 May 2018.*
6 *Appointed to the social and ethics committee, subsequent to the reporting period, from 30 August 2019.*
7 *Mr Möller was appointed to the audit and risk committee by shareholders from 1 December 2017 and the investment and remuneration committees from 29 August 2017. He resigned from the board on 30 June 2019 to pursue other interests.*
8 *Became an independent non-executive director from 10 October 2017 and was appointed to the investment and social and ethics committees after the reporting period, from 30 August 2019.*
9 *Became a non-executive director from 10 October 2017 and was appointed to the investment and social and ethics committees from 6 April 2018.*
10 *Appointed to the social and ethics committee from 29 August 2017.*

Additional remuneration: non-executive directors

Mr JC Steenkamp was appointed as a non-executive director from 10 October 2017. He was a prescribed officer at the time of retiring from the company on 30 June 2017. Mr M Arnold, the former financial director, became a non-executive director of ARM from 11 December 2017. As non-executive directors, Messrs Arnold and Steenkamp are no longer eligible for long-term incentive allocations. Their performance shares, bonus shares and share options are noted below:

PERFORMANCE SHARES

	Non-executive directors	
	M Arnold	JC Steenkamp
	Number of shares	
Opening balance at 1 July 2018	315 405	266 591
Performance shares settled[1]		
15 October 2018	(78 169)	(81 003)
26 November 2018	(38 617)	(60 958)
Closing balance at 30 June 2019[2]	**198 619**	**124 630**

1 Based on the performance criteria assessment by an independent third party, the targeted (1x) number of performance shares was settled. For additional information, refer to part III of the remuneration report in the corporate governance report on our website.

2 No performance shares were awarded or settled for these directors between 30 June 2019 and the date of this report.

BONUS SHARES

	Non-executive directors	
	M Arnold	JC Steenkamp
	Number of shares	
Opening balance at 1 July 2018	38 617	60 958
Bonus shares settled 26 November 2018	(38 617)	(60 958)
Closing balance at 30 June 2019[1]	**–**	**–**

1 No bonus shares were granted or settled for these directors between 30 June 2019 and the date of this report.

SHARE OPTION AWARDS

	Non-executive directors			
	M Arnold		JC Steenkamp	
	No of options	Avg price R	No of options	Avg price R
Opening balance at 1 July 2018	40 260	182.53	57 152	182.48
Options exercised	(554)	168.37	(814)	168.37
Options lapsed	(6 287)	178.49	39 689	188.69
Options cancelled[1]	(12 215)	168.37	(16 649)	168.37
Closing balance at 30 June 2019[2]	**21 204**	**192.26**	**–**	**–**
Grant date				
9 November 2011	9 959	182.67	–	–
29 October 2013	11 245	200.75	–	–

1 Share options cancelled using the net settlement process.

2 No share options were granted or settled for these non-executive directors between 30 June 2019 and the date of this report.

External auditor

Ernst & Young Inc (EY) continued in office as the external auditor for the company. At the annual general meeting, shareholder approval will be sought to reappoint EY as ARM's external auditor and appoint Mr PD Grobbelaar as the designated individual registered auditor for F2020.

Company secretary

Ms AN D'Oyley is the company secretary of ARM. Her business and postal addresses appear on the inside back cover of this report.

IAR For additional information on the office of the company secretary, see page 99 of the integrated annual report on our website.

Listings

The company's shares are listed on the JSE (general mining) under the share code: ARI. In November 2018, the company completed a secondary listing on the A2X Exchange, where the company's shares are listed under the share code: ADR.

In April 2019, ARM terminated its participation in a sponsored level 1 American depositary receipt (ADR) programme, effective 15 July 2019. The programme had been available to investors for over-the-counter or private transactions. Holders of ADRs have until at least 15 January 2020 to surrender ADRs for cancellation and to take delivery of the underlying ARM shares.

Strate (share transactions totally electronic)

The company's shares were dematerialised on 5 November 2001. If shareholders wish to trade certificated ARM (previously Avmin) shares on the JSE, they are urged to deposit them with a central securities depository participant or qualifying stockbroker as soon as possible. Trading in the company's shares on the JSE is only possible if the shares are in electronic format in the Strate environment. If members have any queries, they should contact the company's transfer secretaries, Computershare Investor Services Proprietary Limited (details on the inside back cover).

Convenience translations into United States Dollars

To assist users of this report, translations of convenience into United States Dollars are provided in these annual financial statements. These translations are based on average rates of exchange for the statements of profit or loss, comprehensive income and cash flows, and at rates prevailing at year-end for statement of financial position items. These statements appear on pages 114 to 120.

ANNUAL FINANCIAL STATEMENTS

Audited by independent auditors

The financial information has been audited by the external auditors, Ernst & Young Inc. (the designated auditor LIN Tomlinson CA (SA)).

Any reference to future financial performance included in these results has not been audited or reported on by ARM's external auditors.

Basis of preparation

The audited Group and Company results for the year have been prepared under the supervision of the Finance Director Miss AM Mukhuba CA(SA). The Group and Company financial statements have been prepared on the historical cost basis, except for certain financial instruments that are fairly valued. The accounting policies used are in terms of IFRS. Please refer to note 1 to the financial statements.

STATEMENTS OF FINANCIAL POSITION

at 30 June 2019

	Notes	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	3	**7 062**	7 916	**2 018**	3 178
Intangible assets	4	**114**	120	**114**	120
Deferred tax assets	16	**485**	620	**485**	597
Loans and long-term receivables	5	**283**	462	**772**	1 171
Other non-current asset	6	**–**	–	**319**	–
Investment in associate	7	**1 837**	1 798	**841**	841
Investment in joint venture	8	**16 702**	15 504	**259**	259
Other investments	9	**2 648**	1 561	**6 679**	5 773
		29 131	27 981	**11 487**	11 939
Current assets					
Inventories	10	**676**	591	**388**	340
Trade and other receivables	11	**2 743**	2 357	**669**	425
Taxation	34	**34**	85	**8**	41
Cash and cash equivalents	12	**4 632**	3 291	**2 787**	1 932
		8 085	6 324	**3 852**	2 738
Total assets		**37 216**	34 305	**15 339**	14 677
EQUITY AND LIABILITIES					
Capital and reserves					
Ordinary share capital	13	**11**	11	**11**	11
Share premium	13	**4 700**	4 398	**4 700**	4 398
Treasury shares	14	**(2 405)**	(2 405)	**–**	–
Other reserves		**1 958**	1 419	**2 014**	1 491
Retained earnings		**23 909**	22 484	**5 417**	5 488
Equity attributable to equity holders of ARM		**28 173**	25 907	**12 142**	11 388
Non-controlling interest		**1 530**	1 471	**–**	–
Total equity		**29 703**	27 378	**12 142**	11 388
Non-current liabilities					
Long-term borrowings	15	**1 095**	1 744	**1 023**	1 237
Deferred tax liabilities	16	**1 517**	1 634	**301**	527
Long-term provisions	17	**1 599**	1 135	**1 040**	690
		4 211	4 513	**2 364**	2 454
Current liabilities					
Trade and other payables	18	**1 608**	1 406	**419**	326
Short-term provisions	19	**648**	374	**311**	202
Taxation	34	**110**	82	**19**	1
Overdrafts and short-term borrowings – interest-bearing	20	**936**	552	**42**	52
– non-interest-bearing	20	**–**	–	**42**	254
		3 302	2 414	**833**	835
Total equity and liabilities		**37 216**	34 305	**15 339**	14 677

STATEMENTS OF PROFIT OR LOSS

for the year ended 30 June 2019

	Notes	Group F2019 Rm	Group F2018 Rm Restated[1]	Company F2019 Rm	Company F2018 Rm Restated[1]
Revenue		**9 596**	9 112	**3 538**	3 238
Revenue-continuing operations	23	**9 596**	8 772	**3 538**	3 238
Revenue-discontinued operations	23	**–**	340	**–**	–
Sales	23	**8 834**	8 142	**2 773**	2 605
Cost of sales	24	**(7 449)**	(6 696)	**(2 866)**	(2 335)
Gross profit		**1 385**	1 446	**(93)**	270
Other operating income[2]	25	**974**	1 527	**1 326**	1 343
Other operating expenses[2]	26	**(1 575)**	(1 263)	**(1 275)**	(1 002)
Profit/(loss) from operations before special items		**784**	1 710	**(42)**	611
Income from investments	27	**334**	177	**4 115**	4 064
Finance costs	28	**(309)**	(360)	**(152)**	(192)
Income from associate[2]	7	**276**	619	**–**	–
Income from joint venture[3]	8	**4 502**	3 510	**–**	–
Profit before taxation and special items		**5 587**	5 656	**3 921**	4 483
Special items before tax	29	**(1 491)**	(42)	**(1 376)**	(298)
Profit before taxation from continuing operations		**4 096**	5 614	**2 545**	4 185
Taxation	30	**(242)**	(573)	**179**	(279)
Profit for the year from continuing operations		**3 854**	5 041	**2 724**	3 906
Discontinued operations					
Loss after tax for the year from discontinued operations	38	**–**	(219)	**–**	–
Profit for the year		**3 854**	4 822	**2 724**	3 906
Attributable to:					
Equity holders of ARM					
Profit for the year from continuing operations		**3 554**	4 747	**2 724**	3 906
Loss for the year from discontinued operations		**–**	(185)	**–**	–
Basic earnings for the year		**3 554**	4 562	**2 724**	3 906
Non-controlling interest					
Profit for the year from continuing operations		**300**	294		
Loss for the year from discontinued operations		**–**	(34)		
		300	260		
Profit for the year		**3 854**	4 822	**2 724**	3 906

1 F2018 was restated as a result of implementing IFRS 15 Revenue from Contracts with Customers (refer note 1).

2 The re-measurement of the ARM Coal loans had an impact of R25 million loss (F2018: restructuring profit of R652 million other operating income) in other operating expenses and R55 million profit in income from associate (F2018: restructuring profit of R325 million).
There was no tax effect in both years (refer note 7).
Impairment included in income from associate is R3 million (F2018: R19 million) less tax of R1 million (F2018: R5 million).
The re-measurement of loans in ARM Mining Consortium amounted to R12 million loss (F2018: nil).

3 Impairments included in income from joint venture of R528 million before tax of R5 million (F2018: R26 million before tax of R7 million). Also includes an expected credit loss of R123 million before tax less tax of R16 million.

	Notes	Group F2019	Group F2018	Company F2019	Company F2018
Earnings per share	31				
Basic earnings per share (cents)		**1 848**	2 393		
Basic earnings from continuing operations per share (cents)		**1 848**	2 490		
Basic loss from discontinued operation per share (cents)		**–**	(97)		
Diluted basic earnings per share (cents)		**1 815**	2 325		
Diluted basic earnings from continuing operations per share (cents)		**1 815**	2 419		
Diluted basic loss from discontinued operation per share (cents)		**–**	(94)		

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Notes	Financial instruments at fair value through other compre-hensive income Rm	Other Rm	Retained earnings Rm	Total share-holders of ARM Rm	Non-controlling interest Rm	Total Rm
For the year ended 30 June 2018							
Profit for the year to 30 June 2018		–	–	4 562	4 562	260	4 822
Profit for the year to 30 June 2018 from continuing operations		–	–	4 747	4 747	294	5 041
Loss for the year to 30 June 2018 from discontinued operation		–	–	(185)	(185)	(34)	(219)
Other comprehensive (loss)/income that may be reclassified to the statement of profit or loss in subsequent periods							
Net impact of revaluation of listed investment		(22)	–	–	(22)	–	(22)
Revaluation of listed investment[1]	9	(29)	–	–	(29)	–	(29)
Deferred tax on above	16	7	–	–	7	–	7
Premium on non-controlling interest release		–	14	–	14	–	14
Foreign currency translation reserve movement from continuing operations		–	110	–	110	–	110
Foreign currency translation reserve movement from discontinued operation current year movement		–	(80)	–	(80)	–	(80)
Current year reversed – included in sale of Lubambe		–	80	–	80	–	80
Foreign currency translation reserve movement from discontinued operations prior year – sold	38	–	(650)	–	(650)	–	(650)
Total other comprehensive loss		(22)	(526)	–	(548)	–	(548)
Total comprehensive (loss)/income for the year		(22)	(526)	4 562	4 014	260	4 274
For the year ended 30 June 2019							
Profit for the year to 30 June 2019		**–**	**–**	**3 554**	**3 554**	**300**	**3 854**
Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods							
Net impact of revaluation of listed investment		**627**	**–**	**–**	**627**	**–**	**627**
Revaluation of listed investment[1]	9	**808**	**–**	**–**	**808**	**–**	**808**
Deferred tax on above	16	**(181)**	**–**	**–**	**(181)**	**–**	**(181)**
Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods							
Foreign currency translation reserve movement		**–**	**16**	**–**	**16**	**–**	**16**
Total other comprehensive income		**627**	**16**	**–**	**643**	**–**	**643**
Total comprehensive income for the year		**627**	**16**	**3 554**	**4 197**	**300**	**4 497**

1 *The share price of Harmony increased from R21.22 per share at 30 June 2018 to R31.74 at 30 June 2019 and decreased from R21.68 at 30 June 2017 to R21.22 per share at 30 June 2018. The valuation of the investment in Harmony is based on a level 1 fair value hierarchy level in terms of International Financial Reporting Standards (IFRS).*

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Notes	Financial instruments at fair value through other comprehensive income Rm	Other Rm	Retained earnings Rm	Total Rm
For the year ended 30 June 2018					
Profit for the year to 30 June 2018		–	–	3 906	3 906
Other comprehensive loss that may be reclassified to the income statement in subsequent periods					
Net impact of revaluation of listed investment		(22)	–	–	(22)
Revaluation of listed investment[1]	9	(29)	–	–	(29)
Deferred tax on above	16	7	–	–	7
Foreign currency translation reserve released – Lubambe		–	(325)	–	(325)
Foreign currency translation reserve movement		–	2	–	2
Total other comprehensive loss		(22)	(323)	–	(345)
Total comprehensive (loss)/income for the year		(22)	(323)	3 906	3 561
For the year ended 30 June 2019					
Profit for the year to 30 June 2019		**–**	**–**	**2 724**	**2 724**
Other comprehensive income that may not be reclassified to the income statement in subsequent periods					
Net impact of revaluation of listed investment		**627**	**–**	**–**	**627**
Revaluation of listed investment[1]	9	**808**	**–**	**–**	**808**
Deferred tax on above	16	**(181)**	**–**	**–**	**(181)**
Total other comprehensive income		**627**	**–**	**–**	**627**
Total comprehensive income for the year		**627**	**–**	**2 724**	**3 351**

1 *The share price of Harmony increased from R21.22 per share at 30 June 2018 to R31.74 at 30 June 2019 and decreased from R21.68 at 30 June 2017 to R21.22 per share at 30 June 2018. The valuation of the investment in Harmony is based on a level 1 fair value hierarchy level in terms of International Financial Reporting Standards (IFRS).*

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

				Other reserves						
	Notes	Share capital and premium Rm	Treasury shares Rm	Financial instruments at fair value through other comprehensive income Rm	Share-based payments Rm	Other[1] Rm	Retained earnings Rm	Total shareholders of ARM Rm	Non-controlling interest Rm	Total Rm
Balance at 30 June 2017		4 290	(2 405)	414	1 017	625	19 556	23 497	543	24 040
Total comprehensive (loss)/income for the year		–	–	(22)	–	(526)	4 562	4 014	260	4 274
Profit for the year to 30 June 2018		–	–	–	–	–	4 562	4 562	260	4 822
Other comprehensive loss		–	–	(22)	–	(526)	–	(548)	–	(548)
Bonus and performance shares issued to employees	13	119	–	–	(119)	–	–	–	–	–
Dividend paid	31	–	–	–	–	–	(1 714)	(1 714)	–	(1 714)
Tamboti assets sale to Two Rivers (refer note 35)		–	–	–	–	(99)	–	(99)	99	–
Reclassification of foreign currency translation reserve included in loss on sale of Lubambe		–	–	–	–	(80)	80	–	–	–
Non-controlling interest derecognised on sale of Lubambe	38	–	–	–	–	–	–	–	822	822
Dividend paid to Impala Platinum		–	–	–	–	–	–	–	(253)	(253)
Share-based payments expense		–	–	–	209	–	–	209	–	209
Balance at 30 June 2018		**4 409**	**(2 405)**	**392**	**1 107**	**(80)**	**22 484**	**25 907**	**1 471**	**27 378**
Net fair value adjustment of ARM Coal Richards Bay Coal Terminal (RBCT)		**–**	**–**	**–**	**–**	**–**	**52**	**52**	**–**	**52**
Gross fair value adjustment[2]		**–**	**–**	**–**	**–**	**–**	**72**	**72**	**–**	**72**
Deferred tax		**–**	**–**	**–**	**–**	**–**	**(20)**	**(20)**	**–**	**(20)**
Re-measurement adjustment Modikwa (refer note 1)		**–**	**–**	**–**	**–**	**–**	**25**	**25**	**–**	**25**
Opening balance restated 1 July 2018[2]		**4 409**	**(2 405)**	**392**	**1 107**	**(80)**	**22 561**	**25 984**	**1 471**	**27 455**
Total comprehensive income for the year		**–**	**–**	**627**	**–**	**16**	**3 554**	**4 197**	**300**	**4 497**
Profit for the year to 30 June 2019		**–**	**–**	**–**	**–**	**–**	**3 554**	**3 554**	**300**	**3 854**
Other comprehensive income		**–**	**–**	**627**	**–**	**16**	**–**	**643**	**–**	**643**
Bonus and performance shares issued to employees	13	**302**	**–**	**–**	**(302)**	**–**	**–**	**–**	**–**	**–**
Dividend paid	31	**–**	**–**	**–**	**–**	**–**	**(2 206)**	**(2 206)**	**–**	**(2 206)**
Dividend paid to Impala Platinum		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(241)**	**(241)**
Share-based payments expense		**–**	**–**	**–**	**198**	**–**	**–**	**198**	**–**	**198**
Balance at 30 June 2019		**4 711**	**(2 405)**	**1 019**	**1 003**	**(64)**	**23 909**	**28 173**	**1 530**	**29 703**

1 Other reserves consist of the following:

	F2019 Rm	*F2018 Rm*	*F2017 Rm*
Dilution in Two Rivers	***(26)***	*(26)*	*(26)*
Foreign currency translation on loans – discontinued operation (refer note 38)	***–***	*–*	*61*
Foreign currency translation reserve – Assmang	***24***	*13*	*(121)*
Foreign currency translation reserve – other entities	***9***	*4*	*28*
Foreign currency translation reserve – discontinued operations (refer note 38)	***–***	*–*	*669*
Capital redemption and prospecting loans written off	***28***	*28*	*28*
Premium paid on purchase of non-controlling interest	***–***	*–*	*(14)*
Tamboti assets sale to Two Rivers (refer note 35)	***(99)***	*(99)*	*–*
Total	***(64)***	*(80)*	*625*

2 Opening balance adjusted as a result of the initial application of IFRS 9 (refer note 1). Amounts differ from that disclosed at 31 December 2018 as a result of revised estimates and deferred tax.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	Notes	Share capital and premium Rm	Financial instruments at fair value through other compre-hensive income Rm	Share-based payments Rm	Other[1] Rm	Retained earnings Rm	Total Rm
Balance at 30 June 2017		4 290	414	973	359	3 554	9 590
Total comprehensive (loss)/income for the year		–	(22)	–	(323)	3 906	3 561
Profit for the year to 30 June 2018		–	–	–	–	3 906	3 906
Other comprehensive loss		–	(22)	–	(323)	–	(345)
Bonus and performance shares issued to employees	13	119	–	(119)	–	–	–
Dividend paid	31	–	–	–	–	(1 972)	(1 972)
Share-based payments expense		–	–	209	–	–	209
Balance at 30 June 2018		**4 409**	**392**	**1 063**	**36**	**5 488**	**11 388**
Net fair value adjustment ARM Coal RBCT						**52**	**52**
Gross fair value adjustment[2]						**72**	**72**
Deferred tax						**(20)**	**(20)**
Re-measurement adjustment Modikwa						**(312)**	**(312)**
Opening balance restated 1 July 2018[2]		**4 409**	**392**	**1 063**	**36**	**5 228**	**11 128**
Total comprehensive (loss)/income for the year		**–**	**627**	**–**	**–**	**2 724**	**3 351**
Profit for the year to 30 June 2019		**–**	**–**	**–**	**–**	**2 724**	**2 724**
Other comprehensive income		**–**	**627**	**–**	**–**	**–**	**627**
Bonus and performance shares issued to employees	13	**302**	**–**	**(302)**	**–**	**–**	**–**
Dividend paid	31	**–**	**–**	**–**	**–**	**(2 535)**	**(2 535)**
Share-based payments expense		**–**	**–**	**198**	**–**	**–**	**198**
Balance at 30 June 2019		**4 711**	**1 019**	**959**	**36**	**5 417**	**12 142**

1 Other reserves consist of the following:

	F2019 Rm	*F2018 Rm*	*F2017 Rm*
General reserve	***35***	*35*	*35*
Foreign currency translation	***1***	*1*	*324*
Total	***36***	*36*	*359*

2 Opening balance adjustment as a result of the initial application of IFRS 9 (refer note 1). Amounts differ from that disclosed at 31 December 2018 as a result of revised estimates and deferred tax.

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2019

	Notes	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts from customers		**9 611**	9 195	**3 561**	3 379
Cash paid to suppliers and employees		**(7 488)**	(7 261)	**(3 329)**	(2 753)
Cash generated from operations	33	**2 123**	1 934	**232**	626
Interest received		**264**	159	**160**	73
Interest paid		**(80)**	(100)	**(10)**	(23)
Taxation paid	34	**(309)**	(426)	**(48)**	(147)
		1 998	1 567	**334**	529
Dividends received from joint venture	8	**3 315**	3 000	**3 315**	3 000
Dividends received from other		**8**	–	**438**	404
Dividend paid to non-controlling interest – Impala Platinum		**(241)**	(253)	**–**	–
Dividend paid to shareholders	31	**(2 206)**	(1 714)	**(2 535)**	(1 972)
Net cash inflow from operating activities		**2 874**	2 600	**1 552**	1 961
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to property, plant and equipment to maintain operations		**(931)**	(1 150)	**(364)**	(407)
Dividends received from investments – Harmony		**–**	22	**–**	22
Proceeds on disposal of property, plant and equipment		**1**	3	**1**	2
Proceeds on disposal of investment	38	**–**	741	**–**	341
Investment in Harmony	9	**(211)**	–	**(211)**	–
Acquisition of Machadodorp Works	37	**(130)**	–	**(130)**	–
Proceeds/(advances) from loans		**–**	3	**85**	(230)
Net cash outflow from investing activities		**(1 271)**	(381)	**(619)**	(272)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from exercise of share options		**4**	–	**4**	–
Long-term borrowings raised		**295**	496	**295**	496
Long-term borrowings repaid		**(595)**	(746)	**(367)**	(625)
Short-term borrowings raised		**15**	27	**–**	–
Short-term borrowings repaid		**–**	(132)	**(1)**	(58)
Net cash outflow from financing activities		**(281)**	(355)	**(69)**	(187)
Net increase in cash and cash equivalents		**1 322**	1 864	**864**	1 502
Cash and cash equivalents at beginning of year		**2 910**	1 031	**1 887**	385
Foreign currency translation on cash balance		**7**	15	**–**	–
Cash and cash equivalents at end of year	12	**4 239**	2 910	**2 751**	1 887
Made up as follows:					
– Available		**3 004**	1 779	**2537**	1691
– Restricted		**1 235**	1 131	**214**	196
		4 239	2 910	**2751**	1887
Cash generated from operations per share (cents)		**1 104**	1 015		

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Statement of compliance

The Group and Company financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, requirements of the South African Companies Act 71 of 2008 and the Listings Requirements of the JSE Limited.

Basis of preparation

The Group and Company financial statements for the year have been prepared under the supervision of the Finance Director, Ms AM Mukhuba CA(SA).

The principal accounting policies as set out below are consistent in all material aspects with those applied in the previous years, except for the below-mentioned new and revised standards, and comply with IFRS.

The Group and Company financial statements have been prepared on the historical cost basis, except for certain financial instruments that are carried at fair value.

The financial statements are presented in South African Rand and all values are rounded to the nearest million (Rm) unless otherwise indicated.

The Company financial statements are included with the Group financial statements.

Impact of new standards

The Group has adopted the following standards and interpretations issued by IASB that became effective for the Group on or after 1 July 2018.

Standards	Subject	Effective date
IAS 28	Investment in Associates and Joint Ventures – Clarification that measuring Investees at fair value through profit or loss is an investment-by-investment choice Annual Improvement Project	1 January 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	1 January 2018
IFRS 9 and IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

IFRS 9 Financial Instruments

IFRS 9 is effective for ARM from 1 July 2018. ARM has opted to apply the modified retrospective approach, whereby opening retained income at 1 July 2018 is adjusted and the figures for F2018 are not restated.

The carrying value for financial assets approximates their fair value.

The following financial instruments were impacted by the implementation of IFRS 9:

Equity investments (other than investments in subsidiaries, associates and joint ventures)

Listed investments

ARM continues to classify the listed shares in Harmony as fair value through other comprehensive income, whereby fair value gains and losses are recognised in equity (other comprehensive income) and will not be reclassified through profit or loss.

Unlisted investments

Previously, unlisted investments were measured at cost. Under IFRS 9, these investments in equities are measured at fair value.

Unlisted investments subject to adjustment – Investment in Richards Bay Coal Terminal (RBCT).

This investment is held by ARM Coal which is a jointly-controlled operation of ARM and Glencore Operations South Africa Proprietary Limited (GOSA), and hence ARM's share of the investment is recognised in the ARM company financial statements. Up until 30 June 2018, this investment was carried at cost. For F2019, the fair value of this investment was determined by calculating the present value of the future wharfage cost savings by being a shareholder in RBCT as opposed to the wharfage payable by non-shareholders. The cumulative fair value adjustment is R55 million after tax of which R52 million after tax relates to prior periods (adjusted against retained earnings) and R3 million relates to F2019. The current financial year's fair value adjustment is accounted for through profit or loss. This is a level 3 valuation in terms of IFRS 7 and 13. The fair value is most sensitive to wharfage cost. The current RBCT valuation is based on a wharfage cost differential of R44/tonne. If increased by 10% this would result in a R25 million increase in the valuation on the RBCT investment. If decreased by 10% this would result in a R25 million decrease in the valuation on the RBCT investment. The valuation is calculated based on the duration of the RBCT lease agreement with Transnet SOC Limited to 31 December 2038 (including renewal options), using a pre-tax discount rate of 20.9%.

Trade and other receivables (including loans advanced)

Previously, receivables that contained provisional pricing features linked to commodity prices and exchange rates were designated to be measured at fair value through profit or loss because of the embedded derivative which would otherwise require separation. Under IFRS 9, such instruments continue to be measured on the same basis. Other receivables, including loans advanced, continue to be measured at amortised cost under IFRS 9.

The impairment model for amortised cost financial assets under IFRS 9 requires the recognition of expected losses, rather than only incurred losses.

The long-term loans to ARM Coal, Glencore and PCB continue to be accounted for at amortised cost.

Non-current liabilities

An interest free non-current liability owed by ARM Mining Consortium Limited to Rustenburg Platinum Mines Limited (Anglo American Platinum Limited) was impacted by IFRS 9, resulting in a cumulative net fair value gain of R13 million, of which R25 million fair value gain relates to prior periods (fair value gain recorded against retained earnings), and R12 million loss recorded in statement of profit or loss.

	F2019 Rm
Impact of adopting IFRS 9 Financial instruments	
Effect in statement of profit or loss is as follows:	
Fair value gain on the RBCT investment	**3**
Re-measurement loss on the Anglo American Platinum Limited loan	**(12)**
Expected credit or loss on Assmang receivables and loans	**(107)**
Net movement in statement of profit or loss	**(116)**
Effect in statement of equity is as follows:	
Fair value gain on the RBCT investment	**52**
Increase in fair value	**72**
Deferred tax	**(20)**
Re-measurement gain on Anglo American Platinum Limited loan	**32**
Non-controlling interest on above	**(7)**
Net movement against opening retained earnings	**77**
Statement of Financial Position – impact	
Other investments – increase – investment in RBCT	**75**
Anglo American Platinum Limited loan	**101**
Re-measurement loss on the Anglo Platinum loan in profit or loss	**12**
Re-measurement gain on the Anglo American Limited loan in retained earnings	**(25)**
Short-term borrowing – Anglo American Platinum Limited	**114**
Short-term borrowing – Anglo American Platinum Limited 30 June 2019	**101**

Expected credit losses were recorded in ARM Ferrous of R107 million attributable to ARM after tax.

The methods for calculating expected credit losses for each financial asset type depends on the underlying assets and their properties. Sometimes several techniques and models may be used within a single asset class. Refer to note 8 and 36 for more details.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 became applicable to ARM for the financial year commencing 1 July 2018. ARM has selected the full retrospective approach, requiring comparative years to be restated. The impact of IFRS 15 has been assessed based on the operating segments of the group.

