



SUMMARISED UNAUDITED INTERIM RESULTS  
ANNOUNCEMENT  
AND CASH DIVIDEND DECLARATION

*For the six months ended 31 December 2015*

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ADMINISTRATION

## KEY HIGHLIGHTS

### NORMALISED EARNINGS

**+4%**

to 109.2 cents

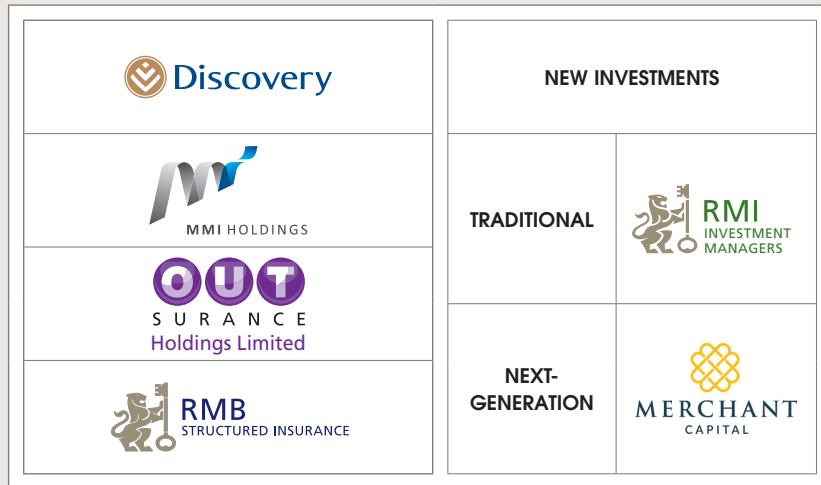
### ORDINARY DIVIDEND

**+2%**

to 53.0 cents

# OUR STRUCTURE

## EXPANDING THE RMI PORTFOLIO



## OVERVIEW OF RESULTS

### INTRODUCTION

Rand Merchant Investment Holdings Limited (RMI) (formerly Rand Merchant Insurance Holdings Limited) is an investment holding company with an investment team of experienced, alternative thinking, financial services specialists who actively partner smart and industry-changing people by being a shareholder of influence.

RMI's investments include Discovery Limited (Discovery), MMI Holdings Limited (MMI), OUTsurance Holdings Limited (OUTsurance), RMB-SI Investments Proprietary Limited (RMB Structured Insurance), RMI Investment Managers Group Proprietary Limited (RMI Investment Managers) and Merchant Capital Advisory Services Proprietary Limited (Merchant Capital).

### ECONOMIC ENVIRONMENT

The economic environment for the six months under review remained challenging and was characterised by:

- a 2% decrease in the local equity market;
- lower commodity prices due to slower growth in China;
- the first US interest rate hike in almost a decade, coupled with further easing measures in Europe and Japan. This resulted in a strong US dollar and negative consequences for currencies of commodity exporters with large current account deficits like South Africa;
- the export benefit of a weaker Rand which was curbed by strained global trade activity and rising input costs;
- pressure on disposable income due to increased interest rates, rising inflation and moderating levels of income growth;
- the negative impact of the drought in South Africa on GDP growth; and
- reduced government spending to protect the country's sovereign credit rating from the elevated risk of a downgrade.

Real growth in South Africa is likely to continue underperforming in the foreseeable future. The economy also remains vulnerable to a more aggressive rate hike approach from the central bank if capital inflows slow down further or reverse.

### SUMMARY OF RESULTS

As indicated to the market during the group's year-end results in September 2015, the 2016 financial year was expected to be challenging. In this difficult economic and business environment, as well as the impact of continued investment in strategic growth initiatives across the RMI portfolio, the group delivered a 4% increase in normalised earnings for the six months ended 31 December 2015.

**Discovery's** strong growth in new business (up 27% to R8.4 billion) translated into 7% growth in normalised earnings due to a substantial investment in new initiatives. These included banking, Ping An Health, Discovery Partner Markets (international markets) and the incorporation of the Bankmed medical scheme. The costs associated with moving VitalityHealth in the UK onto its own platform were also higher than expected.

**MMI** recorded a 9% decrease in normalised earnings, mainly as a result of lower underwriting profits across the group and continued investments into strategic initiatives in line with the growth strategy. New business annualised premium income increased by 11% to R3.5 billion. The group remains well capitalised.

Normalised earnings from **OUTsurance** increased by a better than expected 25%. This strong result was driven by a significant improvement in Youi Australia's profitability, coupled with a consistent improvement in the results of the Southern African operations. Both businesses benefited from benign weather conditions and a further reduction in the cost to income ratio.

**RMB Structured Insurance's** normalised earnings decreased by 11%, mainly due to the increased capacity created in the credit insurance division.

**RMI Investment Managers** made further progress in the build out of its affiliate asset management business, the creation of an asset management operational platform to house its fixed income team, the recruitment of a distribution team and the appointment of a chief executive for its broad-based black economic empowerment joint venture with Royal Bafokeng Holdings (RBH). The operational performance of this business remains on track and the boutiques the business has invested in since December 2015 have all performed in line with expectations.

