RMI HOLDINGS

SUMMARISED, UNAUDITED INTERIM RESULTS ANNOUNCEMENT AND CASH DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED
31 DECEMBER 2014

KEY **HIGHLIGHTS**

NORMALISED EARNINGS

+14%

to 105.4 cents per share

ORDINARY DIVIDEND

+13%

to 52.0 cents per share

MARKET VALUE

+49%

to 4 086 cents per share

OUR **STRUCTURE**

RMI is a significant investor in some of South Africa's most prominent insurance groups.

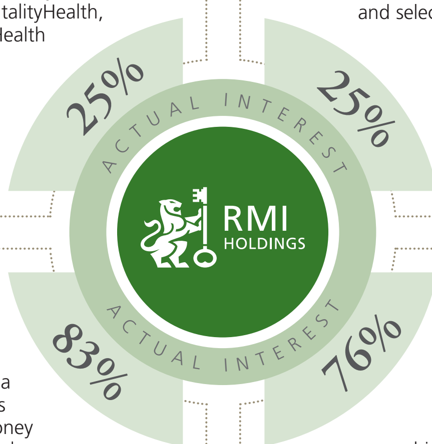
Our interests include:

Discovery

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

MMI HOLDINGS

MMI is a South African financial services group that provides life insurance, employee benefits, investment and savings, healthcare solutions and short-term insurance to individual clients, small and medium businesses, large companies, organisations and public enterprises in South Africa, the rest of Africa and selected international countries. It covers the lower, middle and upper income markets, principally under the Momentum and Metropolitan brand names.



OUTsurance provides short and long-term insurance products in South Africa, Australia, New Zealand and Namibia with a client centric ethos of providing value for money insurance solutions backed by awesome client service.

OUT SURANCE

RMBSI holds both short-term and life insurance licenses. It creates bespoke insurance and financial risk solutions for South Africa's large corporations by using sophisticated risk techniques and innovative financial structures. In addition, it partly owns a portfolio of underwriting management agencies.

RMB STRUCTURED INSURANCE

BASIS OF PREPARATION OF RESULTS

The accompanying summarised financial results for the six months ended 31 December 2014 reflect:

- the consolidation of the operations of Rand Merchant Insurance Holdings Limited (RMI) and its subsidiaries, including OUTsurance Holdings Limited (OUTsurance) and RMB-SI Investments Proprietary Limited (RMBSI); and
- RMI's interests in its associates, Discovery Limited (Discovery) and MMI Holdings Limited (MMI), which have been equity accounted.

These results have been prepared in accordance with:

- International Financial Reporting Standards (IFRS), including IAS 34: Interim financial reporting;
- the requirements of the South African Companies Act, Act 71 of 2008, as amended; and
- the Listings Requirements of the JSE Limited.

The accounting policies applied are consistent with those applied in the previous financial year, except for:

- the accounting policy governing the treatment of deferred acquisition costs for short-term and long-term insurance contracts which was changed in the second half of the 2014 financial year as reported in the 2014 annual integrated report. The results for the six months ended 31 December 2013 were restated accordingly as set out in the accompanying schedules; and
- changes required by the mandatory adoption of new and revised IFRS. None of the new accounting standards becoming effective in the current financial year impacted on the group's accounting policies, earnings or financial position.

Schalk Human (MCom(Acc), CA(SA)) prepared these consolidated financial results under the supervision of Herman Bosman (LLM, CFA). The board of directors takes full responsibility for the preparation of this announcement.

ECONOMIC ENVIRONMENT

The IMF reduced its 2015 and 2016 global growth forecasts to 3.5% and 3.7% respectively. Although the US economy continued to pick up momentum, other major developed and emerging market economies struggled and this weakness was reflected in downward pressure on commodity prices and slowing growth in the economies of South Africa's main export partners.

The local economy remained subdued due to the weak global growth, structural constraints and sluggish domestic demand which resulted in low levels of economic activity. Local industries were unable to take full advantage of exchange rate weakness due to ongoing electricity shortages which have kept production capacity constrained.

Domestic demand remains negatively impacted by low levels of business and consumer confidence, weak real disposable income growth, sluggish household credit extension and interest rate tightening. Deficit economies like South Africa remain vulnerable to the uncertainties of global sentiment and risk appetite.

STRATEGY

RMI aims to be a value-adding, active enabler of leadership and innovation in financial services. It is an active investment holding company with a focus on portfolio optimisation.

In addition to its involvement in the ***existing portfolio***, RMI is considering ***new opportunities*** across the South African and broader African financial services landscape. The scope of opportunities will, in all probability, initially be South African-focused and will include buy and build possibilities across a wide spectrum of scale and life cycles of financial services businesses.

RMI's plans to create long-term optionality via investments in conceptual and early stage emerging opportunities are also progressing well. These plans include the creation of an ***accelerator*** to provide physical space and associated services to financial services entrepreneurs.

Specifically, the plan to enter the asset management industry continues to take shape with the arrival in January of an appropriate senior resource to run the initiative. This business will look to invest in and grow with South Africa's best investment talent along similar lines to the successful affiliate models used in the US and UK markets.

OVERVIEW OF RESULTS

Notwithstanding the challenging economic environment, all RMI's investments, with the exception of RMBSI, produced satisfying results. In particular, strong growth in normalised earnings were recorded by Discovery and OUTsurance.

