FINANCIAL REVIEW[1]

SALIENT FEATURES	JSE/IFRS[2]	ADJUSTED[3]
Headline earnings	↑ 51%	↑ 15%
Headline earnings per share (HEPS)	↑ 50%	↑ 14%
Basic earnings	↑ 233%	↑ 115%
Basic earnings per share (BEPS)	↑ 231%	↑ 114%
Dividends per share (dps)	1 000 cents	1 000 cents
Net cash to equity	3.6%	3.6%

Abigail M Mukhuba
Finance Director

CORPORATE TRANSACTIONS AFFECTING THE FINANCIAL PERFORMANCE IN LINE WITH OUR STRATEGIC IMPERATIVES

ARM COAL (F2018)

ARM, ARM Coal, Glencore and Glencore Operations South Africa (GOSA) successfully concluded the restructuring of ARM Coal debt on 25 June 2018, with an effective date of 1 July 2017. Salient features of the restructuring include:

- Debt owed by ARM Coal to GOSA will accrue interest at a rate of 0% compared to the previous rate, which was at prime, with effect from 1 July 2017 until 31 December 2029;
- Final maturity date for all debt owed by ARM Coal to GOSA is extended to 31 December 2029, which results in large bullet payments from 2021 to 2026 being deferred/avoided;
- 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 (acting through the PCB) obligation to repay ARM the amount of R700 million under the PCB shareholders' loan from ARM was set off against ARM's obligation to pay GOSA (acting through the Non-Participative Business (NPB)) the amount of R700 million under the PCB revolving credit facility such that both loans have been fully and finally settled and discharged; and
- All distributions received by ARM Coal in respect of the PCB shareholders' loan, shall be utilised by ARM Coal in the settlement of its shareholder loans from GOSA and ARM. These payments received by GOSA and ARM, shall immediately be advanced back to ARM Coal through a shareholders' loan, on a 0% interest rate basis, and ARM Coal will utilise these funds to service the GGV debt.

ARM PLATINUM (F2018)

Two Rivers Mine – ARM's interest in Two Rivers Mine increased from 51% to 54% from 9 November 2017 when the amended Two Rivers mining right was executed.

ARM COPPER (F2018)

Lubambe Mine – All conditions precedent for the disposal of Lubambe Mine were completed on 22 December 2017. The purchase consideration received by ARM and Vale was US$97.10 million adjusted for:

- settlement of Lubambe Mine's general banking facility of US$26 million;
- payment of property transfer tax of US$10 million;
- payment of withholding tax of US$5 million; and
- reimbursement of funding provided to Lubambe Mine after 1 May 2017 of US$25 million.

The final proceeds of US$81 million were received by ARM and Vale in December 2017. Lubambe Mine, which for F2018 reported a headline loss of R6 million (F2017: R203 million loss), is disclosed as a discontinued operation.

ARM FERROUS (F2017)

The chrome division includes Dwarsrivier Chrome Mine which is reflected as a discontinued operation under the ARM Ferrous segmental information. This disposal became effective on 1 July 2016.

1 *The Financial review should be read in conjunction with the audited Annual Financial Statements 2018 which are available on ARM's website at* ***www.arm.co.za****. The Financial review does not contain sufficient information to allow for a complete understanding of the financial results and state of affairs of the Group, which is provided by the detailed audited Group and Company Annual Financial Statements. The Board has used its discretion in determining the material matters to be reported in this review.*
2 *JSE Limited/International Financial Reporting Standards.*
3 *Excludes a net fair value gain on the coal debt restructuring of R977 million (F2017: nil), discontinued operations of R6 million (F2017: 175 million) and the movement in the silicosis provision of nil (F2017: R330 million).*

MATERIAL MATTERS	HOW WE MANAGED THE RISKS, OPPORTUNITIES AND CHALLENGES
Restructuring of loss-making operations and debt structure	
Debt obligations	Restructured the ARM Coal debt to improve overall obligations in respect of these debts.
Sustainability of Modikwa Mine	Completed ongoing discussions with Anglo American Platinum to find a holistic solution to ensure sustainability of Modikwa Mine by agreeing to temporarily improve the commercial terms of the existing purchase of concentrate agreement. This is expected to improve the mine's cash flow generation for a period of three years while a turnaround and operational improvement plan is implemented.
Sustainability of Nkomati Mine	We entered into an addendum to the existing addendum offtake agreement under which the short delivery and grade penalties were relaxed for a period of two years and the base agreement was extended to the life of the open pit. This impacts earnings positively.
Divesting from the loss-making Lubambe Copper Mine	We disposed of the Lubambe Copper Mine situated in Zambia.
ZAR/US$ exchange rate volatility Continued strengthening of Rand/US Dollar exchange rate.	Focused on increasing volumes and reducing costs.
Commodity price volatility Impact of commodity price outlook on asset valuation and viability of operations.	
Regulatory uncertainty Draft Mining Charter III.	
Capital allocation efficiencies Balancing re-investment into sustainable business and returning investment growth to shareholders.	All stay-in-business capital expenditure funded by cash generated from operations. Paid maiden interim dividend of R2.50 per share. Declared a final dividend of R7.50 per share.
Statutory reporting compliance Preparation for the implementation of upcoming major accounting standards.	Engaged external experts to assist with gap analysis and implementation.

FINANCIAL REVIEW continued

GROUP STATEMENT OF PROFIT OR LOSS

for the year ended 30 June

R million	F2018	F2017
CONTINUING OPERATIONS		
Revenue continuing operations	**9 263**	9 019
Revenue discontinued operations	**340**	600
Sales	**8 346**	8 158
Cost of sales	**(6 900)**	(6 951)
Gross profit	**1 446**	1 207
Other operating income	**1 527**	757
Other operating expenses	**(1 263)**	(1 750)
Profit from operations before special items	**1 710**	214
Income from investments	**177**	238
Finance costs	**(360)**	(423)
Income from associate	**619**	181
Income from joint venture	**3 510**	3 265
Profit before taxation and special items	**5 656**	3 475
Special items before tax	**(42)**	(2 322)
Profit before taxation from continuing operations	**5 614**	1 153
Taxation	**(573)**	409
Profit for the year from continuing operations	**5 041**	1 562
Loss after tax for the year from discontinued operations	**(219)**	(130)
Profit for the year	**4 822**	1 432
Attributable to:		
Equity holders of ARM		
Profit for the year from continuing operations	**4 747**	1 431
Loss for the year from discontinued operation	**(185)**	(59)
Basic earnings for the year	**4 562**	1 372
Non-controlling interest		
Profit for the year from continuing operations	**294**	131
Loss for the year from discontinued operation	**(34)**	(71)
	260	60
Profit for the year	**4 822**	1 432
Earnings per share		
Basic earnings per share (cents)	**2 393**	723
Basic earnings from continuing operations per share (cents)	**2 490**	754
Basic loss from discontinued operation per share (cents)	**(97)**	(31)
Diluted basic earnings per share (cents)	**2 325**	703
Diluted basic earnings from continuing operations per share (cents)	**2 419**	733
Diluted basic loss from discontinued operation per share (cents)	**(94)**	(30)

Increase mainly due to net fair value gain of R652 million as a result of the ARM Coal Debt restructuring at GGV and ARM Corporate levels in F2018.

Decrease mainly due to lower foreign exchange losses on the ARM US Dollar loans to Lubambe Copper Mine which was sold in December 2017 (R200 million) and no addition to the silicosis and tuberculosis class action claims and related cost provision of R330 million recognised in F2017.

Increase mainly due to fair value gain of R325 million relating to the ARM Coal debt restructuring at PCB level in F2018.

Includes impairment of R26 million before tax of R7 million (F2017: R470 million before tax of R27 million).

An impairment loss of R40 million (tax: nil) was recognised at 30 June 2018 as a result of the prospecting right relating to the Kalplats Project having expired and ARM Platinum Proprietary Limited not having applied for a mining right. F2017 special items comprised of attributable impairments of Nkomati Mine assets of R711 million after tax and Modikwa Mine assets of R734 million after tax and non-controlling interest.

F2017 tax benefit as a result of an increase in the deferred tax due to impairments at Modikwa and Nkomati.

F2018 and F2017: Lubambe Copper Mine.

FINANCIAL PERFORMANCE

Trading environment

US Dollar prices realised for most commodities were higher except for iron ore, platinum and chrome concentrate prices. However, the strength of the Rand exchange rate against the US Dollar partially offset the positive impact of the price movement. The F2018 average realised Rand/US Dollar exchange rate of R12.84/US$ was 6% stronger than the average of R13.60/US$ realised in F2017. For reporting purposes, the closing exchange rate at 30 June 2018 was R13.72/US$ (30 June 2017: R13.05/US$).