IFRS 15 replaces the risks and rewards principle that was applicable under IAS 18.

Revenue under IFRS 15 is recognised under the following five step model:

- Identify the contract with customers;
- Identify the performance obligations;
- Determine the transaction price;
- Allocate the transaction price; and
- Recognise revenue when performance obligations are satisfied.

The impact of the adoption of IFRS 15 on ARM is as follows:

Assay estimates

Commodity sales are subject to assay estimates, which means that the transaction price is variable. IFRS 15 constrains the estimate of variable consideration recognised such that amounts are only included in the calculation of revenue where it is highly probable that a significant revenue reversal will not occur when the uncertainty relating to final assay/quality is subsequently resolved, i.e. finalisation of the sale by the customer. The assay differences are typically not significant at approximately 1% of commodity sales revenue and therefore management did not change the approach followed under IAS 18. The adjustments to revenue arising from assay adjustments will continue to be recognised consistently as per the prior accounting treatment, i.e. included in revenue from contracts with customers.

Provisional pricing

Commodity sales are subject to provisional pricing features such as commodity prices and foreign exchange rates which are only finalised sometime after transfer of the commodities.

On initial recognition, revenue is recognised at fair value. The revenue and related trade receivable is then re-measured at every subsequent month end until the sale has been finalised. The sale is finalised at average commodity prices and exchange rate for the month preceding the month of invoicing.

Previously, the changes in the fair value were recognised as part of revenue. These changes arise from re-measuring the related trade receivable to fair value at every month end.

The related trade receivables will continue to be measured at fair value under IFRS 9, which was adopted at the same time as IFRS 15. The resultant changes in fair value are not within the scope of IFRS 15, since they are re-measurements of a financial asset. Accordingly, they are not subject to the IFRS 15 variable consideration constraint. IFRS 9 requires the full change in fair value to be recognised.

Since the changes in fair value relate to sales, management believes it is appropriate to continue to present such fair value changes as revenue (albeit not 'revenue from contracts with customers'). The revenue note disclosure disaggregates total revenue such that 'revenue from contracts with customers' is distinguished from these fair value adjustments.

ARM Corporate

ARM provides management services to operations within the group. ARM invoices and recognises revenue on a monthly basis using the actual results of the component meaning no uncertainty surrounding the transaction price. The adoption of IFRS 15 therefore had no impact on the revenue recognition in ARM Corporate.

ARM Ferrous

The change that had the most significant impact was on sales with cost, insurance and freight (CIF)/cost and freight (CFR) Inco terms. Sales with CIF/CFR Inco terms result in two distinct performance obligations, namely the supply of the commodity and shipping of the commodity. IFRS 15 had no impact on the equity accounted earnings of Assmang. However, the composition of sales has changed as reflected below.

	F2019 Rm Currently under IFRS 15	F2019 Rm Previously under IAS 18	F2018 Rm Currently under IFRS 15[1]	F2018 Rm Previously under IAS 18
Revenue from contracts with customers	**16 996**	**17 807**	13 836	13 774
Cost, insurance and freight (CIF) and cost and freight (CFR)	**10 209**		7 045	
Free on board (FOB), free carrier (FCA) and free on train (FOT)	**6 787**		6 791	
Sales		**17 807**		13 774
Fair value adjustments to contract revenue	**793**		(84)	
Other sales	**18**		22	
Sales per segments	**17 807**	**17 807**	13 774	13 774

1 Amounts differ from that disclosed at 31 December 2018 as a result of a reclassification.

The fair value adjustments are higher compared to the previous financial year. This is largely as a result of the prices increasing during the current financial year, resulting in major fluctuations between the provisional and final sale.

ARM Platinum

The following areas are impacted:

Penalties and treatment charges

Adjustments, in the form of penalties and treatment charges, are made to the pricing to the extent the commodities sold do not meet certain specifications and as part of the terms of the various off-take agreements. As a result, the IFRS 15 constraint on variable consideration applies, which seeks to limit the amount of revenue recognised to guard against significant reversals in subsequent reporting periods.

Modikwa

Chrome and moisture penalties were previously a deduction to revenue under IAS 18 and this is consistent with the requirements of IFRS 15, therefore there is no impact on Modikwa's revenue.

Two Rivers Platinum

Previously, grade, chrome and moisture penalties as well as smelting, refining and drying fees were classified as cost of sales. In terms of IFRS 15, the grade, chrome and moisture penalties as well as smelting, refining and drying fees are to be off-set against revenue.

Nkomati

Previously, arsenic and magnesium oxide penalties as well as transport recoveries were classified as cost of sales. In terms of IFRS 15, the arsenic and Magnesium Oxide penalties as well as transport recoveries will be debited against revenue.

ARM Coal

The assessment of domestic and export contracts against the requirements of IFRS 15 indicated that the adoption of IFRS 15 has no impact.

Group impact of IFRS 15 Revenue from Contracts with Customers

The impact on the group was as follows:

	F2019 Rm	F2018 Rm
Revenue impact		
Penalty and treatment charges – now deducted from revenue – Nkomati	**(64)**	(62)
Penalty and treatment charges – now deducted from revenue – Two Rivers	**(305)**	(142)
	(369)	(204)
Cost of sales impact		
Penalty and treatment charges – no longer included in cost of sales – Nkomati	**64**	62
Penalty and treatment charges – no longer included in cost of sales – Two Rivers	**305**	142
	369	204
Net effect	**–**	–

These changes had no effect on basic earnings, headline earnings or diluted earnings.

Please refer to note 23: Revenue, for the disaggregation of revenue from contracts with customers into CIF, CFR, FOB, FCA, FOT and fair value adjustments to revenue.

Basis of consolidation

The consolidated financial statements comprise the financial statements of African Rainbow Minerals Limited and its subsidiaries, joint operations, joint ventures and associates at 30 June each year.

Inter-company transactions and balances

Consolidation principles relating to the elimination of inter-company transactions and balances and adjustments for unrealised inter-company profits are applied in all intra-group dealings, for all transactions with subsidiaries, joint operations, associated companies or joint ventures.

Subsidiary companies

Subsidiary companies are investments in entities in which the Company has control over the financial and operating decisions of the entity. Subsidiaries are consolidated in full from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated.

Non-controlling interest represents the portion of the statement of profit or loss and equity not held by the Group and is presented separately in the statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Losses of subsidiaries are attributed to the non-controlling interest, even if that results in a deficit balance. Before 1 January 2009, losses in subsidiaries were carried by the Group only.

Investments in subsidiaries in the Company financial statements are accounted for at cost less impairment.

Joint operations

Joint operations are a type of joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. The Group accounts for joint operations, its assets, liabilities, income, expenses and cash flows and/or share thereof.

Unincorporated joint operations are recognised in the financial statements on the same basis as above.

Investment in associate and joint ventures

An associate is an investment in an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

Joint ventures are a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

At Group level, investments in associates and joint ventures are accounted for using the equity method of accounting. Investments in the associates and joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the

Group's share of net assets of the associates or joint ventures, less any impairment in value. The statement of profit or loss reflects the Group's share of the post-acquisition profit after tax of the associate or joint ventures. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment losses. Investments in associates or joint ventures in the Company financial statements are accounted for at cost less impairment.

Trusts

When control of a trust exists or a change results in control, from that date the trust is consolidated.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries, joint operations, joint ventures and associates by the Group. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the statement of profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interest is measured at each business combination at either the proportionate share of the identifiable net assets or at fair value.

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. Goodwill is tested for impairment on an annual basis. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of profit or loss.

When an acquisition is achieved in stages and control is achieved, the fair values of all the identifiable assets and liabilities are recognised. The difference between the previous equity held interest value and the current fair value for the same equity is recognised in the statement of profit or loss.

When there is a change in the interest of a subsidiary that does not result in the loss of control, the difference between the fair value of the consideration transferred and the change in non-controlling interest is recognised directly in the statement of changes in equity.

Current taxation

The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that have been enacted or substantively enacted at the reporting date, that are applicable to the taxable income. Taxation is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income, in which case the tax amounts are recognised directly in equity or in other comprehensive income.

Deferred taxation

A deferred tax asset is the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised.

Three-year business plans, the first year of which is approved by the Board and the content of the next two years being noted, are used to determine whether deferred tax assets will be utilised from taxable income in the future. These plans use many assumptions and estimates and will be adjusted every year as more information becomes available.

A deferred tax liability is the amount of income taxes payable in future periods in respect of taxable temporary differences.

Temporary differences are differences between the carrying amount of an asset or liability and its tax base. The tax base of an asset is the amount that is deductible for tax purposes if the economic benefits from the asset are taxable or the carrying amount of the asset if the economic benefits are not taxable. The tax base of a liability is the carrying amount of the liability less the amount deductible in respect of that liability in future periods. The tax base of revenue received in advance is the carrying amount less any amount of the revenue that will not be taxed in future periods.

Deferred tax is recognised for all temporary differences, unless specifically exempt, at the tax rates that have been enacted or substantively enacted at the reporting date and is not discounted.

Deferred tax arising on investments in subsidiaries, associates, joint operations, and joint ventures is recognised except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except for (a) where the VAT incurred on a purchase of an asset or service cannot be recovered from the taxation authorities; and (b) receivables and payables that are stated with the VAT included. The net amount of VAT recoverable or payable is included under receivables or payables in the statement of financial position.

Provisions

Provisions are recognised when the following conditions have been met:

» A present legal or constructive obligation to transfer economic benefits as a result of past events exists

» A reasonable estimate of the obligation can be made.

A present obligation is considered to exist when there is no realistic alternative but to make the transfer of economic benefits. The amount recognised as a provision is the best estimate at the reporting date of the expenditure required to settle the obligation. Only expenditure related to the purpose for which the provision is raised is charged against the provision. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Insurance contract technical provisions

For insurance contracts, judgements and estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, insurance contract technical provisions form the majority of the liability in the statement of financial position.

Due to the nature of the claims arising under the insurance contracts, the use of past claims development to project future claims development and hence ultimate claims costs, is considered not to be a suitable method for the setting of insurance contract technical provisions. Instead, the directors assess the level of unexpired risk reserve (URR); adverse development reserve (ADR); and incurred but not reported reserve (IBNR) held for each underwriting year at every year-end based on the claims information available at that time. Accordingly, as such assessment is based upon the use of judgements, best estimates and assumptions, there is inherent risk that such assessment will be significantly different from the actual outcome.

The estimation of URR, ADR and IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Some IBNR claims may not become apparent to the insured until many years after the event which gave rise to the claims has occurred.

The use of judgements, estimates and assumptions is also employed in the assessment of the adequacy for provisions for unearned premiums, i.e. in determining whether the pattern of insurance service provided by the insurance contracts requires the earning of premium on a basis other than time apportionment.

Premiums written

Premiums written comprise premiums due on contracts entered into during the financial year, regardless of whether such amounts may relate in whole or part to a later financial year, exclusive of taxes levied on premiums. Other underwriting income and expenses, comprising commissions, brokerage, fronting fees and outward reinsurance premiums are accounted for in the same accounting year as the premiums for the related direct insurance.

Claims paid

Claims paid include all payments made in respect of the year with associated claim settlement expenses, net of any salvage or subrogation recoveries.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Insurance contract technical provisions

Insurance contract technical provisions comprise provisions for unearned premium (UPR); and reserves for claims outstanding (OLR), unexpired risk, adverse development and claims incurred but not reported.

Provisions for unearned premiums, deferred other underwriting income and prepaid underwriting expenses

Unearned premiums, deferred other underwriting income and prepaid underwriting expenses represent the proportion of premiums written, other underwriting income and underwriting expenses which is estimated to be earned in future financial years, computed separately for each insurance contract using the daily pro rata method. For certain policies, the daily pro rata method may not be appropriate and in such circumstances the earning pattern will be adjusted to more accurately reflect the pattern of insurance service provided by the underlying insurance contracts.

Claims outstanding, unexpired risk reserves and adverse development reserves

Claims outstanding and adverse development reserves comprise of provisions for the estimated cost of settling all claims reported but not paid at the reporting date.

Claims outstanding comprise provisions for the estimated cost of settling all claims incurred up to, but not paid at, the balance sheet date together with the relevant claims settlement expenses based on information provided by insureds, fronting insurers, and loss adjusters.

The adverse development reserves provide for the expected deterioration of claims reported.

The unexpired risk reserves bring the value of claims incurred during an unexpired policy period up to the expected loss level for the policy.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Incurred but not reported reserve

The incurred but not reported reserve is based on the estimated ultimate cost of all claims incurred but not reported at the reporting date. Delays can be experienced in the discovery, notification and settlement of certain types of claims that may arise under the insurance contracts written, therefore the ultimate cost of these claims cannot be known at the reporting date.

Reinsurers’ share of insurance contract technical provisions

Provisions for unearned reinsurance premiums

The provision for unearned reinsurance premiums represents the proportion of outward reinsurance premiums which is estimated to be earned in future financial years, computed separately for each reinsurance contract using the daily pro rata method. For certain policies, the daily pro rata method may not be appropriate, and in such circumstances, the earning pattern will be adjusted to more accurately reflect the pattern of reinsurance service provided by the underlying reinsurance contracts.

Reinsurance recoveries

Provisions for claims are calculated gross of any reinsurance recoveries. A separate estimate is made for the amounts recoverable from reinsurers based upon the gross claims provisions and/or settled claims that are associated with the reinsurer’s policies and are calculated in accordance with the related reinsurance contract.

Environmental rehabilitation obligations

The estimated cost of rehabilitation, comprising liabilities for decommissioning and restoration, is based on current legal requirements and existing technology, and is reassessed annually. Cost estimates are not reduced by the potential proceeds from the sale of assets.

Decommissioning

The present value of estimated decommissioning obligations, being the cost to dismantle all structures and rehabilitate the land on which it is located that arose through establishing the mine, is included in long-term provisions. The unwinding of the obligation is included in the statement of profit or loss under finance cost. The initial related decommissioning asset is recognised in property, plant and equipment.

The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Restoration

The present value of the estimated cost of restoration, being the cost to correct damage caused by ongoing mining operations, is included in long-term provisions.

This estimate is revised annually and any movement is expensed in the statement of profit or loss. Expenditure on ongoing rehabilitation is charged to the statement of profit or loss under cost of sales as incurred.

Trust funds

Annual payments are made to rehabilitation trust funds in accordance with statutory requirements. The investment in the trust funds is carried at cost in the Company financial statements. These funds are consolidated as ARM Group companies are the sole contributors to the funds and exercise full control through the respective boards of trustees. The balances are included under restricted cash.

Treasury shares

Own equity instruments that are reacquired are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss in the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

IAS 39 Accounting Policies

The IAS 39 accounting policies are effective for F2018, thereafter the IFRS 9 accounting policies become applicable.

Financial instruments

Financial instruments recognised in the statement of financial position include, cash and cash equivalents, investments, trade and other receivables, trade and other payables and long- and short-term borrowings.

The recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group does not apply hedge accounting.

Financial assets

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through the statement of profit or loss.

Financial assets at fair value through the statement of profit or loss are measured at fair value with gains and losses being recognised in the statement of profit or loss.

Held-to-maturity investments are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.

Loans and receivables are measured at amortised cost less impairment losses or reversals which are recognised in the statement of profit or loss.

Available-for-sale financial assets are measured at fair value with gains and losses being recognised directly in comprehensive income. Impairment losses are recognised in the statement of profit or loss.

Any impairment reversals on debt instruments classified as available-for-sale are recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in equity.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence as a result of one or more events that have occurred after the initial recognition, that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is an indication that an impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the statement of profit or loss.

Available-for-sale financial assets

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairment are recognised in comprehensive income.

Financial liabilities

Financial liabilities at fair value through the statement of profit or loss are measured at fair value with gains and losses being recognised in the statement of profit or loss.

Financial liabilities at amortised cost are initially measured at fair value and subsequently at amortised cost using the effective interest method.

Derivative instruments

Derivatives, including embedded derivatives, are initially and subsequently measured at fair value. Fair value adjustments are recognised in the statement of profit or loss. Forward exchange contracts are valued at the reporting date using the forward rate available at the reporting date for the remaining maturity period of the forward contract. Any gain or loss from valuing the contract against the contracted rate is recognised in the statement of profit or loss.

A corresponding forward exchange asset or liability is recognised. On settlement of a forward exchange contract, any gain or loss is recognised in the statement of profit or loss.

Investments

Investments, other than investments in subsidiaries, associates, joint operations and joint ventures, are considered to be available-for-sale financial assets and are subsequently carried at fair value. Increases and decreases in fair values of available-for-sale investments are reflected in the available-for-sale reserve. On disposal of an investment, the balance in the revaluation reserve is recognised in the statement of profit or loss. Where active markets exist, fair values are determined with reference to the stock exchange quoted selling prices at the close of business on the reporting date.

Where there are no active markets, fair value is determined using valuation techniques like recent similar transactions, reference to similar transactions, discounted cash flow and option pricing models. Where a reliable fair value cannot be determined, investments are carried at cost.

All regular purchases and sales of financial assets are recognised on the trade date, i.e. the date the Group commits to purchasing the asset.

IFRS 9 Accounting Policies

Financial instruments

Financial instruments recognised in the statement of financial position include, cash and cash equivalents, investments, trade and other receivables, trade and other payables and long- and short-term borrowings.

The recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group does not apply hedge accounting.

Financial assets

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through the statement of profit or loss.

Financial assets at fair value through the statement of profit or loss are measured at fair value with gains and losses being recognised in the statement of profit or loss.

Long-term borrowings and trade and other receivables are measured at amortised cost less impairment losses or reversals which are recognised in the statement of profit or loss.

Unlisted investments are carried at fair value.

Listed financial assets are measured at fair value with gains and losses being recognised directly in comprehensive income. Impairment losses are recognised in the statement of profit or loss.

Any impairment reversals on debt instruments classified as listed investments are recognised in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in equity.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence as a result of one or more events that may be expected after the initial recognition, that a financial asset or a group of financial assets is impaired.

Listed investments

For listed investment, the Group assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired.

In the case of listed equity investment, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairment are recognised in comprehensive income.

Financial liabilities

Financial liabilities at fair value through the statement of profit or loss are measured at fair value with gains and losses being recognised in the statement of profit or loss.

Financial liabilities at amortised cost are initially measured at fair value and subsequently at amortised cost using the effective interest method.

Derivative instruments

Derivatives, including embedded derivatives, are initially and subsequently measured at fair value. Fair value adjustments are recognised in the statement of profit or loss. Forward exchange contracts are valued at the reporting date using the forward rate available at the reporting date for the remaining maturity period of the forward contract. Any gain or loss from valuing the contract against the contracted rate is recognised in the statement of profit or loss.

A corresponding forward exchange asset or liability is recognised. On settlement of a forward exchange contract, any gain or loss is recognised in the statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash that is subject to legal or contractual restrictions on use is included in cash, but indicated as restricted.

Investments

Investments, other than investments in subsidiaries, associates, joint operations and joint ventures, are considered to be listed or unlisted financial assets carried at fair value. Increases and decreases in fair values of listed investments are reflected in the financial instruments at fair value through other comprehensive income reserve. Increases and decreases on unlisted investments are reflected in the statement of profit or loss. On disposal of an investment, the balance in the revaluation reserve is recognised in the statement of profit or loss. Where active markets exist, fair values are determined with reference to the stock exchange quoted selling prices at the close of business on the reporting date.

Where there are no active markets, fair value is determined using valuation techniques like recent similar transactions, reference to similar transactions, discounted cash flow and option pricing models. Where a reliable fair value cannot be determined, investments are carried at cost.

All regular purchases and sales of financial assets are recognised on the trade date, i.e. the date the Group commits to purchasing the asset.

Receivables

Trade receivables, which generally have 30 – 90 day terms, are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

Receivables are financial assets classified as loans and receivables. Some receivables are classified at fair value through the statement of profit or loss. These are receivables where the amount that will be received in the future is dependent on the commodities or concentrate content, and/or the price at the date of settlement. An impairment is recognised when there is evidence that an entity will not be able to collect all amounts due according to the original terms of the receivables. The impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rates. The amount of the impairment is charged to the statement of profit or loss.

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime expected credit losses at each reporting date. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

Payables

Trade and other payables are not interest-bearing and are initially recorded at fair value and subsequently at amortised cost and classified as financial liabilities at amortised cost.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method and classified as financial liabilities at amortised cost. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement.

Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised, as well as through the amortisation process.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of profit or loss.

Offsetting of financial instruments

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and the Group intends to settle on a net basis or to realise the asset and settle the liability simultaneously, all related financial effects are netted.

Intangible assets

Intangible assets acquired are reflected at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment where there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Amortisation is based on units of production or units of export sales. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Investment property

Investment properties are carried at cost and depreciated on a straight-line basis over their estimated useful lives to an estimated residual value. Where the residual value exceeds the carrying amount, amortisation is continued at a zero charge until its residual value subsequently decreases to an amount below the carrying amount.

Where the building has changed from owner occupied to investment property in order to earn rentals and for capital appreciation, the cost deemed is the carrying amount if applicable. An impairment is taken in the statement of profit or loss when the recoverable amount is less than the carrying amount.

Property, plant and equipment

Property, plant and equipment other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

Costs of evaluation of a smelter prior to approval to develop are capitalised, provided that there is a high degree of confidence that the project will be deemed commercially viable. Costs incurred with commissioning the new asset, in the period before it is capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent that they are expected to give rise to future economic benefit.

Land and buildings

Land and buildings are carried at cost. Land is only depreciated where the form is changed so that it affects its value. Land is then depreciated on a straight-line method over the mining activity to a maximum of 25 years to its estimated residual value. Buildings are depreciated on a straight-line basis over their estimated useful lives to an estimated residual value, if such value is significant. The annual depreciation rates used vary between 2% and 5%. New acquisitions and additions to existing land and buildings are reflected at cost.

Mine development and decommissioning

Costs to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of a mine or its current production, site preparation and pre-production stripping costs, as well as the decommissioning thereof, are capitalised when it is probable that the future economic benefits will flow to the entity and it can be measured reliably. Development expenditure is net of proceeds from the sale of ore extracted during the development phase. Capitalised development costs are classified under mine development and decommissioning assets and are recognised at cost. Development costs to maintain production are expensed as incurred.

Mine development and decommissioning assets are depreciated using the units-of-production method based on estimated proven and probable ore reserves from which future economic benefits will be realised, resulting in these assets being carried at cost less depreciation and any impairment losses. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. These reserves are reassessed annually. The maximum period of amortisation using this method is 25 years.

Production stripping costs

The capitalisation of pre-production stripping costs as part of mine development and decommissioning assets ceases when the mine is commissioned and ready for production.

Subsequent stripping activities that are undertaken during the production phase of a surface mine may create two benefits, being either the production of inventory or improved access to the ore to be mined in the future.

Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and where the benefit is the creation of mining flexibility and improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a “stripping activity asset”, if:

- Future economic benefits (being improved access to the ore body) are probable;
- The component of the ore body for which access will be improved can be accurately identified; and
- The costs associated with the improved access can be reliably measured.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset included under mine development and decommissioning asset. If all the criteria are not met, the production stripping costs are charged to the statement of profit or loss as operating costs.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the stripping activity asset and the inventory produced are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset.

The stripping activity asset is subsequently depreciated over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Based on proven and probable reserves, the units-of-production method is used to determine the expected useful life of the identified component of the ore body that became more accessible. As a result, the stripping activity asset is carried at cost less depreciation and any impairment losses.

Mineral rights

Mineral rights that are being depleted are depreciated over their estimated useful lives using the units-of production method based on proven and probable ore reserves. The maximum rate of depletion of any mineral right is 25 years.

Plant and machinery

Mining plant and machinery is depreciated on the units-of-production method over the lesser of its estimated useful life based on estimated proven and probable ore reserves.

Non-mining plant and machinery is depreciated over its useful life. The maximum life of any single item as used in the depreciation calculation is 25 years.

When plant and equipment comprises major components with different useful lives, these components are accounted for as separate items, provided these meet the definition of property, plant and equipment. Expenditure incurred to replace or modify a significant component of a plant is capitalised and any remaining book value of the component replaced is written off in the statement of profit or loss.

Mine properties

Mine properties, including houses and administration blocks, are depreciated on the straight-line basis over their expected useful lives, to estimated residual values. The residual value is the amount currently expected to be obtained for the asset after deducting estimated costs of the disposal, if the asset was already at the end of its useful life.

Furniture, equipment and vehicles

Furniture, equipment and vehicles are depreciated on a straight-line basis over their expected useful lives, to estimated residual values.

Finance leases

Finance leases are depreciated on a straight-line basis over their expected useful lives or the lease term, if less, to estimated residual values.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales.

During the period of development, the asset is tested for impairment annually.

Depreciation rates

Depreciation rates that are based on units-of-production take into account proven and probable ore reserves. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In assessing asset lives, factors such as technological innovation, asset life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal value. The annual depreciation rates generally used in the Group are:

- Furniture and equipment 10% to 33%
- Mine properties 4% to 7%
- Motor vehicles 20%
- Mine development assets, plant and machinery, mineral rights and land over 10 to 25 years
- Investment properties 2%
- Intangible assets over life-of-mine to a maximum of over 25 years.

Exploration expenditure

All exploration expenditures are expensed until they result in projects that are evaluated as being technically and commercially feasible and a future economic benefit is highly probable. In evaluating if expenditures meet these criteria to be capitalised, the Group utilises several different sources of information and also differentiates projects by levels of risks, including:

- Degree of certainty over the mineralisation of the ore body
- Commercial risks, including but not limited to country risk
- Prior exploration knowledge available about the target ore body.

Exploration expenditure on Greenfields sites, being those where the Group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a bankable feasibility study has been completed, after which the expenditure is capitalised.

Exploration expenditure on Brownfields sites, being those adjacent to any mineral deposits which are already being mined or developed, is only expensed as incurred until the Group has obtained sufficient information from all available sources to ameliorate the project risk areas identified above and which indicates by means of a prefeasibility study that future economic benefits are highly probable.

Exploration expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised.

Activities in relation to evaluating the technical feasibility and commercial viability of mineral resources are treated as forming part of exploration expenditures.

Costs related to property acquisitions and mineral and surface rights are capitalised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale (under current assets) if the carrying amount of these assets will be recovered principally through a sale transaction rather than through continued use. This condition will only be regarded as met if the sale transaction is highly probable and the asset (or disposal group) is available-for-sale in its present condition. For the sale to be highly probable, management must be committed to the plan to sell the asset and the transaction should be expected to qualify for recognition as a complete sale within 12 months of the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amounts and their fair values less costs to sell and are not depreciated.

Impairment of non-financial assets

The carrying value of assets is reviewed at each statement of financial position date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. The recoverable amount is the higher of fair value less cost of disposal or value in use. Value in use is determined by an estimated future cash flow discounted at a pre-tax discount rate. Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their recoverable amount and the difference is expensed in the statement of profit or loss. If the circumstances leading to the impairment no longer exist, the appropriate portion of the impairment loss previously recognised is written back. Intangible assets with an indefinite life are tested annually for impairment.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset that requires a substantial period of time to be prepared for its intended use, are capitalised. Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when:

- Expenditures for the asset are being incurred;
- Borrowing costs are being incurred; and
- Activities that are necessary to prepare the asset for its intended use or sale are in process.

Capitalisation is suspended when the active development is interrupted and ceases when the activities necessary to prepare the asset for its use are complete.

Other borrowing costs are charged to finance costs in the statement of profit or loss as incurred.

Inventories

Inventories are valued at the lower of cost and net realisable value with due allowances being made for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the following basis:

- Consumables and maintenance spares are valued at weighted average cost.
- Ore stockpiles are valued at weighted average cost.
- Finished products are valued at weighted average cost.
- Houses are valued at their individual cost.
- Work-in-progress is valued at weighted average cost, including an appropriate portion of direct overhead costs.
- Unallocated overhead costs due to below normal capacity are expensed as short workings.

- Raw materials are valued at weighted average cost.
- By-products are valued at weighted average cost.

Inventories are classified as current when it is reasonable to expect them to be sold within their normal cycle, which could be the next financial year. If not, they are classified as non-current.

Foreign currency translations

The Group and Company financial statements are presented in South African Rand, which is the Company's functional currency.

Foreign entities

Financial statements of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency using the exchange rates applicable at the reporting date, as follows:

- Assets and liabilities at rates of exchange ruling at the reporting date.
- Income and expenditure at the average rate of exchange for the year, except where the date of income or expense for significant transactions can be identified, in which case the income or expense is translated at the rate of exchange ruling at the date of the flow.
- Cash flow items at the average rate of exchange for the year, except where the date of cash flow for significant transactions can be identified, in which case the cash flows are translated at the rate of exchange ruling at the date of the cash flow.
- Fair value adjustments of the foreign entity are translated at the rate prevailing on date of valuation.
- Goodwill is considered to relate to the reporting entity and is translated at the closing rate.
- Differences arising on translation are classified as equity until the investment is disposed of when it is recognised in the statement of profit or loss.