**Merchant Capital**, in which the group purchased a 25.1% shareholding in the period under review, continued its strong growth trajectory and positive lending experience.

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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June 2015 Audited
	2015 Unaudited	2014 Unaudited		
Discovery	2 124	1 981	7	4 027
MMI	1 679	1 852	(9)	3 836
OUTsurance	923	739	25	1 388
RMB Structured Insurance	16	18	(11)	82
Other <sup>1</sup>	(13)	-	>(100)	-

<sup>1</sup> "Other" includes RMI Investment Managers and Merchant Capital.

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 on page 15.

The consolidated group normalised earnings for the six months ended 31 December 2015 amounted to R1.6 billion, an increase of 4% on the comparative period. The table below provides a breakdown of this number:

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June 2015 Audited
	2015 Unaudited	2014 Unaudited		
Normalised earnings from:				
Discovery	533	496	7	1 012
MMI	420	461	(9)	956
OUTsurance	773	620	25	1 166
RMB Structured Insurance	13	15	(13)	64
Other <sup>1</sup>	(13)	-	>(100)	-
	1 726	1 592	8	3 198
Funding and holding company costs	(103)	(26)	>(100)	(38)
<b>NORMALISED EARNINGS</b>	<b>1 623</b>	<b>1 566</b>	<b>4</b>	<b>3 160</b>
<b>NORMALISED EARNINGS PER SHARE (CENTS)</b>	<b>109.2</b>	<b>105.4</b>	<b>4</b>	<b>212.7</b>

<sup>1</sup> "Other" includes RMI Investment Managers and Merchant Capital.

The funding and holding company costs include the funding and operational expenses carried at the RMI corporate centre. This includes the investment in **AlphaCode**. Funding costs increased due to the additional R1.25 billion in cumulative, redeemable preference shares issued to fund the additional shares taken up in Discovery as part of its rights issue offer in March 2015.

## VALUE OF INVESTMENTS

During the 2015 calendar year, RMI's share price decreased by 5%, compared to a 12% decrease in the JSE non-life insurance index and a 4% increase in the JSE life insurance index. However, RMI has delivered total annual compounded return to shareholders of 31.4% since its listing in March 2011.

The individual investment performances during the 2015 calendar year are outlined below:

- Discovery's share price increased by 19%. This, together with RMI's additional investment of R1.25 billion in Discovery shares as part of the rights issue offer, resulted in a total increase of 31% in the market value of RMI's investment in Discovery;
- MMI's share price decreased by 27%, with a dividend yield of 6.8% (based on an assumed share price of R23). RMI acquired an additional 8.3 million MMI shares in the 2015 calendar year; and
- on a "look-through" basis, based on share prices as at 31 December 2015, the value attributed to RMI's unlisted investments decreased by 11% to R28.6 billion. These unlisted investments include OUTsurance (83.4% held) and RMB Structured Insurance (75.5% held), as well as new investments made during the period under review in RMI Investment Managers (100% held) and Merchant Capital (25.1% held).

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

<i>R million</i>	As at 31 December		% change	As at 30 June 2015 Unaudited
	2015 Unaudited	2014 Unaudited		
Market value of interest in:				
- Discovery	21 531	16 493	31	20 481
- MMI	8 823	11 782	(25)	11 849
Market value of listed investments	30 354	28 275	7	32 330
Implied value of unlisted investments	28 616	32 305	(11)	31 875
Gross value of portfolio	58 970	60 580	(3)	64 205
Net (liabilities)/assets of the holding company	(1 459)	125	>(100)	(1 108)
<b>RMI MARKET CAPITALISATION</b>	<b>57 511</b>	<b>60 705</b>	<b>(5)</b>	<b>63 097</b>
<b>RMI CLOSING SHARE PRICE (CENTS)</b>	<b>3 871</b>	<b>4 086</b>	<b>(5)</b>	<b>4 247</b>

The movement in the net liabilities of the holding company was mainly due to the raising of the R1.25 billion additional debt, the acquisition of additional MMI shares, the capitalisation of RMI Investment Managers and the acquisition of a 25.1% stake in Merchant Capital.

### 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.

The board is of the opinion that RMI is adequately capitalised 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 53.0 cents (2014: 52.0 cents) per ordinary share. The dividend is covered 2.1 times (2014: 2.0 times) by the normalised earnings of 109.2 cents (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.

### STRATEGY AND OUTLOOK

#### EXISTING PORTFOLIO

The South African economy is expected to continue to be impacted by muted GDP growth and disposable income, a rising inflation and interest rate cycle and fluctuating capital markets. The increasingly complex regulatory environment and further pressure on the South African consumer are expected to impact on local growth in new business volumes and profit at RMI's existing investments.

