2020

UNAUDITED SUMMARY RESULTS ANNOUNCEMENT AND CASH DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

RMI
OPTIMISE
DIVERSIFY
MODERNISE

INDEX

BASIS OF PREPARATION

These unaudited summary financial results for the six months ended 31 December 2020 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;
» The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and
» The Listings Requirements of the JSE Limited.

The accounting policies applied are consistent with those applied in the previous financial period. 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 summary consolidated financial statements for the six months ended 31 December 2020 contained in this booklet have not been audited.

Normalised earnings presented in these summary financial results constitute pro forma financial information. The pro forma financial information is the responsibility of RMI's board of directors and is presented for illustrative purposes. As a result of its nature, pro forma financial information may not fairly present RMI's financial position, changes in equity, results of operations or cash flows.

The forward-looking information has not been commented or reported on by the group's external auditor.

ABOUT THE ART IN THIS ANNOUNCEMENT

Each year, RMI features an artist or artwork that embodies its enduring values and strategic positioning.

Sculptor **Jake Michael Singer** and his team have produced a group of works called the Murmuration series. Each work is crafted using traditional thatching techniques, bringing many pieces – in this case marine-grade stainless steel security fencing material – into a coherent whole.

The process demonstrates the truth that collective effort towards a goal is always more effective.

The lockdown measures required as a result of the COVID-19 pandemic and the need to implement social isolation measures have highlighted the importance of connectedness for people, which the works also represent.

Jake is a South African multi-disciplinary artist, who completed his bachelor's degree at Michaelis School of Fine Art at the University of Cape Town and went on to study at Central Saint Martins in London.

He has exhibited widely, both locally and internationally.

Further information about Jake Michael Singer can be found on RMI's website **www.rmih.co.za.**

ENDURING VALUE CREATED

for the six months ended 31 December 2020

RMI measures the execution of its strategy through the creation of enduring value. The true value created is measured in terms of capital growth, which reflects the growth in the underlying value of our investments.

Compound shareholders' return

since listing in 2011

15.8% per annum

Growth in total shareholders' equity

since listing in 2011

10.3% per annum

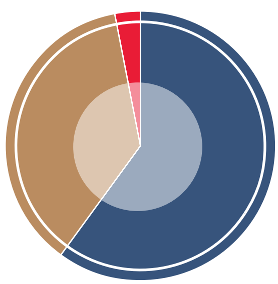
Normalised earnings

for the six months ended 31 December 2020

+11% to R2 048 million

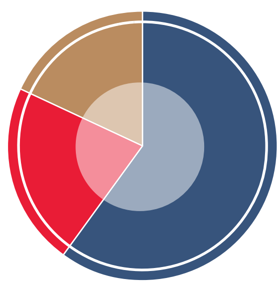
(2019: R1 853 million)

SECTORAL COMPOSITION OF NORMALISED EARNINGS



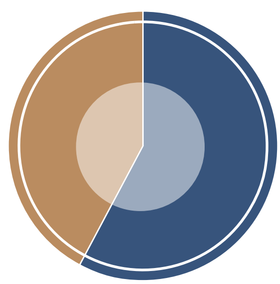
60% Short-term insurance
37% Life insurance
3% RMI Investment Managers and AlphaCode investments

GEOGRAPHIC REACH OF ASSETS



60% South Africa
22% Australia
18% United Kingdom

LISTED/UNLISTED SOURCE OF NORMALISED EARNINGS



58% Unlisted
42% Listed

ABOUT RMI

RMI is a strategic, active and long-term investor in a multi-billion Rand financial services portfolio.

RMI is an investment holding company listed on the JSE Limited and has a proud track record of investing in dynamic, disruptive and entrepreneurial financial services businesses.

RMI strives to build on the rich legacy of the RMB group of companies, founded in 1977 by GT Ferreira, Laurie Dippenaar and Paul Harris. At the centre of RMI's strategic approach is its values-driven culture forged over decades.

The group's long-term performance has been achieved by partnering with exceptional management teams, allowing management the individuality to operate their businesses as owners. Sound management is an important investment criterion and operational autonomy and management independence is at the core of the RMI culture and investment methodology.

RMI's portfolio comprises the following investments in both listed and unlisted financial services businesses:

Listed — **Traditional portfolio**

24.8% — Discovery Limited **(Discovery)**

27.4% — Momentum Metropolitan Holdings Limited **(Momentum Metropolitan)**

Unlisted — **Traditional portfolio**

89.1% — OUTsurance Holdings Limited **(OUTsurance)**

30.0% — Hastings Group Consolidated **(Hastings)**

Unlisted — **Next-generation portfolio**

100% — RMI Investment Managers Group Proprietary Limited **(RMI Investment Managers)**

100% — AlphaCode Proprietary Limited (AlphaCode), with its next-generation investments:

- Entersekt Proprietary Limited (Entersekt) (28.2%)
- Merchant Capital Advisory Services Proprietary Limited (Merchant Capital) (24.8%)
- Prodigy Investments Limited (Prodigy) (13.3%)
- Sancreed Proprietary Limited, trading as Guidepost (Guidepost) (39.5%)

RMI's effective interest in these group entities is different from the actual interest due to consolidation adjustments in respect of treasury shares. See page 23.

INVESTMENT OVERVIEW

RMI's significant investments as at 31 December 2020

	Discovery	Momentum Metropolitan	OUTsurance	Hastings
Listed or unlisted	**JSE-listed**	**JSE-listed**	**Unlisted**	**Unlisted**
MARKET CAPITALISATION / VALUATION (100%)	R102.2 billion	R23.6 billion	R37.5 billion[1]	R31.2 billion
RMI's INTEREST	24.8%	27.4%	89.1%	30.0%
RMI's RANKING AS SHAREHOLDER	1st	1st	1st	2nd
MARKET VALUE/ VALUATION OF RMI's INTEREST	R25.3 billion	R6.3 billion	R34.1 billion[1]	R8.8 billion[2]
SHARE OF RMI PORTFOLIO BASED ON VALUE	34%	8%	46%	12%
NORMALISED EARNINGS (100%)	R2 284 million	R1 012 million	R1 351[1] million	R652 million

1. Excludes OUTsurance's stake in Hastings.
2. Represents RMI's effective stake in Hastings as RMI and OUTsurance hold 51% and 49% respectively of the group's 30% stake in Hastings (resulting in a 28.4% effective stake in Hastings belonging to RMI shareholders).


0.3

PORTFOLIO

RMI's primary objective is to **create enduring value** for its stakeholders by optimising, diversifying and modernising its investment portfolio

LISTED INVESTMENTS

Discovery

Discovery is a pioneering market leader with uniquely-positioned businesses in the healthcare, long- and short-term insurance, wellness, banking and financial services industries. It is listed on the JSE Limited.

It operates in, *inter alia,* South Africa, the United Kingdom (UK), China, Singapore, Australia, Japan, Europe and the USA through various business lines.

Its innovative Shared-Value business model incentivises people to be healthier and enhances and protects their lives. This model has demonstrable superior actuarial outcomes for the insurer and has driven behavioural changes that result in a healthier client base.

Refer to page 19 for further information on Discovery's performance in the past six months.

Momentum Metropolitan

Momentum Metropolitan is an insurance-based financial services group which is listed on the JSE Limited.

It operates primarily in South Africa, with insurance interests in select African countries, the UK (asset management) and India (health).

The core businesses of Momentum Metropolitan offer long- and short-term insurance, asset management, savings, investment, healthcare administration and employee benefits. These product and service solutions are provided to all market segments through the Momentum and Metropolitan operating brands.