Foreign currency transactions and balances

Transactions in foreign currencies are converted to the functional currency at the rate of exchange ruling at the date that the transaction is recorded.

Foreign denominated monetary assets and liabilities, including those linked to a forward exchange contract, are stated in the functional currency using the exchange rate ruling at the reporting date, with the resulting exchange differences being recognised in the statement of profit or loss.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to control the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed directly against the statement of profit or loss.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Employee benefits

The Group operates two defined contribution pension schemes, both of which require contributions to be made to separately administered funds. The Group has also agreed to provide certain additional post-employment healthcare benefits to senior employees. These benefits are unfunded. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Other long-term benefits

The Group provides certain long-term incentive schemes to attract, retain, motivate and reward eligible senior employees. The cost of providing these incentives is determined by actuaries using the projected unit credit method. Actuarial gains and losses are recognised as an income or expense when incurred. The past service costs are recognised as an expense on a straight-line basis over the period until the benefits vest.

Share-based payments

The Company issues equity-settled share-based instruments to certain employees. Equity-settled share-based payments are measured at the fair value of the instruments at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period on a straight-line basis, based on management's estimate, which is considered annually, of shares that are expected to vest.

Fair value is measured using an option pricing model. The fair values used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Equity-settled options expense is recognised over the expected vesting period.

Broad-based Black Economic Empowerment (BBBEE) transactions

When entering into BBBEE share-based transactions any excess of the fair value of the shares over the consideration received is recognised as an expense in that period.

Dividend income

Dividends are accounted for on the last day of registration for listed investments and when declared in respect of unlisted investments.

Rental income

Rental income is accounted for on a straight-line basis over the term of the operating lease.

Interest

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset and an appropriate accrual is made at each accounting reference date.

Revenue from contracts with customers

Revenue, which includes by-products, is recognised under the following five step model:

» Identify the contract with customers;
» Identify the performance obligations;
» Determine the transaction price;
» Allocate the transaction price; and
» Recognise revenue when performance obligations are satisfied.

Assay estimates

Commodity sales are subject to assay estimates, which means that the transaction price is variable. The adjustments to revenue arising from assay adjustments will be included in revenue from contracts with customers.

Provisional pricing

Commodity sales are subject to provisional pricing features such as commodity prices and foreign exchange rates which are only finalised sometime after transfer of the commodities.

On initial recognition, revenue is recognised at fair value. The revenue and related trade receivable is then re-measured at every subsequent month end until the sale has been finalised. The sale is finalised at average commodity prices and exchange rate for the month preceding the month of invoicing.

The related trade receivables are measured at fair value.

Penalties and treatment charges

Adjustments, in the form of penalties and treatment charges, are made to the pricing to the extent the commodities sold do not meet certain specifications and as part of the terms of the various off-take agreements. Penalties and treatment are excluded from revenue from contracts with customers.

Revenue is measured at the fair value of the amount received or receivable net of VAT, cash discounts and rebates.

Mining products

Revenue from the sale of mining and related products is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

In some cases, where the terms of the executed sales agreement allow for an adjustment to the selling price based on a survey of the goods by the customer, recognition of the sales revenue is based on the most recently determined estimate of product specification.

Sales on FOB (free on board) and CIF (cost insurance freight) are recognised on the date of loading.

In the case of certain commodities the final selling price is determined a number of months after the concentrate is delivered. Revenue is measured at the best estimate of future prices and adjusted subsequently in revenue.

NOTES TO THE FINANCIAL STATEMENTS continued

Cost of sales

All costs directly related to the producing of products are included in cost of sales. Costs that cannot be directly linked are included separately or under other operating expenses. When inventories are sold, the carrying amount is recognised in cost of sales. Any write-down, losses or reversals of previous write-downs or losses are recognised in cost of sales.

Early settlement discounts and rebates

These are deducted from revenue and cost of inventories when applicable.

Reinsurance

Premiums are disclosed on a gross basis in other operating income. Claims are presented on a gross basis in receivables and payables. The Group cedes insurance risk in the normal course of business for the majority of its business.

Segment reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other operations, whose operating results are regularly reviewed by the entity's chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

A geographical segment is a group of products and services within a particular economic environment that is subject to risks and returns that are different from segments operating in other economic environments.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable the obligation will be required to be settled, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

Significant accounting judgements and estimates

The preparation of the financial statements requires management to make certain estimates. The principles used are the same as in previous years. When estimates are compared to actual and variances occur, the estimates are adjusted accordingly. Adjustments to estimates are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing changes in the above include, among others, revisions to estimated reserves, resources and life of operations, developments in technology, regulatory requirements and environmental management strategies, changes in estimated costs of anticipated activities, inflation rates, foreign exchange rates and movements in interest rates affecting the discount rate applied. For assumptions on certain specific estimates used, refer to individual notes. In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are described below. For revenue from contracts with customers significant estimates are Assay estimates and provisional pricing.

Assay estimates and provisional pricing

Revenue from Contracts with Customers contain significant accounting judgements and estimates, refer Revenue from Contracts with Customer's section.

Capitalised stripping costs

Waste removal costs (stripping costs) are incurred during the development and production phases at surface mining operations. Furthermore, during the production phase, stripping costs are incurred in the production of inventory as well as in the creation of future benefits by improving access and mining flexibility in respect of the ore to be mined, the latter being referred to as a "stripping activity asset". Judgement is required to distinguish between these two activities at each of the surface operations.

The ore bodies need to be identified in its various separately identifiable components for each of its surface mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Judgement is required to identify and define these components, and also to determine the expected volumes (tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments may vary between mines because the assessments are undertaken for each individual mine and are based on a combination of information available in the mine plans, specific characteristics of the ore body, the milestones relating to major capital investment decisions, and the type of minerals being mined.

Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and the stripping activity asset. The ratio of expected volume (tonnes) of waste to be stripped for an expected volume (tonnes) of ore to be mined for a specific component of the ore body, compared to the current period ratio of actual volume (tonnes) of waste to the volume (tonnes) of ore is considered to determine the most suitable production measure.

These judgements and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgements and estimates are also used to apply the units-of-production method in determining the depreciable lives of the stripping activity asset.

Mine rehabilitation provisions

Mine rehabilitation provisions are assessed annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceed the carrying value, that portion of the increase is charged directly to expense. For closed sites, changes to estimated costs are recognised immediately in the statement of profit or loss.

Other resources and reserves estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the mining properties. Ore reserves and mineral resource estimates are based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and require complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units-of-production depreciation

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units-of-production depreciation methodologies are available to choose from; the Group adopts a run-of-the-mine tonnes of ore produced methodology for mining costs and an ounces/pounds of metal produced methodology for post-mining costs. Changes are accounted for prospectively.

Impairment of assets

Each cash-generating unit is assessed annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future approved expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate, taking into account factors, including weighted average cost of capital and applicable risk factors, to determine the net present value.

Asset useful lives and residual values

These are assessed annually and may differ from previous years as many estimates and assumptions are used to determine the values. Estimates and assumptions are updated to improve the judgements made.

Share-based payments

Estimation of the fair value of share-based payments requires determining the most appropriate model, inputs such as the expected life of the option, volatility and dividend yields.

Definitions

Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits, as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. For cash flow purposes, overdrafts are deducted from cash and cash equivalents that are on the statement of financial position.

Cash restricted for use

Cash which is subject to restrictions on its use is stated separately at the carrying value in the notes.

Active market

This is normally a stock exchange where the public can purchase and sell shares on a regular basis and prices are determined by the market conditions.

Basic earnings per share

Basic earnings divided by the weighted average number of shares in issue.

Headline earnings per share

Headline earnings comprise earnings for the year, adjusted for profits/losses as a remeasurement in accordance with the requirements of Circular 4 of 2018 issued by SAICA. Adjustments against earnings take account of attributable taxation and non-controlling interests. The adjusted earnings figure is divided by the weighted average number of shares in issue to arrive at headline earnings per share.

Amortised cost

This is calculated using the effective interest method less any provision for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Fair value

Where an active market is available, it is used to represent fair value. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions with reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; or other valuation models.

Effective interest method

This method determines the rate that discounts the estimated future cash flow payments or receipts through the expected life of the financial liability or financial asset to the net carrying amount of the financial liability or asset.

Diluted earnings per share

Diluted earnings per share is arrived at by dividing earnings (as used in calculating basic earnings per share) by the weighted average number of ordinary shares, adjusted for any financial instruments or other contracts that may entitle the holder thereof to ordinary shares. Diluted headline earnings per share are calculated on the same basis as diluted earnings per share.

Cash generated from operations per share

Cash generated from operations divided by the weighted average number of shares in issue during the year.

Special items

These are items that are of a capital nature and not part of the operating activities and that qualify for adjustment to the calculation of headline earnings.

EBITDA before special items, income from associates and joint venture

This comprises basic earnings, to which is added back non-controlling interest, taxation, special items, income from associate, income from joint venture, finance cost, income from investments, amortisation and depreciation.

New standards issued but not yet effective

The following new standards and/or amendments have been issued but are only applicable for future periods.

Standard	Subject	Effective date
IAS 1	Presentation of Financial Statements – new definition	1 January 2020
IAS 8	Accounting Policies, changes in Accounting Estimates and Errors – new definition	1 January 2020
IAS 12	Income Taxes – clarification date	1 January 2019
IAS 19	Employee Benefits	1 January 2019
IAS 23	Borrowing Costs	1 January 2019
IFRS 3	Business Combinations – Amendment	1 January 2019
IFRS 3	Business Combinations – Amendment – Definition of a business	1 January 2020
IFRS 9	Financial Instruments – Classification and Measurement (Amendment)	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2022
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

New accounting standards, amendments issued to accounting standards, and interpretations which are relevant to ARM, but not yet effective on 30 June 2019, have not been adopted.

The Group does not intend early adopting any of the above amendments, standards or interpretations.

ARM continuously evaluates the impact of these standards and amendments, the most prominent being IFRS 16 Leases. All other standards and amendments are not expected to have any material impact. In summary, the following are the current expectations in relation IFRS 16.

IFRS 16 Leases

Under the new standard, an asset (the right to use the leased item) and a financial liability for lease payments are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases and embedded leases in service contracts.

The Group has opted to adopt the modified retrospective transition approach such that the cumulative effect of transition to IFRS 16 will be recognised in retained earnings and the comparative period will not be restated.

Management finalised the review of existing contracts in preparation for the standard's day one application.

The impact of IFRS 16 for F2020, based upon ARM's current contractual agreements, is estimated to be:

» A lease liability of not more than R100 million
» A right of use asset of not more than R100 million.

Depreciation of the right of use asset and the finance charge representing the unwinding of the discount on the lease liability will be recorded in the statement of profit or loss.

Apart from IFRS 16 discussed above, the adoption of the other standards is not currently expected to have a significant effect on the Group Financial Statements.

2. Primary segmental information

Business segments

For management purposes, the Group is organised into the following operating divisions, ARM Platinum (which includes platinum and nickel), ARM Ferrous, ARM Coal and ARM Corporate.

Machadodorp Works, Corporate and other and Gold are included in ARM Corporate.

Attributable	ARM Platinum Rm	ARM Ferrous[1] Rm	ARM Coal Rm	ARM Corporate Rm	Total Rm	IFRS Adjust-ment[2] Rm	Total per IFRS financial state-ments Rm
2.1 Year to 30 June 2019							
Sales	7 584	17 807	1 162	88	26 641	(17 807)	8 834
Cost of sales	(6 345)	(9 223)	(1 019)	(53)	(16 640)	9 191	(7 449)
Other operating income[3]	78	158	201	600	1 037	(63)	974
Other operating expenses[3]	(530)	(1 856)	(12)	(1 033)	(3 431)	1 856	(1 575)
Segment result	787	6 886	332	(398)	7 607	(6 823)	784
Income from investments	51	296	11	272	630	(296)	334
Finance cost	(87)	(38)	(167)	(55)	(347)	38	(309)
Profit from associate[4]	–	–	276	–	276	–	276
Loss from joint venture[5]	–	(506)	–	–	(506)	5 008	4 502
Special items before tax (refer note 29)	(1 344)	(180)	(1)	(146)	(1 671)	180	(1 491)
Taxation	(68)	(1 911)	(38)	(118)	(2 135)	1 893	(242)
(Loss)/profit after tax	(661)	4 547	413	(445)	3 854	–	3 854
Non-controlling interest	(297)	–	–	(3)	(300)	–	(300)
Consolidation adjustment[6]	–	(45)	–	45	–	–	–
Contribution to basic (losses)/earnings	(958)	4 502	413	(403)	3 554	–	3 554
Contribution to headline earnings/(losses)	112	4 960	411	(257)	5 226	–	5 226
Other information							
Segment assets, including investment in associate	8 444	22 268	4 962	7 108	42 782	(5 566)	37 216
Investment in associate			1 837		1 837		1 837
Investment in joint venture						16 702	16 702
Segment liabilities	2 411	2 422	1 319	2 156	8 308	(2 422)	5 886
Unallocated liabilities (tax and deferred tax)					4 771	(3 144)	1 627
Consolidated total liabilities					13 079	(5 566)	7 513
Cash inflow/(outflow) generated from operations	1 739	7 177	281	103	9 300	(7 177)	2 123
Cash inflow/(outflow) from operating activities	1 298	5 913	284	(2 023)	5 472	(2 598)	2 874
Cash (outflow)/inflow from investing activities	(713)	(2 053)	(214)	(344)	(3 324)	2 053	(1 271)
Cash (outflow)/inflow from financing activities	(237)	–	(63)	19	(281)	–	(281)
Capital expenditure	885	2 108	244	5	3 242	(2 108)	1 134
Amortisation and depreciation	524	1 037	163	5	1 729	(1 037)	692
Impairment before tax (refer notes 29 and 35)	1 344	528	3	146	2 021	(528)	1 493
EBITDA	1 311	7 923	495	(393)	9 336	(7 860)	1 476

There were no significant inter-company sales.

1 *Refer to ARM Ferrous segment note 2.3 and note 8 for more detail.*
2 *Includes IFRS 11 Joint Arrangements – adjustments related to ARM Ferrous.*
3 *The re-measurement of the ARM Coal loans amounts to R25 million loss, with no tax effect. The re-measurement of the Modikwa loans amounts to R12 million loss.*
4 *The re-measurement of the ARM Coal loans was a profit of R55 million, with no tax effect. Impairment reversal included in income from associate is R3 million before tax of R1 million.*
5 *Impairment loss included in income from joint venture is R528 million before tax of R6 million.*
6 *Relates to fees capitalised in ARM Ferrous and reversed upon consolidation.*

2. Primary segmental information continued

2.1 Year to 30 June 2018

Attributable	Continuing operations ARM Platinum[1] Rm	ARM Ferrous[2] Rm	ARM Coal Rm	ARM Corporate Rm	Total Rm	IFRS Adjust-ment[3] Rm	Total per IFRS financial state-ments total Rm	Dis-continued operation ARM Copper Rm
Sales	7 114	13 774	1 028	–	21 916	(13 774)	8 142	340
Cost of sales	(5 846)	(8 103)	(857)	37	(14 769)	8 073	(6 696)	(282)
Other operating income[4]	60	217	896	504	1 677	(150)	1 527	4
Other operating expenses	(284)	(1 249)	(7)	(972)	(2 512)	1 249	(1 263)	(70)
Segment result	1 044	4 639	1 060	(431)	6 312	(4 602)	1 710	(8)
Income from investments	34	299	10	133	476	(299)	177	–
Finance cost	(80)	(34)	(172)	(108)	(394)	34	(360)	(12)
Finance cost ZCCM: Shareholders' loan Vale/ARM joint operation[5]	–	–	–	–	–	–	–	(20)
Profit from associate[6]	–	–	619	–	619	–	619	–
Income from joint venture[7]	–	118	–	–	118	3 392	3 510	–
Special items before tax	(39)	(25)	(3)	–	(67)	25	(42)	(117)
Taxation	(287)	(1 460)	(45)	(231)	(2 023)	1 450	(573)	(62)
Profit/(loss) after tax	672	3 537	1 469	(637)	5 041	–	5 041	(219)
Non-controlling interest	(291)	–	–	(3)	(294)	–	(294)	34
Consolidation adjustment[8]	–	(27)	–	27	–	–	–	–
Contribution to basic earnings/(losses)	381	3 510	1 469	(613)	4 747	–	4 747	(185)
Contribution to headline earnings/(losses)	420	3 528	1 485	(613)	4 820	–	4 820	(6)
Other information								
Segment assets, including investment in associate	9 009	20 223	4 689	5 103	39 024	(4 719)	34 305	
Investment in associate			1 798		1 798		1 798	
Investment in joint venture						15 504	15 504	
Segment liabilities	1 880	1 883	1 453	1 878	7 094	(1 883)	5 211	
Unallocated liabilities (tax and deferred tax)					4 552	(2 836)	1 716	
Consolidated total liabilities					11 646	(4 719)	6 927	
Cash inflow/(outflow) generated from operations	1 593	4 880	305	109	6 887	(4 880)	2 007	(73)
Cash inflow/(outflow) from operating activities	1 120	3 789	309	(1 753)	3 465	(789)	2 676	(76)
Cash (outflow)/inflow from investing activities	(907)	(1 447)	(188)	573	(1 969)	1 447	(522)	141
Cash outflow from financing activities	(38)	–	(115)	(195)	(348)	–	(348)	(7)
Capital expenditure	802	1 474	140	2	2 418	(1 474)	944	46
Amortisation and depreciation	572	971	167	2	1 712	(971)	741	
Impairment before tax	39	26	19	–	84	(26)	58	
EBITDA	1 616	5 610	1 227	(429)	8 024	(5 573)	2 451	(8)

There were no significant inter-company sales.

1 F2018 was restated as a result of adopting IFRS 15 Revenue from Contracts with Customers (refer note 1).
2 Refer to ARM Ferrous segment note 2.3 and note 8 for more detail.
3 Includes IFRS 11 Joint Arrangements – adjustments related to ARM Ferrous.
4 The restructuring of the ARM Coal loans had an impact of R652 million profit, with no tax effect.
5 Inter-company interest of R127 million receivable by ARM Corporate and accrued by ARM Copper is presented in terms of IFRS 5.
6 The restructuring of the ARM Coal loans had an impact of R325 million profit, with no tax effect. Impairment loss included in income from associate is R19 million less tax of R5 million.
7 Impairment loss included in income from joint venture is R26 million before tax of R7 million.
8 Relates to capitalised fees in ARM Ferrous.

The ARM Platinum segment is analysed further into Two Rivers Platinum Mine, ARM Mining Consortium (which includes Modikwa Platinum Mine) and Nkomati Nickel Mine.

2. Primary segmental information continued

2.2 Year to 30 June 2019

Attributable	Nkomati Rm	Two Rivers Rm	Modikwa Rm	Platinum Total Rm
External sales	1 523	3 994	2 067	7 584
Cost of sales	(1 744)	(2 949)	(1 652)	(6 345)
Other operating income	10	20	48	78
Other operating expenses	(140)	(159)	(231)	(530)
Segment result	(351)	906	232	787
Income from investments	7	12	32	51
Finance cost	(14)	(70)	(3)	(87)
Special items before tax (refer notes 29 and 35)	(1 344)	–	–	(1 344)
Taxation	317	(251)	(134)	(68)
(Loss)/profit after tax	(1 385)	597	127	(661)
Non-controlling interest	–	(275)	(22)	(297)
Contribution to basic (losses)/earnings	(1 385)	322	105	(958)
Contribution to headline (losses)/earnings	(315)	322	105	112
Other information				
Segment and consolidated assets	520	5 168	2 756	8 444
Segment liabilities	511	1 465	435	2 411
Unallocated liabilities (tax and deferred tax)				715
Consolidated total liabilities				3 126
Cash (outflow)/inflow generated from operations	(89)	1 229	599	1 739
Cash (outflow)/inflow from operating activities	(86)	761	623	1 298
Cash outflow from investing activities	(146)	(436)	(131)	(713)
Cash outflow from financing activities	(7)	(66)	(164)	(237)
Capital expenditure	168	587	130	885
Amortisation and depreciation	110	319	95	524
Impairment before tax	1 344	–	–	1 344
EBITDA	(241)	1 225	327	1 311

2. Primary segmental information continued

2.2 Year to 30 June 2018

Attributable	Nkomati[1] Rm	Two Rivers Rm	Modikwa[1] Rm	Platinum Total[2] Rm
External sales	1 577	3 741	1 796	7 114
Cost of sales	(1 478)	(2 737)	(1 631)	(5 846)
Other operating income	7	22	31	60
Other operating expenses	(88)	(152)	(44)	(284)
Segment result	18	874	152	1 044
Income from investments	7	11	16	34
Finance cost	(14)	(63)	(3)	(80)
Special items before tax (refer notes 29 and 35)	1	–	(40)	(39)
Taxation	(2)	(239)	(46)	(287)
Profit after tax	10	583	79	672
Non-controlling interest	–	(277)	(14)	(291)
Contribution to basic earnings	10	306	65	381
Contribution to headline earnings	9	306	105	420
Other information				
Segment and consolidated assets	1 914	4 774	2 321	9 009
Segment liabilities	374	1 158	348	1 880
Unallocated liabilities (tax and deferred tax)				913
Consolidated total liabilities				2 793
Cash inflow generated from operations	269	1 175	149	1 593
Cash inflow from operating activities	271	688	161	1 120
Cash outflow from investing activities	(211)	(560)	(136)	(907)
Cash (outflow)/inflow from financing activities	(65)	27	–	(38)
Capital expenditure	214	455	133	802
Amortisation and depreciation	162	318	92	572
Impairment before tax	(1)	–	40	39
EBITDA	180	1 192	244	1 616

1 *Anglo American Platinum and ARM were in ongoing discussions to find a holistic solution to ensure the sustainability of Modikwa. On 16 July 2018, the partners agreed to temporarily amend the terms of the existing Sale of Concentrate agreement, to improve the cash flow generation of the mine while a turnaround and operational improvement plan is implemented. The negotiations became unconditional in F2018.*
As a result, the financial results for the year ended 30 June 2018 include an adjustment for an 18 month period. 1 January 2017 to 30 June 2018.

2 *F2018 was restated as a result of adopting IFRS 15 Revenue from Contracts with Customers (refer note 1).*

2. Primary segmental information
continued

2.3 Analysis of the ARM Ferrous segment on a 100% basis

	Iron ore division Rm	Manganese division Rm	Chrome division Rm	ARM Ferrous total Rm	ARM share Rm	IFRS adjust-ment[1] Rm	Total per IFRS financial state-ments Rm
Year to 30 June 2019							
Sales	20 827	14 786	–	35 613	17 807	(17 807)	–
Cost of sales	(10 151)	(8 295)	1	(18 445)	(9 223)	9 223	–
Other operating income	750	544	5	1 299	158	(158)	–
Other operating expense	(2 599)	(2 083)	(11)	(4 693)	(1 856)	1 856	–
Segment result	8 827	4 952	(5)	13 774	6 886	(6 886)	–
Income from investments	583	31	–	614	296	(296)	–
Finance cost	(44)	(52)	–	(96)	(38)	38	–
Loss from joint venture	–	(1 012)	–	(1 012)	(506)	506	–
Special items before tax (refer note 29)	(2)	(358)	–	(360)	(180)	180	–
Taxation	(2 569)	(1 254)	–	(3 823)	(1 911)	1 911	–
Profit/(loss) after tax	6 795	2 307	(5)	9 097	4 547	(4 547)	–
Consolidation adjustment					(45)	45	–
Contribution to basic earnings and total comprehensive income	6 795	2 307	(5)	9 097	4 457	45	4 502
Contribution to headline earnings	6 795	3 221	(5)	10 011	5 005	(45)	4 960
Other information							
Consolidated total assets	24 113	21 793	–	45 906	22 268	(5 566)	16 702
Consolidated total liabilities	6 865	4 672	–	11 537	2 422	(2 422)	–
Capital expenditure	2 097	2 310	–	4 407	2 108	(2 108)	–
Amortisation and depreciation	1 457	681	–	2 138	1 037	(1 037)	–
Cash inflow from operating activities	2 856[2]	5 654	–	8 510	5 913	(5 913)	–
Cash outflow from investing activities	(2 040)	(2 065)	–	(4 105)	(2 053)	2 053	–
EBITDA	10 284	5 633	(5)	15 912	7 923	(7 923)	
Additional information for ARM Ferrous at 100%							
Non-current assets							
Property, plant and equipment				24 823		(24 823)	–
Investment in joint venture				1 412		(1 412)	–
Other non-current assets				919		(919)	–
Current assets							
Inventories				4 961		(4 961)	–
Trade and other receivables				7 473		(7 473)	–
Financial assets				188		(188)	–
Cash and cash equivalents				6 105		(6 105)	–
Non-current liabilities							
Other non-current liabilities				7 522		(7 522)	–
Current liabilities							
Trade and other payables				2 664		(2 664)	–
Short-term provisions				983		(983)	–
Taxation				308		(308)	–

1 *Includes consolidation and IFRS 11 Joint Arrangements – adjustments.*
2 *Dividend paid amounting to R3.3 billion included in cash flows from operating activities.*

Refer note 2.1 and note 8 for more detail on the ARM Ferrous segment.

2. Primary segmental information
continued

2.3 Analysis of the ARM Ferrous segment on a 100% basis continued

	Iron ore division Rm	Manganese division Rm	Chrome division Rm	ARM Ferrous total Rm	ARM share Rm	IFRS adjust-ment[1] Rm	Total per IFRS financial state-ments Rm
Year to 30 June 2018							
Sales	14 534	12 833	180	27 547	13 774	(13 774)	–
Cost of sales	(9 143)	(6 747)	(316)	(16 206)	(8 103)	8 103	–
Other operating income	692	664	–	1 356	217	(217)	–
Other operating expense	(1 853)	(1 645)	78	(3 420)	(1 249)	1 249	–
Segment result	4 230	5 105	(58)	9 277	4 639	(4 639)	–
Income from investments	578	21	–	599	299	(299)	–
Finance cost	(34)	(34)	–	(68)	(34)	34	–
Loss from joint venture	–	236	–	236	118	(118)	–
Special items before tax (refer note 29)	–	(50)	–	(50)	(25)	25	–
Taxation	(1 431)	(1 506)	16	(2 921)	(1 460)	1 460	–
Profit/(loss) after tax	3 343	3 772	(42)	7 073	3 537	(3 537)	–
Consolidation adjustment				–	(27)	27	–
Contribution to basic earnings and total comprehensive income	3 343	3 772	(42)	7 073	3 537	(27)	3 510
Contribution to headline earnings	3 343	3 808	(42)	7 109	3 555	(27)	3 528
Other information							
Consolidated total assets	23 149	17 992	524	41 665	20 223	(4 719)	15 504
Consolidated total liabilities	6 165	3 190	426	9 781	1 883	(1 883)	–
Capital expenditure	1 780	1 285	16	3 081	1 474	(1 474)	–
Amortisation and depreciation	1 401	594	8	2 003	971	(971)	–
Cash inflow from operating activities	1 522[2]	3 001	55	4 578	3 789	(3 789)	–
Cash outflow from investing activities	(1 725)	(1 153)	(15)	(2 893)	(1 447)	1 447	–
EBITDA	5 631	5 699	(50)	11 280	5 610	(5 610)	–
Additional information for ARM Ferrous at 100%							
Non-current assets							
Property, plant and equipment				22 712		(22 712)	–
Investment in joint venture				3 011		(3 011)	–
Other non-current assets				786		(786)	–
Current assets							
Inventories				4 392		(4 392)	–
Trade and other receivables				5 522		(5 522)	–
Financial assets				228		(228)	–
Cash and cash equivalents				5 014		(5 014)	–
Non-current liabilities							
Other non-current liabilities				6 796		(6 796)	–
Current liabilities							
Trade and other payables				1 819		(1 819)	–
Short-term provisions				961		(961)	–
Taxation				206		(206)	–

1 *Includes consolidation and IFRS 11 Joint Arrangements – adjustments.*
2 *Dividend paid amounting to R3 billion included in cash flows from operating activities.*

Refer note 2.1 and note 8 for more detail on the ARM Ferrous segment.

2. Primary segmental information continued

2.4 Additional information

ARM Corporate as presented in the table on pages 52 and 53 is analysed further into Corporate and other, Machadodorp and Gold segments.