Similar to the South African market, the international markets in which RMI's portfolio companies operate will also face growth and stability issues. However, given the low base of market shares in these global markets, growth will be more dependent on product traction than the general economic conditions.

Against this demanding backdrop, RMI believes that its investee companies have appropriate strategies in place to produce resilient operational performances.



**Discovery's** core operating performance and product and market diversification, in addition to the substantial investment in new initiatives, position it positively for long-term growth.

As part of the implementation of its renewed client-centric model, **MMI** has identified a number of areas where further efficiencies can be extracted, while focusing on restoring positive, quality topline growth. **MMI** is targeting a further reduction in annual expenses of R750 million by the 2019 financial year.

In terms of a private funding transaction, a small group of senior **MMI** executives in their individual capacities, acquired **MMI** shares and European Call Options on **MMI** shares. This funding mechanism involves **RMI** providing five-year funding to enable these executives to acquire a significant direct shareholding in and exposure to **MMI** shares. This strengthens the alignment of the interests of management and shareholders and confirms the long-term commitment of the executives to the implementation of the **MMI** strategy. **RMI** has previously provided similar financing structures to the management teams of its portfolio companies and will continue to follow this strategy as and when warranted.

**OUTsurance** estimates that the weaker Rand is expected to drive premium inflation in response to higher vehicle repair and property replacement costs. These factors are expected to negatively impact growth in the core South African personal lines business. The Australasian operation is expected to continue to deliver strong growth whilst constantly enhancing the client proposition and service. The operating environment of **Youi Australia** is expected to be largely unchanged during the second half of the financial year. As **Youi** continues to find scale, further efficiency and margin expansion should be realised.

**RMB Structured Insurance** continues to focus on a diversified business strategy. As management has communicated to the market before, the complex regulatory environment requires a business of scale to absorb the investment in related resources.

**RMI Investment Managers** successfully concluded the acquisition of minority equity stakes in four affiliates during the six months under review. These affiliates are **Coreshares**, a smart beta and passive ETF and index fund manager; **Northstar**, an active equity and multi-asset manager; **Perpetua**, a value equity and multi-asset manager; and **Tantalum**, a multi-strategy hedge fund and absolute return focused active asset manager. **RMI Specialist Managers** received FSB approval and the fixed income team intends to start managing funds in April 2016.

**RMI Investment Managers** also acquired a 30% equity stake in **Sentio Capital** in February 2016. **Sentio Capital** is an asset manager with R8 billion of assets under management, a strong investment track record in active equities and absolute return funds, complementing the product range of our existing affiliates. This brings the total number of affiliates to six, including **RMI Specialist Managers**. Collectively, **RMI Investment Managers' affiliates** manage in excess of R25 billion.

To support the group's affiliates in their asset raising capabilities, **RMI Investment Managers** appointed **Alida de Swardt**, **RMB's** head of financial institutions in their Global Markets division, as head of distribution and marketing, and a retail distribution team headed by **Kevin Hinton** from **MMI**, where he was head of specialist investment distribution. This distribution team is actively seeking growth opportunities for affiliates. **Andre Rousseau** from **Deloitte Consulting** was appointed as chief operating officer to build an asset management operating platform, **RMI Specialist Managers**, and to support the operational capabilities of the affiliate managers.

**RMI Investment Managers** also reached agreement with **RBH**, **RMI's** broad-based black economic empowerment shareholder, to establish a company that will invest in black asset management businesses

and recruit black investment professionals. This business will aim to play a significant role in the transformation of the South African asset management sector. RBH and management of the new entity will be the majority shareholders, with RMI Investment Managers the minority shareholder. RMI Investment Managers and RBH are pleased to announce the appointment of Kabelo Rikhotso as the chief executive of this business effective from March 2016. Kabelo comes from Investment Solutions where he was head of portfolio management.

While **Merchant Capital** is expected to continue to grow rapidly, the focus remains on strengthening its foundations through continued refinement of its credit underwriting skills, implementing relevant IT solutions and broadening its distribution. As the market opportunity within the SME sector remains large and attractive, Merchant Capital will continue to explore opportunities to further enhance its value proposition to customers and build on its reputation as a market leader in the SME financial services sector.

#### **NEW INVESTMENTS**

As previously outlined to the market, in addition to its active involvement in the existing portfolio, RMI plans to expand its investment portfolio through opportunities across a wide spectrum of scale and life cycles of financial services businesses.

##### **Traditional financial services**

RMI is evaluating the potential of adding a significant “traditional” financial services business to the existing portfolio. The investment team has evaluated a number of local and international opportunities. However, no imminent activity is expected.

##### **Next-generation financial services**

RMI recognises that the core business of its underlying portfolio companies is now, more than ever, being influenced by new, disruptive ventures given the rise of shaping forces such as technology, social media and the millennial generation. As a result, RMI is actively seeking to fund and scale new and disruptive business models.