Refer to page 20 for further information on Momentum Metropolitan's performance in the past six months.

UNLISTED INVESTMENTS

OUTsurance provides short- and long-term insurance products in South Africa and short-term insurance products in Australia and Namibia.

It has a client-centric approach, providing value for money insurance solutions backed by world-class service. Premiums are calculated according to a client's unique risk profile. Clients who remain claim-free receive a cash OUTbonus, the first such reward system in South Africa.

Refer to page 21 for further information on OUTsurance's performance in the past six months.

Hastings is a fast-growing, agile, digitally-focused general short-term insurance provider to the UK car, van, bike and home insurance market. It has strong relationships with all the major price comparison websites, a cost-effective digital marketing model and a focus on client retention.

Hastings provides refreshingly straightforward products and services. It has more than 3 million live client policies and is a multi-award-winning business.

Effective 16 November 2020, the transaction was concluded whereby Hastings Group Consolidated acquired 100% of the issued shares of Hastings Group Holdings plc and delisted Hastings Group Holdings plc. From this date, RMI is a 30% shareholder in Hastings Group Consolidated (by swapping its 29.7% shareholding in Hastings Group Holdings plc for shares in Hastings Group Consolidated and acquiring an additional 0.3% of the issued shares), with Sampo, a leading Nordic insurance group listed on the Nasdaq Helsinki, acquiring the other 70% of the issued shares of Hastings Group Consolidated. RMI holds an option to acquire another 10% of Hastings Group Consolidated from Sampo at the transaction price for a period of 18 months from the effective date of the transaction, expiring in May 2022.

Refer to page 22 for further information on Hastings' performance in the past year.

EMERGING BUSINESSES

RMI Investment Managers' affiliate model enables the company to access a differentiated part of the investment management industry by investing in and partnering with independent investment managers.

RMI Investment Managers has taken minority equity stakes in boutique investment managers which span the asset class spectrum across active, passive, traditional and alternative.

While the team is predominantly focused on the execution of the growth initiatives at each affiliate, they continue to look for opportunities that will complement the existing suite of managers as the group builds its share of the South African investment management market.

Royal Investment Managers is a joint venture between RMI Investment Managers and Royal Bafokeng Holdings (RBH). It acquires equity stakes in either existing or new asset management firms with a strong focus on diversity.

AlphaCode identifies, partners and grows extraordinary next-generation financial services entrepreneurs. Its investments to date are:

» **Entersekt,** a leader in authentication app security and payments-enablement technology, offering a highly scalable solution set, with a track record of success across multiple continents;

» **Guidepost,** a high-touch health and insurtech innovator that is poised for international growth;

» **Merchant Capital,** a provider of alternative sources of working capital for small and medium sized enterprises in South Africa; and

» **Prodigy,** an international fintech platform that offers loans to postgraduate students attending top universities.

In September 2020, RMI sold its stake in **Luno** to a leading US cryptocurrency firm, Digital Currency Group. The exit was above the targeted internal rate of return of 25% to 35% for AlphaCode's fintech investments.

AlphaCode is actively seeking to fund new and dynamic, sustainable and scalable business models in the financial services industry. It is committed to building a pipeline of next-generation financial services businesses and has launched a number of structured learning and mentorship programmes for different stages of business maturity to build this pipeline.

PERFORMANCE AND OUTLOOK

RMI pays particular attention to the **internal factors** within our control in delivering enduring value. These factors include a focus on **operational resilience** at the portfolio companies, a prudent and efficient approach to **capital allocation** and minimising or **eliminating structural inefficiencies** that drive absolute and relative value recognition. That will stand RMI in good stead to manage the **current external uncertainty** and enable **sustainable growth** and value creation for our stakeholders over the long term.

EXTERNAL ENVIRONMENT

RMI's external environment is characterised by the following trends:

The COVID-19 pandemic	A once-in-a-century crisis hit the world economy in 2020. The pandemic reached every corner of the world, infecting more than 120 million and causing the death of more than 2.6 million people worldwide to date. Governments around the world responded rapidly and boldly to stem the health and economic contagion of the crisis. Fiscal and monetary stimulus packages were quickly rolled out to save the economy. The crisis responses, however, entailed difficult choices between saving lives and saving livelihoods, between speed of delivery and efficiency, and between short-term costs and long-term impacts. While timely and massive fiscal interventions helped to prevent the worst, they did not mitigate the broader discontent that stems from the marginalisation of the most vulnerable population groups and the stark inequalities. The path to recovery and progress on the United Nations' Sustainable Development Goals will critically hinge on the ability and political commitment of countries to make sure that the crisis response builds resilience against future economic, social and climatic shocks. World gross product fell by an estimated 4.3 per cent in 2020—the sharpest contraction of global output since the Great Depression. World output had shrunk by 1.7 per cent during the global financial crisis in 2009. Output in developed economies is estimated to have shrunk by 5.6 per cent in 2020, with growth projected to recover to 4.0 per cent in 2021, dependent on any renewed outbreak.
Recovery in South Africa	President Cyril Ramaphosa's recent state of the nation address set out four priorities: » Defeat COVID-19; » Accelerate the economic recovery; » Implement structural reforms to create sustainable jobs and drive inclusive growth; and » Fight corruption. The third wave of the virus is increasingly becoming a question of when, not if, as the local vaccine rollout programme continues to drag. The country shifted to the Johnson & Johnson vaccine for the first phase of inoculating health workers. It has the added advantage of being a single dose vaccine. Government is reportedly in talks to acquire 20 million more doses of this specific vaccine on top of the nine million doses already secured.
Recovery in Europe, the UK and Australia	As lockdowns are extended in most countries and with a slower than expected vaccine rollout weighing on confidence, first quarter growth is likely to remain subdued. However, growth in the Euro area should pick up from the second quarter onwards but, unlike the US, most economies are not expected to reach pre-pandemic levels of GDP before mid-2022. In the UK, the Brexit shock acts as an additional potential drag on growth. Investment and public expenditures are likely to become more important drivers of growth compared to domestic consumption and exports. Australia's economy should recover from its first recession in three decades faster than previously anticipated after containing the spread of the pandemic.

While the external environment is uncertain and poses significant downside risk, governments across the globe have deployed significant fiscal stimulus packages in an effort to support a turnaround in the global economy and resume economic growth. The South African government announced a relief package which, with a total value of R500 billion or around 10% of South Africa's GDP, is the largest on the African continent and compares favourably with other countries in the G20.

We have confidence in the resilience of the South African people to overcome and we trust that, through partnership across sectors and groupings, we will see a turnaround in the South African economy going forward.

OVERVIEW OF RESULTS

The operating environment for the six months ended 31 December 2020 continued to be dominated by the COVID-19 pandemic, with corresponding economic uncertainty and market volatility. The RMI group, however, showed resilience under these challenging circumstances and delivered a satisfactory financial and operating performance. The 11% growth in the consolidated normalised earnings to R2.0 billion for the period under review was driven mainly by a pleasing 23% increase in normalised earnings by OUTsurance.

Discovery's normalised earnings decreased by 1% to R2.3 billion for the six months ended 31 December 2020. Normalised profit from operations, which excludes substantial foreign exchange losses and tax, increased by 19% to R4.5 billion, with 81% growth delivered by emerging businesses, which include Discovery Insure, Vitality Group and Ping An Health. VitalityLife, an established business, tripled its normalised profit during the period under review and displayed a robust recovery with positive lapse experience and resilience to interest rate volatility due to an effective hedge against movements in long-term interest rates in the UK. Investment in new initiatives comprised 22% of earnings, compared to 26% in the comparative period. Discovery Bank continued to make pleasing progress, growing to over 287 000 clients, with R5.7 billion in deposits and R3.8 billion in advances, reflecting the conservative lending strategy.