	Machadodorp Works[1] Rm	Corporate and other[2] Rm	Gold Rm	F2019 Total ARM Corporate Rm
Year to 30 June 2019				
Sales	88	–		88
Cost of sales	(103)	50		(53)
Other operating income	1	599		600
Other operating expenses	(39)	(994)		(1 033)
Segment result	(53)	(345)		(398)
Loss from investments	–	272		272
Finance costs	(6)	(49)		(55)
Special item (refer notes 29 and 37)	(146)	–		(146)
Taxation	23	(141)		(118)
Loss after tax	(182)	(263)		(445)
Non-controlling interest	–	(3)		(3)
Consolidation adjustments[3]	–	45		45
Contribution to basic (losses)/earnings	(182)	(221)		(403)
Contribution to headline (losses)/earnings	(36)	(221)		(257)
Other information				
Segment and consolidated assets	208	4 530	2 370	7 108
Segment liabilities	268	1 888		2 156
Cash inflow/(outflow) from operating activities	5	(2 028)		(2 023)
Cash outflow from investing activities	–	(344)		(344)
Cash inflow from financing activities	–	19		19
Capital expenditure	–	5		5
Amortisation and depreciation	2	3		5
Impairment before tax	146	–		146
EBITDA	(51)	(342)		(393)

1 *Refer note 37 for the detail of the acquisition of Machadodorp Works.*
2 *Includes a re-measurement loss on the loans to Modikwa and ARM Coal of R40 million (F2018: Nil).*
3 *Relates to fees capitalised in ARM Ferrous and reversed on consolidation.*

2. Primary segmental information continued

2.4 Additional information continued

Year to 30 June 2018	Corporate and other[1] Rm	Gold Rm	F2018 Total ARM Corporate Rm
Cost of sales	37		37
Other operating income	504		504
Other operating expenses	(972)		(972)
Segment result	(431)		(431)
Income from investments	111	22	133
Finance costs[2]	(108)		(108)
Taxation	(231)		(231)
(Loss)/profit after tax	(659)	22	(637)
Non-controlling interest	(3)		(3)
Consolidation adjustment[3]	27		27
Contribution to (losses)/basic earnings	(635)	22	(613)
Contribution to (losses)/headline earnings	(635)	22	(613)
Other information			
Segment and consolidated assets	3 752	1 351	5 103
Segment liabilities	1 878		1 878
Cash outflow from operating activities	(1 753)		(1 753)
Cash inflow from investing activities	551	22	573
Cash outflow from financing activities	(195)		(195)
Capital expenditure	2		2
Amortisation and depreciation	2		2
EBITDA	(429)		(429)

1 Corporate, other companies and consolidation adjustments.
2 Inter-company interest of R127 million receivable by ARM Corporate and accrued by ARM Copper re-presented in terms of IFRS 5.
3 Relates to fees capitalised in ARM Ferrous and reversed on consolidation.

2. Primary segmental information continued

2.5 Geographical segments

The Group operates principally in South Africa; however, the Vale/ARM joint operation operated principally in Zambia and Sakura operates in Malaysia. The Lubambe operation was sold in F2018.

	F2019 Rm	F2018 Rm
Assets by geographical area in which the assets are located are as follows:		
– South Africa	**34 257**	27 154
– Europe	**446**	1 016
– Americas	**–**	149
– Far and Middle East	**2 441**	5 952
– Other	**72**	34
	37 216	34 305
Sales by geographical area:		
– South Africa	**7 499**	6 881
– Europe	**1 335**	1 460
– Far and Middle East	**–**	5
	8 834	8 346
Sales to major customers:		
The only segment that is affected by the requirement to show this analysis is the platinum segment and the breakdown is as follows:		
Rustenburg Platinum Mines Limited	**2 067**	1 796
Impala Platinum Limited	**3 994**	3 883
Capital expenditure		
– South Africa	**1 134**	944
– Rest of Africa – discontinued operation Lubambe	**–**	46
	1 134	990

3. Property, plant and equipment

	Mine development and decom-missioning assets Rm	Plant and machinery Rm	Land and buildings Rm	Mineral rights Rm	Mine properties Rm	Furniture equipment and vehicles Rm	Finance leases Rm	Total property, plant and equipment Rm
GROUP								
Cost								
Balance at 30 June 2017	6 647	4 819	659	2 431	369	935	353	16 213
Additions	622	135	21	–	–	102	64	944
Change in estimates[1]	(163)	147	(43)	–	–	5	–	(54)
Derecognition	(1)	–	1	–	–	(19)	–	(19)
Disposals	(64)	(36)	–	–	–	(77)	(21)	(198)
Balance at 30 June 2018	**7 041**	**5 065**	**638**	**2 431**	**369**	**946**	**396**	**16 886**
Additions	**745**	**200**	**3**	**–**	**–**	**78**	**108**	**1 134**
Acquisition of Machadodorp Works	**–**	**8**	**1**	**–**	**33**	**–**	**–**	**42**
Change in estimates[1]	**(2)**	**–**	**6**	**–**	**–**	**–**	**–**	**4**
Reclassifications	**(71)**	**32**	**–**	**–**	**–**	**45**	**–**	**6**
Derecognition	**–**	**–**	**–**	**–**	**–**	**(6)**	**(44)**	**(50)**
Disposals	**(4)**	**(14)**	**–**	**–**	**–**	**(34)**	**–**	**(52)**
Balance at 30 June 2019	**7 709**	**5 291**	**648**	**2 431**	**402**	**1 029**	**460**	**17 970**
Accumulated amortisation, depreciation and impairment								
Balance at 30 June 2017	3 833	2 081	185	1 412	4	633	264	8 412
Charge for the year	239	258	59	48	–	88	39	731
Derecognition	–	(1)	–	–	–	(18)	–	(19)
Disposals	(62)	(34)	–	–	–	(77)	(21)	(194)
Impairment (refer note 35)	–	–	–	40	–	–	–	40
Balance at 30 June 2018	**4 010**	**2 304**	**244**	**1 500**	**4**	**626**	**282**	**8 970**
Charge for the year	**232**	**206**	**38**	**67**	**–**	**91**	**52**	**686**
Reclassifications	**–**	**7**	**–**	**–**	**–**	**–**	**–**	**7**
Derecognition	**–**	**–**	**–**	**–**	**–**	**(6)**	**(44)**	**(50)**
Disposals	**(4)**	**(12)**	**–**	**–**	**–**	**(33)**	**–**	**(49)**
Impairment (refer note 35)	**678**	**588**	**63**	**–**	**–**	**4**	**11**	**1 344**
Balance at 30 June 2019	**4 916**	**3 093**	**345**	**1 567**	**4**	**682**	**301**	**10 908**
Carrying value at 30 June 2018	3 031	2 761	394	931	365	320	114	7 916
Carrying value at 30 June 2019	**2 793**	**2 198**	**303**	**864**	**398**	**347**	**159**	**7 062**

1 *Change in estimates relates to the fair value adjustment made on the variable consideration payable by Two Rivers to Dwarsrivier.*

3. Property, plant and equipment continued

Tamboti

In F2018, the mineral rights held in Tamboti Platinum Proprietary Limited were sold to Two Rivers. The net effect was a R99 million increase in the non-controlling interest of the Group (refer statement of changes in equity group). This increased the ARM shareholding in Two Rivers from 51% to 54%.

Borrowing costs

No borrowing costs were capitalised for the year to 30 June 2019 (F2018: nil).

Pre-stripping costs

No pre-stripping cost assets were included under mine development and decommissioning assets (F2018: R245 million).

Pledged assets

The carrying value of assets pledged as security for loans amounts to R5.1 billion (F2018: R4.8 billion). Refer to note 15 for security granted in respect of loans to Two Rivers and ARM Coal. The carrying value of plant and machinery held under finance leases at year-end was R158 million (F2018: R114 million).

Leased assets are pledged as security for the related finance lease.

Registers containing details of mineral and mining rights and land and buildings are available for inspection during business hours at the registered addresses of the respective Company or associated entities by members or their duly authorised agents.

3. Property, plant and equipment continued

	Mine development and decom-missioning assets Rm	Plant and machinery Rm	Land and buildings Rm	Mine properties Rm	Mineral rights Rm	Furniture equipment and vehicles Rm	Finance leases Rm	Total property, plant and equipment Rm
COMPANY								
Cost								
Balance at 30 June 2017	3 392	2 476	204	–	574	263	62	6 971
Additions	259	90		–	–	8	–	357
Derecognition	(1)	–	1	–	–	(19)	–	(19)
Disposals	(1)	(19)	–	–	–	(3)	–	(23)
Balance at 30 June 2018	**3 649**	**2 547**	**205**	**–**	**574**	**249**	**62**	**7 286**
Additions	**305**	**102**	**3**	**–**	**–**	**7**	**–**	**417**
Acquisition of Machadodorp Works	**–**	**8**	**1**	**33**	**–**	**–**	**–**	**42**
Reclassifications	**–**	**6**	**–**	**–**	**–**	**–**	**–**	**6**
Derecognition	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Disposals	**(4)**	**(13)**	**–**	**–**	**–**	**(5)**	**–**	**(22)**
Balance at 30 June 2019	**3 950**	**2 650**	**208**	**33**	**574**	**251**	**62**	**7 728**
Accumulated amortisation, depreciation and impairment								
Balance at 30 June 2017	2 232	1 194	59	–	172	130	39	3 826
Charge for the year	91	188	10	–	14	11	7	321
Derecognition	–	(1)	–	–	–	(18)	–	(19)
Disposals	–	(17)	–	–	–	(3)	–	(20)
Balance at 30 June 2018	**2 323**	**1 364**	**69**	**–**	**186**	**120**	**46**	**4 108**
Charge for the year	**84**	**154**	**7**	**–**	**16**	**6**	**5**	**272**
Disposals	**(4)**	**(11)**	**–**	**–**	**–**	**(5)**	**–**	**(20)**
Reclassifications	**–**	**7**	**–**	**–**	**–**		**–**	**7**
Derecognition	**–**	**(1)**	**–**	**–**	**–**		**–**	**(1)**
Impairment (refer note 35)	**678**	**588**	**63**	**–**	**–**	**4**	**11**	**1 344**
Balance at 30 June 2019	**3 081**	**2 101**	**139**	**–**	**202**	**125**	**62**	**5 710**
Carrying value at 30 June 2018	1 326	1 183	136	–	388	129	16	3 178
Carrying value at 30 June 2019	**869**	**549**	**69**	**33**	**372**	**126**	**–**	**2 018**

Borrowing costs

No borrowing costs were capitalised for the year to 30 June 2019 (F2018: nil).

Pre-stripping costs

The pre-stripping cost asset included under mine development and decommissioning assets amounts to nil (F2018: R245 million).

Pledged assets

The carrying value of assets pledged as security for loans amounts to R4.9 billion (F2018: R4.7 billion). Refer to note 15 for security granted in respect of loans to ARM Coal. The carrying value of plant and machinery held under finance leases at year-end was nil (F2018: R18 million).

Registers containing details of mineral and mining rights and land and buildings are available for inspection during business hours at the registered addresses of the respective Company or associated entities by members or their duly authorised agents.

4. Intangible assets

	Group			Company
	Total Rm	Other Rm	RBCT entitlement Rm	RBCT entitlement Rm
Cost				
Balance at 30 June 2017	225	1	224	224
Balance at 30 June 2018	225	1	224	224
Balance 30 June 2019	**225**	**1**	**224**	**224**
Accumulated amortisation				
Balance at 30 June 2017	95	1	94	94
Charge for the year	10	–	10	10
Balance at 30 June 2018	105	1	104	104
Charge for the year	6	–	6	6
Balance at 30 June 2019	**111**	**1**	**110**	**110**
Carrying value at 30 June 2018	120	–	120	120
Carrying value at 30 June 2019	**114**	**–**	**114**	**114**

Finite life intangible assets which are amortised comprise of the RBCT entitlement held by the Glencore Operations South Africa Proprietary Limited of R114 million (F2018: R120 million).

There are no indefinite life intangible assets. The export rights relating to the investment in RBCT are amortised on a units-of-export-sales method. The remaining amortisation period of the RBCT entitlement is limited to 16 years (F2018: 17 years).

5. Loans and long-term receivables

	Group		Company	
	F2019 Rm	F2018 Rm	F2019 Rm	F2018 Rm
Long-term receivables	**283**	462	**772**	1 171
Total	**283**	462	**772**	1 171
Long-term receivables held are as follows:				
ARM Platinum (Modikwa)	**–**	17	**–**	–
ARM Coal	**59**	58	**59**	58
Glencore South Africa	**224**	387	**224**	387
Loan to PCB from ARM	**–**	–	**489**	726
	283	462	**772**	1 171

ARM Platinum (Modikwa) is a loan due by the communities (non-controlling interest) around the Modikwa Mine and will be repaid as and when a dividend is declared from ARM Mining Consortium. This loan was impaired during F2019.

The ARM Coal loan relates to a loan to RBCT for the construction of the phase V expansion of RBCT (refer note 15).

The Glencore loan represents balances between GOSA and ARM Coal.

6. Other non-current asset

	Group		Company	
	F2019 Rm	F2018 Rm	F2019 Rm	F2018 Rm
Insurance reimbursement	**–**	–	**319**	–
	–	–	**319**	–

The insurance reimbursement relates to the silicosis and tuberculosis class action (refer note 17).

7. Investment in associate

	Group		Company	
	F2019 Rm	F2018 Rm	F2019 Rm	F2018 Rm
Through ARM's 51% investment in ARM Coal, the Group holds a 10.2% investment in the Participative Coal Business of GOSA.				
Opening balance	**1 197**	1 140	**409**	409
Original investment (10.2%)	**400**	400	**400**	400
Additional investment (ATCOM and ATC collieries)	**9**	9	**9**	9
Additional investment	**784**	784	**–**	–
Accumulated profit/(loss)	**159**	(53)	**–**	–
Re-measurement of loans	**(155)**	–	**–**	–
Total profit for the current year	**124**	212	**–**	–
Profit for the current year	**107**	127	**–**	–
F2019 re-measurement/F2018 fair value gains on loans (refer note 26)	**17**	85	**–**	–
Loan movements/restructuring allocation	**(237)**	(155)	**–**	–
Closing balance	**1 084**	1 197	**409**	409
ARM invested directly in 10% of the Participative Coal Business of GOSA on 1 September 2007.				
Opening balance	**739**	332	**432**	432
Original investment	**400**	400	**400**	400
Additional investment (ATCOM and ATC collieries)	**32**	32	**32**	32
Accumulated profit/(loss)	**307**	(100)	**–**	–
Total profit for the current year	**152**	407	**–**	–
Profit for the current year	**114**	167	**–**	–
F2019 re-measurement/F2018 fair value gains on loans (refer note 26)	**38**	240	**–**	–
Closing balance	**891**	739	**432**	432
Less: dividend received prior years	**(138)**	(138)	**–**	–
Total investment	**1 837**	1 798	**841**	841
Total profit for the year	**276**	619		
PCB at 100%				
Sales	**12 895**	13 695		
Statement of financial position				
Non-current assets	**25 050**	24 205		
Current assets	**3 697**	3 394		
Total assets	**28 747**	27 599		
Less:				
Non-current liabilities	**(18 180)**	(17 606)		
Current liabilities	**(1 473)**	(1 092)		
Net assets	**9 094**	8 901		

	Group		Company	
	F2019 Rm	F2018 Rm	**F2019 Rm**	F2018 Rm
8. Investment in joint venture				
The investment relates to ARM Ferrous and consists of Assmang as a joint venture which includes iron ore, manganese and chrome operations. (Until the disposal of Machadodorp Works) (refer note 37)				
Opening balance	**15 504**	14 860	**259**	259
Net income for the period[1]	**4 502**	3 510	**–**	–
Income for the period	**4 547**	3 537	**–**	–
Consolidation adjustment	**(45)**	(27)	**–**	–
Foreign currency translation reserve	**11**	134	**–**	–
Less: cash dividend received for the period	**(3 315)**	(3 000)		
Closing balance	**16 702**	15 504	**259**	259

1 *Includes expected credit losses recorded of R123 million less tax of R16 million and profit on sale of Machadodorp Works of R91 million less tax of R26 million.*

Refer to notes 2.1 and 2.3 for more detail on the ARM Ferrous segment.

The expected credit losses for Assmang is affected with an increased risk factor associated with Sakura. The credit loss was calculated for Sakura based on the cash flows from the impairment model. A 25% credit loss was used for loans and 10% for guarantees.

The following methods were used:

Category	Type of credit loss model used	Sufficient internal data history
Inter-group loans Associate Companies – Private group	Moody's Analytics "RiskCalc" SA financial statement model and data and judgemental assessment.	Not applicable
Loans to non-listed entities – instalment sale book	Analytical review of loan book history.	Yes
Entities not covered by models	Where there is insufficient data or models to cover an asset type, expert judgement is used by mapping these to similar type assets and then by applying a suitable adjustment.	No
Trade receivables	Analysis of empirical evidence of historical defaults and losses. Material and concentrated exposures were assessed separately using ratings.	No

Trade receivables

Basis of valuation

Trade receivable expected credit losses were measured on the simplified method.

Methodology

Data used:

Credit policies that include a description of the different categories of debtors and a basis of establishing their risk and historic proportion of total sales each category of debtor contributes.

Segmentation

The debtors book was segmented into groups of customers that are considered to exhibit similar credit risks and behaviour.

Where a segment has an insufficient number of customers, observable default history or is not material, a judgemental overlay was applied. All inter-company balances in the debtors book were excluded as they have different behaviours.

Respective default rates were derived for separate currencies in the debtors book.

8. Investment in joint venture continued

The following segments were identified:

Segment	Approach	% of sales
Open account	Rating of debtors	54.04%
Letters of credit	Judgemental assessment – extremely low risk	37.07%
Pre-payments, cash against documents and standby letters of credit	Judgemental assessment – extremely low risk	3.31%
Insured book	Judgemental based on insurance terms	5.58%

Conversion of historic probability default and loss given default into forward-looking expected credit losses

The primary driver of credit risk for the customers of Assmang is driven by commodity prices. This means that macro-economic variables that would be applied to most companies' receivables books are not relevant. Credit ratings are forward-looking and place a significant emphasis on the impact of future commodity prices. Due to the nature of the book, any further adjustment would be insignificant.

Instalment sale debtors

Basis of valuation

An analytical review was performed on the loan portfolio and its historical payment patterns, bad debts and recoveries.

Methodology

The analytical review based on the payment history of the entire loan book since inception. The historical default and loss rates were compared to the home loan portfolios of a listed bank in South Africa and were adjusted to reflect an element of market data.

No specific conversion to forward-looking losses has been performed.

Guarantees

Basis of valuation

A guarantee has been issued by Assmang (Pty) Ltd in favour of the associate Sakura to its bankers during the period of review. A subjective assessment has been performed but due to the likelihood of implied support to prevent a liability occurring, a different probability default has been assumed.

9. Other investments

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
Listed investment[1]				
Harmony				
Opening balance	**1 351**	1 380	**1 351**	1 380
Additional purchase of 11 032 623 shares	**211**	–	**211**	–
Financial instruments at fair value through other comprehensive income	**808**	(29)	**808**	(29)
	2 370	1 351	**2 370**	1 351
Preference shares	**1**	1	**–**	–
Total – listed investments classified as fair value through other comprehensive income	**2 371**	1 352	**2 370**	1 351
Market value of listed investments	**2 371**	1 352	**2 370**	1 351
Other investments				
Guardrisk	**26**	33	**26**	33
RBCT	**251**	176	**251**	176
Loans (refer page 113)[2]	**–**	–	**1 147**	1 026
Subsidiaries unlisted				
Cost of investments in subsidiaries (refer page 111)	**–**	–	**1 476**	1 565
Loans owing by subsidiaries (refer page 111)[3]	**–**	–	**1 409**	1 622
Total subsidiaries	**–**	–	**2 885**	3 187
Total unlisted investments	**277**	209	**4 309**	4 422
Total carrying amount investments	**2 648**	1 561	**6 679**	5 773

On 17 July 2018, ARM subscribed to 11 032 623 shares in Harmony at a total cost of R211 million (i.e. R19.12 per share).

ARM Treasury Investments Proprietary Limited holds R1 million (F2018: R1 million) listed preference shares.

The market value of the listed investment are determined by reference to the market share price at 30 June 2019 and 30 June 2018.

Certain listed shares have been pledged as security for the ARM corporate loan which at 30 June 2019 was nil (F2018: nil) (refer note 15). The book value of the pledged shares amounts to R1 397 million (F2018: R934 million).

AFS A report on investments appears on pages 111 to 113.

1 Harmony Gold 74 665 545 shares at R 31.74 per share at 30 June 2019 (30 June 2018: 63 632 922 shares at R21.22 per share).

2 Unlisted investments subject to adjustment–Investment in Richards Bay Coal Terminal (RBCT).
This investment is held by ARM Coal which is a jointly-controlled operation of ARM and Glencore Operations South Africa Proprietary Limited (GOSA), and hence ARM's share of the investment is recognised in the ARM company financial statements. Up until 30 June 2018, this investment was carried at cost. For F2019, the fair value of this investment was determined by calculating the present value of the future wharfage cost savings by being a shareholder in RBCT as opposed to the wharfage payable by non-shareholders. The cumulative fair value adjustment is R55 million after tax of which R52 million after tax relates to prior periods (adjusted against retained earnings) and R3 million relates to F2019. The current financial year's fair value adjustment is accounted for through profit or loss. This is a level 3 valuation in terms of IFRS 7 and 13. The fair value is most sensitive to wharfage cost. The current RBCT valuation is based on a wharfage cost differential of R44/tonne. If increased by 10% this would result in a R25 million increase in the valuation on the RBCT investment. If decreased by 10% this would result in a R25 million decrease in the valuation on the RBCT investment. The valuation is calculated based on the duration of the RBCT lease agreement with Transnet SOC Limited to 31 December 2038, including renewal options, using a pre-tax discount rate of 20.9%.

3 These loans are interest-free with no fixed terms of repayment except for
(i) The loan to Venture Building Trust of R14 million (F2018: R17 million) bears interest at 2% below the prime bank overdraft rate, which is currently 10.25% (F2018: 10%) pa.
(ii) ARM Trust of R1 147 million (F2018: R1 026 million) which currently bears interest at LIBOR plus 4.25% (F2018: LIBOR plus 4.25%) The maturity date of the ARM Trust loan was 31 December 2019. Subsequent to year-end, this was extended to 31 December 2022. The other terms and conditions remain unchanged.
(iii) An interest free non-current liability owed by ARM Mining Consortium Ltd to Rustenburg Platinum Mines Ltd (Anglo American Platinum Ltd) was impacted by IFRS 9, resulting in a cumulative net fair value gain of R13 million, of which R25 million fair value gain relates to prior periods (fair value gain recorded against retained earnings), and R12 million loss recorded in the statement of profit or loss, refer note 26 for Company impact.

	Group		Company	
	F2019 Rm	F2018 Rm	**F2019 Rm**	F2018 Rm
10. Inventories				
Consumable stores	**290**	307	**173**	191
Finished goods	**204**	134	**132**	93
Ore stockpiles	**107**	99	**8**	5
Work-in-progress	**75**	51	**75**	51
	676	591	**388**	340
Stockpile quantities are determined using assumptions such as densities and grades which are based on studies, historical data and industry norms.				
Value of inventories carried at net realisable value is R72 million (F2018: R nil).				
Inventories to the value of R102 million (F2018: R84 million) have been pledged as security for loans in ARM Coal (refer note 15).				
11. Trade and other receivables				
Other receivables	**353**	314	**208**	144
Related parties (refer note 44)	**2 030**	1 890	**97**	134
Trade receivables	**360**	153	**364**	147
	2 743	2 357	**669**	425
Trade and other receivables are non-interest-bearing and are generally on 30 – 90 day payment terms.				
The carrying amount of trade and other receivables approximate their fair value.				
Payment terms which vary from the norm are: – PGMs which are paid approximately four months after delivery – 20% of nickel delivered which is paid approximately five months after delivery				
Debtors analysis				
Outstanding on normal cycle terms	**2 609**	2 354	**535**	423
Outstanding longer than 30 days outside normal cycle	**–**	–	**–**	–
Outstanding longer than 60 days outside normal cycle	**–**	–	**–**	–
Outstanding longer than 90 days outside normal cycle	**–**	1	**–**	–
Outstanding longer than 120 days outside normal cycle[1]	**168**	2	**168**	2
Less: provisions	**(34)**	–	**(34)**	–
Total	**2 743**	2 357	**669**	425

1 No expected credit losses have been raised in F2019 on debtors outstanding longer than 120 days (F2018: nil), the balance is considered recoverable.

	Group		Company	
	F2019 Rm	F2018 Rm	**F2019 Rm**	F2018 Rm
12. Cash and cash equivalents				
Cash at bank and on deposit	**3 397**	2 160	**2 573**	1 736
Restricted cash	**1 235**	1 131	**214**	196
Cash and cash equivalents per statement of financial position	**4 632**	3 291	**2 787**	1 932
Less: overdrafts (refer note 20)	**(393)**	(381)	**(36)**	(45)
Cash and cash equivalents per statement of cash flows	**4 239**	2 910	**2 751**	1 887
The cash is held as follows per statement of financial position:				
Total	**4 632**	3 291	**2 787**	1 932
Total unrestricted	**3 397**	2 160	**2 573**	1 736
– African Rainbow Minerals Limited	**2 562**	1 634	**2 562**	1 634
– ARM Trust	**1**	1	**–**	–
– ARM Finance Company SA	**236**	228	**–**	–
– ARM Platinum Proprietary Limited	**519**	123	**–**	–
– ARM Treasury Investments Proprietary Limited	**40**	39	**–**	–
– Nkomati	**–**	88	**–**	88
– Two Rivers Platinum Proprietary Limited	**11**	14	**–**	–
– Other non-restricted cash	**28**	33	**11**	14
Total restricted	**1 235**	1 131	**214**	196
– Mannequin Captive Cell (Cell AVL 18)	**891**	819	**–**	–
– Rehabilitation trust funds (refer note 22)[1]	**191**	178	**150**	141
– Other restricted cash[1]	**153**	134	**64**	55
Cash at bank and on deposit earns interest at floating rates based on daily bank deposit rates.				
13. Share capital				
Authorised				
500 000 000 (F2018: 500 000 000)	**25**	25	**25**	25
	25	25	**25**	25
Issued				
Opening balance	**11**	11	**11**	11
2 299 197 (F2018: 1 006 670) additional shares issued[2]	**–**	–	**–**	–
222 008 324 (F2018: 219 709 127); (F2017: 218 702 457)	**11**	11	**11**	11
Share premium	**4 700**	4 398	**4 700**	4 398
– Balance at beginning of the year	**4 398**	4 279	**4 398**	4 279
– Premium on bonus and performance shares issued to employees	**302**	119	**302**	119
Total issued share capital and share premium	**4 711**	4 409	**4 711**	4 409

1 *Restricted cash i.r.o. group includes:*
– The ARM Trust of R20 million (F2018: R24 million).
– Guarantees issued by ARM Coal to DMR amounting to R76 million (F2018: R70 million).
– Guarantees issued by Two Rivers to DMR, Eskom and BP Oil amounting to R27 million (F2018: R25 million).
– Guarantees issued by Nkomati to DMR and Eskom amounting to R91 million (F2018: R76 million).
– Guarantees issued by Modikwa to DMR and Eskom amounting to R104 million (F2018: R90 million).
2 *The movement in issued shares was less than R1 million.*

	Group		Company	
	F2019 Rm	F2018 Rm	F2019 Rm	F2018 Rm
14. Treasury shares				
The restructuring of the ARM Trust in F2016 resulted in ARM effectively controlling 28 614 740 ARM shares (refer note 31).				
The carrying value of these treasury shares are as follows:				
– 12 717 328 shares at R51.19 bought from the ARM Trust by Opilac Proprietary Limited	**651**	651		
– 15 897 412 shares at R110.31 held in the ARM Trust	**1 754**	1 754		
	2 405	2 405	**–**	–
15. Long-term borrowings				
Secured				
ARM Corporate – loan facility	**–**	–	**–**	–
ARM Corporate Revolving Credit Facility for an amount of R2 250 million was entered into during September 2018. This facility is available until September 2021. The interest rate has a JIBAR base with an additional margin between 2.20% and 2.45% depending on utilisation of the facility. At 30 June 2019 and 30 June 2018, this facility and the previous facility were unutilised. This loan had been secured by a pledge of shares (refer note 9).				
ARM Trust – loan facility – Harmony Gold	**287**	258	**–**	–
The original loan was R200 million from Harmony Gold with an interest rate of JIBAR plus 4.25% and is repayable before the earlier of the ARM Corporate loan repayment date or 31 December 2022.				
The interest rate at 30 June 2019 was 11.28% (F2018: 10.98%).				
ARM Trust – loan facility – Nedbank	**81**	212	**–**	–
The original loan was R301 million from Nedbank with an interest rate of JIBAR plus 4.07% and is repayable before 31 December 2019.				
The interest rate at 30 June 2019 was 11.10% (F2018: 10.80%).				
Nkomati – leases	**6**	13	**6**	13
Finance leases over Eskom sub-station and over land lines constructed on Nkomati property with a book value of Rnil (F2018: R18 million) bear interest at prime plus 2% (F2018: prime plus 2%) and are payable in varying monthly instalments over a maximum period of 60 months which commenced in April 2015 and a final payment due in March 2020 (refer note 40). As at 30 June 2019, the interest rate was 12.25% (F2018: 12%).				