To facilitate this, RMI launched its next-generation business platform, **AlphaCode**, in September 2015 to assist in identifying and enabling investments that aim to change the landscape of the financial services industry. AlphaCode is a development hub, supported by a physical workspace and virtual platform, which seeks to create a next-generation financial services ecosystem by bringing together entrepreneurs, intrapreneurs, industry experts and thought leaders to connect, share knowledge and shape the industry.

AlphaCode currently has 45 businesses as members. These businesses operate across the financial services spectrum, with many exploiting leading-edge technology to transform the delivery of financial services.

AlphaCode has facilitated numerous opportunities to support these businesses and assist them along their maturity curves to allow for potential future investment. This has already resulted in a strong pipeline of potential investment opportunities in the next-generation financial services arena.

For and on behalf of the board.

**GT Ferreira**  
*Chairman*

**HL Bosman**  
*Chief executive*

Sandton  
7 March 2016

## CASH DIVIDEND DECLARATION

### INTERIM CASH DIVIDEND

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Notice is hereby given that a gross interim dividend of 53.0 cents per ordinary share payable out of income reserves was declared on 7 March 2016 in respect of the six months ended 31 December 2015.

The dividend will be subject to Dividend Withholding Tax at a rate of 15%, which will result in a net dividend of 45.05 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, 648 001 cumulative, redeemable par value preference shares and 1 250 000 cumulative, redeemable no par value preference shares.

Shareholders' attention is drawn to the following important dates:

- Last day to trade in order to participate in the dividend Wednesday, 23 March 2016
- Shares commence trading "ex dividend" on Thursday, 24 March 2016
- The record date for the dividend payment will be Friday, 1 April 2016
- Dividend payment date Monday, 4 April 2016

No de-materialisation or re-materialisation of share certificates may be done between Thursday, 24 March 2016 and Friday, 1 April 2016 (both days inclusive).

By order of the board.

**JS Human**  
*Company secretary*

Sandton  
7 March 2016

## 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, Discovery Vitality, VitalityHealth, VitalityLife and Ping An Health** brand names.

In November 2014, Discovery acquired the remaining 25% shareholdings in Prudential Health Holdings and The Vitality Group LLC. Both of these acquisitions were concluded based on put options granted to the sellers. Since 2011, Discovery carried the present value of the estimated purchase price as a financial liability. 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 its earnings and headline earnings attributable to ordinary shareholders for the six months ended 31 December 2014, but it was excluded from normalised headline earnings. This resulted in Discovery's earnings and headline earnings attributable to ordinary shareholders decreasing by 49% for the six months under review.

Discovery's financial highlights include:

- New business grew by 27% to R8.4 billion;
- Normalised headline earnings increased by 7% to R2.1 billion;
- Gross inflows under management increased by 20% to R21.9 billion;
- Embedded value grew by 24% to R56.5 billion; and
- The dividend for the six months ended 31 December 2015 remained unchanged at 85.5 cents per share.

RMI included R533 million of Discovery's earnings in its normalised earnings (2014: R496 million).

For an in-depth review of Discovery's performance, RMI's shareholders are referred to [www.discovery.co.za](http://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.

MMI's financial performance for the six months under review is summarised below:

- New business premiums increased by 14% to R27.3 billion;
- The value of new business decreased by 14% to R361 million, with the new business margin reducing to 1.3%. It should be noted that the value of new business would have increased by 4% had the discount rate remained unchanged;
- The embedded value was maintained at R40 billion, reflecting an annualised return on embedded value of 7%;
- Earnings and headline earnings attributable to ordinary shareholders increased by 14% and 5% respectively;
- Diluted core headline earnings decreased by 9% to R1.7 billion, mainly as a result of lower underwriting profit across the group;

- 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 dividend for the six months increased by 3% to 65 cents per share.

MMI reported a strong capital buffer of R4 billion as at 31 December 2015, which allows for capital requirements, strategic growth initiatives and the interim dividend. MMI is satisfied that its capital level is appropriate taking into account the many growth initiatives, the change to a new capital regime (Solvency Assessment and Management (SAM)) and the difficult economic outlook.

RMI included R420 million of MMI's earnings in its normalised earnings (2014: R461 million).

For an in-depth review of MMI's performance, RMI's shareholders are referred to [www.mmiholdings.co.za](http://www.mmiholdings.co.za).

## OUTSURANCE

**OUTsurance** provides short and long-term insurance products in South Africa, and short-term insurance products in 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.

The OUTsurance group delivered a pleasing operational and financial performance for the six months under review:

- Group normalised earnings increased by 25% to R923 million, driven mainly by a significant improvement in Youi's profitability, coupled with a consistent improvement in the South African results;
- Gross premium revenue grew by 18% to R7.2 billion, of which the Australasian operations contributed 49%;
- The OUTsurance group recorded growth in annualised new business volumes of 9% to R2.1 billion;
- The claims ratio decreased from 54.4% to 52.9% as a result of the improved performance of Youi Australia;
- The cost to income ratio decreased from 28.1% to 26.9% in line with efficiency gains across most operations, most notably Youi Australia; and
- The total dividend for the six months increased by 14% to 16.5 cents per share.