OUTsurance's normalised earnings for the comparative period have been restated to reflect the change in accounting policy in respect of the deferral of acquisition costs.

The normalised earnings of RMI's investee companies for the six months under review are listed in the table below:

	SIX MONTHS ENDED 31 DECEMBER			
R million	**2014 Unaudited**	Restated 2013 Unaudited	% change	Year ended 30 June 2014 Audited
Discovery	**1 981**	1 650	20	3 457
MMI	**1 852**	1 690	10	3 621
OUTsurance	**739**	643	15	1 448
RMBSI	**18**	24	(25)	101

The consolidated group normalised earnings for the six months ended 31 December 2014 amounted to R1 566 million, an increase of 14% on the comparative period in the prior year.

The breakdown of the group consolidated normalised earnings is provided in the table below:

R million	SIX MONTHS ENDED 31 DECEMBER **2014 Unaudited**	Restated 2013 Unaudited	% change	Year ended 30 June 2014 Audited
Normalised earnings from:				
– Discovery	**496**	413	20	866
– MMI	**461**	419	10	899
– OUTsurance	**620**	543	14	1 219
– RMBSI	**15**	20	(25)	78
	1 592	1 395	14	3 062
Funding and holding company costs	**(26)**	(16)	(63)	(40)
Normalised earnings	**1 566**	1 379	14	3 022
Normalised earnings per share (cents)	**105.4**	92.8	14	203.4

The increase in the funding and holding company costs reflects the increased infrastructure at holding company level to execute the active investment strategy.

RMI regards normalised earnings as the appropriate basis to evaluate business performance as it eliminates the impact of non-recurring items and accounting anomalies. A reconciliation of the adjustments made to derive normalised earnings is presented in the accompanying schedules.

MARKET VALUE OF INVESTMENTS

Discovery benefited from a significant market re-rating during the 2014 calendar year on the back of its continued strong financial performance, with its market capitalisation increasing by 32%. Over the same year, MMI's market capitalisation increased by 19%.

On a "look-through" basis, the market value attributed to RMI's interests in OUTsurance (83.4% held) and RMBSI (76.4% held) increased by 76% to R32.3 billion, reflecting market recognition of the continued progress made in building out OUTsurance's Australian initiative and the strength of its South African franchise.

RMI's share price increased by 49% in the 2014 calendar year. Together with the dividend paid, the total shareholders' return amounted to 53% for the year ended 31 December 2014. Since inception in March 2011, RMI delivered a total annual compounded return to shareholders of 40%.

The market values of RMI's investments are summarised in the table below:

R million	AS AT 31 DECEMBER **2014** **Unaudited**	2013 Unaudited	% change	As at 30 June 2014 Unaudited
Market value of interest in:				
– Discovery	**16 493**	12 510	32	14 383
– MMI	**11 782**	9 929	19	10 302
Market value of listed investments	**28 275**	22 439	26	24 685
Implied market value of unlisted investments	**32 305**	18 377	76	24 075
	60 580	40 816	48	48 760
Net assets/(liabilities) of the holding company	**125**	(34)	>100	(59)
RMI market capitalisation	**60 705**	40 782	49	48 701
RMI closing share price (cents)	**4 086**	2 745	49	3 278

The movement in the net assets of the holding company is due to the retention of the R196 million special dividend received from MMI in October 2014.

INTERIM DIVIDEND PAYMENT

The policy of paying out all dividends received from underlying investments after servicing any funding commitments at holding company level and considering RMI's debt capacity and investment pipeline, remains in place.

Discovery has announced a rights issue offer on 24 February 2015 amounting to between R4 billion and R5 billion. RMI has irrevocably committed to follow its rights relating to its 25% shareholding in Discovery. Directors and senior management of Discovery, who collectively hold 12.1% of Discovery's shares, have also irrevocably committed to follow their rights pursuant to the rights issue. RMI has underwritten the 62.9% balance of the rights issue. RMI has secured funding for these commitments and is therefore in a position to continue with its stated dividend policy.

The board is of the opinion that RMI is adequately capitalised at this stage and that the company will be able to meet its obligations in the foreseeable future after payment of the interim dividend declared below.

The board resolved to declare an interim dividend of 52.0 cents (2013: 46.0 cents) per ordinary share. The dividend is covered 2.0 times (2013: 2.0 times) by the normalised earnings of 105.4 cents per share.

Shareholders are referred to the dividend declaration forming part of this announcement regarding the applicability of Dividend Withholding Tax to the ordinary dividend.

OUTLOOK

Trading conditions in the second half of the current financial year are expected to be largely consistent with the experience in the first half.

GDP growth in South Africa for 2015 is expected to come in at about 2.0%. In the medium term it is estimated to be slightly higher but to remain below trend due to both demand weakness and supply side constraints, particularly in respect of electricity.

If the recovery of the US economy continues as expected, interest rates may increase which will place further pressure on the South African consumer. High levels of indebtedness remain in certain segments of the consumer market, which limits disposable income and the capacity to save. However, the significant fall in the oil price in recent months could start a downward trend in consumer inflation.

Discovery will be able to pursue certain identified growth initiatives with the capital raised via the rights issue offer.