The challenging sales environment curtailed core new business levels in the established businesses. Emerging and new businesses did, however, provide further evidence of the efficacy of Discovery's organic growth model, resulting in new business growing by 8% to R10.9 billion. New business margins also recovered strongly compared to the second half of the previous financial year through diligent cost management and improvements in product mix. Strong retention levels mitigated the slower new business growth rate.

In South Africa it became clear that the second wave of COVID-19 infections was having a more significant impact on Discovery's target market compared to the first wave. Overall COVID-19 provisions were sustained at R3.4 billion. Discovery's capital metrics remained above target for all businesses and the financial leverage ratio stabilised at 25.7%.

Momentum Metropolitan delivered good operating results and new business growth during the six months under review, but earnings were dampened by the second wave of the COVID-19 pandemic. Normalised earnings decreased by 43% compared to the prior period. The COVID-19 provision was increased by an additional R655 million (net of tax) for possible adverse experience. Mortality data from the South African Medical Research Council indicated that recorded COVID-19 deaths are understating the mortality impact of the pandemic. The COVID-19 provision relates to potential increased mortality claims, increases in terminations, reduced return-to-work experience on disability income claims and business interruption claims. In addition to the increase in the COVID-19 provision, investment return declined by 75% resulting from lower yields on short-dated instruments, lower investable shareholder assets following the acquisition of Alexander Forbes Insurance in February 2020 and a weaker hedging performance on the share scheme. Excluding the additional COVID-19 provision, operating profit would have increased by 20%, supported by the diversified financial services business model with strong contributions from Momentum Investments, Metropolitan Life, Momentum Insurance and Momentum Metropolitan Africa.

New business volumes increased by 14% to R30 billion and the value of new business more than doubled to R334 million. Momentum Metropolitan's capital position remained strong despite the additional COVID-19 provision, with the solvency cover of the main life insurance entity increasing to 1.95 times the Solvency Capital Requirement compared to the 1.85 times as at 30 June 2020. This enables Momentum Metropolitan to pay an interim ordinary dividend of 25 cents per share. The annualised return on embedded value increased to 13.6% for the period under review, assisted by an improvement in investment markets and positive operating variances.

Normalised earnings, including **OUTsurance**'s stake in Hastings, increased by 23% to R1.4 billion. Excluding its share in Hastings, OUTsurance's normalised earnings increased by 22%, mainly attributable to lower claims frequencies, coupled with reduced natural peril losses in Australia and South Africa. Despite the lower interest rate environment, investment income increased significantly as equity markets recovered during the reporting period. Youi only experienced one large catastrophe hailstorm during the period under review resulting in a retained loss of AUS$10 million, compared to the retained loss of AUS$31 million in the comparative period impacted by the Australian bushfires.

OUTsurance's gross written premiums increased by 18% despite the low premium inflation experienced across the motor insurance portfolio. Premium inflation on property insurance continues to show positive momentum, in particular in Australia, where the higher cost of reinsurance and large natural catastrophes of 2020 are priced in. The overall new business premium growth for the OUTsurance group increased by a strong 40%. The overall cost-to-income ratio increased from 28.1% to 28.7%, mainly due to the large investment to expand OUTsurance Brokers, the introduction of the Blue Zebra Insurance channel and the launch of the Compulsory Third Party insurance product in Australia.

OUTsurance Business has largely settled its business interruption claims obligation to clients operating in the tourist and hospitality sectors. OUTsurance Life remains prudently reserved for the mortality impact of the pandemic and its earnings were materially impacted by higher claims and the impact of volatile long-term interest rates on the measurement of the policyholder liability.

RMI included normalised earnings of R183 million from **Hastings** for the six months ended 31 December 2020, representing an increase of 8%. Hastings delivered a satisfactory operational and financial result for its financial year ended 31 December 2020. Policy count increased by 8% due to improved retention and solid new business performance. Premium growth was negatively impacted by lower new business premiums as the market reduced pricing on the back of lower pandemic-related motor claims. The claims ratio benefitted from the lower frequencies, with management applying prudent reserving assumptions to allow for increased uncertainty and more severe bodily injury claims during the lockdown periods.

Hastings continues to make significant investments in the digitalisation of its client experience and the expansion of its home insurance offering.

During November 2020, the joint offer to privatise Hastings was successfully completed in partnership with Sampo. Hastings will benefit from operating in a private capacity, which is more conducive to long-term decision-making and investment directed to growth and diversification. RMI has an option to acquire an additional 10% interest in Hastings at a price equal to the joint offer price. This option expires in May 2022.

RMI Investment Managers is now in its fifth year of partnering a select group of independent South African boutique asset management firms. Despite the extremely difficult operating environment, the affiliates managed to remain resilient during these turbulent times. Pleasingly, the diversified nature of the affiliate portfolio and asset classes represented demonstrated its value and resulted in better-than-expected financial performance on the back of good assets under management growth of 11% to R154 billion and performance fee earnings.

Royal Investment Managers is a joint venture between RMI Investment Managers and RBH. The portfolio performed marginally below expectations, largely due to the difficult year where the impact of COVID-19 affected some businesses more than others. Royal Investment Managers finalised terms with Balondolozi Investment Services to convert its 30% equity stake acquired in December 2017 into a quasi-debt instrument on favourable terms.

The **net funding and holding company costs** decreased by 26% to R269 million. This decrease is mainly due to the decrease in the prime lending rate from 10% in the comparative period to 7% in the period under review, with a significant portion of the funding still being at a variable rate. RMI has also reduced its spending on the AlphaCode initiative compared to the prior period and benefitted from the timing difference between the movement in the *IFRS 2* cash-settled share-based payment liability and the hedge against this liability.

SOURCES OF NORMALISED EARNINGS

RMI regards normalised earnings as the appropriate basis to evaluate business performance as it eliminates the impact of non-recurring items and accounting anomalies. The total reported normalised earnings of RMI's investee companies for the six months under review are listed in the table below:

R MILLION	Six months ended 31 December 2020	Six months ended 31 December 2019	% change	Year ended 30 June 2020
Discovery	**2 284**	2 312[1]	(1)	3 747
Momentum Metropolitan	**1 012**	1 772	(43)	1 521
OUTsurance (excluding Hastings)	**1 351**	1 103	22	2 218
– OUTsurance (including Hastings)	**1 437**	1 169	23	2 411
– Hastings included in OUTsurance[2]	**(86)**	(66)	30	(193)
Hastings	**652**	596	9	1 720
RMI Investment Managers and AlphaCode investments	**62**	(5)	>100	(10)

1. Restated to align with calculation for the year ended 30 June 2020.
2. Includes costs associated with the holding structure.

A reconciliation of the adjustments made to derive normalised earnings is presented on page 26.

RMI's consolidated normalised earnings for the period under review is listed in the table below:

R MILLION	Six months ended 31 December 2020	Six months ended 31 December 2019	% change	Year ended 30 June 2020
Discovery	**578**	576[1]	–	933
Momentum Metropolitan	**272**	479	(43)	407
OUTsurance (excluding Hastings)	**1 222**	998	22	2 008
– OUTsurance (including Hastings)	**1 299**	1 058	23	2 180
– Hastings included in OUTsurance[2]	**(77)**	(60)	28	(172)
Hastings	**183**	170	8	486
RMI Investment Managers and AlphaCode investments	**62**	(5)	>100	(10)
Funding and holding company costs	**(269)**	(365)	(26)	(738)
Normalised earnings	**2 048**	1 853	11	3 086
Normalised earnings per share (cents)	**133.7**	120.9	11	201.5

1. Restated to align with calculation for the year ended 30 June 2020.
2. Includes costs associated with the holding structure.