OUTsurance's South African short-term insurance operations recorded a claims ratio of 51.5%, which is in line with the comparative period. The claims ratio benefited from the relatively lower weather-related claims frequencies as a result of the local drought conditions and continues to track below the long-term target. The cost to income ratio improved from 19.4% to 18.4% as a result of reduced marketing expenditure and a growth rate in operational expenditure which was below premium growth.

**OUTsurance Life** generated normalised earnings of R24 million for the six months under review, compared to R11 million in the comparative period. Premium income increased by 27%. The embedded value increased by 22% since 30 June 2015 to R668 million.

Youi Australia generated normalised earnings of R201 million for the six months under review, compared to R66 million in the comparative period. Youi's profitability benefited from reduced weather-related claims and a reduction in the cost to income ratio. Gross written premiums increased by 26% to R3.4 billion

The performance of Youi New Zealand to date is satisfactory and in line with expectations. The loss for the six months to 31 December 2015 amounted to R70 million, with gross written premiums of R140 million.

Based on the current calibration and interpretation of the standard formula, the introduction of the new SAM regulatory regime with effect from 1 January 2017 is expected to improve the capital adequacy ratios of OUTsurance and OUTsurance Life.

RMI included R773 million of OUTsurance's earnings in its normalised earnings (2014: R620 million).

For an in-depth review of OUTsurance's performance, RMI's shareholders are referred to [www.outsurance.co.za](http://www.outsurance.co.za).

### RMB STRUCTURED INSURANCE

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**RMB Structured Insurance** 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.

Normalised earnings for the six months to 31 December 2015 amounted to R16 million (2014: R18 million). RMI included R13 million of RMB Structured Insurance's earnings in its normalised earnings (2014: R15 million).

## SUMMARISED RESULTS

### BASIS OF PREPARATION OF RESULTS

These summarised unaudited financial results for the six months ended 31 December 2015 have been prepared in accordance with:

- International Financial Reporting Standards (IFRS), including IAS 34: Interim financial reporting;
- the requirements of the Companies Act, 71 of 2008, as amended;
- the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee; and
- the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The accounting policies applied are consistent with those applied in the previous financial period, except for changes required by the mandatory adoption of new and revised IFRS. None of the new accounting standards becoming effective in the current financial period had a significant impact on the group's results.

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 and for correctly extracting the financial information for inclusion in the announcement.

The entire announcement is not audited. The forward-looking information in this announcement is not an earnings forecast and has not been reviewed and reported on by the company's external auditor.

### 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 2015, the effective interest held by RMI can be compared to the actual interest in the statutory issued share capital of the companies as follows:

Unaudited	31 December		31 December	
	2015		2014	
	Effective	Actual	Effective	Actual
Discovery	25.1%	25.0%	25.8%	25.0%
MMI	25.8%	25.5%	25.2%	25.0%
OUTsurance	84.2%	83.4%	84.2%	83.4%
RMB Structured Insurance	78.1%	75.5%	78.3%	76.4%
RMI Investment Managers	100.0%	100.0%	-	-
Merchant Capital	25.1%	25.1%	-	-

## SUMMARISED CONSOLIDATED INCOME STATEMENT

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June 2015 Audited
	2015 Unaudited	2014 Unaudited		
Earned premiums net of reinsurance	6 892	5 721	20	11 738
Fee and commission income	171	121	41	312
Investment income	320	272	18	563
Net fair value gains on financial assets	27	43	(37)	128
Income	7 410	6 157	20	12 741
Net claims paid	(3 468)	(2 899)	20	(6 109)
Fair value adjustment to investment contracts and insurance contract provisions	(278)	(201)	38	(438)
Fair value adjustment to financial liabilities	(100)	(89)	12	(201)
Acquisition, marketing and administration expenses	(2 202)	(1 857)	19	(3 840)
Profit before finance costs, share of after tax results of associates and taxation	1 362	1 111	23	2 153
Net finance costs	(102)	(39)	>100	(162)
Share of after tax results of associates	887	1 213	(27)	2 146
Profit before taxation	2 147	2 285	(6)	4 137
Taxation	(439)	(346)	27	(624)
<b>PROFIT FOR THE PERIOD</b>	<b>1 708</b>	<b>1 939</b>	<b>(12)</b>	<b>3 513</b>
Attributable to:				
Equity holders of RMI	1 550	1 819	(15)	3 292
Non-controlling interests	158	120	32	221
<b>PROFIT FOR THE PERIOD</b>	<b>1 708</b>	<b>1 939</b>	<b>(12)</b>	<b>3 513</b>