MMI believes that the group has identified and is implementing innovative strategies to unlock value and generate the required return on capital for shareholders over time.

Youi Australia, one of the group's main growth drivers, is expected to deliver strong premium growth and achieve economies of scale. The abnormally low natural perils claims in the second half of the previous financial year is however not expected to recur and profitability growth might therefore not mirror revenue growth. The expected net pre-tax loss of AUS$7 million from cyclone Marcia which hit the east coast of Australia in February 2015 will negatively impact earnings in the second half of the financial year.

Youi New Zealand is expected to break-even over the next five years and to start making a meaningful contribution to group earnings thereafter. The new business strain caused by this initiative might impact negatively on OUTsurance's profit and dividend growth during the start-up phase.

RMI's plans to expand its investment portfolio through buy and build opportunities and to create an accelerator in support of financial services entrepreneurs are progressing well.

For and on behalf of the board.

GT Ferreira
Chairman

HL Bosman
Chief executive officer

Sandton

5 March 2015

CASH DIVIDEND **DECLARATION**

INTERIM CASH DIVIDEND

Notice is hereby given that a gross interim dividend of 52.0 cents per ordinary share payable out of income reserves was declared on 5 March 2015 in respect of the six months ended 31 December 2014.

The company has utilised Secondary Tax on Companies credits amounting to 0.41583 cents per ordinary share. The balance of the dividend will be subject to Dividend Withholding Tax at a rate of 15%, which will result in a net dividend of 44.26237 cents per ordinary share for those shareholders who are not exempt.

The company's tax reference number is 9469/826/16/9. Its issued share capital at the declaration date is 1 485 688 346 ordinary shares and 648 001 redeemable preference shares.

Shareholders' attention is drawn to the following important dates:

Last day to trade in order to participate in the dividend	Friday, 20 March 2015
Shares commence trading "ex dividend" on	Monday, 23 March 2015
The record date for the dividend payment will be	Friday, 27 March 2015
Dividend payment date	Monday, 30 March 2015

No de-materialisation or re-materialisation of share certificates may be done between Monday, 23 March 2015 and Friday, 27 March 2015 (both days inclusive).

By order of the board.

JS Human
Company secretary

5 March 2015

REVIEW OF **INVESTMENT PERFORMANCE**

DISCOVERY

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

In November 2014, Discovery acquired the remaining 25% shareholding in Prudential Health Holdings Limited from Prudential Assurance Company (Prudential) for GBP155 million (R2 790 million). Following this acquisition, PruHealth and PruProtect have been rebranded as VitalityHealth and VitalityLife respectively. Discovery also paid USD5 million (R54 million) to acquire Humana's 25% shareholding in The Vitality Group LLC.

Both of these acquisitions were concluded based on put options granted to Prudential and Humana during the 2011 financial year which entitled them to sell their remaining interests in these entities at fair value to Discovery at contracted dates. Since 2011, Discovery carried the present value of the estimated purchase price as a financial liability in its statement of financial position. The difference between the carrying value of this financial liability and the purchase price paid by Discovery resulted in a fair value profit of R1 661 million included in Discovery's earnings attributable to ordinary shareholders and headline earnings for the six months ended 31 December 2014, but it was excluded from normalised headline earnings.

Discovery produced strong results for the six months to 31 December 2014 and some of the financial highlights included:

- Normalised headline earnings increased by 20% to R2.0 billion with normalised headline earnings per share increasing by 16%;
- New business grew by 17% to R6.7 billion;
- Gross inflows under management, which is a good measure of the growth of Discovery, increased by 18% to R43 billion;
- Discovery achieved growth in embedded value of 14% to R45.5 billion, with an annualised return on embedded value of 13.7%; and
- The interim dividend increased by 17% to 85.5 cents per share.

Discovery Health's operating profit before tax increased by 11% to R954 million after continued efficiencies were passed onto the medical scheme through a planned scale-related discount which assisted the medical scheme to reach a solvency ratio of 25.8% as at 31 December 2014. New business grew by 7% to R2.8 billion.

Discovery Life achieved growth in operating profit before tax of 17% to R1.5 billion over the six months, driven by new business growth of 9% to R1.2 billion and better than expected claims experience.

Operating profit before tax at **Discovery Invest** increased by 29% to R191 million, with 22% growth in new business volumes and an increase of 27% in assets under management to R45.6 billion. This sustained growth was largely driven by increased take-up of integrated products, market momentum and increased adviser support.

The combined **VitalityHealth and VitalityProtect** businesses grew earnings before tax by 20% to R432 million and new business by 7% to R915 million. The launch of the new brands following the acquisition of the remaining 25% shareholding was well received in the UK with no significant impacts on lapses or performance.

Discovery Insure's new business was exceptional, with 57% growth to R403 million.

RMI included R496 million of Discovery's earnings in its normalised earnings (2013: R413 million).

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

MMI HOLDINGS

MMI is a South African financial services group that provides life insurance, employee benefits, investment and savings, healthcare solutions and short-term insurance to individual clients, small and medium businesses, large companies, organisations and public enterprises in South Africa, the rest of Africa and selected international countries. It covers the lower, middle and upper income markets, principally under the ***Momentum*** and ***Metropolitan*** brand names.