DIVIDEND POLICY

It is RMI's objective to provide shareholders with a consistent annual dividend flow. RMI's dividend policy is to pay out all normal dividends received from underlying investments after servicing any funding commitments at holding company level and considering its debt capacity and investment pipeline. The intention is however to, where possible, target dividend growth in line with CPI. This policy seeks to achieve a sound balance between providing an attractive yield to shareholders, achieving sustained growth and maintaining an optimal capital structure, while remaining agile. Given RMI's active investment strategy, this policy is assessed on a regular basis.

INTERIM DIVIDEND PAYMENT

After not paying a final dividend for the year ended 30 June 2020 due to the uncertainty caused by the impact of COVID-19, the board of RMI has decided to declare an interim dividend, albeit at a lower level than before. The board believes 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.

The board resolved to declare an interim dividend of 22.5 cents (2019: 45.0 cents) per ordinary share. The interim dividend per ordinary share is covered 5.9 times (2019: 2.7 times) by the normalised earnings of 133.7 cents (2019: 120.9 cents) per share.

Shareholders are referred to the dividend declaration on page 18 regarding the applicability of Dividend Withholding Tax to the ordinary dividend.

VALUE OF INVESTMENTS

During the 2020 calendar year, RMI's share price increased by 4% (2019: decreased by 15%), compared to a 23% decrease in the life insurance index and a 12% decrease in the non-life insurance index. RMI has delivered a total annually compounded return to shareholders of 15.8% since its listing in March 2011.

The individual investment performances of RMI's investments during the 2020 calendar year are outlined below:

» **Discovery**'s share price increased by 27% (2019: decreased by 25%).

» **Momentum Metropolitan**'s share price decreased by 28% (2019: increased by 27%).

» The internal valuation of **OUTsurance** (excluding its stake in Hastings) increased by 1% to R34.1 billion.

» The internal valuation of RMI's effective stake in **Hastings** increased by 43% to R8.8 billion.

» The value of RMI's investments in **RMI Investment Managers** and **AlphaCode** investments decreased by 5% to R1.4 billion.

R MILLION	As at 31 December 2020	2019	% change	As at 30 June 2020
Discovery (listed market value)[1]	**25 305**	19 881	27	17 231
Momentum Metropolitan (listed market value)[1]	**6 320**	8 759	(28)	7 062
OUTsurance excluding Hastings (internal valuation)[2]	**34 127**	33 649	1	32 024
Hastings (internal valuation for December 2020, listed market value for December 2019 and June 2020)[3]	**8 849**	6 192	43	7 684
RMI Investment Managers and AlphaCode investments (at cost)[4]	**1 432**	1 512	(5)	1 515
Gross value of portfolio	**76 033**	69 993	9	65 516
Net liabilities of holding company[5]	**(8 941)**	(9 708)	8	(9 808)
Net value of portfolio[6]	**67 092**	60 285	11	55 708
Net value of portfolio per share (cents)	**4 380**	3 936	11	3 637

The valuations are based on:

1. Market price on 31 December 2020.
2. A detailed and independently verified discounted cash flow valuation which reflects a realistic, yet conservative view.
3. A combination of market price when Hastings was still listed (Hastings was delisted on 16 November 2020) and a discounted cash flow valuation. The ZAR:GBP exchange rate as at 31 December 2020 was used to translate the GBP valuation into ZAR.
4. The investments in RMI Investment Managers and AlphaCode are shown at cost, which does not differ materially from the internal valuation. RMI sold its stake in Luno in September 2020, the proceeds of which are included in the net liabilities of the holding company.
5. The net liabilities of the holding company include all the liabilities and assets at holding company level other than the investments shown separately in the table above.
6. The information in the table above does not include a provision for CGT. The size of RMI's stakes in its underlying investee companies qualifies for certain tax exemptions when certain corporate actions are performed. The CGT impact on the stakes held by disqualified shareholders under section 46 of the Income Tax Act is considered immaterial compared to the overall portfolio value, and these stakes can vary over time.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material adjusting or non-adjusting events relating to the six months ended 31 December 2020 that occurred between the date of the statement of financial position and the date of this report.

RMI'S STRATEGY

RMI positions itself as a long-term shareholder of businesses in the financial services sector strategically focused on:

» **Optimising** our existing portfolio to grow the intrinsic value of our investments;

» Holding a portfolio of assets that are appropriately **diversified** in terms of financial services sub-sector, stages of growth and geographic exposures; and

» Continuously **modernising** the approach to financial services.

This approach enables RMI to invest in companies with unique IP, a competitive advantage, partnership ethos and a future-proof business model:

Optimise

Growing the intrinsic value of our investments

» RMI has a long-term investment horizon and investments are held for as long as is required to optimise value.

» Increasing value and yield requires close collaboration, trusted relationships and partnership with our management teams.

» RMI positions itself as the key shareholder alongside management, playing an active role within strategic decision-making and all relevant governance structures.

» RMI's objective is to maintain a sound financial structure, with a solid liquidity profile throughout the group, ensuring readily available resources and a limited net indebtedness in comparison to the portfolio value. This policy gives both RMI and its portfolio companies investment flexibility.

» RMI targets financial performance of its portfolio companies that exceeds industry benchmarks. Such performance should lead to an increase in underlying value and dividend flow.

Diversity

Geographic, unlisted and sub-sector diversification

» RMI's strategy is to hold a set of investments that are diversified in terms of the financial services sub-sector and geographic exposure.

» RMI's preferred investments are leaders in their markets, operate in sectors with potential for growth, are dynamic and modern in approach, are aligned to the overall RMI investment thesis and importantly are led by quality management partners.

» RMI has a bias for unlisted short-term insurance assets located in emerging/growth markets that it may identify on its own or invest in alongside a portfolio company.

Modernise

Pioneering the next frontier

» RMI's objective is to identify, partner and grow next-generation financial services businesses either through its existing portfolio or through entrepreneur-led businesses.

» Focus is on next-generation financial services businesses which have the potential to eventually become significant investments or that can be supported through their growth phase and sold to portfolio companies or strategic industry partners.

» To maintain a balance between growth and yield, with larger and traditional investments remaining the bulk of the portfolio.

ACTIVE PORTFOLIO MANAGEMENT

RMI's sector focus and experience in leading, building, managing, advising to and funding financial services businesses over many decades, enables it to add value via formal and more informal channels of communication.

The active model of engagement with portfolio companies has both tangible and intangible benefits.

Intangible benefits include:

- Relationship with an engaged, significant and strategic shareholder;
- Sounding board for management;
- The instilling of RMI's values and culture into the DNA of our portfolio companies;
- Fostering a long-term mindset that enables management to focus on sustainable value creation; and
- A model that affords strongly independent management teams the space and flexibility to manage leading financial services businesses.

RMI targets specific areas of involvement with portfolio companies that aim to drive tangible and demonstrable value creation.

ACTIVE VALUE ADD FRAMEWORK

Foster **collaboration** and establish linkages

BESPOKE: Thought leadership using our vantage point to identify themes, risks and opportunities

GOVERNANCE: Board engagement, management incentivisation, succession planning, regulatory credibility

CORPORATE ACTIONS: Support (in the form of strategic support, financial and advisory) our management partners to facilitate growth and commercialisation

PROJECTS: Encourage and support new initiatives that facilitate *inter alia* organic growth and modernisation or digitalisation

OUTLOOK AND ENDURING VALUE CREATION

Discovery's business model has proven to be highly relevant during the COVID-19 pandemic and the trends that are emerging are likely to accentuate this relevance in a post-COVID world. It is confident in its ability to capitalise on emerging opportunities.