## COMPUTATION OF HEADLINE EARNINGS

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June 2015 Audited
	2015 Unaudited	2014 Unaudited		
Earnings attributable to equity holders	1 550	1 819	(15)	3 292
Adjustment for:				
Profit on sale of subsidiary	(29)	-		-
(Profit)/loss on dilution of shareholding	(17)	3		(22)
Realised (profit)/loss on sale of available-for-sale financial assets	(1)	2		(40)
Profit on sale of property and equipment	(1)	-		-
Profit on sale of associate	-	(11)		(11)
Intangible asset impairments	-	1		4
Impairment of available-for-sale financial assets	-	-		35
<b>HEADLINE EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS</b>	<b>1 502</b>	<b>1 814</b>	<b>(17)</b>	<b>3 258</b>



## COMPUTATION OF NORMALISED EARNINGS

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June 2015 Audited
	2015 Unaudited	2014 Unaudited		
Headline earnings attributable to equity holders	1 502	1 814	(17)	3 258
RMI's share of normalised adjustments made by associates:	146	(255)		(87)
Amortisation of intangible assets relating to business combinations	116	103		218
Net realised and fair value (gains)/losses on shareholders' assets	(67)	18		2
Rebranding and business acquisition expenses	50	-		105
Basis and other changes and investment variances	17	6		37
Non-recurring items	15	29		35
Additional 54.99% share of DiscoveryCard profits	15	-		-
Fair value adjustment to puttable non-controlling interest financial liability	-	(416)		(415)
Finance costs raised on puttable non-controlling interest financial liability	-	16		16
Non-controlling interest allocation if no put options	-	(11)		(11)
Deferred tax raised on assessed losses	-	-		(74)
Group treasury shares	(25)	7		(11)
<b>NORMALISED EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS</b>	<b>1 623</b>	<b>1 566</b>	<b>4</b>	<b>3 160</b>

## COMPUTATION OF EARNINGS PER SHARE

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June 2015 Audited
	2015 Unaudited	2014 Unaudited		
Earnings attributable to equity holders	1 550	1 819	(15)	3 292
Headline earnings attributable to equity holders	1 502	1 814	(17)	3 258
Normalised earnings attributable to equity holders	1 623	1 566	4	3 160
Number of shares in issue (millions)	1 486	1 486	-	1 486
Weighted average number of shares in issue (millions)	1 482	1 482	-	1 483
Earnings per share (cents)	104.6	122.7	(15)	222.0
Diluted earnings per share (cents)	104.1	121.5	(14)	220.0
Headline earnings per share (cents)	101.4	122.4	(17)	219.8
Diluted headline earnings per share (cents)	101.0	121.2	(17)	217.8
Normalised earnings per share (cents)	109.2	105.4	4	212.7
Diluted normalised earnings per share (cents)	108.9	104.8	4	211.1
<b>Dividend per share (cents)</b>				
Interim dividend	53.0	52.0	2	52.0
Final dividend	-	-	-	64.0
<b>TOTAL DIVIDEND</b>	<b>53.0</b>	<b>52.0</b>	<b>2</b>	<b>116.0</b>

## SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June 2015 Audited
	2015 Unaudited	2014 Unaudited		
<b>Profit for the period</b>	1 708	1 939	(12)	3 513
<b>Other comprehensive income for the period</b>				
Items that may subsequently be reclassified to income				
Currency translation differences	428	(97)	>100	(142)
Fair value movement on available-for-sale financial assets	(27)	(54)	(50)	17
Deferred taxation relating to fair value movement on available-for-sale financial assets	5	10	(50)	(3)
Share of other comprehensive income of associates	592	53	>100	152
Items that may subsequently be reclassified to income, after taxation	583	39	>100	136
Items that will not be reclassified to income, after taxation	9	14	(36)	16
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	998	(88)	>100	24
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	2 706	1 851	46	3 537
<b>Total comprehensive income attributable to:</b>				
Equity holders of RMI	2 483	1 753	42	3 336
Non-controlling interests	223	98	>100	201
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	2 706	1 851	46	3 537

## SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>R million</i>	As at 31 December		As at 30 June 2015 Audited
	2015 Unaudited	2014 Unaudited	
<b>ASSETS</b>			
Property and equipment	726	524	546
Goodwill and other intangible assets	42	81	68
Investments in associates	15 287	12 155	14 063
Financial assets	8 101	7 211	8 288
Loans and receivables including insurance receivables	3 051	2 746	2 318
Deferred acquisition cost	422	381	362
Reinsurance contracts	614	542	832
Taxation	5	3	3
Deferred taxation	135	177	216
Cash and cash equivalents	6 962	5 112	5 633
<b>TOTAL ASSETS</b>	<b>35 345</b>	<b>28 932</b>	<b>32 329</b>
<b>EQUITY</b>			
Share capital and premium	13 539	13 538	13 526
Reserves	5 108	2 776	3 579
Capital and reserves attributable to equity holders of the company	18 647	16 314	17 105
Non-controlling interests	1 119	942	978
<b>TOTAL EQUITY</b>	<b>19 766</b>	<b>17 256</b>	<b>18 083</b>
<b>LIABILITIES</b>			
Insurance contracts	8 436	6 469	7 469
Share-based payment liability	170	131	182
Financial liabilities	5 250	3 719	5 140
Payables and provisions	1 597	1 114	1 329
Deferred taxation	71	203	80
Taxation	55	40	46
<b>TOTAL LIABILITIES</b>	<b>15 579</b>	<b>11 676</b>	<b>14 246</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>35 345</b>	<b>28 932</b>	<b>32 329</b>