ARM's **basic earnings** from continuing operations for F2018 were R4 747 million (F2017: R1 431 million). This equates to basic earnings per share from continuing operations of R24.90 (F2017: R7.54 per share). These were positively impacted by a net fair value gain recognised in the Statement of profit or loss of R977 million relating to the ARM Coal debt restructuring.

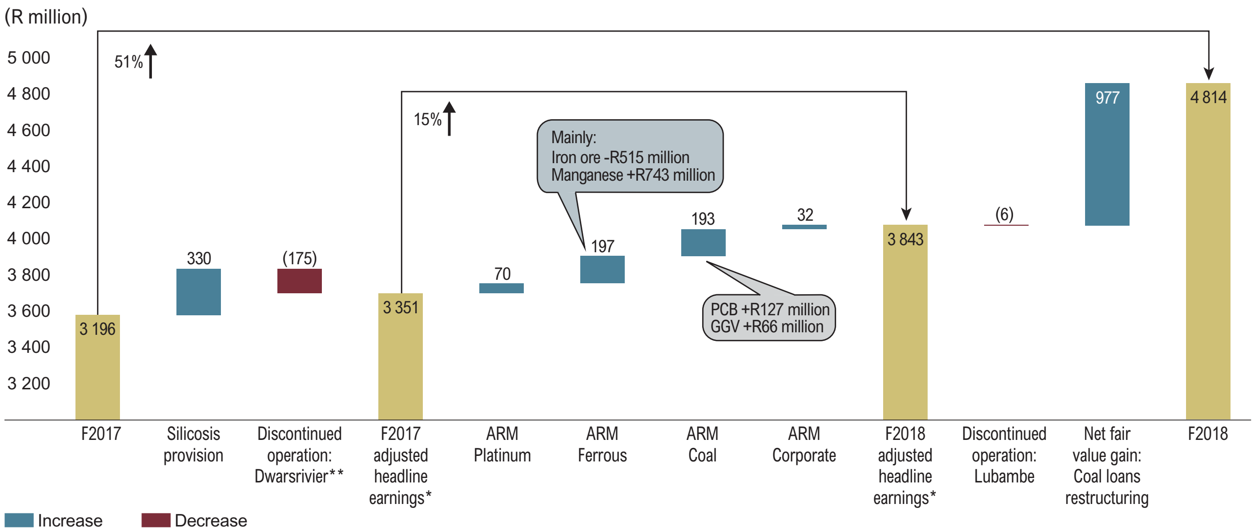
F2017 basic earnings were negatively impacted by the following special items:

- an attributable impairment of the Nkomati Mine assets of R711 million after tax;
- an attributable impairment of the Modikwa Mine assets of R734 million after tax and non-controlling interest; and
- an attributable impairment loss of R373 million within the Assmang joint venture related to the sale of Dwarsrivier.

Headline earnings from continuing operations increased by 42% to **R4 820 million (F2017: R3 399 million)** which equates to continuing operations headline earnings per share of 2 529 cents (F2017: 1 791 cents).

Adjusted headline earnings increased by 15% to R3 843 million (F2017: R3 351 million).

HEADLINE EARNINGS



* *Adjusted information presented in the graph above is the responsibility of the Directors of ARM and has been prepared for illustrative purposes only.*
** *Discontinued operations refer to Lubambe Mine (in F2018 and F2017) and Dwarsrivier Mine (in F2017).*

FINANCIAL REVIEW continued

The graphic on page 19 of this report depicts management's detailed analysis of headline earnings which includes adjusted headline earnings after excluding selected items.

ARM Ferrous contribution to ARM's headline earnings amounted to R3 528 million (F2017: R3 709 million). This is a decrease of 5% compared to the F2017 result.

The decrease was mainly due to the inclusion in F2017 of a non-recurring R378 million relating to the sale of ARM's effective 50% stake in Dwarsrivier. As such, ARM Ferrous headline earnings from continuing operations were 6% higher than F2018 primarily due to the contribution from the manganese division which was 64% higher. Iron ore was 24% down mainly due to a 9% decrease in average US Dollar prices realised and the strengthening of the ZAR against the US Dollar.

The **ARM Platinum contribution** to ARM's headline earnings, which includes the results of Nkomati Mine, was R420 million (F2017: R350 million) as Modikwa Mine improved from a headline loss of R66 million in F2017 to headline earnings of R105 million. This was mainly due to a temporary improvement in the commercial terms of the Modikwa Mine purchase of concentrate (PoC) agreement. Two Rivers Mine's headline earnings of R306 million (F2017: R325 million) were negatively affected by a decrease in the mine's head grade as higher proportions of split reef were mined owing to a two-year delay in the transfer of the mining licence for the Tamboti area to Two Rivers Mine. Nkomati Mine reported an R82 million reduction in headline earnings to R9 million as a decline in the mine's head grade (due to the milling of additional Very Low Grade (VLG) stockpile material) resulted in lower nickel and by-product production volumes. An amendment to the mine's concentrate offtake agreement was concluded with Metals Trade Overseas AG (MTO) effective from 22 April 2018 which improves the terms and conditions of the offtake for the mine. Nkomati Mine was also impacted by a lower chrome contribution as the mine's average realised US Dollar price for chrome decreased by 50%.

ARM Coal headline earnings were R1 485 million (F2017: R82 million). This includes a net fair value gain amount of R1 210 million as a result of the restructuring of the ARM Coal debt. The headline loss from Goedgevonden (GGV) Mine excluding the impact of the debt restructuring was R30 million (F2017: R99 million loss) while the PCB Operations contributed headline earnings of R256 million (F2017: R181 million) excluding the impact of the debt restructuring.

The impact of the Coal debt restructuring on the F2018 ARM Statement of Comprehensive Income

R million	Old loan terms	New loan terms	Impact
Cash operating profit	**1 365**	**1 365**	**–**
Amortisation	**(592)**	**(592)**	**–**
Interest income		**8**	**8**
Interest expense	**(501)**	**(321)**	**180**
Fair value gain: GGV loans*	**–**	**885**	**885**
Fair value gain: PCB loans*	**–**	**325**	**325**
Taxation	**(46)**	**(185)**	**(139)**
Coal headline earnings attributable to ARM	**226**	**1 485**	**1 259**
Fair value loss: ARM Corporate*	**–**	**(233)**	**(233)**
Total	**226**	**1 252**	**1 026**

** Total fair value net gain impact on ARM Group was R977 million, made up of R233 million fair value loss at Corporate and R1 210 million gain at ARM Coal.*

The impact of the restructuring on the F2018 results is as follows:

- A deemed interest charge, in accordance with International Accounting Standard 39: Financial Instruments – Recognition and Measurement (IAS 39), attributable to ARM for the year is R321 million. On the old loan terms, this charge would have been R501 million for F2018, resulting in a saving of R180 million.
- A net fair value gain recognised in the Statement of profit or loss amounting to R1 210 million, comprising the following:
  - – In respect of the GGV debt: R885 million; and
  - – In respect of the PCB debt: R325 million.

The net present value calculations performed to arrive at the reported fair value gain were based on the prime interest rate, which is considered to be a market-related interest rate.

The fair value gain adjustment is as a result of changes in the future repayment cash flows due to changes in the timing of cash flows due to deferred bullet payments and interest holidays under the new loan terms. The fair value adjustments are in accordance with IAS39, 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 outstanding loan balances will be revalued at the end of each reporting period with the resultant gains and losses recognised in the Statement of profit or loss. These future gains and losses will be dependent on changes in coal prices and the Rand versus US Dollar exchange rate, all of which are expected to have an impact on the timing by which the loans are modelled to be fully repaid.

The **ARM Copper**[4] result was a headline loss of R6 million (F2017: R203 million headline loss). This result includes interest on shareholders' loans of R20 million (F2017: R56 million). Lubambe Copper Mine is classified as a discontinued operation.

The **ARM Corporate and other** segment showed a headline loss of R612 million (F2017: R778 million) largely attributed to:

- Lower unrealised foreign exchange losses (R200 million) on US Dollar loans made by ARM to Lubambe Copper Mine, which entity's functional currency is the US Dollar, resulting from the Rand versus the US Dollar exchange rate strengthening from R13.05/US$ at 30 June 2017 to R12.52/US$ at 22 December 2017 (effective date of sale). The unrealised losses amounted to R70 million (F2017: R270 million); and
- No further increase was recognised in F2018 on the silicosis provision raised in F2017 (R330 million).

The above was partially offset by:

- Higher tax expense (R231 million); and
- A fair value loss resulting from the coal debt restructuring at ARM Company level (R233 million).

This segment also includes ARM Exploration costs of R23 million (F2017: R28 million) and a R22 million dividend received from the Harmony Gold Mining Company investment (F2017: R64 million).