Financial prudence remains a key focus, ensuring resilience in the current environment. The capital metrics remained above target for all businesses, with excess liquidity held at the centre of R1.7 billion in South Africa, sufficient to withstand additional waves and economic risks from the pandemic, and the financial leverage ratio stabilised at 25.7%.

Discovery's Ambition 2023 remains the strategic focus for the medium term, with the goal of being a leading financial services organisation globally, positively influencing 100 million lives – with 10 million directly insured – and being a powerful force for social good. Key to achieving this is execution of market-specific strategies:

- South Africa: a disruptive composite model, with market-leading businesses and pivoting Discovery Bank to growth;
- United Kingdom: a differentiated offering through a composite Vitality Shared-value model;
- Ping An Health: the leading health insurer in China with over 50 million clients; and
- Vitality Group: a sophisticated global behaviour-change platform linked to financial services.

Momentum Metropolitan showed encouraging growth in new business in the past six months, testament to clients and intermediaries seeing value in the actions it took to revitalise the business as part of its Reset and Grow strategy. It continues to improve its competitive position in most retail market segments. The continued strong new business performance confirms that the growth initiatives are having the desired impact of delivering sustainable growth over the long term, while maintaining robust levels of capital and liquidity.

Management remains cautious about the pace of economic recovery across its operations, as disposable income will remain under pressure because of depressed economic activity. The near-term trajectory of the economy's recovery will continue to be impacted by the presence of COVID-19 and continued uncertainty. It is navigating through this challenging period with a strong solvency position and with sufficient liquidity to withstand impacts from the continuously evolving environment. It will continue to invest in its core operations to take advantage of the opportunities for growth brought about by the pandemic.

Ongoing execution of the Reset and Grow strategy helps it to retain focus and set the group up for success, such as:

- Strengthening its distribution capability by increasing the number of supporting independent financial advisers;
- Maintaining robust levels of capital and liquidity, enabling it to declare an interim ordinary dividend of 25 cents per ordinary share;
- Sharing ownership with its people by establishing its first broad-based employee share ownership programme, iSabelo, after receiving the requisite shareholder approval in November 2020;
- Retaining a competitive Level 1 B-BBEE rating; and
- Rationalising the Africa portfolio. In December 2020, the sale of the business in Zambia was successfully completed and it was followed in January 2021 by the completion of the sale of the business in Tanzania.

OUTsurance's values-driven culture and single-minded focus on delivering exceptional client experience as cornerstones of its business contributed to its operational and financial resilience during this unprecedented time. Its strategy of expanding its insurance product range and distribution channels continued to gain traction with the expansion of the OUTsurance tied agency force (OUTsurance Brokers), the growth of Youi's partnership with Blue Zebra Insurance (BZI) and the launch of Youi's Compulsory Third Party (CTP) insurance product in Australia.

OUTsurance is inwardly focused to deliver against its strategic plan to grow its product and channel capabilities to supplement the growth of its core operations. During the next six months, OUTsurance Life and OUTvest will deploy a face-to-face distribution model to enable a wider client reach beyond the direct market. Youi will focus on the roll-out of business insurance through the BZI channel and scale the newly-established CTP product.

OUTsurance Life remains prudently reserved for the mortality impact of the pandemic. The earnings of OUTsurance Life were materially impacted by higher claims and the impact of volatile long-term interest rates on the measurement of the policyholder liability.

OUTsurance and Youi continue to invest in the digitalisation of client service initiatives as well as the modernisation of the core insurance and finance systems. These investments will deliver long-term cost-efficiency as client contact interactions are optimised and modern system architecture is embedded.

Maintaining underwriting discipline and leading client service remains OUTsurance's core focus to grow sustainably and achieve profitable growth.

Hastings' new consortium of owners are framing the details of a collaboration and knowledge transfer platform:

- Average premium: This has declined in recent years. Work is being done to better understand the drivers, including declining premium inflation, pricing improvements and how disinflationary these are over time, market dynamics, business mix and demographics, renewal versus new business, pricing comparisons to future ability to write higher premium business;
- Operational expenses: Interrogation of the operating cost build-up, including fixed versus variable components and how they compare to market peers in order to ensure operating costs are appropriately managed;
- Reinsurance pricing: Hastings has entered into new reinsurance contracts within board-approved parameters and slightly adverse to budget assumptions. Three new reinsurers were brought into the programme from 2020. With Sampo on board, further work is to be done on the optimisation analysis in light of any changes in risk appetite, along with a potential shift in prioritisation between profit and dividends and performance of the underwriting book; and
- Distribution: The focus remains on capturing bigger market share with existing products. Marketing will be rebooted with delivery of a new pay per click strategy and launch of a new brand and TV advert. Creditworthiness is to be enhanced by offering monthly payment options to more clients. Lastly, Hastings will launch a new digital sales journey on a new technology platform to increase conversion and profit per client.

Hastings management has committed to external targets that have been communicated at a Sampo investor day. The two key ratios will be:

- Calendar year loss ratio: below 76%, consistent with prior market guidance of 75% to 79%; and
- Group operating ratio (total costs/total revenue, excluding investment income): below 88%.

RMI Investment Managers is largely in the consolidation phase of its business model evolution and has, therefore, focused its efforts on optimising the existing portfolio by truly partnering its boutique investment managers in a supportive but non-interfering manner. The team continues to actively engage in strategic dialogue with its affiliates with a focus on implementing its shareholder value map, which offers affiliates access to comprehensive strategic support including operational, governance and financial support, succession planning, talent management and board representation. In addition, the team continues to play a strategic advisory role in helping its affiliates raise retail assets and foster meaningful and trusted client relationships. Many of the affiliates have also benefitted from marketing support provided by the RMI Investment Managers team. This has enabled the affiliates to expand their branding, marketing and public relations efforts to enhance their brand presence and credibility in the market.

RMI Investment Managers has in the last financial year focused on expanding its asset class reach by supporting the expansion of new products by its affiliates, which enables the overall breadth of the affiliate stable to mature in a healthy and organic manner.

Management's view is that the portfolio is largely complete, however, RMI Investment Managers will remain opportunistic and continue to explore the addition of affiliates to either solve for additional exposure or under-exposure in certain asset classes or to further add value to the portfolio.

RMI Investment Managers will ensure that its reputation as a trusted, value-adding but non-interfering shareholder of choice for the independent asset management industry remains a core philosophy. The team and its partners in Momentum Metropolitan and RBH remain excited and committed to working with its affiliates to support their growth to scale while playing a meaningful part in transforming the investment management industry.

AlphaCode identifies, partners and grows the next-generation of financial services entrepreneurs through incubation, acceleration, collaboration and investment. The AlphaCode programmes have developed another strong cohort of early-stage financial services entrepreneurs over the last few months. At an entry level, the AlphaCode Explore programme (which is a pre-incubator and data science training initiative) up-skilled 16 candidates during the year-long programme. One of the candidates successfully pitched his early-stage business to progress into the flagship AlphaCode Incubate programme cohort for 2021. In October 2020, AlphaCode Incubate saw the end of the 2020 cohort's programme, with seven businesses having being supported with mentorship, grant funding and start-up masterclasses. The strongest performing business on the programme, Oyi Medical, was awarded an additional R450 000 in grant funding to support continued growth of their healthcare savings and finance platform. Ten new businesses have been selected from over 200 applicants for the 2021 Incubate programme. The diversity of solutions being worked on by this new cohort is exciting and promises to showcase even more creative thinking from South Africa's entrepreneurial talent.