In the period under review, the net realised and fair value losses on shareholders' assets amounted to R73 million, compared to net realised and fair value gains of R398 million in the comparative period in the prior year. This significant movement caused earnings attributable to ordinary shareholders and headline earnings to decrease by 25%, but it had no impact on the growth in core headline earnings as these net realised and fair value losses and gains were excluded from core headline earnings.

MMI delivered a solid financial performance for the six months under review:

- New business premiums increased by 15% to 23.7 billion;
- The value of new business grew by 11% to R420 million, with the new business margin remaining at 1.8%;
- The embedded value amounted to R39.8 billion, reflecting an annualised return on embedded value of 12%;
- Diluted core headline earnings increased by 10% to R1.9 billion;
- The operating divisions achieved growth in core headline earnings of 13% to R1.5 billion. All the existing businesses increased their profits with Momentum Employee benefits (52% increase to R272 million), Metropolitan Health (31% increase to R98 million) and International (27% increase to R62 million) recording the highest growth;
- Overall earnings growth was restricted by investments into new initiatives that are being pursued in line with the group's strategy of growth, client-centricity and excellence; and
- The interim dividend increased by 11% to 63 cents per share.

MMI reported a strong capital buffer of R3.5 billion as at 31 December 2014 after allowing for capital requirements, strategic growth initiatives and the interim dividend. The MMI board is satisfied that this capital level is appropriate in the current environment of changing regulations and focus on growth initiatives. MMI also successfully raised R750 million of subordinated debt in November 2014 and redeemed R500 million of maturing subordinated debt in December 2014 as scheduled.

RMI included R461 million of MMI's earnings in its normalised earnings (2013: R419 million).

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

OUTSURANCE

OUTsurance provides short and long-term insurance products in South Africa, Australia, New Zealand and Namibia with a client centric ethos of providing value for money insurance solutions backed by awesome client service.

Youi New Zealand was launched in August 2014 as an extension of Youi's Australian operation. It provides personal lines insurance cover directly to the New Zealand public.

OUTsurance delivered a satisfactory financial and operational performance during the six months under review:

- Normalised earnings increased by 15% to R739 million;
- Gross premium revenue grew by 25% to R6.2 billion. Youi contributed 44% or R2.8 billion of the total gross premium revenue;
- OUTsurance achieved growth in annualised new business volumes of 18% to R2 billion;
- The net loss from natural catastrophes amounted to R92 million which was R82 million lower than the comparative period in the prior year;
- The claims ratio increased from 54.1% to 54.4%;
- The cost to income ratio increased from 26.5% to 28.1% largely attributable to the new business strain incurred with the launch of the New Zealand business and the higher relative growth in Youi's cost base; and
- The interim dividend grew by 21% to 14.5 cents per share.

OUTsurance's South African short-term operations recorded a 17% increase in normalised earnings to R711 million, mostly driven by a recovery in premium inflation, higher new business flows and an improvement in the claims ratio due to lower incurred losses from natural catastrophes. The incurred loss on the Orkney earthquake amounted to R24 million, compared to total catastrophe losses of R84 million included in the earnings of the comparative period.

Youi Australia generated normalised earnings of R66 million for the six months under review, compared to R25 million in the comparative period. Youi continued to gain market share on the back of successful marketing initiatives, excellent service and a value for money product offering. The claims ratio increased from 59.2% to 61% as a result of unfavourable weather conditions at the beginning of the financial year. The net impact of the Brisbane hailstorm in November 2014 was AUS$7 million or R68 million, compared to catastrophe losses of R90 million in the comparative period in the prior year.

During February 2015, Youi Australia incurred significant exposure from cyclone Marcia which hit the east coast of Australia and caused significant damage in the state of Queensland. It is expected that Youi will incur a net pre-tax loss, after taking into account reinsurance recoveries, of AUS$7 million from this catastrophe event which will negatively impact earnings in the second half of the financial year.

The performance of Youi New Zealand to date is satisfactory and in line with expectations. The start-up loss of R45 million together with R16 million funding costs resulted in a total strain of R61 million on the earnings of the OUTsurance group for the six months under review.

The introduction of the new Solvency Assessment and Management regulatory regime with effect from 1 January 2016 is not expected to have a material impact on the OUTsurance group's current capital position. The group's current capital adequacy ratio is 1.8 times the capital adequacy requirement (CAR). The targeted level is 1.2 times CAR.

RMI included R620 million of OUTsurance's earnings in its normalised earnings (2013: R543 million).

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

RMB STRUCTURED INSURANCE

RMBSI holds both short-term and life insurance licenses. It creates bespoke insurance and financial risk solutions for South Africa's large corporations by using sophisticated risk techniques and innovative financial structures. In addition, it partly owns a portfolio of underwriting management agencies.

RMBSI continues to focus on a diversified business strategy to bolster its retainer base income on the back of the more traditional insurance business. This continues to bear fruit and the business mix is trending in the right direction.

Normalised earnings for the six months to 31 December 2014 amounted to R18 million (2013: R24 million). The decrease in earnings relates to lower investment income on a large corporate policy.

RMI included R15 million of RMBSI's earnings in its normalised earnings (2013: R20 million).