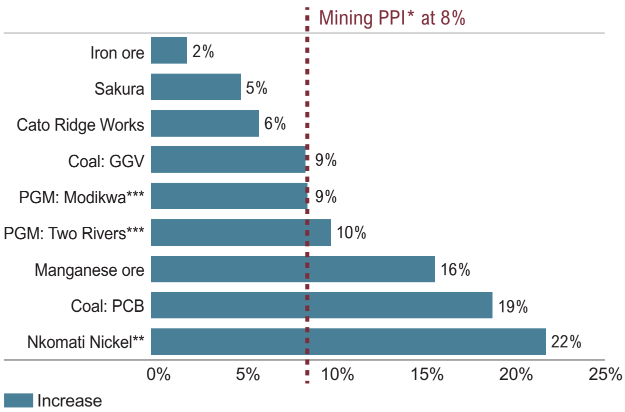
Included in the ARM Corporate and other segment in F2017 was a provision of R330 million for the possible settlement of the silicosis and tuberculosis class action claims and related costs. In April 2018, the industry working group on occupational lung disease (of which ARM is party) and the affected stakeholders signed a proposed settlement offer, which offer is conditional to a High Court ratification process. The adjustments to the provision resulting from passage of time were netted off by the increases resulting from settlement terms changes and demographic assumptions changes. As such, the Board has kept the provision at the same level as previously recorded.

IAR Further details of the ARM divisional segment financial performance may be obtained on pages 30 to 33 of this report. In addition, each division's report under the Operational reviews contains detailed information on operational performance.

Our challenges during the year included maintaining costs at a level of or below mining inflation. This was only achieved at some of the ARM Ferrous operations.

IAR Refer to the Operational reviews on pages 56 to 94 for details of each operation's cost performance.

F2018 VERSUS F2017 ON-MINE UNIT PRODUCTION COSTS



* *Producer Price Inflation (PPI).*
** *The change in nickel unit costs refers to C1 cash costs on a US Dollar per pound basis.*
*** *The change in PGM unit costs refers to cash cost per 6E PGM ounce.*

Earnings before interest, tax, depreciation and amortisation (EBITDA), excluding special items and income from associates and joint ventures, increased to R2 443 million (F2017: R794 million). This increase was mainly due to the R990 million increase in ARM Coal's contribution, primarily as a result of the net fair value gain recognised. The Assmang joint venture reported a 3% increase in attributable EBITDA of R5 610 million (F2017: R5 469 million).

IAR The EBITDA margins achieved at each division may be ascertained from the detailed segment reports provided in the primary segment performance analysis on pages 30 to 33 of this report.

FINANCIAL REVIEW continued

GROUP STATEMENT OF FINANCIAL POSITION (SoFP)

at 30 June

R million	F2018	F2017
ASSETS		
Non-current assets		
Property, plant and equipment	**7 916**	7 801
Intangible assets	**120**	130
Deferred tax assets	**620**	656
Loans and long-term receivables	**462**	34
Investment in associate	**1 798**	1 334
Investment in joint venture	**15 504**	14 860
Other investments	**1 561**	1 573
	27 981	26 388
Current assets		
Inventories	**591**	663
Trade and other receivables	**2 357**	2 096
Taxation	**85**	6
Cash and cash equivalents	**3 291**	1 488
	6 324	4 253
Assets held for sale	**–**	1 605
Total assets	**34 305**	32 246
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary share capital	**11**	11
Share premium	**4 398**	4 279
Treasury shares	**(2 405)**	(2 405)
Other reserves	**1 419**	1 326
Other reserves discontinued operation	**–**	730
Retained earnings	**22 484**	19 556
Equity attributable to equity holders of ARM	**25 907**	23 497
Non-controlling interest	**1 471**	543
Total equity	**27 378**	24 040
Non-current liabilities		
Long-term borrowings	**1 744**	2 002
Deferred tax liabilities	**1 634**	1 297
Long-term provisions	**1 135**	1 166
	4 513	4 465
Current liabilities		
Trade and other payables	**1 406**	1 307
Short-term provisions	**374**	393
Taxation	**82**	112
Overdrafts and short-term borrowings – interest bearing	**552**	757
	2 414	2 569
Liabilities directly associated with assets held for sale	**–**	1 172
Total equity and liabilities	**34 305**	32 246

F2018 mainly comprises loan receivables raised as part of the ARM Coal debt restructuring.

Lubambe Copper Mine which was subsequently disposed of in December 2017.

Other reserves in F2017 included foreign currency translation reserve of R730 million relating to Lubambe Copper Mine.

F2018 includes R822 million relating to the Lubambe Copper Mine.

Decrease mainly due to the ARM Coal GGV debt restructuring.

Mostly relating to deferred tax on the realisation of foreign exchange movements.

Reduction mainly due to the ARM Coal GGV debt restructuring.

Lubambe Copper Mine which was subsequently disposed of in December 2017.

The Group remains in a strong and robust financial position. The consolidated net cash (cash and cash equivalents less overdrafts less long-term borrowings) at 30 June 2018 amounts to R995 million, representing 3.6% of total equity. This is an improvement in comparison to the net debt position of R1 271 million at 30 June 2017 (5.3% of total equity). Cash and cash equivalents exclude the attributable cash and cash equivalents balance held at ARM Ferrous (50% of Assmang) of R2 507 million (30 June 2017: R3 165 million). The decrease in gross interest-bearing borrowings at 30 June 2018 is largely due to the ARM Coal debt restructure.

Coal debt restructuring impact

Debt payable R million	ARM Coal	Attributable to ARM	30 June 2017	30 June 2018
Owed by ARM Coal to GOSA/GHSA				
GGV acquisition loan	1 794	915	290	**421**
Loan balance	1 794	915	915	**421**
Consolidation adjustment	–	–	(625)	**–**
GGV project facility phase 1 loan	1 934	986	987	**602**
GGV project facility phase 2 loan	493	251	251	**208**
RBCT phase V loan	151	77	77	**–**
PCB/ARM Coal notional debt	627	320	–*	**–***
Owed by ARM to GOSA/GHSA				
PCB/ARM notional debt	–	734	–*	**–***
PCB revolving credit facility	–	700	–*	**–***
Total owed to GOSA/GHSA	4 999	3 983	1 605	**1 231**

ARM Coal – shareholders' loans

R million	ARM Coal	Attributable to ARM	30 June 2017	30 June 2018
Shareholder loan from ARM	1 133	578	–#	**–#**
Shareholder loan from GOSA	1 088	555	–#	**–#**
Total	2 221	1 133	–	**–**

Receivable from GOSA (PCB)

R million	ARM Coal	Attributable to ARM	30 June 2017	30 June 2018
PCB shareholders' loan from ARM Coal	(2 221)	(1 133)	–#	**–#**
PCB shareholders' loan from ARM	–	(700)	–#	**–#**
Total	(2 221)	(1 833)	–	**–**

Total net debt as at 30 June	**4 999**	**3 283**	**1 605**	**1 231**

* *Not disclosed separately on the face of the Statement of Financial Position as these loans are equity-accounted.*

\# *Eliminates on consolidation.*

There are no interest-bearing borrowings at ARM Ferrous.

Other investments, which largely comprise ARM's 12.70% stake in Harmony, decreased to R1 561 million (F2017: R1 573 million). The Harmony share price at 30 June 2018 was R21.22 (30 June 2017: R21.68).

FINANCIAL REVIEW continued

GROUP STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	F2018	F2017
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	**9 195**	9 779
Cash paid to suppliers and employees	**(7 261)**	(8 168)
Cash generated from operations	**1 934**	1 611
Interest received	**159**	122
Interest paid	**(100)**	(247)
Taxation paid	**(426)**	(401)
	1 567	1 085
Dividends received from joint venture	**3 000**	2 488
	4 567	3 573
Dividend paid to non-controlling interest – Impala Platinum	**(253)**	(279)
Dividend paid to shareholders	**(1 714)**	(426)
Net cash inflow from operating activities	**2 600**	2 868
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment to maintain operations	**(1 150)**	(949)
Dividends received from investments – Harmony	**22**	64
Proceeds on disposal of property, plant and equipment	**3**	7
Proceeds on disposal of investment	**741**	238
Investment in RBCT	**–**	(6)
Loans and receivables received	**3**	6
Net cash outflow from investing activities	**(381)**	(640)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	**–**	4
Long-term borrowings raised	**496**	–
Long-term borrowings repaid	**(746)**	(1 475)
Short-term borrowings raised	**27**	–
Short-term borrowings repaid	**(132)**	(394)
Net cash outflow from financing activities	**(355)**	(1 865)
Net increase in cash and cash equivalents	**1 864**	363
Cash and cash equivalents at beginning of year	**1 031**	667
Foreign currency translation on cash balance	**15**	1
Cash and cash equivalents at end of year	**2 910**	1 031
Made up as follows:		
– Available	**1 779**	(68)
– Restricted	**1 131**	1 099
Cash generated from operations per share (cents)	**1 015**	849

The Value Added Statement as reflected on page 50 depicts the wealth created and distributed in F2018.