## STATEMENT OF CHANGES IN EQUITY

Unaudited <i>R million</i>	Share capital and premium	Equity accounted reserves	Transactions with non-controlling interests	Other reserves	Retained earnings	Non-controlling interests	Total equity
<b>Balance as at 1 July 2014</b>	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
<b>BALANCE AS AT 31 DECEMBER 2014</b>	13 538	2 708	(2 011)	171	1 908	942	17 256
<b>Balance as at 1 July 2015</b>	13 526	3 368	(2 017)	182	2 046	978	18 083
Total comprehensive income for the period	-	592	-	341	1 550	223	2 706
Dividends paid	-	-	-	-	(951)	(99)	(1 050)
Income of associates retained	-	367	-	-	(367)	-	-
Movement in treasury shares	13	5	-	-	-	-	18
Transactions with non-controlling interests	-	(19)	7	-	-	4	(8)
Issue of share capital to non-controlling interests by subsidiaries	-	-	-	-	-	12	12
Share-based payment reserve	-	-	-	6	(2)	1	5
<b>BALANCE AS AT 31 DECEMBER 2015</b>	13 539	4 313	(2 010)	529	2 276	1 119	19 766

## SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>R million</i>	Six months ended 31 December		Year ended 30 June 2015
	2015 Unaudited	2014 Unaudited	Audited
Cash available from operating activities	2 174	1 399	4 505
Dividends paid	(951)	(921)	(1 694)
Investment activities	(285)	(13)	(2 703)
Financing activities	(196)	63	981
Net increase in cash and cash equivalents	742	528	1 089
Unrealised foreign currency translation adjustments	587	(141)	(181)
Cash and cash equivalents at the beginning of the period	5 633	4 725	4 725
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>6 962</b>	<b>5 112</b>	<b>5 633</b>

## SEGMENTAL REPORT

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

Unaudited <i>R million</i>	Discovery	MMI	OUTsurance	RMB Structured Insurance	Other <sup>1</sup>	RMI group
<b>Six months ended 31 December 2015</b>						
Operating profit/(loss)	-	-	1 352	54	(44)	1 362
Finance costs	-	-	-	(35)	(67)	(102)
Share of after tax results of associates	476	397	6	8	-	887
<b>Profit/(loss) before taxation</b>	<b>476</b>	<b>397</b>	<b>1 358</b>	<b>27</b>	<b>(111)</b>	<b>2 147</b>
Taxation	-	-	(425)	(11)	(3)	(439)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>476</b>	<b>397</b>	<b>933</b>	<b>16</b>	<b>(114)</b>	<b>1 708</b>
<b>NORMALISED EARNINGS</b>	<b>533</b>	<b>420</b>	<b>923</b>	<b>16</b>	<b>(269)</b>	<b>1 623</b>
Assets	-	-	13 834	5 576	606	20 016
Associates	8 701	6 423	30	57	76	15 287
Intangible assets	-	-	39	1	2	42
<b>TOTAL ASSETS</b>	<b>8 701</b>	<b>6 423</b>	<b>13 903</b>	<b>5 634</b>	<b>684</b>	<b>35 345</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>8 404</b>	<b>5 136</b>	<b>2 039</b>	<b>15 579</b>
<b>Six months ended 31 December 2014</b>						
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
<b>Profit/(loss) before taxation</b>	<b>901</b>	<b>341</b>	<b>1 066</b>	<b>32</b>	<b>(55)</b>	<b>2 285</b>
Taxation	-	-	(327)	(14)	(5)	(346)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>901</b>	<b>341</b>	<b>739</b>	<b>18</b>	<b>(60)</b>	<b>1 939</b>
<b>NORMALISED EARNINGS</b>	<b>496</b>	<b>461</b>	<b>739</b>	<b>18</b>	<b>(148)</b>	<b>1 566</b>
Assets	-	-	10 603	5 234	859	16 696
Associates	6 113	5 961	26	55	-	12 155
Intangible assets	-	-	78	1	2	81
<b>TOTAL ASSETS</b>	<b>6 113</b>	<b>5 961</b>	<b>10 707</b>	<b>5 290</b>	<b>861</b>	<b>28 932</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>6 098</b>	<b>4 837</b>	<b>741</b>	<b>11 676</b>

<sup>1</sup> "Other" includes RMI Holdings Limited, RMI Investment Managers, Merchant Capital and consolidation entries.