EFFECTIVE INTEREST

RMI's effective interest in the group entities is different from the actual holdings as a result of the following consolidation adjustments:

- treasury shares held by group entities;
- shares held by consolidated share incentive trusts;
- "deemed" treasury shares arising from BEE transactions entered into; and
- "deemed" treasury shares held by policyholders and mutual funds managed by them.

As at 31 December 2014 the effective interest held by RMI can be compared to the actual interest in the statutory issued share capital of the companies as follows:

	31 DECEMBER			
	2014		2013	
	Effective Unaudited	**Actual Unaudited**	Effective Unaudited	Actual Unaudited
Discovery	**25.8%**	**25.0%**	25.8%	25.0%
MMI	**25.2%**	**25.0%**	25.2%	25.0%
OUTsurance	**84.2%**	**83.4%**	84.8%	83.4%
RMBSI	**78.3%**	**76.4%**	79.1%	76.4%

Summarised consolidated income statement

R million	SIX MONTHS ENDED 31 DECEMBER 2014 Unaudited	Restated 2013 Unaudited	% change	Year ended 30 June 2014 Audited
Earned premiums net of reinsurance	**5 721**	4 741	21	10 020
Fee income	**121**	82	48	138
Investment income	**272**	218	25	625
Net fair value gains on financial assets	**43**	454	(91)	804
Income	**6 157**	5 495	12	11 587
Net claims paid	**(2 899)**	(2 671)	9	(4 938)
Fair value adjustment to investment contracts and insurance contract provisions	**(201)**	(312)	(36)	(880)
Fair value adjustment to financial liabilities	**(89)**	(85)	5	(191)
Acquisition, marketing and administration expenses	**(1 857)**	(1 434)	29	(3 096)
Profit before finance costs, share of after tax results of associates and taxation	**1 111**	993	12	2 482
Finance costs	**(39)**	(46)	(15)	(79)
Share of after tax results of associates	**1 213**	1 026	18	1 776
Profit before taxation	**2 285**	1 973	16	4 179
Taxation	**(346)**	(275)	26	(870)
PROFIT FOR THE PERIOD	**1 939**	1 698	14	3 309
Attributable to:				
Equity holders of RMI	**1 819**	1 594	14	3 053
Non-controlling interests	**120**	104	15	256
PROFIT FOR THE PERIOD	**1 939**	1 698	14	3 309

Computation of headline earnings

	SIX MONTHS ENDED 31 DECEMBER			
R million	**2014 Unaudited**	Restated 2013 Unaudited	% change	Year ended 30 June 2014 Audited
Earnings attributable to equity holders	**1 819**	1 594	14	3 053
Adjustment for:				
Profit on sale of associate	**(11)**	–		–
Loss/(profit) on dilution of shareholding	**3**	(145)		(135)
Realised loss/(profit) on sale of available-for-sale financial assets	**2**	(9)		(49)
Intangible asset impairments	**1**	4		8
Loss on disposal of property and equipment	**–**	3		2
HEADLINE EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS	**1 814**	1 447	25	2 879

Sources of headline earnings

	SIX MONTHS ENDED 31 DECEMBER			
R million	**2014 Unaudited**	Restated 2013 Unaudited	% change	Year ended 30 June 2014 Audited
Headline earnings from:				
– Discovery	**892**	446	100	802
– MMI	**309**	449	(31)	807
– OUTsurance	**624**	546	14	1 229
– RMBSI	**15**	22	(32)	81
	1 840	1 463	26	2 919
Funding and holding company costs	**(26)**	(16)	(63)	(40)
HEADLINE EARNINGS	**1 814**	1 447	25	2 879

Computation of normalised earnings

R million	SIX MONTHS ENDED 31 DECEMBER 2014 Unaudited	Restated 2013 Unaudited	% change	Year ended 30 June 2014 Audited
Headline earnings attributable to equity holders	**1 814**	1 447	25	2 879
RMI's share of normalised adjustments made by associates:	**(255)**	(46)		189
Fair value adjustment to puttable non-controlling interest financial liability	**(416)**	(26)		50
Amortisation of intangible assets relating to business combinations	**103**	80		173
Non-recurring items	**29**	7		43
Net realised and fair value losses/(gains) on shareholders' assets	**18**	(100)		(136)
Finance costs raised on puttable non-controlling interest financial liability	**16**	19		39
Non-controlling interest allocation if no put options	**(11)**	(10)		(20)
Basis and other changes and investment variances	**6**	(16)		40
Group treasury shares	**7**	(22)		(46)
NORMALISED EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS	**1 566**	1 379	14	3 022

Computation of earnings per share

R million	**SIX MONTHS ENDED 31 DECEMBER** **2014 Unaudited**	Restated 2013 Unaudited	% change	Year ended 30 June 2014 Audited
Earnings attributable to equity holders	**1 819**	1 594	14	3 053
Headline earnings attributable to equity holders	**1 814**	1 447	25	2 879
Normalised earnings attributable to equity holders	**1 566**	1 379	14	3 022
Number of shares in issue (millions)	**1 486**	1 486	–	1 486
Weighted average number of shares in issue (millions)	**1 482**	1 483	–	1 484
Earnings per share (cents)	**122.7**	107.5	14	205.8
Diluted earnings per share (cents)	**121.5**	106.4	14	203.6
Headline earnings per share (cents)	**122.4**	97.6	25	194.0
Diluted headline earnings per share (cents)	**121.2**	96.5	26	191.9
Normalised earnings per share (cents)	**105.4**	92.8	14	203.4
Diluted normalised earnings per share (cents)	**104.8**	91.9	14	201.3
Dividend per share (cents)				
Interim dividend	**52.0**	46.0	13	46.0
Final dividend	**–**	–	–	62.0
TOTAL DIVIDEND	**52.0**	46.0	13	108.0