15. Long-term borrowings continued

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
Two Rivers – leases	**140**	87	**–**	–
Finance leases over property, plant and equipment with a book value of R158 million (F2018: R96 million) bear interest at prime less 1.5% in both F2019 and F2018. As at 30 June 2019, the interest rate was 8.75% (F2018: 8.5%).				
Instalments are payable in varying monthly instalments over a maximum period of 60 months. (refer note 40).				
ARM Coal – partner loan – loan facility				
ARM, ARM Coal, Glencore and GOSA successfully concluded the restructuring of ARM Coal debt on 25 June 2018, with an effective date of 1 July 2017.				
All operating cash generated by GGV and the PCB operations, attributable to ARM and ARM Coal, shall be applied in repayment of the debt until the earlier of 31 December 2029 or full repayment of these loans.				
GOSA's obligation (acting through the PCB) to repay ARM the amount of R700 million under the PCB shareholder's loan from ARM was set off against ARM's obligation to pay GOSA (acting through the non-PCB) the amount of R700 million under the PCB revolving credit facility such that both loans have been fully paid and settled and discharged. This resulted in the PCB being indebted to the non-PCB in an amount of R700 million, which debt will rank pari passu to the remaining shareholder's loan from ARM Coal to PCB.				
All distributions to be received by ARM Coal in respect of the PCB shareholder's loan, shall be utilised by ARM Coal in the settlement of its shareholders' loans from GOSA and ARM. The payments to be received by GOSA and ARM, shall immediately be advanced back to ARM Coal through a shareholder's loan, bears contractual interest at 0%, and ARM Coal will utilise these funds to service the GGV debt.				
The old loans were derecognised and the following new loans were recognised at fair value:				
ARM Coal – GGV acquisition loan (partner loan)	**185**	421	**185**	421
This loan is repayable by 31 December 2029 and bears contractual interest at 0%.				
ARM Coal – GGV project facility phase 1 loan (partner loan)	**615**	602	**615**	602
This loan is repayable by 31 December 2029 and bears contractual interest at 0%.				

15. Long-term borrowings continued

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
ARM Coal – GGV project facility phase 2 loan (partner loan)	**223**	208	**223**	208
This loan is repayable by 31 December 2029 and bears contractual interest at 0%.				
These are secured by:				
» A cession in favour of GOSA creating a first ranking security interest over ARM Coal's participating interest in the Goedgevonden joint operation;				
» A cession in favour of GOSA creating a first ranking security interest over all the preference shares in GOSA held by ARM Coal;				
» A cession in favour of GOSA creating a first ranking security interest over ARM Coal's right, title and interest in and to the joint venture account;				
» Mortgage bonds to be registered by ARM Coal in favour of GOSA over all immovable property of ARM Coal; and				
» Notarial bonds to be registered by ARM Coal in favour of GOSA over all movable assets owned by ARM Coal (refer note 9).				
	1 537	1 801	**1 029**	1 244
Less: repayable within one year included in short-term borrowings (refer note 20)[1]	**(442)**	(57)	**(6)**	(7)
Total long-term borrowings	**1 095**	1 744	**1 023**	1 237
Held as follows:				
– ARM Trust – Harmony	**–**	258	**–**	–
– ARM Trust – Nedbank Limited	**–**	212	**–**	–
– ARM Coal Proprietary Limited – GGV acquisition loan (partner loan)	**185**	421	**185**	421
– ARM Coal Proprietary Limited – GGV project facility phase 1 (partner loan)	**615**	602	**615**	602
– ARM Coal Proprietary Limited – GGV project facility phase 2 (partner loan)	**223**	208	**223**	208
– Nkomati	**–**	6	**–**	6
– Two Rivers Platinum Proprietary Limited	**72**	37	**–**	–
	1 095	1 744	**1 023**	1 237

1 *The carrying amount of the long-term borrowings approximate their fair value.*

15. Long-term borrowings continued

Group	**Total borrowings F2019 Rm**	Discounted cash flows F2020 Rm	Repayments schedule – undiscounted cash flows F2020 Rm	F2021 Rm	F2022 Rm	F2023 Rm	F2024 onwards Rm	Total Rm
Secured loans								
ARM Trust – loan facility – Harmony Gold	**287**	287	287	–	–	–	–	287
ARM Trust – loan facility – Nedbank	**81**	81	85		–	–	–	85
ARM Coal – GGV acquisition loan (partner loan)	**185**	–	–	–	–	–	193	193
ARM Coal – GGV project facility phase 1 loan (partner loan)	**615**	–	–	–	–	–	909	909
ARM Coal – GGV project facility phase 2 loan (partner loan)	**223**	–	–	–	–	–	251	251
Nkomati – leases	**6**	6	6	–	–	–	–	6
Two Rivers – leases	**140**	68	71	61	26	–	–	158
Total borrowings at 30 June 2019	**1 537**	442	449	61	26	–	1 353	1 889

Undiscounted cash flows	**F2019 Rm**	F2020 Rm	F2021 Rm	F2022 Rm	F2023 onwards Rm	Total Rm
Total borrowings at 30 June 2018	**59**	287	13	–	2 129	2 488

Company	**Total borrowings F2019 Rm**	Discounted cash flows F2020 Rm	Repayments schedule – undiscounted cash flows F2020 Rm	F2021 Rm	F2022 Rm	F2023 Rm	F2024 – onwards Rm	Total Rm
Secured loans								
ARM Coal – GGV acquisition loan (partner loan)	**185**	–	–	–	–	–	193	193
ARM Coal – GGV project facility phase 1 loan (partner loan)	**615**	–	–	–	–	–	909	909
ARM Coal – GGV project facility phase 2 loan (partner loan)	**223**	–	–	–	–	–	251	251
Nkomati – leases	**6**	6	6	–	–	–	–	6
Total borrowings at 30 June 2019	**1 029**	6	6	–	–	–	1 353	1 359

Undiscounted cash flows	**F2019 Rm**	F2020 Rm	F2021 Rm	F2022 Rm	F2023 onwards Rm	Total Rm
Total borrowings at 30 June 2018	**7**	8	–	–	1 716	1 731

16. Deferred taxation

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
Deferred tax assets				
Deferred capital loss tax movements on listed investment recognised in other comprehensive income	**416**	597	**416**	597
Deferred tax assets – Acquisition of Machadodorp Works	**37**	–	**37**	–
Provisions	**32**	–	**32**	–
Assessed loss in Modikwa Mine	**–**	23	**–**	–
Deferred tax assets on the statement of financial position	**485**	620	**485**	597
Deferred tax liabilities				
Property, plant and equipment	**1 450**	1 378	**538**	651
Intangible assets	**32**	33	**32**	33
Inventories	**89**	88	**–**	–
IFRS 9 – Opening balance adjustment – RBCT investment	**20**	–	**20**	–
Deferred capital gains tax movements on listed investment – ARM Trust	**465**	465	**–**	–
Deferred tax liabilities	**2 056**	1 964	**590**	684
Provisions	**(514)**	(307)	**(264)**	(134)
Post-retirement healthcare provisions	**(25)**	(23)	**(25)**	(23)
Deferred tax assets	**(539)**	(330)	**(289)**	(157)
Net deferred tax liabilities on the statement of financial position	**1 517**	1 634	**301**	527
Reconciliation of opening and closing balance				
Opening deferred tax liabilities	**1 634**	1 297	**527**	328
Opening deferred tax assets	**(620)**	(656)	**(597)**	(590)
Net deferred tax liabilities opening balance	**1 014**	641	**(70)**	(262)
IFRS 9 – Opening balance adjustment – RBCT investment	**20**		**20**	
Net deferred tax liabilities opening balance – restated	**1 034**	641	**(50)**	(262)
Temporary differences from:	**(2)**	373	**(134)**	192
Assessed loss	**23**	–	**–**	–
Loan impairment	**–**	274	**–**	274
Acquisition of Machadodorp Works (refer note 37)	**(37)**	–	**(37)**	–
Inventories	**1**	58	**–**	–
Intangible assets	**(1)**	(3)	**(1)**	(3)
Property, plant and equipment	**72**	84	**(113)**	55
Provisions	**(241)**	57	**(164)**	4
Rate adjustment on BBEE Trust	**–**	41	**–**	–
Revaluation of investment – directly in other comprehensive income	**181**	(7)	**181**	(7)
Unrealised related party foreign currency translation movement	**–**	(131)	**–**	(131)
Total deferred tax	**1 032**	1 014	**(184)**	(70)
Deferred tax liabilities	**1 517**	1 634	**301**	527
Deferred tax assets	**(485)**	(620)	**(485)**	(597)

Deferred tax liability balances are shown net of deferred tax assets where a legal right of offset exists at settlement.

Deferred tax assets are raised only when they can be utilised against future taxable profits after taking possible future uncertainties into account. Future taxable profits are estimated based on approved business plans which include various estimates and assumptions regarding economic growth, interest, inflation, metal prices, exchange rates, taxation rates and competitive forces.

A deferred tax asset for deductable temporary differences of R154 million at Nkomati was not raised, as it is not probable that there will be sufficient taxable profit available against which the deductable temporary differences can be utilised.

17. Long-term provisions

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
Environmental rehabilitation obligation				
Provision for decommissioning				
Balance at beginning of year	**237**	273	**175**	202
Provision for the year	**35**	(54)	**22**	(39)
Acquisition of Machadodorp Works	**144**	–	**144**	–
Unwinding discount rate	**18**	18	**13**	12
Balance at end of year	**434**	237	**354**	175
Provision for restoration				
Balance at beginning of year	**125**	116	**103**	90
Provision for the year	**168**	(2)	**90**	3
Acquisition of Machadodorp Works	**61**	–	**61**	–
Unwinding of discount rate	**12**	11	**10**	10
Balance at end of year	**366**	125	**264**	103
Total environmental rehabilitation obligation	**800**	362	**618**	278

The net present value of current rehabilitation liabilities is based on discount rates taking into consideration zero coupon swop curve rates of between 7.14% to 8.45% (F2018: between 7.13% and 8.49%), inflation rates of approximately 5% and 6% (F2018: approximately 5% and 6%) and life-of-mines of between 1 and 25 years (F2018: 3 and 25 years). The South African Reserve Bank long-term inflation target of between 3% and 6% (F2018: 3% and 6%). Refer to note 22 for amounts held in trust funds.

These provisions are based on estimates of cash flows which are expected to occur at the end of life-of-mines.

These assumptions have inherent uncertainties as they are derived from future estimates of mining and financial parameters, such as commodity prices, exchange rates and inflation.

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
Post-retirement healthcare benefits				
Balance at beginning of year	**82**	74	**82**	74
Actuarial loss	**2**	9	**2**	9
Acquisition of Machadodorp Works	**12**	–	**12**	–
Benefits paid	**(12)**	(8)	**(12)**	(8)
Interest cost	**7**	7	**7**	7
Balance at end of year (refer note 42)	**91**	82	**91**	82

17. Long-term provisions continued

	Group		Company	
	F2019 Rm	F2018 Rm	**F2019 Rm**	F2018 Rm
Silicosis and tuberculosis class action provision[1]				
Opening balance	**330**	330	**330**	330
Settlement term changes	**(27)**	(21)	**(27)**	(21)
Unwinding of discount rate	**26**	13	**26**	13
Demographic assumptions changes	**(10)**	(5)	**(10)**	(5)
Administration costs	**–**	6	**–**	6
Special purpose vehicle trust costs	**–**	7	**–**	7
Balance at end of year	**319**	330	**319**	330
Other long-term provisions[2]				
Balance at beginning of year	**361**	373	**–**	–
Change in estimate of variable purchase price for mine properties	**6**	(43)	**–**	–
Provision for the year	**91**	–	**13**	–
Unwinding of discount rate	**30**	31	**–**	–
Transfer to short-term provisions (refer note 19)	**(99)**	–	**(1)**	–
Balance at end of year	**389**	361	**12**	–
Total long-term provisions at end of year	**1 599**	1 135	**1 040**	690

1 *In addition to what has previously been disclosed in the financial statements for the year ended 30 June 2018 and for the half year ended 31 December 2018 and further to the silicosis settlement agreement concluded between certain mining companies (including ARM), (the Gold Working Group (GWG)) and the representatives, and attorneys of the claimants, the settlement was conditional on approval by the High Court. On 26 July 2019, the High Court delivered its judgement. The High Court approved the silicosis settlement agreement as being fair, reasonable and equitable, and the High Court commended the parties for reaching the settlement.*
ARM and the other GWG companies are required as part of the settlement, to provide guarantees for their respective estimated exposure.
The silicosis settlement agreement further requires a trust to be registered, out of which the proven claims shall be settled.
ARM has a contingency insurance policy in this regard which covers environmental impairment liability and silicosis liability with Guardrisk Insurance Company Limited (Guardrisk). In turn, Guardrisk has reinsured the specified risks with Mannequin Insurance PCC Limited – Cell AVL 18, Guernsey which cell captive is held by ARM. ARM accounts for its interest in the Guardrisk cell captive as a financial asset measured at fair value through profit or loss under IFRS 9 Financial Instruments in both the ARM Company and ARM Group financial statements. All insurance premiums paid to Guardrisk are expensed when incurred.
ARM accounts for its interest in the Mannequin cell captive as an interest in a subsidiary, which is carried at cost in the ARM Company financial statements, and is consolidated in the ARM Group financial statements.
No formal silicosis claims have yet been submitted to Guardrisk under the insurance policy. Defence costs to date have been reimbursed by the insurance policy. With regard to the ARM Group financial statements, any reimbursement is already reflected in the net assets of the Group by virtue of the Mannequin cell captive being consolidated. (refer note 6).

2 *Other long-term provisions include: (i) long-term incentive schemes aimed at attracting, retaining and rewarding eligible senior employees; and (ii) variable consideration payable by Two Rivers to Dwarsrivier due to Dwarsrivier's inability to mine the chrome ore as a result of Two Rivers having a tailings dam on part of the mining area of Dwarsrivier.*

	Group		Company	
	F2019 Rm	F2018 Rm	**F2019 Rm**	F2018 Rm
18. Trade and other payables				
Trade payables	**555**	472	**324**	257
Related parties (refer note 44)	**3**	2	**–**	2
Insurance captive cell	**792**	728	**–**	–
Other	**258**	204	**95**	67
Total trade and other payables	**1 608**	1 406	**419**	326
Trade and other payables are generally non-interest-bearing and are typically on 30 – 120 day payment terms.				
19. Short-term provisions				
Bonus provision				
Balance at beginning of year	**252**	279	**155**	160
Provision for the year	**583**	425	**240**	153
Payments made during the year	**(453)**	(452)	**(173)**	(158)
Acquisition of Machadodorp Works	**3**	–	**3**	–
Transfer from long-term provision (refer note 17)	**1**	–	**1**	–
Balance at end of year	**386**	252	**226**	155
Leave pay provision				
Balance at beginning of year	**122**	114	**45**	47
Provision for the year	**25**	24	**14**	8
Payments made during the year and leave taken	**(20)**	(16)	**(13)**	(10)
Acquisition of Machadodorp Works	**3**	–	**3**	–
Balance at end of year	**130**	122	**49**	45
Other provisions				
Balance at beginning of year	**–**	–	**2**	2
Provision for the year	**33**	–	**33**	–
Transfer from long-term provision (refer note 17)	**99**	–	**1**	–
Balance at end of year	**132**	–	**36**	2
Total short-term provisions	**648**	374	**311**	202

The bonus provision is based on the policy as approved by each operation.

The leave pay provision is calculated based on total pensionable salary packages multiplied by the leave days due at year end.

20. Overdrafts and short-term borrowings

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
Current portion of long-term borrowings (refer note 15)	**442**	57	**6**	7
Loans from subsidiaries – non-interest-bearing (refer page 111)	**–**	–	**42**	254
Overdrafts (refer note 12)	**393**	381	**36**	45
Short-term borrowings	**101**	114	**–**	–
	936	552	**84**	306
Short-term borrowings are held as follows:				
– Rustenburg Platinum Mines Ltd (Anglo American Platinum Ltd) (refer to note 44)	**101**	114	**–**	–
– ARM Trust[1]	**368**	–	**–**	–
– Nkomati	**6**	7	**6**	7
– Two Rivers Platinum Proprietary Limited	**68**	50	**–**	–
– Loans from subsidiaries	**–**	–	**42**	254
	543	171	**48**	261
Overdrafts are held as follows:				
– Nkomati	**16**	21	**16**	21
– Two Rivers Platinum Proprietary Limited	**357**	336	**–**	–
– Other	**20**	24	**20**	24
	393	381	**36**	45
Overdrafts and short-term borrowings	**936**	552	**84**	306
Unutilised short-term borrowing and overdraft facilities:				
– African Rainbow Minerals Limited	**500**	500	**500**	500
– ARM Mining Consortium Limited	**100**	100	**–**	–
– Nkomati	**44**	39	**44**	39
– Two Rivers Platinum Proprietary Limited	**144**	164	**–**	–
	788	803	**544**	539

1 *The maturity date of the ARM Trust loan was 31 December 2019. Subsequent to year-end, this was extended to 31 December 2022. The other terms and conditions remain unchanged.*

All of the above overdraft facilities are reviewed annually.

Overdrafts accrue interest at floating rates. Short-term borrowings accrue interest at market-related rates. Loans from dormant subsidiaries are interest-free and are payable on demand.

21. Joint operations

The share of the following joint operations has been incorporated into the Group results:

- 50% share in the Nkomati Mine;
- 51% share in ARM Coal Proprietary Limited (consolidated); and
- 50% share in Modikwa joint operation which is held as an 83% subsidiary through ARM Mining Consortium and is consolidated as a subsidiary.

The company results include the share of the following joint operations:

- 50% share in the Nkomati Mine;
- 51% share in ARM Coal Proprietary Limited; and
- 34% share in Teal Minerals (Barbados) Incorporated joint operation.

The share of joint operations in the financial statements are:

	Group		Company	
	F2019 Rm	F2018 Rm	**F2019 Rm**	F2018 Rm
Statement of profit or loss				
Sales	**4 752**	4 463	**2 685**	2 667
Cost of sales	**(4 416)**	(4 028)	**(2 763)**	(2 397)
Other operating income	**259**	934	**211**	903
Other operating expenses	**(386)**	(139)	**(155)**	(95)
Income from investments	**50**	33	**18**	17
Finance costs	**(184)**	(189)	**(181)**	(186)
Profit from associate	**276**	619		
Special items	**(1 345)**	(42)	**(1 345)**	(2)
(Loss)/profit before tax	**(994)**	1 651	**(1 530)**	907
Taxation	**144**	(93)	**278**	(47)
(Loss)/profit for the year after taxation	**(850)**	1 558	**(1 252)**	860
Non-controlling interest	**(22)**	(14)		
Attributable to equity holders of ARM	**(872)**	1 544	**(1 252)**	860
Statement of financial position				
Non-current assets	**4 390**	5 400	**2 952**	3 956
Current assets	**2 342**	1 769	**1 024**	892
Non-current liabilities (interest-bearing)	**1 023**	850	**1 023**	850
Non-current liabilities (non-interest-bearing)	**912**	879	**770**	844
Current liabilities (non-interest-bearing)	**645**	627	**349**	313
Current liabilities (interest-bearing)	**122**	28	**22**	28
Statement of cash flows				
Net cash inflow from operating activities	**821**	741	**198**	580
Net cash outflow from investing activities	**(491)**	(535)	**(360)**	(399)
Net cash outflow from financing activities	**(234)**	(180)	**(70)**	(180)

22. Environmental rehabilitation trust funds

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
Balance at beginning of year	**178**	166	**141**	131
Interest earned (refer note 27)	**13**	12	**10**	10
Total (included in cash and cash equivalents) (refer note 12)	**191**	178	**151**	141
Total environmental rehabilitation obligations (refer note 17)	**800**	362	**618**	278
Less: amounts in trust funds (see above)	**(191)**	(178)	**(151)**	(141)
Unfunded portion of liability	**609**	184	**467**	137

Part of the unfunded portion of the liability is secured by guarantees in favour of the Department of Mineral Resources as required of R168 million (F2018: R161 million) (refer note 39).

23. Sales

	Group 2019 Rm Currently under IFRS 15	Group 2018 Rm Currently under IFRS 15	Group 2018 Rm Previously under IAS 18	Company 2019 Rm Currently under IFRS 15	Company 2018 Rm Currently under IFRS 15	Company 2018 Rm Previously under IAS 18
Sales – mining and related products	**8 834**	8 142	8 346	**2 773**	2 605	2 667
Made up as follows:						
Local sales	**6 639**	6 416	6 416	**577**	397	397
Export sales	**2 195**	1 726	1 930	**2 196**	2 208	2 270
	8 834	8 142	8 346	**2 773**	2 605	2 667
Revenue	**9 596**	9 112	9 603	**3 538**	3 238	7 364
Revenue – continuing operations	**9 596**	8 772	9 263	**3 538**	3 238	7 364
Revenue – discontinued operations (refer note 38)	**–**	340	340	**–**	–	–
Revenue	**9 596**	9 112	9 603	**3 538**	3 238	7 364
Fair value adjustments to revenue	**353**	282	–	**64**	62	–
Revenue from contracts with customers	**9 243**	8 830	9 603	**3 474**	3 176	7 364
Sales – mining and related products continuing operations	**8 850**	8 064	8 346	**2 773**	2 605	2 667
Sales – mining and related products discontinued operations (refer note 38)	**–**	340	340	**–**	–	–
Penalty and treatment charges	**(369)**	(204)	–	**(64)**	(62)	–
Dividends received (refer note 27)	**–**	–	22	**–**	–	3 701
Fees received (refer note 25)	**762**	630	630	**765**	633	633
Interest received (refer note 27)	**–**	–	155	**–**	–	363
Insurance income received (refer note 25)	**–**	–	72	**–**	–	–
Property rental income	**–**	–	16	**–**	–	–
Royalties received	**–**	–	22	**–**	–	–
Sales						
Sales previously – IAS 18	**9 203**	8 346	8 346	**2 837**	2 667	2 667
Penalty and treatment charges	**(369)**	(204)	–	**(64)**	(62)	–
Sales per statement of profit or loss (IFRS 15)	**8 834**	8 142	8 346	**2 773**	2 605	2 667
Cost of sales						
Cost of sales previously – IAS 18	**(7 818)**	(6 900)	(6 900)	**(2 930)**	(2 397)	(2 397)
Penalty and treatment charges	**369**	204	–	**64**	62	–
Cost of sales per statement of profit or loss – IFRS 15	**(7 449)**	(6 696)	(6 900)	**(2 866)**	(2 335)	(2 397)

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
24. Cost of sales				
Amortisation and depreciation	**690**	738	**275**	328
Consultants, contractors and other	**202**	216	**17**	12
Electricity	**496**	455	**179**	159
Inventory written off to net realisable value	**72**	–	**72**	–
Provisions – long-term	**150**	(2)	**(6)**	–
– short-term	**420**	297	**67**	8
Raw materials, consumables used and change in inventories	**2 627**	2 323	**1 460**	1 160
Railage and road transportation	**255**	241	**208**	201
Staff costs	**2 071**	2 004	**336**	308
– salaries and wages	**1 820**	1 768	**319**	294
– pension – defined contribution	**162**	153	**16**	14
– medical aid	**89**	83	**1**	–
Other costs	**466**	424	**258**	159
	7 449	6 696	**2 866**	2 335
25. Other operating income				
Commission received	**2**	2	**2**	2
Fees received	**762**	630	**765**	633
Fair value gain/re-measurement on loans	**–**	652	**175**	652
Insurance income received	**74**	72	**319**	–
Realised foreign exchange gains	**18**	10	**17**	10
Royalties received	**41**	22	**–**	–
Unrealised foreign exchange gains	**–**	66	**–**	5
Other	**77**	73	**48**	41
	974	1 527	**1 326**	1 343
26. Other operating expenses				
External audit remuneration – audit fees	**21**	19	**15**	13
– other services	**–**	1	**–**	–
Consulting fees	**49**	40	**49**	41
Depreciation	**2**	3	**2**	3
Exploration[1]	**–**	23	**–**	23
Re-measurement of loans	**36**	–	**25**	–
Insurance	**88**	74	**10**	14
Mineral royalty tax	**140**	131	**18**	12
Provisions – long-term	**64**	11	**64**	11
– short-term	**222**	153	**222**	153
Realised foreign exchange loss	**–**	103	**–**	103
Research and development	**108**	–	**108**	–
Rent paid	**6**	5	**10**	9
Secretarial and financial services	**3**	4	**3**	4
Share-based payments expensed	**211**	209	**211**	209
Staff cost	**276**	242	**276**	241
– pension – defined contribution	**9**	9	**9**	9
– salaries and wages	**259**	227	**259**	227
– training	**8**	6	**8**	5
Unrealised foreign exchange loss	**16**	70	**16**	70
Other	**333**	175	**246**	96
	1 575	1 263	**1 275**	1 002

1 *In addition, attributable exploration expenditure amounting to R9 million (F2018: R7 million) is included in income from joint venture.*

Loan re-measurement and restructuring

ARM Coal, ARM Corporate and ARM Platinum

Included in other operating expenses and profit from associate for F2019 is a re-measurement loss attributable to ARM of R25 million (tax nil) and a R55 million (tax nil) re-measurement gain relating to the recognition of the GGV and PCB loans, respectively. The gain and loss is as a result of a re-measurement of debt between ARM and Glencore Operations South Africa Proprietary Limited (GOSA) and ARM Coal Proprietary Limited.

Included in other operating income and profit from associate for F2018 are fair value gains attributable to ARM of R652 million (tax nil) and R325 million (tax nil) respectively relating to the recognition of the GGV and PCB loans following the successful conclusion of the restructuring of debt between ARM and Glencore Operations South Africa Proprietary Limited (GOSA) and ARM Coal Proprietary Limited.

	Group		Company	
	F2019 Rm	F2018 Rm	**F2019 Rm**	F2018 Rm
The re-measurement/fair value adjustments are as follows:				
Other operating income increase (re-measurement/fair value gain on loans) – ARM coal segment	**190**	885	**190**	885
ARM Corporate (re-measurement/fair value loss)	**(215)**	(233)	**(215)**	(233)
Re-measurement/fair value (loss)/gain in operating (expenses)/income	**(25)**	652	**(25)**	652
Income from associate (re-measurement/fair value gain on loans) – refer note 7	**55**	325	**–**	–
Group re-measurement/fair value gain/(loss)	**30**	977	**(25)**	652

The fair value gains and subsequent re-measurement thereof are as a result of changes in the future repayment cash flows applied to the net present value calculations. The changes emanate mainly from the timing applicable to cash flows as a result of the extension of the loan repayment period under the re-structuring. The fair value losses and gains, are in accordance with IFRS 9, which states that a modified debt is considered substantially different if the net present value of the cash flows under the new loan terms discounted at the original interest rate, differs by more than 10% from the discounted present value of the remaining cash flows of the original debt instrument. Where a financial liability is considered substantially different, the existing loan is derecognised and the new loan is recognised, the net effect of the modification is recognised immediately in the statement of profit or loss. The discount rate used in the calculation of the re-measurement was 10%.

Modikwa

Included in other operating expenses for F2019 is a re-measurement loss attributable to ARM of R12 million (tax nil). The re-measurement loss in Modikwa of R187 million is partially eliminated against a re-measurement gain in ARM Company of R175 million.