Received from the Assmang joint venture.

F2018 interim dividend of R549 million and final dividend of R1 648 million. F2017 final dividend only.

ARM Platinum – 910 (F2017: 729). ARM Coal – 191 (F2017: 183).

F2018: Lubambe Copper Mine. F2017: Dwarsrivier Chrome Mine.

F2018 relates to loans raised as part of the ARM Coal debt restructuring.

F2018 relates to loans repaid as part of the ARM Coal Debt restructuring.

F2017 relates to the repayment of the corporate revolving facility.

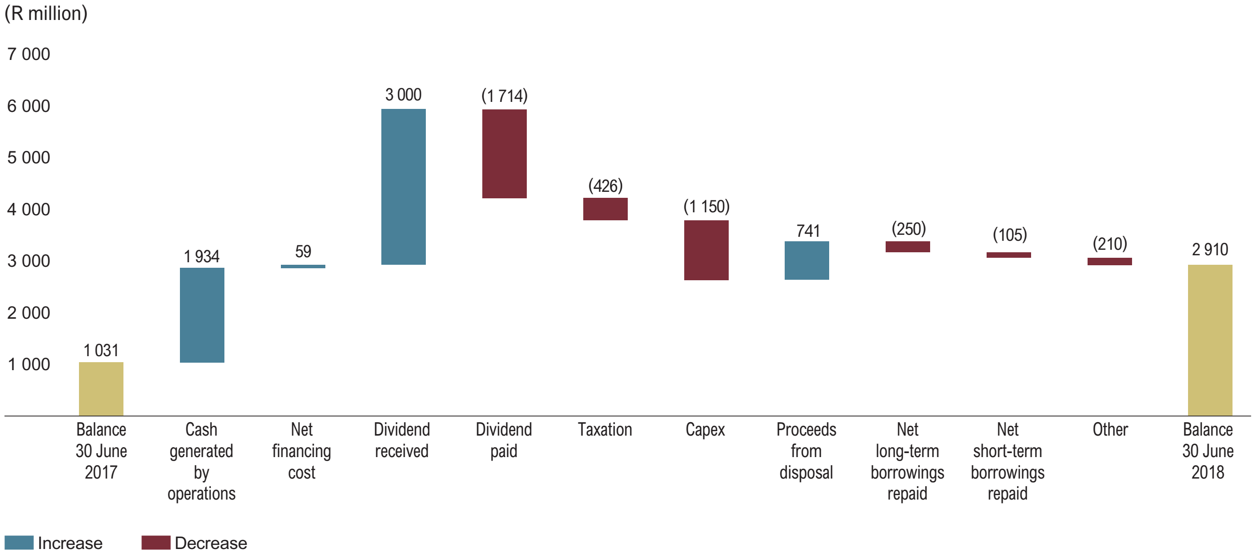
Restricted cash mainly relates to the Mannequin Insurance Cell Captive (R819 million) and other restricted cash for purposes of the Department of Mineral Resources (DMR) for rehabilitation and guarantees to Eskom of R312 million. These were R745 million and R354 million respectively in F2017.

CASH POSITION

Cash generated from operations was R1 934 million (F2017: R1 611 million) and is reported after a R517 million increase in working capital requirements outflow (F2017: R274 million increase).

Dividends received from the ARM Ferrous joint venture were higher at R3 000 million (F2017: R2 488 million). Post year-end ARM received R1 750 million from Assmang in September 2018 (August 2017: R1 000 million). Net cash outflow from investing activities reduced to R381 million (F2017: R640 million), mainly as a result of proceeds on disposal of the Lubambe Mine received in December 2017. The net increase in cash and cash equivalents was R1 864 million for the year (F2017: R364 million decrease).

CASH AND CASH EQUIVALENTS MOVEMENT INCLUDING OVERDRAFTS



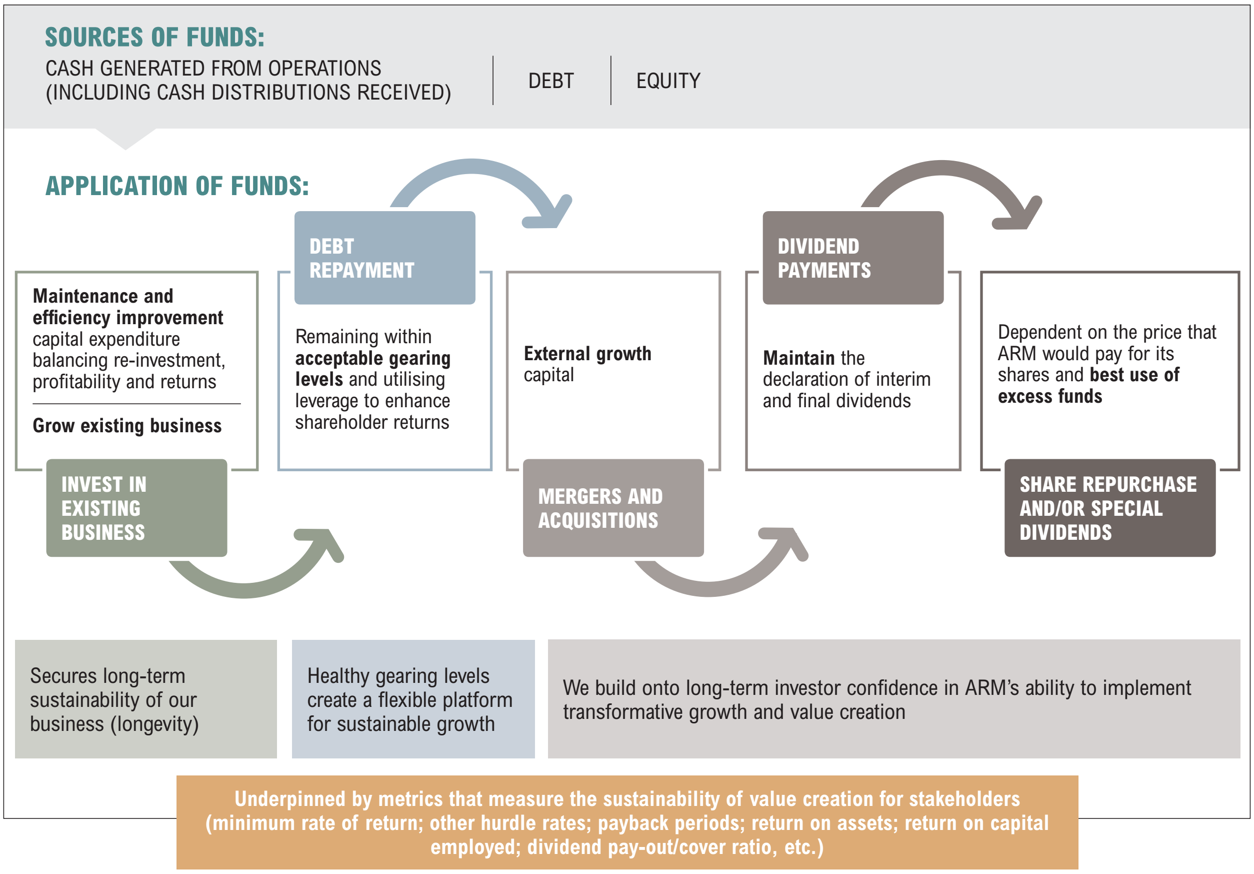
FINANCIAL CAPITAL

ARM's operational cash flows, net of tax, together with cash and cash equivalent balances and external funding sources constitute its primary financial capital. This capital is used to maintain and expand existing operations; enter into new operations; fund working capital; and make new investments.

The Board balances the utilisation of financial capital against ARM's commitment as a globally competitive company to maximise returns to shareholders through dividends and ensure capital growth in the long run. Financial capital is responsibly managed to ensure that the funding of the Company is not unduly stressed thereby ensuring a sound financial basis for ARM's continued operation and future growth plans. The financial capital of ARM is impacted by many factors including: the robustness and accuracy of initial mining project evaluations; the subsequent effectiveness and efficiency of mining operations; the volatility of commodity prices and exchange rates; global supply and demand for the commodities mined; global macroeconomic events; the need to mine responsibly, safely and sustainably; and changes in mining and fiscal laws and regulations.