As part of the mandate of investing in disruptive, innovative financial services businesses, AlphaCode grew its investment portfolio by deploying additional equity funding into one of its existing investee companies, Prodigy Finance. Prodigy is a lending platform that provides education loans to international postgraduate students at the world's leading universities. The business has funded more than 20 000 students and facilitated more than $800 million in loans. AlphaCode realised its first exit with the sale of Luno to a leading US cryptocurrency firm, Digital Currency Group. The exit was above the targeted internal rate of return of 25% to 35% for AlphaCode's fintech investments.

AlphaCode is developing an exciting pipeline of new investments, with a focus on Insurtech.

For and on behalf of the board.

Jannie Durand	**Herman Bosman**
Chairman	Chief executive officer

Rosebank
17 March 2021

CASH DIVIDEND DECLARATION

Notice is hereby given that a gross interim cash dividend of 22.5 cents per ordinary share, payable out of income reserves, was declared on 17 March 2021 in respect of the six months ended 31 December 2020.

The dividend will be subject to Dividend Withholding Tax at a rate of 20%, which will result in a net dividend of 18.0 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 comprises 1 531 807 770 ordinary shares.

Shareholders' attention is drawn to the following important dates:

» Last day to trade in order to participate in this dividend	Tuesday, 13 April 2021
» Shares commence trading ex-dividend on	Wednesday,14 April 2021
» The record date for the dividend payment will be	Friday, 16 April 2021
» Dividend payment date	Monday, 19 April 2021

No dematerialisation or rematerialisation of share certificates may be done between Wednesday, 14 April 2021 and Friday, 16 April 2021 (both days inclusive).

By order of the RMI board.

Schalk Human
Company secretary

Rosebank
17 March 2021

INVESTOR CALL

Herman Bosman (chief executive officer) invites you to join him in a conversation about RMI's performance for the six months ended 31 December 2020.

He will be joined by Jan Hofmeyr, chief financial officer and Marthinus Visser, chief executive officer of OUTsurance. This investor call will take place on Friday, 19 March 2021 at 09:00 (SAST).

To join, click here.

Alternatively, you can obtain the link from the company secretary by email at company.secretary@rmih.co.za by no later than 15:00 on Thursday, 18 March 2021.

Please ensure you have Microsoft Teams installed on the device from which you will be joining the call.

PORTFOLIO REVIEW

VALUE CREATED

MARKET CAPITALISATION

R102.2 billion

2019: R79.4 billion

+29%

NORMALISED EARNINGS

R2 284 million

2019: R2 312 million[1]

(1%)

DIVIDENDS PAID

0 cents per share

2019: 101 cents per share

(100%)

Discovery

WHY RMI INVESTS IN DISCOVERY

- Visionary, ambitious leadership
- Diversified earnings base and continuous investment in new initiatives
- Globally recognised business model
- Excellent growth
- Ease of international expansion
- Innovative new product pipeline

HOW DISCOVERY PERFORMED DURING THE SIX MONTHS

- Core new business annualised premium income increased by 3% to R9.9 billion;
- Normalised profit from operations increased by 19% to R4.5 billion;
- Normalised headline earnings decreased by 1% to R2.3 billion;
- Gross inflows under management increased by 7% to R79.7 billion;
- Embedded value decreased by 1% to R72.5 billion, with an annualised return on embedded value of 4%; and
- No interim dividend was declared for the six months.

RMI included R578 million of Discovery's earnings in its normalised earnings (2019: R576 million)[1].

For a detailed review of Discovery's performance, RMI's shareholders are referred to **www.discovery.co.za**.

1. Restated to align with calculation for the year ended 30 June 2020.

Discovery Health delivered a resilient financial performance in a challenging environment. Total revenue grew 5% to R4 249 million while normalised operating profit increased by 6% to R1 670 million, demonstrating continued operational efficiency gains.

As 31 December 2020, **Discovery Bank** had 287 000 clients with 540 000 accounts; deposits had grown strongly to R5.7 billion; with advances more stable at R3.8 billion, reflecting the conservative lending strategy and resulting in a 69% lower arrears rate compared with the market. The migration of the FNB JV loan book was successfully completed and migrated clients continue to be highly engaged, with 53% upgrading to Discovery Bank. The IT systems are managing the growing client and transactional volumes well. Service levels have been improving continuously, with an average service score of 4.7 out of 5.

Discovery Life's financial position remains robust with positive cash flow of R231 million, solvency ratio of 182% and tangible free assets of R4.1 billion, providing high levels of liquidity.

VitalityHealth's operating profit grew by 8% year-on-year to £28.8 million (up 24% to R613 million).

VitalityLife's normalised operating profit grew 166% to £15.4 million (R327 million). It continues to hold significant provisions considering the uncertainty around the potential impact of COVID-19 over the remainder of the financial year.

Ping An Health had a strong performance: total revenue grew by 62% to R18.1 billion and new business premium by 31% to R7.2 billion. Profit from operations grew by 65% to R112 million.

VALUE CREATED

MARKET CAPITALISATION

R23.6 billion

2019: R32.7 billion

(28%)

NORMALISED EARNINGS

R1 012 million

2019: R1 772 million

(43%)

DIVIDENDS PAID

25 cents per share

2019: 40 cents per share

(38%)

Momentum Metropolitan

WHY RMI INVESTS IN MOMENTUM METROPOLITAN

- Well-known and trusted brands
- High level of cash generation
- Traditionally produced a high dividend yield
- New management with a revitalised strategy
- Established business which provides stability to the RMI portfolio

HOW MOMENTUM METROPOLITAN PERFORMED DURING THE SIX MONTHS

- New business volumes increased by 14% to R30 billion;
- The value of new business more than doubled to R334 million;
- The embedded value per share decreased by 4% to R27.39, with an annualised return on embedded value per share of 13.6% (2019: 10.6%);
- Momentum Metropolitan's normalised headline earnings fell by 43% to R1.0 billion; and
- Momentum Metropolitan declared an interim dividend of 25 cents per ordinary share.

The reduced normalised headline earnings were mainly caused by increased provision against possible COVID-19-related adverse experience to compensate for a possible understatement of the full mortality impact of the pandemic and a reduction in investment return.

Momentum Metropolitan increased its COVID-19 provision by R655 million (net of tax). This was in addition to a provision of R983 million (net of tax) set aside in the previous financial year.

Investment return decreased by R364 million, a year-on-year decline of 75%. The decline was caused by a combination of factors, including lower yields on short-dated instruments, a lower investable shareholder asset base following the acquisition of Alexander Forbes Insurance in February 2020 and weaker hedging performance on the group's share scheme.

RMI included R272 million of Momentum Metropolitan's earnings in its normalised earnings (2019: R479 million).

For a detailed review of Momentum Metropolitan's performance, RMI's shareholders are referred to **www.momentummetropolitan.co.za.**

VALUE CREATED

INTERNAL VALUATION

R40.6 billion

2019: R39.1 billion

+4%

NORMALISED EARNINGS

R1 437 million

2019: R1 169 million

+23%

DIVIDENDS PAID

24.7 cents per share

2019: 24.7 cents per share

unchanged

RMI included R1 299 million of OUTsurance's earnings in its normalised earnings (2019: R1 058 million).

For a detailed review of OUTsurance's performance, RMI's shareholders are referred to **www.outsurance.co.za**.