	Group		Company	
	F2019 Rm	F2018 Rm	**F2019 Rm**	F2018 Rm
The re-measurement adjustments are as follows:				
Other operating expenses increase	**(12)**	–	**175**	–
ARM platinum segment (re-measurement loss on loans)	**(187)**	–	**–**	–
ARM Corporate (re-measurement gain)	**175**	–	**175**	–
Non-controlling interest	**31**	–	**–**	–
Group re-measurement gain	**19**	–	**175**	–

	Group		Company	
	F2019 Rm	F2018 Rm	F2019 Rm	F2018 Rm
27. Income from investments				
Dividend income – listed	–	22	–	22
– unlisted	8	–	3 772	3 679
Interest received – subsidiaries and other investments (refer note 44)	–	–	123	187
– environmental trust funds (refer note 22)	13	12	10	10
– short-term bank deposits and other	313	143	210	166
	334	177	4 115	4 064
28. Finance costs				
Interest on finance leases	12	10	1	2
Gross interest paid long- and short-term borrowings and overdrafts	211	289	102	168
Unwinding of discount rate	86	61	49	22
	309	360	152	192
29. Special items				
Foreign currency translation reserve released – Lubambe	–	–	–	325
Impairment loss of goodwill – Machadodorp Works	(146)	–	(146)	–
Impairment reversal/(loss) of loan – Kalplats	–	–	11	(96)
Impairment loss of loan Lubambe	–	–	–	(58)
Impairment loss of property, plant and equipment – Kalplats	–	(40)	–	–
(Impairment)/reversal of impairment of property, plant and equipment – Nkomati	(1 344)	1	(1 344)	1
Loss on sale of property, plant and equipment – ARM Coal	(1)	(3)	(1)	(3)
Loss on disposal of investment – Tamboti	–	–	–	(467)
Profit on disposal of Anglovaal Air	–	–	104	–
Special items per statement of profit or loss before taxation effect	(1 491)	(42)	(1 376)	(298)
Impairment reversal/(loss) on property, plant and equipment accounted for directly in associate – ARM Coal (refer note 35)	3	(19)	–	–
Impairment loss on investment in Sakura accounted for directly in joint venture – Assmang (refer note 35)	(194)	–	–	–
Impairment loss on property, plant and equipment accounted for directly in joint venture – Assmang (refer note 35)	(21)	(26)	–	–
Impairment loss on property, plant and equipment on Sakura accounted for directly in joint venture – Assmang (refer note 35)	(313)	–	–	–
Pretax loss on sale of Lubambe (refer note 38)	–	(117)		
Profit on sale of property, plant and equipment accounted for directly in joint venture – Assmang	–	1	–	–
Profit on sale of Machadodorp Works accounted for directly in joint venture – Assmang (refer note 8 and 37)	91	–	–	–
Loss on sale of property, plant and equipment accounted for directly in joint venture – Assmang	(2)	–	–	–
Special items before taxation effect	(1 927)	(203)	(1 376)	(298)
Taxation accounted for in joint venture – impairment loss at Assmang	6	–	–	–
Taxation accounted for in joint venture – profit on disposal of Machadodorp Works – Assmang	(26)	–	–	–
Taxation accounted for in joint venture – loss on disposal of fixed assets at Assmang	1	7	–	–
Taxation accounted for in associate – (reversal)/impairment loss at ARM Coal	(1)	5	(1)	–
Taxation loss on sale of property ARM Coal	1	1	1	1
Taxation – impairment loss of Nkomati assets	274	–	274	–
Taxation – sale of Lubambe	–	(62)	–	(62)
Total	(1 672)	(252)	(1 102)	(359)

30. Taxation

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
South African normal taxation:				
– current year	**348**	266	**95**	181
– mining	**228**	141	**–**	2
– non-mining	**120**	125	**95**	179
– prior year	**4**	(102)	**4**	(101)
Dividends tax	**36**	29	**–**	–
Total current taxation	**388**	193	**99**	80
Deferred taxation	**(146)**	380	**(278)**	199
Total taxation charge per statement of profit or loss	**242**	573	**(179)**	279
Attributable to:				
Profit before special items	**516**	574	**95**	218
Special items (refer note 29)	**(274)**	(1)	**(274)**	61
	242	573	**(179)**	279
Amounts recognised directly in other comprehensive income or equity:				
Unrealised gain on available-for-sale financial asset	**181**	(7)	**181**	(7)
Acquisition of Machadodorp Works	**(37)**	–	**(37)**	–
IFRS 9 – Opening balance adjustment – RBCT Investment	**20**	–	**20**	–
Total movement in deferred tax	**18**	373	**(114)**	192
South African mining tax is calculated based on taxable income less capital expenditure allowances.				
Where there is insufficient taxable income to offset capital expenditure, the remaining balance is carried forward as unredeemed capital expenditure.				

	Group F2019 %	Group F2018 %	Company F2019 %	Company F2018 %
Reconciliation of rate of taxation from continuing operations:				
Standard rate of Company taxation	**28**	28	**28**	28
Adjusted for:				
Disallowed expenditure[1]	**7**	10	**–**	15
Deferred tax asset not recognised	**4**	–	**6**	–
Exempt income[2]	**–**	(5)	**(41)**	(33)
Prior year over provision	**–**	(2)	**–**	(3)
Share of associate and joint venture income after tax	**(33)**	(21)	**–**	–
Effective rate of taxation	**6**	10	**(7)**	7

1 *These amounts relate largely to impairments and foreign exchange movements.*
2 *In group they relate mainly to fair value gains in ARM Coal. In company they relate mainly to fair value gains in ARM Coal and dividends received.*

30. Taxation continued

	Group		Company	
	F2019 %	F2018 %	F2019 %	F2018 %
Reconciliation of rate of taxation before special items from continuing operations				
Standard rate of Company taxation				
Adjusted for:	**28**	28	**28**	28
Disallowed expenditure	**4**	10	**–**	9
Deferred tax asset not recognised	**1**	–	**1**	–
Exempt income	**–**	(5)	**(27)**	(30)
Prior year over provision	**–**	(2)	**–**	(2)
Share of associate and joint venture income after tax	**(24)**	(21)	**–**	–
Effective rate of taxation	**9**	10	**2**	5
	Rm	Rm	**Rm**	Rm
Profit before taxation and special items per statement of profit or loss	**5 587**	5 656	**3 921**	4 483
Taxation per statement of profit or loss	**242**	573	**(179)**	279
Taxation on special items (refer note 29)	**274**	1	**274**	(61)
Tax – excluding tax on special items	**516**	574	**95**	218
	%	%	**%**	%
Percentage on above	**9**	10	**2**	5
	Rm	Rm	**Rm**	Rm
Estimated assessed losses available for reduction of future taxable income	**–**	38	**–**	1
Unredeemed capital expenditure available for reduction of future mining income[1]	**1 508**	2 234	**600**	906

1 *Deferred tax assets has been raised on these estimated tax benefits.*

The unredeemed capital expenditure in the Vale/ARM joint operation is nil because it was sold in F2018.

The latest tax assessment for the Company relates to the year ended June 2018.

All returns due up to and including June 2018 have been submitted.

31. Calculations per share

The calculation of basic earnings per share is based on basic earnings of R3 554 million (F2018: R4 562 million basic earnings) and a weighted average of 192 269 thousand (F2018: 190 622 thousand) shares in issue during the year.

The calculation of headline earnings per share is based on headline earnings of R5 226 million (F2018: R4 814 million) and a weighted average of 192 269 thousand (F2018: 190 622 thousand) shares in issue during the year.

The calculation of diluted basic earnings per share is based on basic earnings of R3 554 million (F2018: R4 562 million basic earnings) with no reconciling items to derive at diluted earnings and a weighted average of 195 800 thousand (F2018: 196 217 thousand) shares in issue during the year calculated as follows:

	Group	
	F2019	F2018
Weighted average number of shares used in calculating basic earnings per share (thousands)	**192 269**	190 622
Potential ordinary shares due to long-term share incentives granted (thousands)	**3 531**	5 595
Weighted average number of shares used in calculating diluted earnings per share (thousands)	**195 800**	196 217
The calculation of diluted headline earnings per share is based on headline earnings of R5 226 million (F2018: R4 814 million) with no reconciling items to derive at diluted headline earnings and a weighted average of 195 800 thousand (F2018: 196 217 thousand) shares. In the calculation for dilutive weighted average shares, options were excluded as they were anti-dilutive.		
The calculation of net asset value per share is based on net assets of R28 173 million (F2018: R25 907 million) and the number of shares at year-end of 222 008 thousand (F2018: 219 709 thousand) shares.		
The calculation of cash generated from operations per share (cents) is based on cash generated from operations of R2 123 million (F2018: R1 934 million) and the weighted average number of shares in issue of 192 269 thousand (F2018: 190 622 thousand).		
Headline earnings (R million)	**5 226**	4 814
Headline earnings from continuing operations (R million)	**5 226**	4 820
Headline loss from discontinued operation (R million)	**–**	(6)
Headline earnings per share (cents)	**2 718**	2 526
Headline earnings per share from continuing operations (cents)	**2 718**	2 529
Headline loss per share from discontinued operation (cents)	**–**	(3)
Basic earnings (R million)	**3 554**	4 562
Basic earnings from continuing operations (R million)	**3 554**	4 747
Basic loss from discontinued operation (R million)	**–**	(185)
Basic earnings per share (cents)	**1 848**	2 393
Basic earnings from continuing operations per share (cents)	**1 848**	2 490
Basic loss from discontinued operation per share (cents)	**–**	(97)
Diluted headline earnings per share (cents)	**2 669**	2 453
Diluted headline earnings per share from continuing operations (cents)	**2 669**	2 456
Diluted headline loss per share from discontinued operation (cents)	**–**	(3)
Diluted basic earnings per share (cents)	**1 815**	2 325
Diluted basic earnings from continuing operations per share (cents)	**1 815**	2 419
Diluted basic loss from discontinued operation per share (cents)	**–**	(94)
Number of shares in issue at end of year (thousands)	**222 008**	219 709
Weighted average number of shares (thousands)	**192 269**	190 622
Weighted average number of shares used in calculating diluted earnings per share (thousands)	**195 800**	196 217
Net asset value per share (cents)	**12 690**	11 792
EBITDA (R million)	**1 476**	2 443
EBITDA from continuing operations (R million)	**1 476**	2 451
Interim dividend declared (cents per share)	**400**	250
Dividend declared after year-end (cents per share)	**900**	750

31. Calculations per share continued

ARM Trust restructuring effect on weighted and diluted average number of shares

Following the restructuring of the ARM Trust in F2016, the ARM Trust is consolidated into the ARM consolidated financial results, as ARM controls the Trust for reporting purposes.

The consolidation of the ARM Trust results in ARM shares bought back by Opilac, a wholly-owned subsidiary of ARM, and the remaining shares owned by the Trust, reducing the number of shares used in the calculation of headline, basic and diluted earnings per share.

The treasury shares are excluded, effectively from 22 April 2016, in the weighted average and diluted average number of shares (refer note 14).

The number of shares in issue are, however, not affected.

Dividend per share

After the year-end a dividend of 900 cents per share (F2018: 750 cents per share; F2017: 650 cents per share) was declared and paid which amounted to R1 998 million (F2018: R1 648 million; F2017: R1 422 million). This dividend was declared on 30 August 2019 (F2018: 7 September 2018; F2017: 6 September 2017), before approval of the financial statements but was not recognised as a distribution to owners during the period to June 2019.

An interim dividend of 400 (1H 2018: 250) cents per share, R888 million (1H 2018: R549 million) was declared on 1 March 2019 (1H 2018: 16 March 2018).

32. Headline earnings

	Group	
	F2019	F2018
Basic earnings attributable to equity holders of ARM	**3 554**	4 562
– Impairment loss on property, plant and equipment – Kalplats	**–**	40
– Impairment loss/reversal on property, plant and equipment – Nkomati	**1 344**	(1)
– Impairment (reversal)/loss on property, plant and equipment in associate – ARM Coal	**(3)**	19
– Impairment loss on property, plant and equipment in joint venture – Assmang	**21**	26
– Impairment loss on property, plant and equipment in Sakura in joint venture – Assmang	**313**	–
– Loss/(profit) on sale of property, plant and equipment in joint venture Assmang	**2**	(1)
– Impairment on Goodwill – Machadodorp Works	**146**	–
– Impairment on investment in Sakura in joint venture – Assmang	**194**	–
– Profit on sale of Machadodorp Works – Assmang	**(91)**	–
– Loss on disposal of investment	**–**	–
– Pre-tax loss on sale of Lubambe	**–**	117
– Loss on disposal of property, plant and equipment – ARM Coal	**1**	3
	5 481	4 765
– Taxation accounted for in joint venture – impairment loss at Assmang	**(6)**	–
– Taxation accounted for in joint venture – loss/(profit) on disposal of fixed assets at Assmang	**25**	(7)
– Taxation accounted for in associate ARM Coal – impairment reversal/(loss) at ARM Coal	**1**	(5)
– Taxation loss on sale of property ARM Coal	**(1)**	(1)
– Taxation sale of Lubambe	**–**	62
– Taxation – impairment loss of Nkomati assets	**(274)**	–
Headline earnings	**5 226**	4 814

33. Reconciliation of net profit before tax to cash generated from operations

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
Profit from operations before special items from continuing operations	**784**	1 710	**(42)**	611
Loss from operations before special items from discontinued operations	**–**	(8)	**–**	–
Profit/(loss) from operations before special items	**784**	1 702	**(42)**	611
Profit from associate	**276**	619	**–**	–
Income from joint venture	**4 502**	3 510	**–**	–
Special items from continuing operations (refer note 29)	**(1 491)**	(42)	**(1 376)**	(565)
Special items from discontinued operation (refer note 29)	**–**	(117)	**–**	267
Profit/(loss) from operations after special items	**4 071**	5 672	**(1 418)**	313
Adjusted for:	**(1 393)**	(3 221)	**1 822**	418
– Amortisation and depreciation of property, plant and equipment and intangible assets	**692**	741	**277**	331
– Fair value adjustment on loans	**36**	(652)	**(151)**	(652)
– Income from joint venture	**(4 502)**	(3 510)	**–**	–
– Impairment loss of property, plant and equipment	**1 344**	39	**1 344**	(1)
– Impairment Machadodorp Works	**146**	–	**146**	–
– Inventory write-down	**72**	–	**72**	–
– Profit on disposal of investment	**–**	–	**(104)**	–
– Profit from associate	**(276)**	(619)	**–**	–
– Insurance income – Silicosis and tuberculosis	**–**	–	**(319)**	
– Loss on sale of investment	**–**	–	**–**	467
– Loss on sale of Lubambe	**–**	117	**–**	–
– Loss on disposal of property, plant and equipment	**1**	3	**1**	3
– Loan impairment loss	**17**	–	**–**	–
– Loan (reversal)/impairment Kalplats	**–**	–	**(11)**	96
– Loss on disposal of loan – Lubambe	**–**	–	**–**	58
– Movement in long- and short-term provisions	**856**	458	**347**	172
– Share-based payments expense	**211**	209	**211**	209
– Foreign exchange movements	**18**	–	**17**	65
– Release of unrealised foreign exchange on sale of Lubambe	**–**	–	**–**	(325)
– Other non-cash flow items	**(8)**	(7)	**(8)**	(5)
Cash from operations before working capital changes	**2 678**	2 451	**404**	731
Movement in inventories	**(64)**	48	**(28)**	18
Movement in payables and provisions	**(294)**	(266)	**(100)**	(152)
Movement in receivables	**(197)**	(299)	**(44)**	29
Cash generated from operations	**2 123**	1 934	**232**	626

34. Taxation paid

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
Balance at beginning of year payable/(receivable)	**(3)**	106	**(40)**	27
South African taxation	**388**	226	**99**	80
Current tax (refer note 30)	**388**	193	**99**	80
Withholding tax	**–**	33	**–**	–
Withholding tax and property tax on Lubambe transaction	**–**	91	**–**	–
Balance at year-end (payable)/receivable	**(76)**	3	**(11)**	40
Tax payable at year-end	**(110)**	(82)	**(19)**	(1)
Tax receivable at year-end	**34**	85	**8**	41
Taxation paid	**309**	426	**48**	147

35. Impairment

35.1 Property, plant and equipment impairment

35.1.1 Nkomati Nickel Mine

Notwithstanding the increase in the nickel price over the reporting period, as at 31 December 2018 an impairment loss (ARM's attributable share of R1 166 million before tax and R892 million after tax) of the Nkomati Nickel Mine was recognised. This was largely as a result of:

i) A decline in head grade, resulting in decreased metal output;
ii) Inability to generate sufficient cash for operational requirements; and
iii) An increase in production costs.

A pre-tax discount rate of 20.2% was used for the impairment calculation together with the following metal prices and exchange rate assumptions.

	F2019 Nominal	F2020 Nominal	F2021 Nominal	F2022 Nominal	Long-term Real
Platinum – US$/ounce	**855**	1 090	1 138	1 172	1 173
Palladium – US$/ounce	**1 027**	1 050	1 050	1 032	965
Gold – US$/ounce	**1 273**	1 315	1 323	1 355	1 183
Nickel – US$/tonne	**12 998**	13 498	13 999	15 539	15 364
Copper – US$/tonne	**6 221**	6 925	7 040	7 241	6 516
Cobalt – US$/lb	**35**	33	30	25	19
Chrome concentrate – US$/tonne	**62**	75	75	77	72
Exchange rate – R/US$	**14.40**	14.08	13.61	13.92	13.72

A reduction in the economic life-of-mine from 2026 to 2021 resulted in a further impairment loss of R178 million with no tax effect being recognised at 30 June 2019.

This was largely due to:

i) The mine's inability to generate sufficient cash to meet operational requirements; and
ii) An increase in overall costs

ARM's attributable share of the total impairment charge for the year amounted to R1 344 million before tax and R1 070 million after tax. The difference between the pre-tax and post-tax charge does not correspond with the South African Corporate tax rate of 28%, as the tax charge on the impairment was limited to the corresponding deferred tax liability available for off-set on the statement of financial position. Management did not recognise a deferred tax asset as the recoverability of such an asset is uncertain in the foreseeable future.

35.1.2 Kalplats

An impairment loss of R40 million (tax nil) was recognised at 30 June 2018 as a result of the prospecting right relating to Kalplats having expired. ARM Platinum Proprietary Limited has not applied for a mining right.

35.2 Other impairment

35.2.1 Goodwill

At 30 June 2019, the goodwill for Machadodorp Works was tested for impairment. Since exploratory work for Machadodorp Works is still ongoing, future economic benefits and the recoverable amount could not be reliably estimated or measured; at this current stage an impairment loss amounting to R146 million was recognised in ARM Company and Group at 30 June 2019 (refer notes 29 and 32).

35.2.2 ARM Coal – PCB

An impairment reversal was recognised in F2019 on property, plant and equipment for R3 million (F2018: R19 million loss) before tax of R1 million (F2018: R5 million) (refer notes 2.1 and 29). This is accounted for in the income from associate line in the statement of profit or loss.

35. Impairment continued

35.2 Other impairment continued

35.2.3 ARM Ferrous

An impairment loss was recognised in F2019 on property plant and equipment for R21 million before tax of R6 million (F2018: R26 million before tax of R7 million) (refer notes 2.1 and 29). This is accounted for in the income from joint venture line in the statement of profit or loss.

An impairment loss of R1 013 million after tax was recognised on Assmang's investment in its equity-accounted investment, Sakura Ferroalloys Sdh Bhd. ARM's attributable share of the impairment loss amounted to R313 million for the property, plant and equipment and R194 million for the investment (refer note 8) after tax.

This impairment was largely due to a combination of:

» A consistent decline in manganese alloys prices;
» An increase in production costs resulting primarily from high manganese ore prices.

The recoverable amount of the investment was determined based on a fair value discounted cash flow Malaysian Ringgit (MYR) valuation model performed in terms of International Financial Reporting Standards.

The model was calculated over a 20-year period using a terminal value at the end of year 20.

A pre-tax Malaysian discount rate of 8.07% was used in the impairment calculation. The Malaysian Ringgit valuation was converted to South African Rand using an exchange rate of R3.42 at 30 June 2019.

The following assumptions were used in the valuation model:

		FY 2020	FY 2021	FY 2022	FY 2023
Manganese ore price assumptions	$/dmtu CIF	4.34 – 5.97	4.37 – 6.00	4.48 – 6.14	4.91 – 6.65
Manganese alloy price assumptions	USD/mt DDP	727 – 1 341	770 – 1 393	804 – 1 455	867 – 1 550
Manganese alloy price assumptions	EUR/mt DDP	1 011	996	1 075	1 113
Exchange Rates					
USD/ZAR	ZAR nominal	14.08	14.20	14.50	14.98
USD/MYR	MYR nominal	4.10	4.00	4.00	4.00
USD/EUR	EUR nominal	0.85	0.82	0.83	0.81
Discounts on Manganese Alloy Prices					
USA		6 – 12%	6 – 12%	6 – 12%	6 – 12%
Europe		8.5%	8.5%	6%	6%
Japan/Other		6.5%	6.5%	6%	6%

35.3 Other property plant and equipment

Tamboti

During F2018, the mineral rights held in Tamboti Platinum Proprietary Limited were sold to Two Rivers. The net effect of this transaction was a R99 million increase in the non-controlling interest of the Group. This increased the ARM shareholding in Two Rivers from 51% to 54%.

35.4 Impairment summary

				Group		Company	
Summary	Impairment Rm	Taxation Rm	Net Rm	F2019 Rm	F2018 Rm	F2019 Rm	F2018 Rm
Nkomati	**1 344**	(274)	**1 070**	**1 070**	–	**1 070**	–
Machadodorp	**146**		**146**	**146**	–	**146**	–
ARM Coal	**(3)**	1	**(2)**	**(2)**	–	**(2)**	–
ARM Ferrous	**528**	(6)	**522**	**522**	–	**–**	–
Kalplats	**40**	–	**40**	**–**	40	**–**	–
Total – post-tax and non-controlling interest				**1 736**	40	**1 214**	–

36. Financial instruments and risk management

The Group is exposed to certain financial risks in the normal course of its operations. To manage these risks, a treasury risk management committee monitors transactions involving financial instruments.

The Group does not acquire, hold or issue derivative instruments for trading purposes.

The following risks are managed through the policies adopted below:

Currency risk

The commodity market is predominantly priced in US Dollars which exposes the Group's cash flows to foreign exchange currency risks (refer note 36 for sensitivity analysis).

In addition, there is currency risk on long lead-time capital items which may be denominated in US Dollars, Euros or other currencies.

Derivative instruments which may be considered to hedge the position of the Group against these risks include forward sale and purchase contracts as well as forward exchange contracts.

The use of these derivative instruments is considered when appropriate for long lead-time capital items.

Below is a summary of amounts included in the statement of financial position denominated in a foreign currency.

	Group		Company	
	Foreign currency amount	Year-end exchange rate R/US$	Foreign currency amount	Year-end exchange rate R/US$
Financial assets				
Foreign currency denominated items included in receivables:				
30 June 2019	US$51 million	14.09	US$6 million	14.09
30 June 2018	US$55 million	13.72	US$10 million	13.72
Foreign currency denominated items included in cash and cash equivalents:				
30 June 2019	US$19 million	14.09	US$nil	14.09
30 June 2018	US$19 million	13.72	US$nil	13.72

Liquidity risk management

The Group's executives meet regularly to review long- and mid-term plans as well as short-term forecasts of cash flow.

Funding requirements are met by arranging banking facilities and/or structuring finance as applicable. All funding and related structures are approved by the Board of Directors.

The table below summarises the maturity profile of the Group's financial liabilities at 30 June 2019 and 30 June 2018 based on discounted cash flows.

For undiscounted amounts refer note 15.

36. Financial instruments and risk management continued

Liquidity risk management continued

Trade and other payables and overdrafts and short-term borrowings are due to their nature the same for discounted and undiscounted cash flows.

	Group F2019				Company F2019			
	Within one year	**2 – 4 years**	**Over 5 years**	**Total**	**Within one year**	**2 – 4 years**	**Over 5 years**	**Total**
Long-term borrowings (refer notes 15 and 20)	**442**	**72**	**1 023**	**1 537**	**6**	**–**	**1 023**	**1 029**
Trade and other payables (refer note 18)	**1 608**	**–**	**–**	**1 608**	**419**	**–**	**–**	**419**
Overdrafts and short-term borrowings (refer note 20)	**494**	**–**	**–**	**494**	**78**	**–**	**–**	**78**
Total	**2 544**	**72**	**1 023**	**3 639**	**503**	**–**	**1 023**	**1 526**

	Group F2018				Company F2018			
	Within one year	2 – 4 years	Over 5 years	Total	Within one year	2 – 4 years	Over 5 years	Total
Long-term borrowings (refer notes 15 and 20)	57	255	1 489	1 801	7	6	1 231	1 244
Trade and other payables (refer note 18)	1 406	–	–	1 406	326	–	–	326
Overdrafts and short-term borrowings (refer note 20)	495	–	–	495	299	–	–	299
Total	1 958	255	1 489	3 702	632	6	1 231	1 869

	Group		Company	
	F2019	F2018	**F2019**	F2018
Overdrafts and short-term borrowings (including short-term portion of long-term borrowings) are held as follows:				
– ABSA Bank Limited	**291**	257	**16**	21
– Interest free loans – subsidiaries	**–**	–	**42**	254
– Nedbank Limited	**231**	150	**–**	–
– Partner loans short-term	**101**	114	**–**	–
– ARM Trust – Harmony loan	**287**	–	**–**	–
– Other	**26**	31	**26**	31
	936	552	**84**	306

Credit risk

Credit risk arises from possible defaults on payments by business partners or bank counterparties. The Group minimises credit risk by evaluating counterparties before concluding transactions in order to ensure the creditworthiness of such counterparties.

The maximum exposure for trade receivables is the carrying amounts disclosed in note 8 and 11.

Major trade receivables include Impala Platinum R1 290 million (F2018: R1 146 million), Rustenburg Platinum Mines R644 million (F2018: R610 million), Norilsk Nickel R79 million (F2018: R134 million) and Glencore Operations SA R224 million (F2018: R387 million).

Cash is only deposited with institutions which have exceptional credit ratings with the amounts distributed appropriately among these institutions to minimise credit risk through diversification. The maximum exposure is the carrying values as per note 12.

36. Financial instruments and risk management continued

Credit risk continued

The fair value through other comprehensive income financial asset (which is the Harmony investment) exposure is the carrying value of this asset as per note 9.

	Group		Company	
	F2019	F2018	**F2019**	F2018
Cash and cash equivalents are held at the following financial institutions:				
– ABSA Bank Limited	**1 588**	503	**943**	256
– Barclays Private Clients International	**260**	219	**–**	–
– Deutsche Bank	**236**	228	**–**	–
– Investec Limited	**274**	8	**274**	–
– FirstRand Limited	**114**	88	**114**	81
– HSBC	**213**	–	**–**	–
– Lloyds Bank Plc	**210**	200	**–**	–
– Nedbank Limited	**914**	953	**912**	949
– Rand Merchant Bank	**–**	27	**–**	27
– Royal Bank of Canada – Barbados	**27**	22	**12**	14
– Royal Bank of Scotland International Limited	**207**	200	**–**	–
– Standard Chartered	**–**	200	**–**	–
– Stanlib	**–**	477	**–**	477
– The Standard Bank of Souh Africa Limited	**497**	109	**481**	96
– Other	**92**	57	**51**	32
	4 632	3 291	**2 787**	1 932

Treasury risk management

The treasury function is outsourced to Andisa Capital Proprietary Limited (Andisa), specialists in the management of third party treasury operations.

Together with ARM financial executives, Andisa coordinates the short-term cash requirements in the South African domestic money market.

A Treasury Committee, consisting of Finance executives, senior managers in the Company including the Finance Director and representatives from Andisa meet on a regular basis to analyse currency and interest rate exposures as well as future funding requirements within the Group.

The committee reviews the treasury operation's dealings to ensure compliance with Group policies and counterparty exposure limits.

Commodity price risk

Commodity price risk arises from the possible adverse effect of fluctuations in commodity prices on current and future earnings.

Most of these prices are US Dollar based and are internationally determined in the open market. From these base prices, contracts are negotiated. ARM does not actively hedge future commodity revenues of the commodities that it produces against price fluctuations.

Commodity price risk arises from the possible adverse effect of fluctuations in commodity prices on current and future earnings. Most of these prices are US Dollar based and are internationally determined in the open market. From these base prices, contracts are negotiated. ARM does not actively hedge future commodity prices of the commodities that it produces against price fluctuations.

The Nkomati, Two Rivers and Modikwa operations recognise revenue using the discounted forward commodity price relating to the month in which the sale will be finalised. There is a risk that the forward price does not realise when the commodity price is contractually finalised.

Management is of the opinion that this method of revenue recognition is the most appropriate.

The risk is that where there are significant changes in metal prices after a reporting period end that the next reporting period is impacted. The value of accounts receivable for these three entities included in trade and other receivables (refer note 11) amounts to R2 013 million (F 2018: R1 890 million). Refer to the sensitivity note on page 100.

36. Financial instruments and risk management continued

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations (refer to note 36 sensitivity).

The Group manages its interest cost using a mix of fixed and variable rates.

Fluctuations in interest rates give rise to interest rate risks through the impact these fluctuations have on the value of short-term cash investments and financing activities.

Fixed interest rate loans carry a fair value risk due to change in market rates.

Cash is managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks.

The table quantifies the interest rate risk.