Summarised consolidated statement of comprehensive income

R million	SIX MONTHS ENDED 31 DECEMBER 2014 Unaudited	Restated 2013 Unaudited	% change	Year ended 30 June 2014 Audited
Profit for the period	**1 939**	1 698	14	3 309
Other comprehensive income for the period				
Items that may subsequently be reclassified to income				
Currency translation differences	**(97)**	36	>(100)	125
Fair value movement on available-for-sale financial assets	**(54)**	42	>(100)	41
Deferred taxation relating to fair value movement on available-for-sale financial assets	**10**	–	–	(16)
Share of other comprehensive income of associates	**53**	98	(46)	108
Items that may subsequently be reclassified to income, after taxation	**39**	84	(54)	74
Items that will not be reclassified to income, after taxation	**14**	14	–	34
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**(88)**	176	>(100)	258
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 851**	1 874	(1)	3 567
Total comprehensive income attributable to:				
Equity holders of RMI	**1 753**	1 759	–	3 288
Non-controlling interests	**98**	115	(15)	279
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 851**	1 874	(1)	3 567

Summarised consolidated statement of financial position

R million	**2014 Unaudited**	Restated 2013 Unaudited	As at 30 June 2014 Audited
	AS AT 31 DECEMBER		
Assets			
Property and equipment	**524**	525	520
Goodwill and other intangible assets	**81**	28	110
Investments in associates	**12 155**	11 145	11 582
Financial assets	**7 211**	7 917	6 861
Loans and receivables including insurance receivables	**2 746**	1 719	3 078
Taxation	**3**	16	–
Deferred acquisition cost	**381**	289	357
Reinsurance contracts	**542**	425	301
Deferred taxation	**177**	328	232
Cash and cash equivalents	**5 112**	3 256	4 725
TOTAL ASSETS	**28 932**	25 648	27 766
Equity			
Share capital and premium	**13 538**	13 590	13 592
Reserves	**2 776**	1 034	1 886
Capital and reserves attributable to equity holders of the company	**16 314**	14 624	15 478
Non-controlling interests	**942**	786	899
TOTAL EQUITY	**17 256**	15 410	16 377
Liabilities			
Insurance contracts	**6 469**	5 710	5 948
Share-based payment liability	**131**	44	145
Financial liabilities	**3 719**	3 308	3 704
Payables and provisions	**1 114**	993	1 189
Deferred taxation	**203**	174	379
Taxation	**40**	9	24
TOTAL LIABILITIES	**11 676**	10 238	11 389
TOTAL EQUITY AND LIABILITIES	**28 932**	25 648	27 766

Statement of changes in equity

Unaudited R million	Share capital and premium	Equity accounted reserves	Transactions with non-controlling interests	Other reserves	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 July 2013							
– As originally stated	13 632	935	(2 071)	162	907	586	14 151
– Change in accounting policy	–	–	–	10	152	28	190
Restated balance as at 1 July 2013	13 632	935	(2 071)	172	1 059	614	14 341
Total comprehensive income for the period	–	98	–	66	1 594	115	1 873
Dividends paid	–	–	–	–	(817)	(86)	(903)
Income of associates retained	–	625	–	–	(625)	–	–
Movement in treasury shares	(42)	3	–	–	–	–	(39)
Transactions with non-controlling interests	–	–	(5)	–	–	(2)	(7)
Issue of share capital by a subsidiary	–	–	–	–	–	112	112
Change in reserves due to a change in holding	–	–	–	43	(43)	33	33
BALANCE AS AT 31 DECEMBER 2013	**13 590**	**1 661**	**(2 076)**	**281**	**1 168**	**786**	**15 410**
Balance as at 1 July 2014	**13 592**	**2 094**	**(2 076)**	**343**	**1 525**	**899**	**16 377**
Total comprehensive income for the period	**–**	**53**	**–**	**(119)**	**1 819**	**98**	**1 851**
Dividends paid	**–**	**–**	**–**	**–**	**(921)**	**(96)**	**(1 017)**
Income of associates retained	**–**	**560**	**–**	**–**	**(560)**	**–**	**–**
Puttable non-controlling interests	**–**	**(5)**	**–**	**–**	**–**	**–**	**(5)**
Movement in treasury shares	**(54)**	**6**	**–**	**–**	**–**	**–**	**(48)**
Transactions with non-controlling interests	**–**	**–**	**65**	**(55)**	**45**	**41**	**96**
Share-based payment reserve	**–**	**–**	**–**	**2**	**–**	**–**	**2**
BALANCE AS AT 31 DECEMBER 2014	**13 538**	**2 708**	**(2 011)**	**171**	**1 908**	**942**	**17 256**

Summarised consolidated statement of cash flows

	SIX MONTHS ENDED 31 DECEMBER		
			Year ended 30 June
R million	**2014 Unaudited**	2013 Unaudited	2014 Audited
Cash available from operating activities	**1 399**	1 346	2 214
Dividends paid	**(921)**	(817)	(1 500)
Investment activities	**(13)**	195	1 471
Financing activities	**63**	(174)	(307)
Net increase in cash and cash equivalents	**528**	550	1 878
Unrealised foreign currency translation adjustments	**(141)**	42	183
Cash and cash equivalents at the beginning of the period	**4 725**	2 664	2 664
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5 112**	3 256	4 725

Segment report

The segmental analysis is based on the management accounts prepared for the group.