WHY RMI INVESTS IN OUTSURANCE

» Dynamic management team
» Market leader in direct insurance
» Well-loved and easily recognised brand
» World-class technology and claims handling processes
» High level of cash generation and dividend-paying capabilities
» Preferred employer, thereby attracting talented people

HOW OUTSURANCE PERFORMED DURING THE SIX MONTHS

» Group normalised earnings increased by 23% to R1.4 billion;
» Annualised new business premiums written increased by 40% to R2.9 billion;
» Gross written premiums increased by 18% to R10.1 billion;
» The claims ratio decreased to 51.3% (2019: 53.4%);
» The cost-to-income ratio increased from 28.1% to 28.7%; and
» The group maintained its interim dividend of 24.7 cents per share.

OUTsurance's South African short-term insurance operations delivered a satisfactory operational and financial result considering the difficult economic environment and large investment in distribution capacity. Operating profit was 11% higher at R1 196 million and headline earnings increased by 18% to R1 018 million.

OUTsurance recorded 4% growth in gross written premium and 6% growth in annualised new business premium written aided by a strong recovery in OUTsurance Personal sales and the growing distribution footprint of OUTsurance Business. Lapse experience in the core OUTsurance Personal operation remained resilient against the difficult economic backdrop. The claims ratio decreased from 51.9% to 49.8% as a result of lower natural peril claims and reduced motor claims frequency. The lower motor claims were partially offset by increased property claims. The company has settled all of its business interruption-related claims during the six-month period and was sufficiently reserved at the end of the previous financial year.

The cost-to-income ratio for the reporting period increased from 23.2% to 23.6%, but compares favourably against the cost-to-income ratio for the 2020 financial year. The increase is as a direct result of the continued investment in OUTsurance Business' Broker force.

Youi experienced favourable trading conditions as new business growth accelerated and lower natural peril claims were incurred. Youi grew gross written premiums by 39% and 18% in Rand and Australian Dollars respectively and is driven by continued organic growth in the direct Youi Personal book as well as the introduction of the BZI channel.

Reinsurance premiums increased significantly since 1 July 2020 following the severe natural catastrophe events experienced in the 2019 and 2020 financial years. Youi has allowed for the increased cost of reinsurance in premium inflation, the effect of which will take time to reflect in net premium growth.

Youi's claims ratio has reduced from 57.9% in 2019 to 53.4% in 2020. This reduction is as a direct result of fewer catastrophe events occurring in Australia compared to the prior period.

Youi only experienced one large catastrophe hailstorm during the period under review. The comparative six months were impacted by the Australian bushfires and hail events.

Youi's cost-to-income ratio has increased in line with expectations from 32.5% in 2019 to 32.8% in 2020. This is attributed to the BZI and CTP growth initiatives and increased support costs associated with new regulations.

OUTsurance Life's earnings were materially impacted by the effects of the volatile interest rate environment, where long-term yields reduced during the period. Also contributing to the reduction in operating profit is the maintenance of additional reserves for COVID-19-related claims. New business volumes and lapses have remained resilient with the funeral segment accelerating on the back of the Shoprite partnership.

VALUE CREATED

INTERNAL VALUATION

R31.2 billion

2019: R21.9 billion

+43%

OPERATING PROFIT for the year

£130.8 million

2019: £109.7 million

+19%

Hastings

WHY RMI INVESTS IN HASTINGS

- Entrepreneurial leadership
- Geographic diversification
- Strong foothold in the price comparison website market in the UK
- Constant innovation
- Growth trajectory
- Good fit with OUTsurance

HOW HASTINGS PERFORMED DURING THE LAST YEAR

Hastings has a 31 December year-end. The numbers and commentary below relate to the year ended 31 December 2020.

- Gross written premiums increased by 2% to £980.4 million (2019: £961.6 million);
- Sustained increase in clients, with live client policies up by 8% to 3.07 million (2019: 2.85 million);
- Further growth in home insurance, reflecting a 28% increase to 209 000 policies;
- The loss ratio of 76.5% (2019: 82.6%) was below the budget of 77.2%, reflecting favourable claims frequencies;
- The expense ratio increased to 16.7% (2019: 15.4%);
- Operating profit (excluding transaction costs) was up 19% to £130.8 million (2019: £109.7 million), driven by a favourable underwriting contribution of £73 million, adverse retail revenues of £14 million and additional operating expenses arising from increases in the anti-fraud team, staff and IT costs.

RMI included R183 million of Hastings' earnings in normalised earnings for the six months ended 31 December 2020 (2019: R170 million).

Hastings made good progress on its strategic initiatives:

- Pricing: new pricing approaches are live, with more than 450 pricing and footprint changes delivered and new cloud-based data platform operational;
- Claims: delivery of significant projects to reduce severities (particularly for third party and bodily injury claims);
- Product innovation: multi-car, new mobile app and telematics launches;
- Digital: top rated insurance app with 1.3 million downloads; and
- Guidewire: leveraging the new system and on track for legacy system closure in first quarter of 2021.

FINANCIAL REVIEW

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 B-BBEE transactions entered into; and
» "Deemed" treasury shares held by policyholders and mutual funds managed by them.

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

	As at 31 December 2020		As at 31 December 2019	
R MILLION	**Effective**	**Actual**	Effective	Actual
Discovery	**25.1%**	**24.8%**	25.1%	25.0%
Momentum Metropolitan	**27.8%**	**27.4%**	27.7%	27.3%
OUTsurance	**91.0%**	**89.1%**	90.7%	89.1%
Hastings	**30.0%**	**30.0%**	29.8%	29.8%
RMI Investment Managers	**100.0%**	**100.0%**	100.0%	100.0%
Merchant Capital	**24.8%**	**24.8%**	25.9%	25.9%
Entersekt	**28.2%**	**28.2%**	29.6%	29.6%
Guidepost	**39.5%**	**25.1%**	25.1%	25.1%

The group's interest in Prodigy Finance is treated as a financial asset at fair value through other comprehensive income, as the size of this shareholding does not enable the group to exercise significant influence, which is the criterion for classifying an investment as an investment in associate.

Summary consolidated income statement

R MILLION	Six months ended 31 December 2020 Unaudited	2019 Unaudited	% change	Year ended 30 June 2020 Audited
Gross insurance premiums	**10 144**	8 488	20	17 349
Less: Reinsurance premiums	**(700)**	(353)	98	(774)
Net insurance premiums	**9 444**	8 135	16	16 575
Gross change in provision for unearned premiums	**(572)**	(196)	>100	(422)
Net insurance premiums earned	**8 872**	7 939	12	16 153
Fee and other income	**17**	26	(35)	64
Investment income	**79**	141	(44)	252
Interest income on financial assets using the effective interest rate method	**169**	241	(30)	458
Realised losses	**(8)**	–	(>100)	–
Net fair value gains/(losses) on financial assets	**275**	(90)	>100	(421)
Expected credit losses on financial assets	**(9)**	(7)	29	(20)
Net income	**9 395**	8 250	14	16 486
Gross claims paid	**(5 429)**	(4 604)	18	(9 310)
Reinsurance recoveries received	**1 174**	593	98	1 664
Provision for non-claims bonuses	**(252)**	(243)	4	(500)
Transfer to policyholder liabilities under insurance contracts	**(157)**	12	(>100)	(34)
Acquisition expenses	**(46)**	(24)	92	(41)
Fair value adjustment to financial liabilities	**(54)**	(74)	(27)	(139)
Marketing and administration expenses	**(2 602)**	(2 310)	13	(4 859)
Profit before finance costs, results of associates and taxation	**2 029**	1 600	27	3 267
Finance costs	**(312)**	(346)	(10)	(689)
Share of after taxation results of associates	**660**	984	(33)	259
Profit before taxation	**2 377**	2 238	6	2 837
Taxation	**(594)**	(495)	20	(1 031)
Profit for the period from continuing operations	**1 783**	1 743	2	1 806
Profit for the period from discontinued operation	**–**	104	(100)	104
Profit for the period	**1 783**	1 847	(3)	1 910
Attributable to:				
Equity holders of the company	**1 609**	1 679	(4)	1 592
Non-controlling interests	**174**	168	4	318
Profit for the period	**1 783**	1 847	(3)	1 910