		Group		
Financial assets		Book value at year-end Rm	Maturity date	Effective interest rate
Year ended 30 June 2019				
Cash – financial institutions	US$19m	**264**	**Overnight**	**0 – 2%**
– financial institutions		**3 500**	**call deposit**	**0 – 8%**
– fixed		**868**	**July 2019**	**4 – 9%**
		4 632		
Year ended 30 June 2018				
Cash – financial institutions	US$19m	260	Overnight	0 – 2%
– financial institutions		2 236	call deposit	0 – 8%
– fixed		795	July 2018	4 – 9%
		3 291		

	Company		
Financial assets	Book value at year-end Rm	Maturity date	Effective interest rate
Year ended 30 June 2019			
Cash – financial institutions	**2 787**	**Call deposits**	**5 – 9%**
	2 787		
Year ended 30 June 2018			
Cash – financial institutions	1 932	Call deposits	5 – 9%
	1 932		

36. Financial instruments and risk management continued

Interest rate risk continued

Financial liabilities	Group Book value at year-end Rm	Group Maturity date	Group Effective interest rate
Year ended 30 June 2019			
Long-term borrowings			
ARM Trust – loan facility – Harmony Gold	**287**	**2023**	**JIBAR plus 4.25%**
ARM Trust – loan facility – Nedbank	**81**	**2020**	**JIBAR plus 4.07%**
Two Rivers – leases	**140**	**2018**	**Prime less 1.5%**
Nkomati – leases	**6**	**2020**	**Prime plus 2%**
ARM Coal – GGV acquisition loan (partner loan)	**185**	**2029**	**Interest free**
ARM Coal – GGV project facility phase 1 loan (partner loan)	**615**	**2029**	**Interest free**
ARM Coal – GGV project facility phase 2 loan (partner loan)	**223**	**2029**	**Interest free**
	1 537		
Less: transferred to short-term borrowings	**(442)**		
Total	**1 095**		

SUMMARY OF VARIABLE AND FIXED RATES

	Total	Transfer to short-term	Long-term
Variable rates	**514**	**(442)**	**72**
Fixed rates – interest free	**1 023**	**–**	**1 023**
Total	**1 537**	**(442)**	**1 095**

	Group Book value at year-end Rm	Group Maturity date[1]	Group Effective interest rate
Year ended 30 June 2018			
Long-term borrowings			
ARM Trust – loan facility – Harmony Gold	258	2023	JIBAR plus 4.25%
ARM Trust – loan facility – Nedbank	212	2020	JIBAR plus 4.07%
Two Rivers – leases	87	2017	Prime less 1.5%
Nkomati – leases	13	2020	Prime plus 2%
ARM Coal – GGV acquisition loan (partner loan)	421	2029	Interest free
ARM Coal – GGV project facility phase 1 loan (partner loan)	602	2029	Interest free
ARM Coal – GGV project facility phase 2 loan (partner loan)	208	2029	Interest free
	1 801		
Less: transferred to short-term borrowings	(57)		
Total	1 744		

SUMMARY OF VARIABLE AND FIXED RATES

	Total	Transfer to short-term	Long-term
Variable rates	570	(57)	513
Fixed rates – interest free	1 231	–	1 231
Total	1 801	(57)	1 744

1 *This relates to the financial year.*

36. Financial instruments and risk management continued

Interest rate risk continued

Financial liabilities	Group			
	Book value at year-end Rm	Repricing date	Maturity date[1]	Effective interest rate
Short-term financial liabilities				
Year ended 30 June 2019				
– Financial institutions	**835**	**30/06/2019**	**30/06/2019**	**Variable rate between 2% and 11%**
– Anglo American Platinum (partner loan)	**101**			**No interest**
Total (refer note 20)	**936**			

Financial liabilities	Book value at year-end Rm	Repricing date	Maturity date[1]	Effective interest rate
Year ended 30 June 2018				
– Financial institutions	438	30/06/2018	30/06/2018	Variable rate between 2% and 11%
– Anglo American Platinum (partner loan)	114			No interest
Total (refer note 20)	552			

Financial liabilities	Company		
	Book value at year-end Rm	Maturity date[1]	Effective interest rate
Year ended 30 June 2019			
Long-term borrowings			
Nkomati – leases	**6**	**2020**	**Prime plus 2%**
ARM Coal – GGV acquisition loan (partner loan)	**185**	**2029**	**Interest free**
ARM Coal – GGV project facility phase 1 loan (partner loan)	**615**	**2029**	**Interest free**
ARM Coal – GGV project facility phase 2 loan (partner loan)	**223**	**2029**	**Interest free**
	1 029		
Less: transferred to short-term borrowings	**(6)**		
Total	**1 023**		

SUMMARY OF VARIABLE AND FIXED RATES

	Total	Transfer to short-term	Long-term
Variable rates	**6**	**(6)**	
Fixed rates – interest free	**1 023**	**–**	**1 023**
Total	**1 029**	**(6)**	**1 023**

1 This relates to the financial year.

36. Financial instruments and risk management continued

Interest rate risk continued

	Company		
Financial liabilities	Book value at year-end Rm	Maturity date[1]	Effective interest rate
Year ended 30 June 2018			
Long-term borrowings			
Nkomati – leases	13	2020	Prime plus 2%
ARM Coal – GGV acquisition loan (partner loan)	421	2029	Interest free
ARM Coal – GGV project facility phase 1 loan (partner loan)	602	2029	Interest free
ARM Coal – GGV project facility phase 2 loan (partner loan)	208	2029	Interest free
	1 244		
Less: transferred to short-term borrowings	(7)		
Total	1 237		

SUMMARY OF VARIABLE AND FIXED RATES

	Total	Transfer to short-term	Long-term
Variable rates	13	(7)	6
Fixed rates – interest free	1 231	–	1 231
Total	1 244	(7)	1 237

	Company			
	Book value at year-end Rm	**Repricing date**	**Maturity date[1]**	**Effective interest rate**
Short-term financial liabilities				
Year ended 30 June 2019				
– Financial institutions	**42**	**30/06/2019**	**30/06/2019**	**10.25%**
– Loans from subsidiaries	**42**			**No interest**
Total (refer note 20)	**84**			

	Book value at year-end Rm	Repricing date	Maturity date[1]	Effective interest rate
Year ended 30 June 2018				
Short-term financial liabilities				
– Financial institutions	52	30/06/2018	30/06/2018	10.25%
– Loans from subsidiaries	254			No interest
Total (refer note 20)	306			

1 This relates to the financial year.

36. Financial instruments and risk management continued

Fair value risk

The carrying amounts of trade receivables, cash and cash equivalents and trade and other payables approximate fair value because of the short-term duration of these instruments.

Fair value hierarchy

The Group uses the following hierarchy for determining the level of confidence in the valuation technique used:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – A technique where all inputs that have an impact on the value are observable, either directly or indirectly

Level 3 – A technique where all inputs that have an impact on the value are not observable

FINANCIAL INSTRUMENTS BY CATEGORIES

	Group F2019				
Category	Fair value hierarchy level	At fair value through profit and loss Rm	Financial Instruments at fair value through other comprehensive income Rm	Total book value Rm	Total fair value Rm
Investments – listed (refer note 9)	**1**	**1**	**2 370**	**2 371**	**2 371**
Investments – Guardrisk (refer note 9)	**2**	**26**	**–**	**26**	**26**
Investments – RBCT (refer notes 1 and 9)	**3**	**251**	**–**	**251**	**251**
Trade receivables[1]	**2**	**2 030**	**–**	**2 030**	**2 030**

	Group F2018				
Category	Fair value hierarchy level	At fair value through profit and loss Rm	Financial Instruments at fair value through other comprehensive income Rm	Total book value Rm	Total fair value Rm
Investments – listed (refer note 9)	1	1	1 351	1 352	1 352
Investments – Guardrisk (refer note 9)	2	33	–	33	33
Trade receivables[1]	2	1 890	–	1 890	1 890

1 *For inputs used refer note 36 sensitivity.*

36. Financial instruments and risk management continued

Fair value risk continued

Category	Company F2019 Fair value hierarchy level	At fair value through profit and loss Rm	Financial instruments at fair value through other comprehensive income Rm	Total book value Rm	Total fair value Rm
Investments – listed (refer note 9)	**1**	**–**	**2 370**	**2 370**	**2 370**
Investments – Guardrisk (refer note 9)	**2**	**26**	**–**	**26**	**26**
Investments – RBCT (refer note 9)	**3**	**251**	**–**	**251**	**251**
Trade receivables[1]	**2**	**97**	**–**	**97**	**97**

Category	Company F2018 Fair value hierarchy level	At fair value through profit and loss Rm	Financial instruments at fair value through other comprehensive income Rm	Total book value Rm	Total fair value Rm
Investments – listed (refer note 9)	1	–	1 351	1 351	1 351
Investments – Guardrisk (refer note 9)	2	33	–	33	33
Trade receivables[1]	2	134	–	134	134

1 *For inputs used refer note 36 sensitivity.*

Acquisition risk

Acquisition risk is the risk that acquisitions do not realise expected returns. This risk is mitigated by ensuring that all major investments are reviewed by the ARM Investment Committee after being proposed by management.

Capital risk management

The management and maintenance of capital in ARM is a central focus of the Board and senior management.

The ability to continue as a going concern and to safeguard assets while optimally funding capital expenditure is continually monitored.

Capital is mainly monitored on the basis of the net gearing ratio while giving due consideration to life-of-mine plans and business plans.

Capital structure is maintained and improved by ensuring an appropriate level of borrowings, adjusting dividends and reviewing returns from operations. ARM does not have a fixed policy on gearing but targets a net gearing threshold of 30% for external funding.

Total capital is defined as total equity on the statement of financial position plus debt.

Sensitivity

The sensitivity calculations are performed on the variances in prices, exchange rates and interest rate changes.

The assumptions are calculated individually while keeping all other variables constant.

The effect is calculated only on the financial instruments as at year-end.

It is relevant to note that the accounts receivable balance in note 11 of R2 013 million (F2018: R1 890 million) was valued using the following parameters: (i) Rand/US Dollar exchange rate of R14.09 (F2018: R13.72), (ii) platinum price of $836/oz (F2018: $853/oz), (iii) palladium price of $1 541/oz (F2018: $956/oz), rhodium price of $3 350/oz (F2018: $2 260/oz), and a nickel price of $12 675/tonne (F2018: $14 940/tonne).

36. Financial instruments and risk management continued

Sensitivity continued

The sensitivity was applied to profit or loss before taxation and non-controlling interest. There is no other impact on equity.

	Group		Company	
	F2019 Rm	F2018 Rm	F2019 Rm	F2018 Rm
The increase in profit before tax if:				
The Rand/US Dollar exchange rate weakens by R1	**133**	125	**6**	7
The price of nickel increases by 10%	**9**	15	**9**	15
The price of PGM increases by 10%	**182**	158	**NA**	NA
The interest rate increases by 1%	**29**	15	**27**	19
The decrease in profit before tax if:				
The Rand/US Dollar exchange rate strengthens by R1	**(133)**	(125)	**(6)**	(7)
The price of nickel decreases by 10%	**(9)**	(15)	**(9)**	(15)
The price of PGM decreases by 10%	**(182)**	(158)	**NA**	NA
The interest rate decreases by 1%	**(29)**	(15)	**(27)**	(19)

The interest rate change impact is calculated on the net financial instruments at reporting date and does not take into account any repayments of long- or short-term borrowings.

The prices of all other commodities are contractually fixed and are thus not impacted by price fluctuations after the reporting date.

37. Acquisition of Machadodorp Works

On 28 February 2019, ARM acquired 100% of the Machadodorp Works business from Assmang, for a cash amount of R130 million. A subsequent purchase price adjustment of R17 million which was received after 30 June 2019 reduced the amount to R113 million. This resulted in ARM's effective ownership increasing to 100% from the previous indirect 50%.

ARM acquired Machadodorp Works to use its existing infrastructure for alternative smelting technology, to commercialise more efficient and cost effective ways of smelting, particularly in so far as energy, which is one of the biggest cost inputs in smelting, is required. Building a new facility for test work would have been more expensive than using the existing Machadodorp Works facility.

Assets acquired and liabilities assumed

ARM has measured the identifiable assets and liabilities of Machadodorp Works at their acquisition-date fair values.

The values are presented below.

	F2019 Rm
Assets	**162**
Non-current assets	**42**
Non-current financial assets	**42**
Current assets	**120**
Inventory	**93**
Trade and other receivables	**27**
Liabilities	**232**
Non-current liabilities	**217**
Long-term provisions	**217**
Current liabilities	**15**
Short-term provisions	**6**
Trade and other payables	**9**
Total identifiable net assets at fair value	**(70)**
Deferred tax asset raised on acquisition	**37**
Purchase price adjustment	**17**
Goodwill arising on acquisition	**146**
Cash outflow on acquisition	**130**

Goodwill of R146 million has been recognised at acquisition. Goodwill represents the value paid in excess of the fair value of the net assets acquired (refer notes 2.4 and 35).

	Group F2018 Rm	Company F2018 Rm
38. Discontinued operations		
38.1 Sale of Lubambe Copper Mine in Zambia		
The Lubambe Copper Mine sale was completed on 22 December 2017. The transaction is reflected in the F2018 results as follows:		
Cash proceeds from sale	741	341
Less: Overdraft facility paid – Stanbic	(164)	–
Withholding and property transfer tax	(91)	–
Foreign exchange on sale proceeds	6	–
Net proceeds from sale for Lubambe	492	341
Net asset value at date of sale (before NCI and FCTR)	437	–
Carrying value of loans	–	399
Profit/(loss) on sale of Lubambe and related loans	55	(58)
Foreign currency translation reserve (FCTR)	650	–
Non-controlling interest (NCI)	(822)	–
Loss on sale before tax (refer note 29)	(117)	(58)
Taxation (refer note 29)	(62)	(62)
Net loss on sale of Lubambe and related loans	(179)	(120)
38.2 The following was applicable on the transaction		
The statement of cashflow effect is as follows:		
Cash outflow from operating activities	(76)	
Cash inflow/(outflow) from investing activities	141	
Cash outflow from financing activities	(7)	
The statement of profit and loss effect is as follows:		
Sales	340	
Cost of sales	(282)	
Other operating income	4	
Other operating expense	(70)	
Segment result	(8)	
Finance cost	(12)	
Finance cost ZCCM: Shareholders’ loan Vale/ARM joint operation	(20)	
Special items before tax	(117)	
Taxation	(62)	
Loss after tax	(219)	
Non-controlling interest	34	
Contribution to basic earnings	(185)	
Contribution to headline earnings	(6)	
Basic loss from discontinued operation per share (cents)	(97)	
Diluted basic loss from discontinued operation per share (cents)	(94)	

39. Commitments and contingent liabilities

Commitments

	Group F2019 Rm	Group F2018 Rm	Company F2019 Rm	Company F2018 Rm
Commitments in respect of capital expenditure:				
Approved by directors				
– contracted for	**188**	108	**107**	29
– not contracted for	**4**	16	**4**	16
Total commitments	**192**	124	**111**	45
Commitments allocated as follows:				
ARM Mining Consortium Limited	**57**	70	**–**	–
ARM Coal Proprietary Limited	**106**	29	**106**	29
Nkomati	**5**	16	**5**	16
Two Rivers Platinum Proprietary Limited	**24**	9	**–**	–
	192	124	**111**	45

It is anticipated that this expenditure, which mainly relates to mine development and plant and equipment, will be financed from operating cash flows and by utilising available cash and borrowing resources.

Disputes

ARM Mining Consortium has made an application against the Department of Mineral Resources (DMR) and third-party respondents requesting the court to order the DMR to reassess applications for certain prospecting rights brought by Rustenburg Platinum Mines, ARM Mining Consortium's joint venture partner that had been earlier rejected. The pleadings are not yet closed and no trial date has as yet been allocated.

AEL Mining Limited has instituted arbitration proceedings against Assmang, claiming an amount of R381 million. Assmang has defended this matter. This arbitration has been heard, and an award was made by the Arbitrator during the course of June 2019, in which the Arbitrator did not favour either of the parties.

Subsequently the parties have appealed the Arbitrators award and are currently negotiating the Appeal. Once the appeal Arbitrator has been appointed a request from Counsel on an opinion regarding the parties' prospects of success for the appeal will be sought.

Guarantees

A back-to-back guarantee to Assore Limited (Assore) in respect of ARM's share of the guarantees issued to bankers by Assore to secure a short-term export finance agreement facility of R180 million (F2018: R180 million) by Assmang. Short-term export finance loans negotiated in terms of the above facility in the ordinary course of business at 30 June 2019 were Rnil (F2018: Rnil).

Guarantees to the Department of Mineral Resources for rehabilitation provision amounting to R168 million (F2018: R161 million).

Guarantees to Eskom amounting to R45 million (F2018: R45 million).

Assmang has issued a guarantee to the Sarawak Energy Board amounting to $100 million. Sponsor indemnities amounting to $45.64 million has been received by Assmang in respect of this guarantee. The net effect for Assmang is therefore $54.36 million. ARM's 50% interest in Assmang would equate to R383 million (F2018: R373 million) or $27.18 million (F2018: $27.27 million).

40. Leases

Finance leases (refer note 15)	Group F2019 Rm Minimum payments	Group F2019 Rm Present value of payments	Group F2018 Rm Minimum payments	Group F2018 Rm Present value of payments	Company F2019 Rm Minimum payments	Company F2019 Rm Present value of payments	Company F2018 Rm Minimum payments	Company F2018 Rm Present value of payments
Within one year	**77**	**74**	59	57	**6**	**6**	7	7
After one year but not more than five years	**87**	**72**	51	43	**–**	**–**	8	6
Total minimum lease payments	**164**	**146**	110	100	**6**	**6**	15	13
Less: amounts representing finance charges	**(18)**	**–**	(10)	–	**–**	**–**	(2)	–
Present value of minimum lease payments	**146**	**146**	100	100	**6**	**6**	13	13

	Group F2019	Group F2018
Operating leases – Group as lessee		
This is in respect of office building rentals paid		
Straight-lined and cash flows		
Within one year	**1**	2
After one year but not more than five years	**3**	–
Total	**4**	2

41. Retirement plans

The Group facilitates pension plans and provident funds substantially covering all employees. These are composed of defined contribution pension plans, which are governed by the Pension Funds Act, 1956, and defined contribution provident funds administered by employee organisations within the industries in which members are employed.

The benefits provided by the defined contribution plans are determined by accumulated contributions and returns on investment.

Members contribute between 5.0% and 7.5% and employers contribute between 6.2% and 18.12% of pensionable salaries to the funds.

Members' contribution for the current year amounts to R171 million (F2018: R162 million).

42. Post-retirement healthcare benefits

The Group has obligations to fund a portion of certain pensioners' and retiring employees' medical aid contributions based on the cost of benefits in terms of a defined benefit plan. The anticipated liabilities arising from these obligations have been actuarially determined using the projected unit credit method and a corresponding liability has been raised.

	Group		Company	
	F2019 Rm	F2018 Rm	**F2019 Rm**	F2018 Rm
The post-retirement healthcare benefits are provided for in the following entity				
African Rainbow Minerals Limited	**81**	82	**81**	82
Machadodorp Works	**10**	–	**10**	–
	91	82	**91**	82

The liability is assessed at three-yearly intervals by an independent actuary. The assumptions used are as follows:

- A real discount rate of 1.8% per annum (F2018: 1.8% per annum).
- An increase in healthcare costs at a rate of between 7% and 9% per annum (F2018: 7% to 9% per annum).
- A 1% change in the healthcare inflation rate used is estimated to have an impact of plus 8% or less 7% (F2018: plus 8% or less 7%) on the liability.
- The average expected working lifetime of eligible members was four years (F2018: five years) at the time of the latest valuation which was carried out during June F2018.

The provisions raised in respect of post-retirement healthcare benefits amounted to R91 million (F2018: R82 million) at the end of the year. For movements refer note 17.

The liabilities raised based on present values of the post-retirement benefit, have been recognised in full.

An actuarial valuation is carried out in respect of this liability at three-yearly intervals. No new employees get this benefit and the liability is relatively stable. The last actuarial valuation was carried out in F2018 and the next one will be in F2021.

At retirement, members are given the choice to have an actuarially determined amount paid into their pension fund to cover the expected cost of the post-retirement health cover. Alternatively, the Group will continue to fund a portion of the retiring employee's medical aid contributions.

43. Share-based payment plans

Equity-settled plan

The Company uses plans to attract, retain, motivate and reward eligible employees who are able to influence the performance of ARM on a basis which aligns their interest with those of the Company's shareholders.

Share options

Between F2008 and F2014 annual allocations of share options were made on a much reduced scale due to the adoption of the Share Plan. No share options have been allocated since the end of F2014 (refer remuneration report).

The Company granted share options to certain employees under the share incentive scheme. The exercise price of the options was equal to the market price of the shares on the date of the grant. Before July 2008, the options start to vest one year after the grant date in three equal tranches over three years and from 1 July 2008, the options vest after three years. This scheme was subject to continued employment.

43. Share-based payment plans continued

The contract life of each option is eight years from the grant date.

	F2019 Share options	F2018 Share options	F2019 Average price cents	F2018 Average price cents
Outstanding at beginning of year	**898 759**	1 068 757	**18 315**	18 083
Forfeited/cancelled/lapsed	**(262 670)**	(169 998)	**17 945**	16 855
Exercised during the year	**(28 688)**	–	**16 917**	–
Outstanding at the end of year	**607 401**	898 759	**18 242**	18 315
Exercisable at the end of the year	**607 401**	898 759		
Range of strike prices of options exercised (cents)			**16 837**	N/A
Range of strike prices of outstanding options (cents)			**16 837 to 20 075**	16 837 to 22 300

Bonus shares

Bonus shares are conditional rights to shares which were allocated annually, which allocations were determined according to a specified ratio of the annual cash incentive accruing to senior executives. Bonus shares vest and are settled between three and four years, subject to continued employment. Other than bonus shares awarded in terms of the bonus share/co-investment scheme method and the waived bonus method, no bonus shares have been awarded since 2015.

If a senior executive leaves due to a fault termination (e.g. resignation or dismissal), all unvested awards are forfeited. If a senior executive leaves due to a no-fault termination (e.g. retirement), all bonus shares awarded prior to December 2014 are settled in full (refer remuneration report).

Deferred bonus/co-investment scheme

The deferred bonus/co-investment scheme was implemented to closely align the interests of shareholders and senior executives by rewarding superior performance and by encouraging senior executives to build up a shareholding in the Company, as well as to enhance the retention characteristics of the current reward of senior executives. The deferral of a portion of immediate cash bonuses demonstrates a heightened commitment to performance and shareholder alignment, and promotes the retention of key employees and enhances the performance and shareholder alignment characteristics of the Share Plan.

Senior executives were offered the opportunity, before the end of March each year, to elect that a portion of any cash bonus calculated at the end of the performance year, be deferred and converted into an equivalent value of deferred bonus shares.

To encourage senior executives to take up the deferral(s), the deferred bonus shares were matched with the equivalent number of performance shares. The remainder of the deferred cash bonus, after any deferral, would accrue to senior executives and be paid out in cash.

Scheme to F2017: Senior executives could defer 25%, 33% or a maximum of 50%.

Scheme with effect from F2017: Senior executives could defer 25%, 33%, 50%, 75% or 100% (refer remuneration report).

43. Share-based payment plans continued

Waived bonus method

The waived bonus method was implemented to closely align the interests of shareholders and senior executives by rewarding superior performance and by encouraging senior executives to build up a shareholding in the Company, and to enhance the retention characteristics of the current reward of senior executives.

In advance of the F2016 bonus being quantified or declared, and before any such bonus accrued, the Executive Chairman elected to waive and receive delivery of 100% of the value of any cash bonus which might accrue to him in respect of the F2016 performance year, on a pre-tax basis, in the form of 100% of the value of the waived F2016 bonus in bonus shares and the matching equivalent number of performance shares (refer remuneration report).

	F2019 Bonus shares	F2018 Bonus shares
Outstanding at beginning of year	**566 632**	843 415
Granted during the year	**102 812**	118 536
Forfeited/cancelled/lapsed	**–**	(2 506)
Shares vested	**(390 512)**	(392 813)
Outstanding at end of year	**278 932**	566 632
Fair value (R'm)	**245**	234

Performance shares method

Performance shares were conditional rights to shares which are typically awarded on an annual basis in order to reduce the risk of unanticipated outcomes arising out of share price volatility and cyclical factors. Performance shares vest and were settled between three and four years, subject to the achievement of predetermined performance criteria.

With effect from May 2015, Total Shareholder Return (TSR) in terms of the RESI 10 was used to determine the number of performance shares which vest. The RESI 10 ceased to exist with effect from December 2015. Therefore, the Board, upon the recommendation of the Remuneration Committee, agreed that with effect from December 2015, the TSR in terms of the top 10 companies in the JSE Mining Resources Sector Index would be used to determine the number of performance shares which vest and the 20-day VWAP would be used to determine the price (refer remuneration report).

	F2019 Performance shares	F2018 Performance shares
Outstanding at beginning of year	**5 029 074**	4 499 333
Awarded during the year	**102 812**	1 289 335
Forfeited/cancelled/lapsed	**(5 556)**	(140 268)
Shares vested	**(1 874 528)**	(619 326)
Outstanding at end of year	**3 251 802**	5 029 074
Fair value (R'm)	**1 089**	926

Conditional share plan 2018

Awards of conditional shares are made to eligible participants (Paterson grade F band) in the 2018 conditional share plan.

Conditional shares are settled after three years, subject to the company achieving prescribed performance criteria over this period (refer remuneration report).

	F2019 Conditional shares
Awarded	**768 853**
Outstanding at end of year	**768 853**
Fair value (R'm)	**23**

43. Share-based payment plans continued

Cash-settled plan

2018 Cash-settled conditional share plan 2018

Awards of conditional awards are made to eligible participants (Paterson grades D to E bands) in the 2018 cash-settled conditional share plan.

Conditional awards are settled after three years, subject to the company achieving prescribed performance criteria over this period (refer remuneration report).

	F2019 Conditional awards
Awarded	**333 070**
Outstanding at end of year	**333 070**
Fair value (R'm)	**13**

Assumptions used were as follows:

The valuations were done using a Monte Carlo simulation on the Top 20 companies (by market cap) of the Resources index (excluding gold and diamond companies), assuming no dividends on all shares.

All volatilities and correlation matrices are exponentially weighted, using a lambda of 0.99.

The TSR performance curve used in these calculations is taken from the supplied "Illustrative Example" provided in the share plan.

Under the accounting standards prescribed in IFRS 2 (2004), non market related performance conditions, such as continued employment, are not taken into account when calculating the fair value of a share scheme. Adjustments according to these performance conditions should be made afterwards, at each accounting date.

The fair value of shares granted in options plans were estimated as at the date of the grant using an independent valuator that used the Cox-Ross-Rubinstein binomial tree model taking into account the terms and conditions upon which the performance shares were granted.

The following table lists the range of inputs to the models used on the grant date for the years ended 30 June 2019 and 30 June 2018.

	F2019	F2018
Dividend yield %[1]	**N/A**	N/A
Expected volatility %	**44.97**	40.51
Risk-free interest rate %	**7.85**	7.93
Expected life of performance shares (years)	**1 – 4**	1 – 8
Average share price (cents)	**14 333**	11 133

1 No share options, bonus and performance shares were granted anymore.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

	F2019	F2018
The effect on the income statement was a charge of (R million)	**198**	209

44. Related party transactions

The Company in the ordinary course of business enters into various sale, purchase, service and lease transactions with subsidiaries, associated companies, joint ventures and joint operations.

Transactions between the Company, its subsidiaries and joint operations relate to fees, insurances, dividends, rentals and interest and are regarded as intra-Group transactions and eliminated on consolidation.

A report on investments in subsidiaries, associated companies, joint ventures and joint operations, that indicates the relationship and degree of control exercised by the Company and balances owed by entities, appears on pages 111 to 113.

For sales to related parties refer note 2.5.

	Group		Company	
	F2019 Rm	F2018 Rm	**F2019 Rm**	F2018 Rm
Amounts accounted in the statement of profit or loss relating to transactions with related parties				
Joint venture				
Assmang Proprietary Limited				
– Provision of management services	**762**	627	**762**	627
– Dividends received	**3 315**	3 000	**3 315**	3 000
Other				
ARM Trust – interest	**–**	–	**121**	109
Vale/ARM – interest	**–**	–	**–**	76
Subsidiaries				
Opilac Proprietary Limited – dividend received	**–**	–	**147**	114
Two Rivers Platinum Proprietary Limited				
– Dividend received	**–**	–	**283**	290
– Provision of services	**–**	–	**3**	3
Venture Building Trust Proprietary Limited – interest received	**–**	–	**2**	2
Anglovaal Air Proprietary Limited – dividend in specie	**–**	–	**19**	2
Amounts outstanding at year-end (owing to)/receivable by ARM on current account				
Joint venture				
Assmang – debtor	**38**	101	**38**	101
Joint operations				
Anglo American Platinum – debtor	**644**	610	**–**	–
Norilsk Nickel – creditor	**(3)**	(2)	**–**	(2)
Norilsk Nickel – debtor	**97**	134	**97**	134
Anglo American Platinum – short-term borrowing	**(101)**	(114)	**–**	–
Vale/ARM joint operation – long-term loan TEAL Minerals (Barbados)	**–**	–	**–**	18
Glencore Operations South Africa – long-term borrowing	**(1 023)**	(1 231)	**(1 023)**	(1 231)
Glencore Operations South Africa – debtor	**224**	387	**713**	1 113
Subsidiary				
Impala Platinum – debtor	**1 289**	1 146	**–**	–
Impala Platinum – dividend paid	**241**	253	**–**	–
Key management personnel				
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity and comprise members of the board of directors and senior management (refer to Directors' report).				
Senior management compensation				
Salary	**27**	26		
Accrued bonuses	**30**	25		
Pension scheme contributions	**3**	2		
Reimbursive allowances	**2**	1		
Total	**62**	54		

44. Related party transactions continued

Share options	Number of options	Average price cents	Average gross selling price cents
Held on 1 July 2017	79 040	17 987	
Exercised/lapsed during the year	(9 522)	16 916	
Staff movements	56 484	18 658	
Held on 1 July 2019	**126 002**	**18 369**	
Exercise/lapsed during the year	**(20 082)**	**18 280**	
Staff movements	**(25 100)**	**18 234**	
Held on 30 June 2019	**80 820**	**18 432**	

Bonus and performance shares	Number of bonus shares	Number of performance shares	Number of conditional shares
Held on 1 July 2017	48 302	289 015	–
Forfeitures during the year	–	(10 203)	–
Granted/awarded during the year	9 094	266 651	–
Settled during the year	(57 724)	(84 949)	–
Staff movements	29 380	392 353	–
Held on 30 June 2018	**29 052**	**852 867**	**–**
Granted/awarded during the year	**27 697**	**27 697**	**235 917**
Settled during the year	**(9 592)**	**(209 323)**	**–**
Staff movements	**–**	**(69 313)**	**–**
Held on 30 June 2019	**47 157**	**601 928**	**235 917**

Details relating to Directors' emoluments and prescribed officers, share options and shareholdings in the Company are disclosed in the Directors' report.