## GEOGRAPHICAL SEGMENTS

Unaudited <i>R million</i>	South Africa	Australia	New Zealand	UK	Total
<b>Six months ended 31 December 2015</b>					
Profit/(loss) before taxation	1 038	292	(70)	-	1 260
Share of after tax results of associates	870	-	-	17	887
Profit/(loss) before taxation	1 908	292	(70)	17	2 147
Taxation	(348)	(91)	-	-	(439)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>1 560</b>	<b>201</b>	<b>(70)</b>	<b>17</b>	<b>1 708</b>
<b>TOTAL ASSETS</b>	<b>26 540</b>	<b>8 038</b>	<b>767</b>	<b>-</b>	<b>35 345</b>
<b>TOTAL LIABILITIES</b>	<b>9 099</b>	<b>6 119</b>	<b>361</b>	<b>-</b>	<b>15 579</b>
<b>Six months ended 31 December 2014</b>					
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)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>1 853</b>	<b>66</b>	<b>(61)</b>	<b>81</b>	<b>1 939</b>
<b>TOTAL ASSETS</b>	<b>22 998</b>	<b>5 365</b>	<b>569</b>	<b>-</b>	<b>28 932</b>
<b>TOTAL LIABILITIES</b>	<b>7 546</b>	<b>4 062</b>	<b>68</b>	<b>-</b>	<b>11 676</b>



## 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 2015.

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 from inputs other than quoted prices that are observable for the asset or liability, either directly (for example prices) or indirectly (for example derived from prices).

Level 3 – fair value is determined from inputs for the asset or liability that are not based on observable market data.

Unaudited				Total carrying amount
<i>R million</i>	Level 1	Level 2	Level 3	
<b>31 December 2015</b>				
<b>Financial assets</b>				
Equity securities				
– available-for-sale	723	–	–	723
– at fair value through profit or loss	2 072	26	–	2 098
Debt securities				
– available-for-sale	–	651	–	651
– at fair value through profit or loss	943	3 100	369	4 412
Derivative asset	–	24	–	24
<b>TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE</b>	<b>3 738</b>	<b>3 801</b>	<b>369</b>	<b>7 908</b>
<b>Financial liabilities</b>				
Convertible debentures	–	15	–	15
Financial liabilities at fair value through profit or loss	–	29	100	129
Derivative liability	–	14	–	14
Investment contracts	–	1 490	–	1 490
<b>TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE</b>	<b>–</b>	<b>1 548</b>	<b>100</b>	<b>1 648</b>

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE  
*continued*

Unaudited	Six months ended 31 December	
<i>R million</i>	2015	2014
<b>Reconciliation of movement in level 3 assets</b>		
Balance at the beginning of the period	386	415
Investment income accrued	16	17
Dividends received from the OUTsurance Investment Trust	(33)	(32)
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>369</b>	<b>400</b>
<b>Reconciliation of movement in level 3 liabilities</b>		
Balance at the beginning of the period	107	105
Preference dividend accrued	100	89
Preference dividend paid	(107)	(105)
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>100</b>	<b>89</b>

Unaudited	Level 1	Level 2	Level 3	Total carrying amount
<i>R million</i>				
<b>31 December 2014</b>				
<b>Financial assets</b>				
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
<b>TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE</b>	<b>3 029</b>	<b>3 703</b>	<b>400</b>	<b>7 132</b>
<b>Financial liabilities</b>				
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
<b>TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE</b>	<b>876</b>	<b>553</b>	<b>89</b>	<b>1 518</b>

## ADMINISTRATION

### **RAND MERCHANT INVESTMENT HOLDINGS LIMITED (formerly Rand Merchant Insurance Holdings Limited)** (RMI)

Registration number: 2010/005770/06

JSE ordinary share code: RMI

ISIN code: ZAE000210688

### **DIRECTORS**

GT Ferreira (Chairman), HL Bosman (CEO & FD), JP Burger, P Cooper, (Ms) SEN De Bruyn Sebotsa, LL Dippenaar, JW Dreyer, JJ Durand, PM Goss, PK Harris, P Lagerström, MM Morobe, O Phetwe and KC Shubane.

**Alternates:** L Crouse and (Ms) A Kekana

Mr L Crouse resigned as alternate director to Mr JJ Durand effective 31 March 2016 and Mr F Knoetze was appointed as alternate director to Mr JJ Durand effective 1 April 2016.

### **SECRETARY AND REGISTERED OFFICE**

JS Human

**Physical address:** 3rd Floor, 2 Merchant Place, corner of Fredman Drive and Rivonia Road, Sandton, 2196

**Postal address:** PO Box 786273, Sandton, 2146

**Telephone:** +27 11 282 8166

**Telefax:** +27 11 282 4210

**Web address:** www.rmih.co.za

### **SPONSOR**

*(in terms of JSE Limited Listings Requirements)*

### **Rand Merchant Bank**

(a division of FirstRand Bank Limited)

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

### **TRANSFER SECRETARIES**

Computershare Investor Services Proprietary Limited

**Physical address:** Ground floor, 70 Marshall Street, Johannesburg, 2001

**Postal address:** PO Box 61051, Marshalltown, 2107

**Telephone:** +27 11 370 5000

**Telefax:** +27 11 688 5221



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