Unaudited *R million*	Discovery	MMI	OUTsurance	RMBSI	Other[1]	RMI group
Six months ended 31 December 2014						
Operating profit	**–**	**–**	**1 057**	**40**	**14**	**1 111**
Finance costs	**–**	**–**	**–**	**(7)**	**(32)**	**(39)**
Share of after tax results of associates	**901**	**341**	**9**	**(1)**	**(37)**	**1 213**
Profit/(loss) before taxation	**901**	**341**	**1 066**	**32**	**(55)**	**2 285**
Taxation	**–**	**–**	**(327)**	**(14)**	**(5)**	**(346)**
PROFIT/(LOSS) FOR THE PERIOD	**901**	**341**	**739**	**18**	**(60)**	**1 939**
NORMALISED EARNINGS	**496**	**461**	**739**	**18**	**(148)**	**1 566**
Assets	**–**	**–**	**10 603**	**5 234**	**859**	**16 696**
Associates	**6 113**	**5 961**	**26**	**55**	**–**	**12 155**
Intangible assets	**–**	**–**	**78**	**1**	**2**	**81**
TOTAL ASSETS	**6 113**	**5 961**	**10 707**	**5 290**	**861**	**28 932**
TOTAL LIABILITIES	**–**	**–**	**6 098**	**4 837**	**741**	**11 676**
Six months ended 31 December 2013 – Restated						
Operating profit	–	–	912	37	44	993
Finance costs	–	–	–	(7)	(39)	(46)
Share of after tax results of associates	455	453	4	(1)	115	1 026
Profit before taxation	455	453	916	29	120	1 973
Taxation	–	–	(268)	(5)	(2)	(275)
PROFIT FOR THE PERIOD	455	453	648	24	118	1 698
NORMALISED EARNINGS	413	419	643	24	(120)	1 379
Assets	–	–	8 539	5 286	650	14 475
Associates	5 013	6 066	19	47	–	11 145
Intangible assets	–	–	25	1	2	28
TOTAL ASSETS	5 013	6 066	8 583	5 334	652	25 648
TOTAL LIABILITIES	–	–	4 618	4 930	690	10 238

(1) "Other" includes RMI and consolidation entries.

Geographical segments

Unaudited *R million*	South Africa	Australia	New Zealand	UK	Total
Six months ended 31 December 2014					
Profit/(loss) before taxation	**1 039**	**94**	**(61)**	**–**	**1 072**
Share of after tax results of associates	**1 132**	**–**	**–**	**81**	**1 213**
Profit/(loss) before taxation	**2 171**	**94**	**(61)**	**81**	**2 285**
Taxation	**(318)**	**(28)**	**–**	**–**	**(346)**
PROFIT/(LOSS) FOR THE PERIOD	**1 853**	**66**	**(61)**	**81**	**1 939**
TOTAL ASSETS	**22 998**	**5 365**	**569**	**–**	**28 932**
TOTAL LIABILITIES	**7 546**	**4 062**	**68**	**–**	**11 676**
Six months ended 31 December 2013 – Restated					
Profit before taxation	912	35	–	–	947
Share of after tax results of associates	956	–	–	70	1 026
Profit before taxation	1 868	35	–	70	1 973
Taxation	(265)	(10)	–	–	(275)
PROFIT FOR THE PERIOD	1 603	25	–	70	1 698
TOTAL ASSETS	22 016	3 622	10	–	25 648
TOTAL LIABILITIES	7 644	2 585	9	–	10 238

Financial instruments measured at fair value

The group's activities expose it to a variety of financial risks. The interim results announcement does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual integrated report for the year ended 30 June 2014.

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

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

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE continued

Unaudited *R million*	Level 1	Level 2	Level 3	Total carrying amount
31 December 2014				
Financial assets				
Equity securities				
– available-for-sale	**684**	**–**	**–**	**684**
– at fair value through profit or loss	**2 069**	**24**	**–**	**2 093**
Debt securities				
– available-for-sale	**–**	**544**	**–**	**544**
– at fair value through profit or loss	**276**	**3 090**	**400**	**3 766**
Derivative asset	**–**	**45**	**–**	**45**
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	**3 029**	**3 703**	**400**	**7 132**
Financial liabilities				
Convertible debentures	**–**	**15**	**–**	**15**
Financial liabilities at fair value through profit or loss	**–**	**–**	**89**	**89**
Derivative liability	**–**	**34**	**–**	**34**
Investment contracts	**876**	**504**	**–**	**1 380**
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE	**876**	**553**	**89**	**1 518**