FINANCIAL REVIEW continued

OUR CAPITAL ALLOCATION FRAMEWORK



CAPITAL ALLOCATION FOR THE YEAR

The following were the key capital allocations during F2018:

- Stay-in-business (maintenance) capital expenditure increased to R1 150 million, from R949 million in F2017;
- Net debt repayments R355 million (F2017: R1 865 million);
- Dividend payments to shareholders of R1 714 million increased from R426 million in F2017. This was made up of R1 236 million relating to F2017 annual dividend declared post 30 June 2017 and paid in F2018 as well as a maiden dividend of 250 cents per share (R478 million) which was declared and paid in F2018. Subsequent to 30 June 2018, the Board has approved and declared a final dividend of 750 cents per share (gross) in respect of the year ended 30 June 2018 (F2017: 650 cents per share). The amount to be paid is approximately R1 648 million.

Capital allocation to new projects is reviewed rigorously to ensure that funding is only applied to projects that are expected to provide returns in excess of ARM's risk-adjusted hurdle rates. There was no expansion capital expenditure in F2018 (F2017: nil). For a detailed analysis of the capital expenditure profile per operation, refer to the individual division reports under the operational review section of this report.

NET GEARING AND BORROWINGS

At 30 June 2018, total interest-bearing borrowings amounted to R2 296 million or 8% of total equity (F2017: R2 759 million – 11% of total equity). These borrowings comprise:

- R481 million external bank debt (F2017: R512 million);
- R470 million external debt in the ARM BBEE Trust (F2017: R528 million); and
- R1 345 million partner loans (F2017: R1 719 million).

ARM does not have high levels of bank debt at either consolidated or segmental level. At an entity level, however, the ARM Coal investment into GGV and PCB is geared by shareholder funding provided by Glencore Operations South Africa (GOSA). These debt levels impact on the bottom line profitability of the Coal division. ARM and GOSA restructured the ARM Coal partner loans which improves ARM's obligations in terms of this debt, and thereby positively impacts the bottom line profitability of the Coal Division.

MATERIAL ACCOUNTING MATTERS

Adoption and implementation of amended and new accounting standards

New accounting standards and amendments issued to accounting standards and interpretations which are relevant to ARM, but not yet effective on 30 June 2018, have not been adopted.

We continuously evaluate the impact of these standards and amendments, the most prominent being IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. In summary, the following are the current expectations in relation to IFRS 9, IFRS 15 and IFRS 16.

PROGRESS ON IMPACT OF THESE STANDARDS AND AMENDMENTS

IFRS 9 FINANCIAL INSTRUMENTS

Mandatory for ARM annual period ending 30 June 2019.

IFRS 9 becomes effective for ARM for the financial year beginning 1 July 2018.

ARM will adopt IFRS 9 by adjusting opening retained income at 1 July 2018. Figures for F2018 will not be restated.

The key changes for ARM include the following:

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

Currently, ARM has classified the listed shares in Harmony as available-for-sale. Other equity investments have been measured at fair value through profit or loss, except for some unlisted investments which are carried at cost because the fair value cannot be determined reliably.

Under IFRS 9, all equity investments are measured at fair value. ARM has designated the listed shares in Harmony to be remeasured through equity with no subsequent reclassification to profit or loss.

Dividends received will continue to be recognised in profit or loss, unless dividends clearly represent a recovery of part of the cost of the investment.

Currently, unlisted investments are measured at cost where the fair value cannot be reliably measured. Under IFRS 9, there is no possibility to use the cost method, and as such, investments in equities need to be measured at fair value. The impact of measuring unlisted investments at fair value instead of cost is still being determined.

Trade and other receivables (including loans advanced)

The majority of trade receivables contain provisional pricing features linked to commodity prices and exchange rates. Currently, these receivables have been designated to be measured at fair value through profit or loss. Under IFRS 9, such instruments would continue to be measured on the same basis.

Other receivables, including loans advanced, are expected to continue to be measured at amortised cost under IFRS 9. The process of determining the impact of adopting the expected credit loss model continues.

Loans to associated entities are currently carried at cost or amortised cost – management are in the process of evaluating whether these now need to be carried at fair value as per IFRS 9 and if so, determine the fair value

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Mandatory for ARM annual period ending 30 June 2019.

ARM will adopt IFRS 15 on 1 July 2018 using the fully retrospective approach, whereby opening retained income at 1 July 2017 will be adjusted and the figures for F2018 will be restated. The diagnostic impact assessment performed during the year identified gaps between existing and future requirements.

Financial impact

Performance obligations

Revenue primarily comprises commodity sales – both local and export. Currently, revenue is recognised when the risks and rewards of ownership of the commodities have been transferred. Under IFRS 15, the timing of revenue recognition for sales of commodities remains the same. It is however noted that the timing of revenue recognition by certain equity-accounted investees in respect of their export sales, subject to CIF and CFR Incoterms, will be different under IFRS 15.

Assay estimates

Some of the Group's commodity sales are subject to assay estimates. The assay differences are usually not material to the group hence no change is expected when compared to the current IAS 18 approach.

Provisional pricing

Some of the Group's 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. Currently, the changes in these variables are recognised as part of revenue. These will continue to be presented as revenue, therefore there will be no change to the amount of overall revenue, but the disclosure of the disaggregation of revenue will change as a result.

Penalties

Adjustments, in the form of penalties, are made to the pricing to the extent the commodities sold do not meet certain specifications. 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. It is not expected that this constraint will have a material impact on revenue recognised under IFRS 15.

Management fees

The Group's revenue also includes management fees which are variable, and hence are subject to the IFRS 15 variable consideration constraint. It is not expected that this constraint will have a material impact on revenue recognised under IFRS 15.

Cost to acquire contracts

The requirement under IFRS 15 to capitalise and amortise costs to acquire contracts is not expected to have a material impact on the Group.

FINANCIAL REVIEW continued

IFRS 16 LEASES

Mandatory for ARM annual period ending 30 June 2020

The standard is effective for annual periods beginning on or after 1 January 2019 (i.e. for the financial year beginning 1 July 2019 for ARM).

ARM has made the decision not to early adopt IFRS 16.

ARM continues with the detail assessment of the potential impact of this standard on the financial statements.

ARM must still make a decision on the transition method to be applied as well as the practical expedients to be used.

EVENTS AFTER REPORTING DATE

Harmony conducted a placing of new ordinary shares to qualifying investors to raise up to US$100 million through an accelerated book-binding process launched on 5 June 2018. ARM subscribed to 11 032 623 shares at a cost of R210.9 million (i.e. R19.12 per share) to maintain its shareholding in Harmony at 14.6%).

	30 June 2017	31 December 2017	**30 June 2018**	**17 July 2018**
Percentage holding in Harmony	14.50%	14.30%	**12.70%**	**14.60%**

The ARM Company's Revolving Credit Facility (facility) expired on 24 August 2018. At 30 June 2018 to date of expiry, the facility was fully repaid and unutilised. ARM Company finalised a new facility for R2 250 million until August 2021.

Subsequent to year-end ARM received a dividend of R1 750 million from Assmang. ARM further declared and paid a dividend of R7.50 per share.

AFS Please refer to events after reporting date included on page 10 of the Directors' report.

CONTINGENT LIABILITIES

There have been no other significant changes in the contingent liabilities of the Group as disclosed in the 30 June 2017 Integrated Annual Report. Assmang has issued a guarantee to the Sarawak Energy Board amounting to US$100 million. Sponsor indemnities amounting to US$45.46 million have been received by Assmang in respect of this guarantee. The net effect for Assmang is therefore US$54.36 million. ARM's 50% interest in Assmang would equate to R373 million (US$27.18 million).

RISK MANAGEMENT

Key financial risks and uncertainties affecting performance

ARM has an established risk management process, which is described on pages 41 to 43. Factors that affect the delivery of sustainable value to key stakeholders include currency, commodity price, diesel price and interest rate volatility risks, counterparty, credit, investment, and capital allocation risks. For a detailed analysis of ARM's approach to these risks, please refer to note 37 to the Annual Financial Statements 2018. A sensitivity analysis is provided in note 37 to the financial statements. In particular, the sensitivity analysis includes the closing prices used in the provisional valuation at year-end of accounts receivable for the ARM Platinum and Nkomati Nickel operations. ARM has an established treasury risk management policy to continuously manage these risks on a non-speculative basis. Among other things, this policy also allows ARM the flexibility to introduce limited hedging for companies that are controlled by ARM, with the prior approval of the Board of Directors upon recommendation by the Audit and Risk Committee. No hedging was entered into in F2017 nor F2018.

Various governance structures, which support the Executive Committee, the Investment Committee and the Board of Directors, rigorously screen all capital investment projects, and ensure a stringent process is in place for the optimal allocation of capital. This is done in accordance with the guiding principles as depicted on page 26.

The Company is not risk averse. ARM's maximum net gearing threshold is 30% for external funding, subject to the ability to meet debt service requirements. At 30 June 2018, the Company was in a net cash position of R995 million (30 June 2017: Net debt position of R1 271 million, equating to a net debt to equity ratio of 5%).