Shareholders

The principal shareholders of the Company are detailed in the Shareholder Analysis report.

ARM's executive chairman, Dr Patrice Motsepe, is involved through shareholdings and/or directorships in various other companies and trusts. The Company rents office space from one of the entities as disclosed below. Dr Motsepe's Director's emoluments, share options, bonus shares, performance shares and shareholding in the Company are disclosed in the Directors' report.

	F2019 Rm	F2018 Rm
Rental paid for offices at 29 Impala Road, Chislehurston, Sandton	**2**	2

This rental is similar to rentals paid to third parties in the same area for similar buildings.

45. Events after the reporting date

45.1 Subsequent to year-end ARM received a dividend from Assmang of R2 000 million.

45.2 ARM declared a dividend of R9.00 per share after 30 June 2019.
Please refer to events after reporting date included on page 10 of the Directors' report.

45.3 The maturity date of the ARM Trust loan was 31 December 2019. Subsequent to year-end, this was extended to 31 December 2022. The other terms and conditions remain unchanged.

46. Major shareholders, and shareholder spread

Please refer to major shareholders at 30 June 2019 on page 122 of the Investor Relations report and shareholder spread at 30 June 2019 on page 121 of the Investor Relations report.

PRINCIPAL SUBSIDIARY COMPANIES

for the year ended 30 June 2019

		Issued capital Amount Rm		Direct interest in capital %		Book value of the Company's interests: Shares Rm		Book value of the Company's interests: Indebtedness by/(to) Rm	
Name	Class	F2019	F2018	F2019	F2018	F2019	F2018	F2019	F2018
African Rainbow Minerals Platinum Proprietary Limited	Ord	**–**	–	**100**	100	**257**	257	**1 389**	1 599
African Rainbow Minerals Finance Company SA	Ord	**–**	–	**100**	100	**1 296**	1 296		
Provision ARM Finance Company						**(1 129)**	(1 129)		
Sub total						**167**	167		
Anglovaal Air Proprietary Limited (sold) in F2019	Ord	**–**	–	**–**	100		89		(212)
Atscot Proprietary Limited	Ord	**1**	1	**100**	100	**10**	10	**(23)**	(23)
Avmin Limited	Ord	**–**	–	**100**	100			**(17)**	(17)
Bitcon's Investments Proprietary Limited	Ord	**–**	–	**100**	100	**2**	2	**(2)**	(2)
Jesdene Limited	Ord	**–**	–	**100**	100			**6**	6
ARM Treasury Investments Proprietary Limited	Ord	**–**	–	**100**	100	**35**	35		
Mannequin Insurance PCC Limited (Cell AVL18)[1]	Ord	**4**	4	**100**	100	**4**	4		
Opilac Proprietary Limited[2]	Ord	**–**	–	**100**	100	**651**	651		
Two Rivers Platinum Proprietary Limited	Ord	**914**	914	**54**	54	**331**	331		
Tamboti Plarinum Proprietary Limited	Ord	**–**	–	**100**	100		467		
Impairment (refer note 35)							(467)		
TEAL Minerals (Barbados) Incorporated						**18**	18		
Venture Building Trust Proprietary Limited	Ord	**–**	–	**100**	100	**1**	1	**14**	17
Total value of unlisted investment in subsidiaries[3]						**1 476**	1 565		
Amounts owing to subsidiaries								**(42)**	(254)
Amounts owing by subsidiaries								**1 409**	1 622

Notes

Ord – Ordinary shares.

All these balances eliminate at Group level.

Unless otherwise stated, all companies are incorporated and carry on their principal operations in South Africa. Interests are shown to the extent that this information is considered material. A schedule with details of all other subsidiaries is available from the registered office.

1 Incorporated in Guernsey and has a March year-end. Reviewed June figures are consolidated.

2 February year-end June figures are consolidated.

3 The indirect subsidiary investment in Teal Minerals (Barbados) Incorporated is included as part of joint operations.

PRINCIPAL ASSOCIATE COMPANIES, JOINT VENTURES, JOINT OPERATIONS AND OTHER INVESTMENTS

for the year ended 30 June 2019

	Group					
	Number of shares held		Effective percentage holding		Value of investment Rm	
Name of company	F2019	F2018	F2019	F2018	F2019	F2018
Associated companies						
Unlisted						
Glencore Operations South Africa Proprietary Limited[1]						
Non-convertible participating preference shares	**384**	384	**20.2**	20.2	**1 837**	1 798
Investment in other companies						
Listed						
Harmony Gold Mining Company Limited						
Ordinary shares	**74 665 545**	63 632 922	**13.8**	14.5	**2 370**	1 351
On 12 July 2018, ARM acquired a further 11 032 623 shares.						
Unlisted						
Business Partners Limited	**323 177**	323 177	**0.2**	0.2	**–**	–
Non-convertible participating preference Cell no 00298	**1**	1	**100**	100	**26**	33
Joint operations and partnerships						
ARM Coal Proprietary Limited (including Goedgevonden)	**51**	51	**51**	51	**–**	–
Modikwa joint operation[1]	**–**	–	**41.5**	41.5	**–**	–
Nkomati joint operation[2]	**–**	–	**50**	50	**–**	–
Vale/ARM joint operation[3]			**–**	40	**–**	–
Assmang Proprietary Limited (including Cato Ridge Alloys joint venture and Sakura Ferroalloys Sdn Bhd joint venture)	**–**	–	**50**	50	**–**	–

1 December year-end, audited June figures are consolidated.
2 Eliminates on a company level, as Nkomati joint operation is an unincorporated joint operation.
3 ARM owns 16% indirectly and 34% directly in Teal Minerals (Barbados) Incorporated (amount above is after non-controlling interest).

	Company					
	Number of shares held		Value of investment Rm		Indebtedness by Rm	
Name of company	F2019	F2018	F2019	F2018	F2019	F2018
Associated companies						
Unlisted						
Glencore Operations South Africa Proprietary Limited[1]						
Non-convertible participating preference shares	**384**	384	**432**	432	**941**	1 059
Investment in other companies						
Listed						
Harmony Gold Mining Company Limited						
Ordinary shares	**74 665 545**	63 632 922	**2 370**	1 351	**–**	–
On 12 July 2018, ARM acquired a further 11 032 623 shares.						
Unlisted						
Business Partners Limited	**323 177**	323 177	**–**	–	**–**	–
Guardrisk Insurance Company Limited Cell no 00298	**1**	1	**26**	33	**–**	–
Joint operations and partnerships						
ARM Coal Proprietary Limited (including Goedgevonden)	**51**	51	**409**	409	**–**	–
Modikwa joint operation[1]	**–**	–	**–**	–	**–**	–
Nkomati joint operation[2]	**–**	–	**–**	–	**503**	331
Vale/ARM joint operation[3]	**–**	–	**–**	–	**–**	–
– investment held directly by ARM	**–**	1 154				
– investment held indirectly by ARM (subsidiary)	**–**	528			**–**	–
Assmang Proprietary Limited (including Cato Ridge Alloys joint venture and Sakura Ferroalloys Sdn Bhd joint venture)	**1 774 103**	1 774 103	**259**	259	**–**	–
Division						
Machadodorp Works	**–**	–	**113**	–	**28**	–
Impairment	**–**	–	**(113)**			
Sub total			**–**			
Trust						
ARM Trust					**1 147**	1 026

1 December year-end, audited June figures are consolidated.
2 Eliminates on a company level, as Nkomati joint operation is an unincorporated joint operation.
3 ARM owns 16% indirectly and 34% directly in Teal Minerals (Barbados) Incorporated (amount above is after non-controlling interest).

CONVENIENCE TRANSLATION INTO US DOLLARS

For the benefit of international investors, the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity and the statement of cash flows of the Group presented in South African Rands and set out on pages 24 to 30, have been translated into United States Dollars and are presented on this page and pages 115 to 119. This information is only supplementary and is not required by any accounting standard and does not represent US GAAP.

The statement of financial position is translated at the rate of exchange ruling at the close of business at 30 June each year and the statements of profit or loss and statement of cash flows are translated at the average exchange rates for the years reported, except for the opening and closing cash balances of cash flows which are translated at the rate ruling at the close of business at 30 June each year.

The statement of comprehensive income is translated at the average rate of the years reported.

The statement of changes in equity is translated at the rate ruling at the close of business at 30 June each year.

The following exchange rates were used:

	F2019 R/US$	F2018 R/US$
Closing rate	**R14.09**	R13.72
Average rate	**R14.19**	R12.84

The US Dollar denominated statement of financial position, statements of profit or loss, statement of comprehensive income, statement of changes in equity and statements of cash flows should be read in conjunction with the accounting policies of the Group as set out on pages 31 to 51 and with the notes to the financial statements on pages 52 to 110.

US DOLLAR STATEMENT OF FINANCIAL POSITION

at 30 June 2019

Convenience translation

	Note	Group F2019 US$m	Group F2018 US$m
ASSETS			
Non-current assets			
Property, plant and equipment	3	**501**	577
Intangible assets	4	**8**	9
Deferred tax assets	16	**34**	45
Loans and long-term receivables	5	**20**	34
Investment in associate	7	**130**	131
Investment in joint venture	8	**1 185**	1 130
Other investments	9	**188**	114
		2 066	2 040
Current assets			
Inventories	10	**48**	43
Trade and other receivables	11	**195**	172
Taxation	34	**2**	6
Cash and cash equivalents	12	**329**	240
		574	461
Total assets		**2 640**	2 501
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	13	**1**	1
Share premium	13	**334**	321
Treasury shares	14	**(171)**	(175)
Other reserves		**139**	103
Retained earnings		**1 697**	1 639
Equity attributable to equity holders of ARM		**2 000**	1 889
Non-controlling interest		**109**	107
Total equity		**2 109**	1 996
Non-current liabilities			
Long-term borrowings	15	**78**	127
Deferred tax liabilities	16	**108**	119
Long-term provisions	17	**113**	83
		299	329
Current liabilities			
Trade and other payables	18	**112**	103
Short-term provisions	19	**46**	27
Taxation	34	**8**	6
Overdrafts and short-term borrowings	20	**66**	40
		232	176
Total equity and liabilities		**2 640**	2 501

US DOLLAR STATEMENT OF PROFIT OR LOSS

for the year ended 30 June 2019

Convenience translation

	Note	Group F2019 US$m	Group F2018 US$m Restated[1]
Revenue – continuing operations	23	**676**	683
Revenue – discontinued operations	23		26
Sales	23	**623**	635
Cost of sales	24	**(525)**	(522)
Gross profit		**98**	113
Other operating income	25	**69**	119
Other operating expenses	26	**(111)**	(98)
Profit from operations before special items		**56**	134
Income from investments	27	**24**	14
Finance costs	28	**(22)**	(28)
Income from associate	7	**19**	48
Income from joint venture	8	**317**	273
Profit before taxation and special items		**394**	441
Special items	29	**(105)**	(3)
Profit before taxation		**289**	438
Taxation	30	**(17)**	(45)
Profit for the year from continuing operations		**272**	393
Discontinued operation			
Loss after tax for the year from discontinued operation	38	**–**	(17)
Profit for the year		**272**	376
Attributable to:			
Equity holders of ARM			
Profit for the year from continuing operations		**251**	370
Loss for the year from discontinued operation		**–**	(14)
Basic earnings for the year		**251**	356
Non-controlling interest			
Profit for the year from continuing operations		**21**	23
Loss for the year from discontinued operation		**–**	(3)
		21	20
Profit for the year		**272**	376

1 F2018 was restated as a result of implementing IFRS 15 – Revenue from Contractors with Customers (refer note 1).

	Note	F2019	F2018
Earnings per share	31		
Basic earnings per share (cents)		**130**	186
Basic earnings from continuing operations per share (cents)		**130**	194
Basic loss from discontinued operation per share (cents)		**–**	(8)
Diluted basic earnings per share (cents)		**128**	181
Diluted basic earnings from continuing operations per share (cents)		**128**	188
Diluted basic loss from discontinued operation per share (cents)		**–**	(7)

US DOLLAR STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

Convenience translation

	Notes	Group Financial instruments at fair value through other comprehensive income US$m	Other US$m	Retained earnings US$m	Share-holders of ARM US$m	Non-controlling interest US$m	Total US$m
For the year ended 30 June 2018							
Profit for the year to 30 June 2018		–	–	356	356	20	376
Profit for the year to 30 June 2018 from continuing operations		–	–	370	370	23	393
Loss for the year to 30 June 2018 from discontinued operations		–	–	(14)	(14)	(3)	(17)
Other comprehensive (loss)/income that may be reclassified to the statement of profit or loss in subsequent periods							
Net impact of revaluation of listed investment		(1)	–	–	(1)	–	(1)
Revaluation of listed investment	9	(2)	–	–	(2)	–	(2)
Deferred tax on above	16	1	–	–	1	–	1
Premium on non-controlling interest release		–	1	–	1	–	1
Foreign currency translation reserve movement from continuing operations		–	9	–	9	–	9
Foreign currency translation reserve movement from discontinued operation							
Current year movement		–	(6)	–	(6)	–	(6)
Current year reversed – included in sale of Lubambe		–	6	–	6	–	6
Foreign currency translation reserve movement from discontinued operation prior year – sold	38	–	(51)	–	(51)	–	(51)
Total other comprehensive loss		(1)	(41)	–	(42)	–	(42)
Total comprehensive (loss)/income for the year		(1)	(41)	356	314	20	334
For the year ended 30 June 2019							
Profit for the year to 30 June 2019		**–**	**–**	**251**	**251**	**21**	**272**
Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods							
Net impact of revaluation of listed investment		**44**	**–**	**–**	**44**	**–**	**44**
Revaluation of listed investment	9	**57**	**–**	**–**	**57**	**–**	**57**
Deferred tax on above	16	**(13)**	**–**	**–**	**(13)**	**–**	**(13)**
Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods							
Foreign currency translation reserve movement		**–**	**1**	**–**	**1**	**–**	**1**
Total other comprehensive income		**44**	**1**	**–**	**45**	**–**	**45**
Total comprehensive income for the year		**44**	**1**	**251**	**296**	**21**	**317**

US DOLLAR STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

Convenience translation

		Group								
	Notes	Share capital and premium US$m	Treasury shares US$m	Financial instruments at fair value through other comprehensive income US$m	Share-based payments US$m	Other US$m	Retained profit US$m	Shareholders of ARM US$m	Non-controlling interest US$m	Total US$m
Balance at 30 June 2017		329	(184)	31	78	49	1 499	1 802	42	1 844
Total comprehensive (loss)/income for the year		–	–	(1)	–	(41)	356	314	20	334
Profit for the year to 30 June 2018		–	–	–	–	–	356	356	20	376
Other comprehensive loss		–	–	(1)	–	(41)	–	(42)	–	(42)
Bonus and performance shares issued to employees	13	9	–	–	(9)	(1)	–	(1)	–	(1)
Dividend paid	31	–	–	–	–	–	(133)	(133)	–	(133)
Tamboti assets sale to Two Rivers (refer note 35)		–	–	–	–	(8)	–	(8)	8	–
Reclassification of foreign currency translation reserve included in loss on sale of Lubambe		–	–	–	–	(6)	6	–	–	–
Non-controlling interest derecognised on sale of Lubambe	38	–	–	–	–	–	–	–	64	64
Dividend paid to Impala Platinum		–	–	–	–	–	–	–	(20)	(20)
Share-based payments expense		–	–	–	16	–	–	16	–	16
Translation adjustment		(16)	9	(1)	(4)	–	(89)	(101)	(7)	(108)
Balance at 30 June 2018		**322**	**(175)**	**29**	**81**	**(7)**	**1 639**	**1 889**	**107**	**1 996**
Fair value adjustment ARM Coal Richards Bay Coal Terminal (RBCT)		**–**	**–**	**–**	**–**	**–**	**4**	**4**	**–**	**4**
Fair value adjustment gross		**–**	**–**	**–**	**–**	**–**	**5**	**5**	**–**	**5**
Deferred tax		**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Re-measurement adjustment Modikwa (refer note 1)		**–**	**–**	**–**	**–**	**–**	**2**	**2**	**–**	**2**
Opening balance restated 1 July 2018		**322**	**(175)**	**29**	**81**	**(7)**	**1 645**	**1 895**	**107**	**2 002**
Total comprehensive income for the year		**–**	**–**	**44**	**–**	**1**	**251**	**296**	**21**	**317**
Profit for the year to 30 June 2019		**–**	**–**	**–**	**–**	**–**	**251**	**251**	**21**	**272**
Other comprehensive income		**–**	**–**	**44**	**–**	**1**	**–**	**45**	**–**	**45**
Bonus and performance shares issued to employees	13	**21**	**–**	**–**	**(21)**	**–**	**–**	**–**	**–**	**–**
Dividend paid	31	**–**	**–**	**–**	**–**	**–**	**(155)**	**(155)**	**–**	**(155)**
Dividend paid to Impala Platinum		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(17)**	**(17)**
Share-based payments expense		**–**	**–**	**–**	**14**	**–**	**–**	**14**	**–**	**14**
Translation adjustment		**(8)**	**4**	**(1)**	**(2)**	**1**	**(44)**	**(50)**	**(2)**	**(52)**
Balance at 30 June 2019		**335**	**(171)**	**72**	**72**	**(5)**	**1 697**	**2 000**	**109**	**2 109**

US DOLLAR STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

Convenience translation

	Note	F2019 US$m	F2018 US$m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		**677**	716
Cash paid to suppliers and employees		**(528)**	(565)
Cash generated from operations	33	**149**	151
Translation adjustment		**(3)**	(13)
Interest received		**19**	12
Interest paid		**(6)**	(8)
Taxation paid	34	**(22)**	(33)
		137	109
Dividends received from joint venture	8	**234**	234
		371	343
Dividend paid to non-controlling interest – Impala Platinum		**(17)**	(20)
Dividend paid to shareholders	31	**(155)**	(133)
Net cash inflow from operating activities		**199**	190
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment to maintain operations		**(66)**	(90)
Dividends received from investments – Harmony		**–**	2
Investment in Harmony	9	**(15)**	–
Proceeds on disposal of investment	38	**–**	58
Acquisition of Machadodorp Works	37	**(9)**	–
Net cash outflow from investing activities		**(90)**	(30)
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term borrowings raised		**21**	39
Long-term borrowings repaid		**(42)**	(58)
Short-term borrowings raised		**1**	2
Short-term borrowings repaid		**–**	(10)
Net cash outflow from financing activities		**(20)**	(27)
Net increase in cash and cash equivalents		**89**	133
Cash and cash equivalents at beginning of year		**212**	79
Cash and cash equivalents at end of year	12	**301**	212
Cash generated from operations per share (US cents)		**77**	79

FINANCIAL SUMMARY (US DOLLAR)

for the year ended 30 June 2019

	Group										
	F2019 US$m	F2018 US$m	F2017 US$m	F2016 US$m	F2015 US$m	F2014 US$m	F2013 US$m	F2012 US$m	F2011 US$m	F2010 US$m	F2009 US$m
Statement of profit or loss											
Sales	**623**	634	600	563	809	966	831	2 256	2 131	1 452	1 118
Headline earnings	**368**	375	235	72	152	397	423	444	483	226	257
Basic earnings/(loss) per share (US cents)	**130**	186	53	(18)	5	147	86	207	226	113	150
Headline earnings per share (US cents)	**192**	197	124	34	70	183	197	208	227	106	121
Dividend declared after year-end per share (US cents)	**64**	55	48	15	29	56	51	58	67	26	23
Statement of financial position											
Total assets	**2 640**	2 501	2 472	2 393	2 901	3 430	3 407	4 327	4 791	3 682	3 304
Cash and cash equivalents	**329**	240	114	90	186	202	198	437	543	396	455
Shareholders' equity	**2 109**	1 996	1 844	1 674	2 213	2 652	2 563	2 990	3 280	2 416	2 171
Statement of cash flows											
Cash generated from operations	**149**	151	118	85	219	200	177	768	857	451	739
Net cash outflow from investing activities	**(90)**	(30)	(47)	(54)	(174)	(118)	(195)	(525)	(484)	(306)	(346)
Net cash (outflow)/inflow from financing activities	**(20)**	(27)	(137)	(39)	(26)	(73)	54	22	(85)	(96)	(19)
JSE Limited performance											
Ordinary shares (US cents)											
– high	**1 325**	1 098	933	790	1 773	2 316	2 367	2 561	3 376	2 714	3 217
– low	**754**	608	493	238	710	1 380	1 574	2 046	2 092	1 542	842
– year-end	**1 292**	795	644	627	680	1 759	1 508	2 035	2 788	2 099	1 683

SHAREHOLDER ANALYSIS

as at 30 June 2019

SHARES HELD

	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	2 747	71.56	616 510	0.28
1 001 – 10 000 shares	627	16.33	2 179 290	0.98
10 001 – 100 000 shares	319	8.31	11 205 758	5.05
100 001 – 1 000 000 shares	124	3.20	33 365 606	15.03
1 000 001 shares and above	23	0.60	174 641 160	78.66
Total	**3 840**	**100.00**	**222 008 324**	**100.00**

DISTRIBUTION OF SHAREHOLDERS

	Excluding treasury shares		Including treasury shares	
	Number of shares held	%	Number of shares held	%
Black Economic Empowerment	105 424 110	50.37	105 424 110	47.49
Unit Trust/Mutual Funds	38 612 474	18.45	38 612 474	17.39
Pension funds	29 432 848	14.06	29 432 848	13.26
Own shares*			12 717 328	5.73
Insurance Companies	7 207 710	3.44	7 207 710	3.24
Trading Positions	6 459 852	3.09	6 459 852	2.91
Sovereign Wealth	4 579 667	2.19	4 579 667	2.06
Private Investors	2 445 064	1.17	2 445 064	1.10
Custodians	1 972 016	0.94	1 972 016	0.89
Exchange-Traded Funds	1 702 890	0.81	1 702 890	0.77
Hedge Fund	972 307	0.47	972 307	0.44
Local Authority	148 984	0.07	148 984	0.07
Medical Aid Scheme	127 205	0.06	127 205	0.06
Charity	112 830	0.06	112 830	0.05
Foreign Government	30 341	0.01	30 341	0.01
Remainder	10 062 698	4.81	10 062 698	4.53
Total	**209 290 996**	**100.00**	**222 008 324**	**100.00**

* *Own shares refers to treasury shares held by the 100% ARM owned subsidiary, Opilac Proprietary Limited.*

INVESTMENT MANAGEMENT WITH MORE THAN 3% INTEREST (INCLUDING OWN SHARES)

	Number of shares held	%
African Rainbow Minerals & Exploration	88 414 366	39.82
ARM Broad Based Empowerment Trust	15 897 412	7.16
PIC	13 232 816	5.96
Opilac Pty Ltd*	12 717 328	5.73
Fairtree Capital Pty Ltd	8 254 251	3.72
Total	**138 516 173**	**62.39**

* *Opilac Proprietary Limited is a 100% held subsidiary of ARM.*

BENEFICIAL INTEREST SHAREHOLDING MORE THAN 3% INTEREST (INCLUDING OWN SHARES)

	Number of shares held	%
African Rainbow Minerals & Exploration	88 414 366	39.82
ARM Broad Based Empowerment Trust	15 897 412	7.16
Government Employees Pension Fund (PIC)	14 355 182	6.47
Opilac Pty Ltd*	12 717 328	5.73
Total	**131 384 288**	**59.18**

* *Opilac Proprietary Limited is a 100% held subsidiary of ARM.*

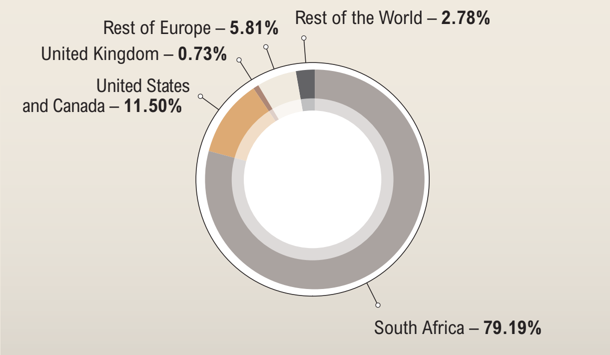
SHAREHOLDER ANALYSIS continued

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-Public Shareholders	12	0.31	119 515 789	53.83
» Directors (Direct holdings)	6	0.16	1 157 567	0.52
» Directors (Indirect holdings)	2	0.05	216 784	0.10
» African Rainbow Minerals & Exploration	1	0.03	88 414 366	39.82
» ARM Broad-based Black Empowerment Trust	1	0.03	15 897 412	7.16
» Botho-Botho Commercial Enterprises	1	0.03	1 112 332	0.50
» Opilac	1	0.03	12 717 328	5.73
Public Shareholders	3 828	99.69	102 492 535	46.17
Total	**3 840**	**100.00**	**222 008 324**	**100.00**

* *Non-public shareholders consist of Directors (whose interests are set out in the table on page 11 of the Annual Financial Statements, the ARM Broad-Based Economic Empowerment Trust, Opilac Proprietary Limited, African Rainbow Minerals & Exploration Investments (Pty) Ltd (ARMI) and Botho-Botho Commercial Enterprises (Pty) Ltd. The shares of ARMI and BBCE are held indirectly by trusts, all of which, with the exception of The Motsepe Foundation, hold those shares for the benefit of Dr Motsepe and his immediate family.*

GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS



TOP 20 SHAREHOLDERS

	Number of shares held	% holding of shares in issue
African Rainbow Minerals & Exploration	88 414 366	39.82
ARM Broad Based Empowerment Trust	15 897 412	7.16
PIC	13 232 816	5.96
Opilac Pty Ltd*	12 717 328	5.73
Fairtree Capital Pty Ltd	8 254 251	3.72
Dimensional Fund Advisors	6 502 835	2.93
Kagiso Asset Management	5 489 590	2.47
LSV Asset Management	4 383 697	1.97
STANLIB Asset Management	4 087 388	1.84
The Vanguard Group Inc	3 624 292	1.63
Sanlam Investment Management	3 199 198	1.44
Prudential Investment Management	2 784 156	1.25
BlackRock Inc	2 330 916	1.05
Momentum Investments	2 097 929	0.95
Old Mutual Ltd	1 988 059	0.89
Numeric Investors LP	1 940 968	0.87
Robeco Institutional Asset Management	1 918 821	0.86
Goldman Sachs Asset Management	1 750 842	0.79
State Street Global Advisors	1 456 929	0.66
RMB Morgan Stanley (Pty) Ltd	1 453 326	0.65

* *Opilac Proprietary Limited is a 100% held subsidiary of ARM.*

INVESTOR RELATIONS REPORT

ARM's primary listing is on the JSE Limited. The Company also has a sponsored Level 1 American Depositary Receipt (ADR) programme under the ticker symbol AFRBY which is available to investors for over-the-counter or private transactions.

Share information

TICKER CODE	ARI
SECTOR	General Mining
NATURE OF BUSINESS	ARM is a diversified mining and minerals company with assets in ferrous metals, platinum group metals, thermal coal, nickel and copper. ARM holds an interest in the gold mining sector through its 13.8% shareholding in Harmony.
ISSUED SHARE CAPITAL AT 30 JUNE 2019	222 008 324 shares
MARKET CAPITALISATION AT 30 JUNE 2019	R40.4 billion
	US$2.9 billion
CLOSING SHARE PRICE AT 30 JUNE 2019	R182.17
12-MONTH HIGH (1 JULY 2018 – 30 JUNE 2019)	R187.99
12-MONTH LOW (1 JULY 2018 – 30 JUNE 2019)	R106.80
AVERAGE VOLUME TRADED FOR THE 12 MONTHS	570 404 shares per day

Shareholders' diary

ANNUAL GENERAL MEETING	Friday, 6 December 2019
FINANCIAL YEAR-END	June 2020
INTEGRATED ANNUAL REPORT ISSUED	October 2019
INTERIM RESULTS ANNOUNCEMENT	March 2020
PROVISIONAL RESULTS ANNOUNCEMENT	September 2020

Share liquidity

Number of shares traded on the JSE Limited during F2019

Month	Volumes
June 2019	**9 740 985**
May 2019	**10 212 342**
April 2019	**15 564 030**
March 2019	**10 001 016**
February 2019	**13 547 799**
January 2019	**8 320 555**
December 2018	**9 393 761**
November 2018	**17 386 819**
October 2018	**11 012 976**
September 2018	**17 010 305**
August 2018	**8 077 198**
July 2018	**11 192 439**
Total	**141 460 225**

Source: JSE Limited.

African Rainbow Minerals

www.arm.co.za