Unaudited *R million*	SIX MONTHS ENDED 31 DECEMBER 2014	 2013
Reconciliation of movement in level 3 assets		
Balance at the beginning of the period	**415**	441
Amount received in the current period	**–**	(5)
Investment income accrued	**17**	17
Dividends received from the OUTsurance Investment Trust	**(32)**	(30)
BALANCE AT THE END OF THE PERIOD	**400**	423
Reconciliation of movement in level 3 liabilities		
Balance at the beginning of the period	**105**	110
Preference dividends charged to the income statement in respect of profit sharing arrangements on ring-fenced insurance business	**89**	85
Preference dividends paid	**(105)**	(110)
BALANCE AT THE END OF THE PERIOD	**89**	85

Unaudited *R million*	Level 1	Level 2	Level 3	Total carrying amount
31 December 2013				
Financial assets				
Equity securities				
– available-for-sale	719	–	–	719
– at fair value through profit or loss	2 388	26	–	2 414
Debt securities				
– available-for-sale	–	538	–	538
– at fair value through profit or loss	905	2 828	423	4 156
Derivative asset	–	11	–	11
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	4 012	3 403	423	7 838
Financial liabilities				
Convertible debentures	–	15	–	15
Financial liabilities at fair value through profit or loss	–	–	85	85
Derivative liability	–	17	–	17
Investment contracts	863	419	–	1 282
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE	863	451	85	1 399

The fair values of the above instruments were determined as follows:

LEVEL 1

The level 1 equity securities comprise listed preference share and ordinary share investments which are listed on a securities exchange. The fair values of these investments are calculated based on the closing bid prices on the last business day of the reporting period. The ordinary share investments include an investment in a listed exchange traded fund which tracks the performance of the top 40 companies listed on the Johannesburg Securities Exchange. Debt securities represent South African Government issued interest securities and other listed interest securities on the Bond Exchange of South Africa. The carrying amount represents the closing bid prices on the last business day of the reporting period. Investment contract liabilities are valued with reference to the fair value of the underlying assets.

LEVEL 2

The level 2 fair value instruments include unlisted preference shares that are redeemable with a notice period ranging from thirty days to three years. Dividend yields range from 50.8% to 70% of the prime overdraft rate. The fair value of the preference shares which are redeemable within one year from the reporting date is deemed to equal the redemption value. The fair value of the preference shares with a maturity date of longer than one year, is calculated on a discounted cash flow basis with the discount rate adjusted for changes in credit risk of the ultimate counterparty, being one of the large South African banks. Due to the redeemable nature, the preference shares are deemed to be debt securities. The fair values of collective investment scheme investments are determined by the closing unit price as quoted by the collective investment schemes. The collective investment schemes are not listed. The fair value of money market instruments and other interest securities are determined based on observable market inputs. The derivative asset and liability are valued with reference to the closing bid price of the underlying listed equities they relate to. Investment contract liabilities are valued with reference to the fair value of the underlying assets.

LEVEL 3

The level 3 financial asset at fair value through profit or loss represents an investment in the OUTsurance Investment Trust, the value of which is not significantly sensitive to an increase or decrease in the counterparty credit rating due to the collateralised nature of the transaction.The financial liabilities at fair value through profit or loss represent profits arising out of the profit sharing arrangements that accrue on a monthly basis and which are distributed as preference dividends on a six monthly basis.

Change in accounting policy

In the second half of the previous financial year, the group changed its accounting policy in respect of acquisition costs to allow for the deferral thereof on short-term policies with a term greater than a month and long-term policies. The rationale behind the change in accounting policy is explained in the annual integrated report for the year ended 30 June 2014.

This change in accounting policy has been accounted for retrospectively and the financial information for the six months ended 31 December 2013 have been restated. The effect of the change is as follows:

RESTATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

Unaudited *R million*	Original amount 2013	Restated amount 2013	Difference 2013
Statement of financial position			
Assets			
Deferred acquisition costs	30	289	259
Deferred taxation	431	328	(103)
Increase in assets	461	617	156
Equity and liabilities			
Reserves	826	1 034	208
Non-controlling interests	750	786	36
Insurance contracts	5 798	5 710	(88)
Increase in equity and liabilities	7 374	7 530	156
Income statement			
Acquisition, marketing and administration expenses	(1 473)	(1 434)	39
Fair value adjustment to investment contracts and insurance contract provisions	(342)	(312)	30
Taxation	(255)	(275)	(20)
Increase in profit for the six months ended 31 December 2013	(2 070)	(2 021)	49
Attributable to:			
Equity holders of RMI	1 553	1 594	41
Non-controlling interests	96	104	8
Increase in profit for the six months ended 31 December 2013	1 649	1 698	49

Administration

RAND MERCHANT INSURANCE HOLDINGS LIMITED

(RMI)

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

DIRECTORS

GT Ferreira (Chairman), HL Bosman (CEO & FD), JP Burger, P Cooper (appointed as non-executive director on 11 September 2014), (Ms) SEN De Bruyn Sebotsa, LL Dippenaar, JW Dreyer, JJ Durand, PM Goss, PK Harris, P Lagerström, MM Morobe (appointed 1 August 2014), O Phetwe and KC Shubane

Alternates: L Crouse and (Ms) A Kekana

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JS Human

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