Commitments in respect of capital expenditure reduced to R124 million at 30 June 2018 (30 June 2017: R137 million).

ARM continuously reviews its tax risk management framework to promote governance; address and reduce tax risks by ensuring that tax strategies, policies and processes are standardised.

DIVIDEND

Dividends are declared after consideration of the solvency and liquidity of the Company in accordance with the requirements of the Companies Act 71 of 2008, as amended, and with due regard to the current funding status of the Company, future funding requirements and estimated cash flows.

As discussed in the capital allocation section above, a maiden dividend of 250 cents per share was declared and paid in F2018. The F2018 final dividend declared by ARM on 7 September 2018 of 750 cents per share (F2017: 650 cents per share) is consistent with ARM's commitment as a globally competitive company to pay dividends to shareholders while simultaneously maintaining the ability to fund efficiency improvements and sustain production volumes.

LOOKING AHEAD

The outlook for the Rand/US Dollar exchange rate remains uncertain. However, the recent weakening of the Rand exchange rate against the US Dollar in the first quarter of F2019 presents an opportunity for ARM, should the weakening sustain throughout F2019. As a result of the abovementioned volatility, there remains an increased degree of forecasting risk in our business.

The sustainability of the F2019 level performance will depend on many factors including the overall local and global economic performance, focus on emerging markets, and the level of policy certainty in the South African mining sector. ARM's response is to:

- continue addressing operations that are marginal and reduce shareholder funding dependency by any operation;
- improve operational efficiencies;
- contain and reduce unit costs at operations to levels below mining PPI; and
- practice strict discipline to capital expenditure which mainly relates to mine development and plant and equipment.

The robust statement of financial position, which is relatively ungeared, will enable us to withstand the macroeconomic uncertainties and volatile markets for the financial year ahead, while we position the business to deliver on sustainable returns for all key stakeholders.

Abigail Muelelwa Mukhuba
Finance Director

29 October 2018

FINANCIAL REVIEW continued

PRIMARY SEGMENTAL INFORMATION

	Continuing									
	ARM Platinum				ARM Ferrous					
Attributable R million	Nkomati	Two Rivers	Modikwa	Total Platinum	Iron ore division	Manga-nese division	Chrome division	Total Ferrous segment	Group adjust-ment	Total Group ARM Ferrous
Year to 30 June 2018										
Sales	1 639	3 883	1 796	7 318	7 267	6 417	90	13 774		13 774
Cost of sales	(1 540)	(2 879)	(1 631)	(6 050)	(4 572)	(3 374)	(157)	(8 103)		(8 103)
Other operating income[2]	7	22	31	60	346	332	–	678	(461)	217
Other operating expenses	(88)	(152)	(44)	(284)	(926)	(823)	39	(1 710)	461	(1 249)
Segment results	18	874	152	1 044	2 115	2 552	(28)	4 639	–	4 639
Income from investments	7	11	16	34	289	10	–	299		299
Finance cost	(14)	(63)	(3)	(80)	(17)	(17)	–	(34)		(34)
Finance costs ZCCM: Shareholder's loan Vale/ARM joint operation	–	–	–	–						
Finance costs ARM: Shareholder's loan Vale/ARM joint operation[3]	–	–	–	–						
Profit from associates[4]	–	–	–	–						
Income from joint venture[5]	–	–	–	–	–	118	–	118		118
Special items before taxation	1	–	(40)	(39)	–	(25)	–	(25)		(25)
Taxation	(2)	(239)	(46)	(287)	(716)	(744)	–	(1 460)		(1 460)
Profit/(loss) after taxation	10	583	79	672	1 671	1 894	(28)	3 537	–	3 537
Non-controlling interest	–	(277)	(14)	(291)						
Consolidation adjustment[6]	–	–	–	–					(27)	(27)
Contribution to basic earnings	10	306	65	381	1 671	1 894	(28)	3 537	(27)	3 510
Contribution to headline earnings	9	306	105	420	1 672	1 904	(21)	3 555	(27)	3 528
Other information										
Segment assets including investment in associate	1 914	4 774	2 321	9 009	11 574	8 996	262	20 832	(609)	20 223
Investment in associate										
Investment in joint venture										
Segment liabilities	374	1 158	348	1 880	3 082	1 595	213	4 890	(3 007)	1 883
Unallocated liabilities (taxation and deferred taxation)										
Consolidated total liabilities										
Cash inflow/(outflow) generated from operations	269	1 175	149	1 593	2 703	2 149	28	4 880		4 880
Cash inflow/(outflow) from operating activities	271	688	161	1 120	762	1 500	27	2 289	1 500	3 789
Cash inflow/(outflow) from investing activities	(211)	(560)	(136)	(907)	(863)	(576)	(8)	(1 447)		(1 447)
Cash inflow/(outflow) from financing activities	(65)	27	–	(38)	–	–	–	–		–
Capital expenditure	214	455	133	802	890	642	8	1 540	(66)	1 474
Amortisation and depreciation	162	318	92	572	700	297	4	1 001	(30)	971
Impairment before tax	(1)	–	40	39				–		–
EBITDA	180	1 192	244	1 616	2 815	2 850	(25)	5 640	(30)	5 610

There were no significant inter-company sales.

1 Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous.
2 The restructuring of the ARM Coal loans had an impact of R652 million profit with no tax effect.
3 Inter-company interest of R127 million receivable by ARM Corporate and accrued by ARM Copper is presented in terms of IFRS 5.
4 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.
5 The impairment loss included in income from joint venture is R26 million before tax of R7 million.
6 Relates to capitalised fees in ARM Ferrous.

Continuing						Discontinued		IFRS adjustment			
	ARM Corporate					ARM Copper					
ARM Coal	Exploration	Corporate and other	Gold	Total Corporate	Total Continuing	Lubambe Mine	Total discontinued	ARM Ferrous[1]	Other	Total IFRS adjustment[1]	Total per IFRS
1 028	–	–	–	–	22 120	340	340	(13 774)	(340)	(14 114)	8 346
(857)	–	37	–	37	(14 973)	(282)	(282)	8 073	282	8 355	(6 900)
896	–	504	–	504	1 677	4	4	(150)	(4)	(154)	1 527
(7)	(23)	(949)	–	(972)	(2 512)	(70)	(70)	1 249	70	1 319	(1 263)
1 060	(23)	(408)	–	(431)	6 312	(8)	(8)	(4 602)	8	(4 594)	1 710
10		111	22	133	476		–	(299)		(299)	177
(172)				–	(286)	(12)	(12)	34	12	46	(252)
–		(108)		(108)	(108)	(20)	(20)	–	20	20	(108)
–		–		–	–		–	–		–	–
619		–		–	619		–	–		–	619
–		–		–	118		–	3 392		3 392	3 510
(3)		–		–	(67)	(117)	(117)	25	117	142	(42)
(45)		(231)		(231)	(2 023)	(62)	(62)	1 450	62	1 512	(573)
1 469	(23)	(636)	22	(637)	5 041	(219)	(219)	–	219	219	5 041
–		(3)		(3)	(294)	34	34		(34)	(34)	(294)
–		27		27	–		–			–	–
1 469	(23)	(612)	22	(613)	4 747	(185)	(185)	–	185	185	4 747
1 485	(23)	(612)	22	(613)	4 820	(6)	(6)	–	–	–	4 814
4 689		3 752	1 351	5 103	39 024			(4 719)		(4 719)	34 305
1 798					1 798						1 798
								15 504		15 504	15 504
1 453		1 878		1 878	7 094			(1 883)		(1 883)	5 211
					4 552			(2 836)		(2 836)	1 716
					11 646			(4 719)		(4 719)	6 927
305		109		109	6 887	(73)	(73)	(4 880)		(4 880)	1 934
309	(23)	(1 730)		(1 753)	3 465	(76)	(76)	(789)		(789)	2 600
(188)		551	22	573	(1 969)	141	141	1 447		1 447	(381)
(115)		(195)		(195)	(348)	(7)	(7)	–		–	(355)
140		2		2	2 418	46	46	(1 474)		(1 474)	990
167		2		2	1 712		–	(971)		(971)	741
19		–		–	58		–			–	58
1 227	(23)	(406)		(429)	8 024	(8)	(8)	(5 573)		(5 573)	2 443

FINANCIAL REVIEW continued

PRIMARY SEGMENTAL INFORMATION continued

	Continuing									
	ARM Platinum				ARM Ferrous					
Attributable R million	Nkomati	Two Rivers	Modikwa	Total Platinum	Iron ore division	Manganese division	Chrome division	Total Ferrous Segment	Group adjustment	Total Group ARM Ferrous
Year to 30 June 2017										
Sales	1 995	3 996	1 256	7 247	7 927	5 109	104	13 140		13 140
Cost of sales	(1 840)	(2 899)	(1 358)	(6 097)	(4 343)	(2 966)	(96)	(7 405)		(7 405)
Other operating income	45	16	17	78	247	65	–	312	(277)	35
Other operating expenses	(80)	(168)	(28)	(276)	(950)	(527)	(12)	(1 489)	277	(1 212)
Segment results	120	945	(113)	952	2 881	1 681	(4)	4 558	–	4 558
Income from investments	6	14	10	30	266	5	–	272		272
Finance cost	(15)	(48)	(7)	(70)	(28)	(20)	–	(48)		(48)
Finance costs ZCCM: Shareholder's loan Vale/ARM joint operation	–	–	–	–						
Finance costs ARM: Shareholder's loan Vale/ARM joint operation[2]	–	–	–	–						
Profit from associates	–	–	–	–						
Income from joint venture[3]	–	–	–	–		(23)		(23)		(23)
Special items before taxation	(988)	–	(1 255)	(2 243)		(98)	–	(98)		(98)
Taxation	257	(275)	394	376	(932)	(456)	1	(1 387)		(1 387)
Profit/(loss) after taxation	(620)	636	(971)	(955)	2 187	1 090	(3)	3 274		3 274
Non-controlling interest	–	(311)	171	(140)				–		–
Consolidation adjustment[4]	–	–	–	–					(14)	(14)
Contribution to basic earnings	(620)	325	(800)	(1 095)	2 187	1 090	(3)	3 274	(14)	3 260
Contribution to headline earnings	91	325	(66)	350	2 187	1 161	(3)	3 345	(14)	3 331
Other information										
Segment assets, including investment in associate	1 840	4 215	2 179	8 234	12 785	6 759	277	19 821	(572)	19 249
Investment in associate								–		–
Investment in joint venture								–		–
Segment liabilities	397	1 113	309	1 819	2 965	1 377	207	4 549	(2 932)	1 617
Unallocated liabilities (taxation and deferred taxation)								–		–
Consolidated total liabilities										
Cash inflow/(outflow) generated from operations	284	1 244	(109)	1 419	3 465	1 733	(265)	4 933		4 933
Cash inflow/(outflow) from operating activities	283	684	(99)	868	594	1 314	–	1 908	2 488	4 396
Cash inflow/(outflow) from investing activities	(359)	(240)	(128)	(727)	(482)	(660)	–	(1 142)		(1 142)
Cash inflow/(outflow) from financing activities	42	(57)	–	(15)				–		–
Capital expenditure	359	293	131	783	585	824	–	1 409	(48)	1 361
Amortisation and depreciation	189	268	89	546	708	233	–	941	(28)	913
Impairment/(reversal) before tax	988	–	1 255	2 243		97		97		97
EBITDA	309	1 213	(24)	1 498	3 589	1 914	(4)	5 499	(28)	5 471

There were no significant inter-company sales.

1 *Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous.*
2 *Intercompany interest of R219 million receivable by ARM Corporate and accrued by ARM Copper re-presented in terms of IFRS 5.*
3 *The impairment included in income from joint venture is R470 million before tax of R27 million.*
4 *Relates to capitalised fees in ARM Ferrous.*

	Continuing						Discontinued			IFRS adjustment			
		ARM Corporate					ARM Ferrous	ARM Copper					
	ARM Coal	Exploration	Corporate and other	Gold	Total Corporate	Total Continuing	Chrome division	Lubambe Mine	Total discontinued	ARM Ferrous[1]	Other	Total IFRS adjustment	Total per IFRS
	911	–	–	–	–	21 298		600	600	(13 140)	(600)	(13 740)	8 158
	(866)	–	40	–	40	(14 328)		(601)	(601)	7 377	601	7 978	(6 951)
	37	–	595	–	567	745		4	4	12	(4)	8	757
	(4)	(28)	(1 442)	–	(1 442)	(2 962)	(2)	(238)	(240)	1 214	238	1 452	(1 750)
	78	(28)	(807)	–	(835)	4 753	(2)	(235)	(237)	(4 537)	235	(4 302)	214
	–		144	64	208	510	265	–	265	(537)		(537)	238
	(215)				–	(333)		(19)	(19)	48	19	67	(285)
	–		(138)		(138)	(138)		(56)	(56)	–	56	56	(138)
	–		–		–	–			–	–	–	–	–
	181		–		–	181		–	–	–	–	–	181
	–		–		–	(23)		–	–	3 288	–	3 288	3 265
	–		(79)		(79)	(2 420)	(373)	180	(193)	471	(180)	291	(2 322)
	38		–		–	(973)	115	–	115	1 267	–	1 267	409
	82	(28)	(880)	64	(844)	1 557	5	(130)	(125)	–	130	130	1 562
	–		9		9	(131)		71	71		(71)	(71)	(131)
	–		14		14	–			–			–	–
	82	(28)	(857)	64	(821)	1 426	5	(59)	(54)	–	59	59	1 431
	82	(28)	(778)	64	(742)	3 021	378	(203)	175	–	–	–	3 196
	3 785		2 383	1 380	3 763	35 031		1 604	1 604	(4 389)		(4 389)	32 246
	1 334					1 334							1 334
										14 860		14 860	14 860
	1 848		1 958		1 958	7 242		1 172	1 172	(1 617)		(1 617)	6 797
						4 181				(2 772)		(2 772)	1 409
						11 423		1 172	1 172	(4 389)		(4 389)	8 206
	222		54		54	6 628		(84)	(84)	(4 933)		(4 933)	1 611
	222	(28)	(527)		(555)	4 931		(155)	(155)	(1 908)		(1 908)	2 868
	(181)		236	64	300	(1 750)		32	32	1 142		1 142	(576)
	(40)		(1 806)		(1 806)	(1 861)		(4)	(4)	–		–	(1 865)
	196		2		2	2 342		41	41	(1 361)		(1 361)	1 022
	159		3		3	1 621		107	107	(913)		(913)	815
	–		–		–	2 340	373	(180)	193	(470)		(470)	2 063
	237	(28)	(804)	–	(832)	6 374	(2)	(128)	(130)	(5 450)		(5 450)	794

FINANCIAL REVIEW continued

FINANCIAL SUMMARY AND STATISTICS

for the year ended and as at 30 June

	Group			
R million, unless stated otherwise	Compounded annual growth rate over 10 years %	F2018	F2017	F2016
Statement of profit or loss (for the year ended 30 June)				
Sales	(4)	**8 346**	8 158	8 164
Basic earnings/(loss)		**4 562**	1 372	(565)
Headline earnings	2	**4 814**	3 196	1 051
Basic earnings/(loss) per share (cents)		**2 393**	723	(265)
Headline earnings per share (cents)	3	**2 526**	1 684	494
Dividend declared after year-end per share (cents)		**750**	650	225
Statement of financial position (at 30 June)				
Total assets	3	**34 305**	32 246	35 127
Cash and cash equivalents	2	**3 291**	1 488	1 316
Total interest bearing borrowings	(5)	**2 296**	2 759	5 551
Shareholders' equity	6	**27 378**	24 040	24 581
Statement of cash flows (for the year ended 30 June)				
Cash generated from operations	(9)	**1 934**	1 611	1 225
Net cash outflow from investing activities	(17)	**(381)**	(640)	(799)
Net cash (outflow)/inflow from financing activities		**(355)**	(1 865)	(558)
Exchange rates				
Average rate for the year ended 30 June US$1 = R	6	**12.84**	13.60	14.68
Closing rate at 30 June US$1 = R	6	**13.72**	13.05	14.51
JSE Limited performance				
Ordinary shares (Rands)				
– high	(7)	**141**	127	116
– low	(3)	**78**	67	35
– year-end	(9)	**109**	84	92
Volume of shares traded (thousands)	7	**161 439**	212 900	202 914
Number of ordinary shares in issue (thousands)	0	**219 709**	218 702	218 022
Financial statistics	Definition number			
Liquidity ratios (times)				
Current ratio	1	**2.6**	1.7	1.2
Quick ratio	2	**2.4**	1.4	1.0
Cash ratio	3	**19.3**	5.0	1.8
Profitability (%)				
Return on operational assets	4	**12.0**	1.8	4.2
Return on capital employed	5	**19.1**	12.3	5.8
Return on equity	6	**18.6**	13.6	4.4
Gross margin	7	**17.3**	14.8	9.9
Operating margin	8	**20.5**	2.6	8.0
Debt leverage				
Interest cover (times)	9	**16.7**	9.2	6.1
Gross debt to equity ratio (%)	10	**8**	11	23
Net debt to equity ratio (%)	11	**(4)**	5	17
Other				
Net asset value per share (R/share)	12	**118**	107	109
Market capitalisation	13	**23 970**	18 371	20 058
Dividend cover (times)	14	**2.53**	2.59	2.19
EBITDA	15	**2 443**	794	1 185
EBITDA margin (%)	16	**29**	10	14
Effective tax rate (%)	17	**10**	(35)	(1)
Effective tax rate excluding special items (%)	18	**10**	7	2

The financial information above is in accordance with International Financial Reporting Standards.

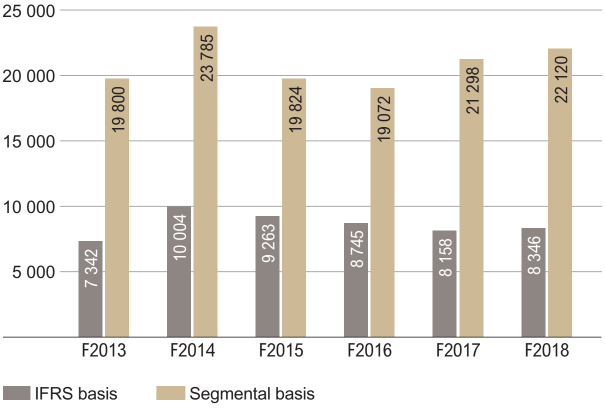
Various corporate transactions were entered into during the past 10 years and restatement due to IFRS 11 in 2013, for example, makes direct comparison for years not always meaningful.

The definitions can be found on page 36.

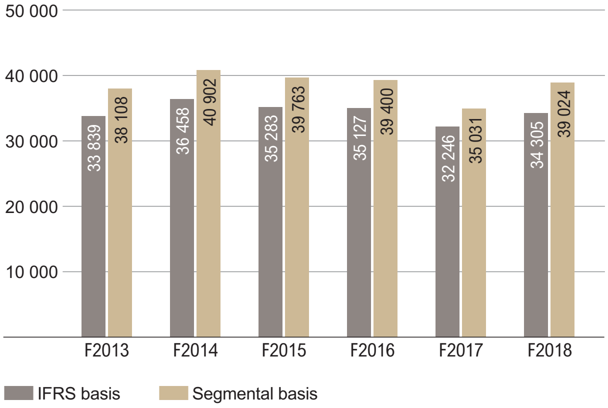
Group							
F2015	F2014	F2013	F2012	F2011	F2010	F2009	F2008
9 263	10 004	7 342	17 530	14 893	11 022	10 094	12 590
104	3 289	1 634	3 438	3 366	1 812	2 868	4 487
1 744	4 108	3 737	3 451	3 374	1 714	2 317	4 013
48	1 521	759	1 609	1 581	854	1 355	2 131
803	1 900	1 735	1 615	1 585	807	1 094	1 906
350	600	510	475	450	200	175	400
35 283	36 458	33 839	35 316	32 386	28 233	25 499	24 878
2 257	2 150	1 965	3 564	3 668	3 039	3 513	2 660
3 882	3 502	3 992	3 237	3 069	3 346	3 744	3 978
26 905	28 199	25 463	24 405	22 170	18 529	16 751	15 676
2 508	2 073	1 565	5 969	5 988	3 430	6 678	5 175
(1 980)	(1 222)	(1 720)	(4 077)	(3 382)	(2 324)	(3 135)	(2 427)
(304)	(759)	474	179	(588)	(729)	(171)	(175)
11.45	10.36	8.83	7.77	6.99	7.59	9.03	7.30
12.16	10.63	9.93	8.16	6.76	7.67	7.72	7.83
203	240	209	199	236	206	291	307
81	143	139	159	146	117	76	103
83	187	150	166	189	161	130	280
124 582	110 911	113 003	98 740	121 051	138 241	113 690	84 678
217 491	216 748	215 625	214 852	213 133	212 692	212 068	211 556
1.7	1.9	1.9	2.4	2.4	2.2	1.5	1.8
1.5	1.6	1.5	1.8	1.8	1.7	1.1	1.5
4.0	3.6	6.5	5.2	12.6	5.9	1.6	1.6
5.8	9.3	7.1	20.1	24.1	15.2	20.4	39.6
6.9	15.0	14.1	17.7	19.8	12.0	18.2	36.3
6.8	15.4	15.5	14.9	15.9	9.6	14.3	27.0
15.2	24.7	20.1	34.6	40.4	32.1	40.1	56.2
11.2	16.7	16.0	29.8	36.3	26.5	36.7	53.0
9.3	19.1	21.9	23.7	25.4	16.0	11.1	16.7
14	12	16	13	14	18	25	25
6	5	8	n/a	n/a	2	1	8
118	123	112	108	99	84	76	70
17 993	40 538	32 292	35 670	40 176	34 243	27 548	59 236
2.29	3.17	3.40	3.40	3.52	4.04	6.25	4.76
2 087	2 620	1 982	6 531	6 517	3 907	4 484	7 229
23	26	27	37	44	35	44	57
83	13	(5)	31	32	34	39	30
23	14	10	31	32	35	44	30

FINANCIAL REVIEW continued

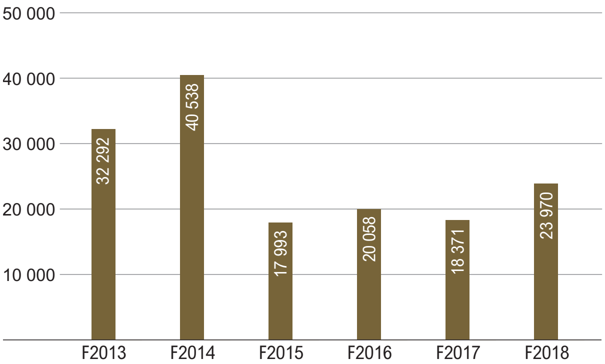
SALES
(R million)



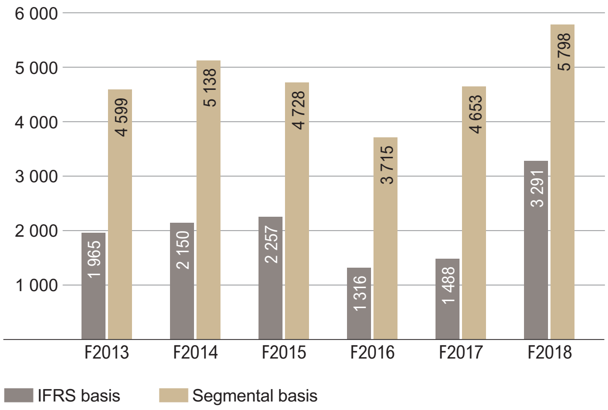
TOTAL ASSETS
(R million)



MARKET CAPITALISATION
(R million)



CASH AND CASH EQUIVALENTS
(R million)



DEFINITIONS

1 **Current ratio (times)**
Current assets divided by current liabilities.

2 **Quick ratio (times)**
Current assets less inventories divided by current liabilities.

3 **Cash ratio (times)**
Cash and cash equivalents divided by overdrafts and short-term borrowings less overdrafts.

4 **Return on operational assets (%)**
Profit from operations divided by tangible assets (property, plant and equipment and current assets) excluding capital work in progress.

5 **Return on capital employed (%)**
Profit before special items and finance costs, divided by average capital employed. Capital employed comprises non-current and current assets less trade and other payables and provisions.

6 **Return on equity (%)**
Headline earnings divided by ordinary shareholders' interest in capital and reserves.

7 **Gross margin (%)**
Gross profit divided by sales.

8 **Operating margin (%)**
Profit from operations before special items divided by sales.

9 **Interest cover (times)**
Profit before special items and tax and finance costs divided by finance costs.

Note: All ratios except return on capital employed use year-end balances. Return on capital employed is a two-year average.

10 **Gross debt to equity ratio**
Total debt divided by total equity. Total debt comprises long-term borrowings, overdrafts and short-term borrowings. Total equity comprises total shareholders' interest.

11 **Net debt to equity ratio**
Total debt less cash and cash equivalents divided by total equity. Total debt comprises long-term borrowings, overdrafts and short-term borrowings. Total equity comprises total shareholders' interest.

12 **Net asset value per share (Rands)**
Ordinary shareholders' interest in capital and reserves divided by number of shares in issue.

13 **Market capitalisation (R million)**
Number of ordinary shares in issue multiplied by market value of shares at 30 June.

14 **Dividend cover (times)**
Headline earnings per share divided by cumulative dividend per share.

15 **EBITDA (R million)**
Earnings before interest, taxation, depreciation, amortisation, income from associate, income from joint venture and special items.

16 **EBITDA margin (%)**
EBITDA divided by sales.

17 **Effective tax rate**
Taxation in the income statement divided by profit before tax.

18 **Effective tax rate excluding special items**
Taxation in the income statement less tax on special items divided by profit before tax and special items.