Summary consolidated statement of comprehensive income

R MILLION	Six months ended 31 December 2020 Unaudited	Six months ended 31 December 2019 Unaudited	% Change	Year ended 30 June 2020 Audited
Profit for the period	**1 783**	1 847	(3)	1 910
Other comprehensive income for the period				
Items that may subsequently be reclassified to profit or loss				
– Exchange differences on translation of foreign operations	**(254)**	(16)	>100	731
– Fair value losses on other comprehensive income financial instruments	**(201)**	(19)	>100	(134)
– Deferred tax on fair value losses on other comprehensive income financial instruments	**2**	1	100	3
Share of other comprehensive (loss)/income of associates	**(549)**	126	(>100)	1 159
– Items that may subsequently be reclassified to profit or loss, after taxation	**(659)**	203	(>100)	1 548
– Items that will not be reclassified to profit or loss, after taxation	**(52)**	4	(>100)	71
– Movement in liabilities accounted for as net investment hedge	**162**	(81)	>100	(460)
Other comprehensive (loss)/income for the period	**(1 002)**	92	(>100)	1 759
Total comprehensive income for the period	**781**	1 939	(60)	3 669
Attributable to:				
Equity holders of the company	**667**	1 773	(62)	3 175
Non-controlling interests	**114**	166	(31)	494
Total comprehensive income for the period	**781**	1 939	(60)	3 669

Computation of headline earnings

R MILLION	Six months ended 31 December 2020 Unaudited	Six months ended 31 December 2019 Unaudited	% change	Year ended 30 June 2020 Audited
Earnings attributable to equity holders	**1 609**	1 679	(4)	1 592
Adjustment for:				
– Profit on sale of subsidiary	**(46)**	(111)		(111)
– Impairment of intangible assets	**19**			192
– Loss on dilution and disposal of equity accounted investments	**9**	57		62
– Impairment of owner-occupied building to below cost	**1**	3		152
– FCTR reversal on sale of foreign subsidiary	**(1)**	12		12
– Impairment of goodwill	**–**	2		2
– Impairment relating to held for sale entities	**–**	1		14
– Derecognition of assets	**–**	–		38
– Loss on step-up of joint venture	**–**	–		2
– Loss on disposal of property and equipment	**–**	–		1
Headline earnings attributable to equity holders	**1 591**	1 643	(3)	1 956

Computation of normalised earnings

RMI regards normalised earnings as the appropriate basis to evaluate business performance as it eliminates the impact of non-recurring items.

UNAUDITED R MILLION	Six months ended 31 December 2020	Six months ended 31 December 2019[1]	% change	Year ended 30 June 2020
Headline earnings attributable to equity holders	**1 591**	1 643	(3)	1 956
RMI's share of normalised adjustments made by associates	**472**	207		1 153
– Restructuring costs	**222**	–		20
– Amortisation of intangible assets relating to business combinations	**151**	147		305
– Economic assumption adjustments net of discretionary margin and interest rate derivative	**89**	47		897
– Unrealised losses/(gains) on foreign exchange contracts not designated as a hedge	**37**	2		(47)
– Deferred tax asset raised on assessed losses	**(37)**	–		(69)
– Time value of money movement of swap contract in VitalityLife	**10**	2		24
– Transaction costs related to VitalityLife interest rate derivatives	**–**	5		9
– Initial expenses related to Prudential Book transfer	**–**	4		14
Group treasury shares	**(15)**	3		(23)
Normalised earnings attributable to equity holders	**2 048**	1 853	11	3 086

1. Restated to align with Discovery's calculation of normalised earnings for the year ended 30 June 2020.

Computation of earnings per share

R MILLION	Six months ended 31 December 2020 Unaudited	2019 Unaudited	% change	Year ended 30 June 2020 Audited
Number of shares in issue (millions)	**1 532**	1 532	–	1 532
Weighted average number of shares in issue (millions)	**1 529**	1 529	–	1 529
Continuing and discontinued operations				
Earnings attributable to equity holders	**1 609**	1 679	(4)	1 592
Headline earnings attributable to equity holders	**1 591**	1 643	(3)	1 956
Earnings per share (cents)	**105.3**	109.8	(4)	104.1
Diluted earnings per share (cents)	**104.7**	109.2	(4)	102.7
Headline earnings per share (cents)	**104.1**	107.5	(3)	127.9
Diluted headline earnings per share (cents)	**103.5**	106.8	(3)	126.2
Continuing operations				
Earnings attributable to equity holders	**1 609**	1 599	1	1 512
Headline earnings attributable to equity holders	**1 591**	1 642	(3)	1 954
Earnings per share (cents)	**105.3**	104.6	1	98.9
Diluted earnings per share (cents)	**104.7**	104.0	1	97.5
Headline earnings per share (cents)	**104.1**	107.4	(3)	127.8
Diluted headline earnings per share (cents)	**103.5**	106.8	(3)	126.1

Computation of normalised earnings per share

UNAUDITED R MILLION	Six months ended 31 December 2020	2019[1]	% change	Year ended 30 June 2020
Number of shares in issue (millions)	**1 532**	1 532	–	1 532
Weighted average number of shares in issue (millions)	**1 532**	1 532	–	1 532
Continuing and discontinued operations				
Normalised earnings attributable to equity holders	**2 048**	1 853	11	3 086
Normalised earnings per share (cents)	**133.7**	120.9	11	201.5
Diluted normalised earnings per share (cents)	**133.4**	120.2	11	199.9
Continuing operations				
Normalised earnings attributable to equity holders	**2 048**	1 852	11	3 085
Normalised earnings per share (cents)	**133.7**	120.9	11	201.4
Diluted normalised earnings per share (cents)	**133.4**	120.2	11	199.8

1. Restated to align with Discovery's calculation of normalised earnings for the year ended 30 June 2020.

Summary consolidated statement of financial position

R MILLION	As at 31 December 2020 Unaudited	As at 31 December 2019 Unaudited	As at 30 June 2020 Audited
ASSETS			
Property and equipment	**1 133**	1 011	1 160
Goodwill and other intangible assets	**161**	77	117
Right-of-use assets	**130**	81	83
Investments in associates	**29 212**	29 148	29 288
Financial assets	**12 520**	11 344	12 644
Insurance and other receivables	**3 720**	2 701	3 546
Deferred acquisition cost	**477**	353	463
Reinsurance contracts	**2 276**	1 078	1 338
Deferred taxation	**257**	200	304
Taxation	**44**	212	24
Cash and cash equivalents	**3 291**	1 860	2 414
Total assets	**53 221**	48 065	51 381
EQUITY			
Share capital and premium	**15 318**	15 343	15 342
Reserves	**11 233**	9 876	10 506
Total shareholders' equity	**26 551**	25 219	25 848
Non-controlling interests	**1 673**	1 545	1 697
Total equity	**28 224**	26 764	27 545
LIABILITIES			
Financial liabilities	**11 846**	11 612	12 167
Insurance contracts	**10 647**	8 062	9 601
Lease liability	**144**	84	89
Share-based payment liability	**162**	100	121
Payables and provisions	**2 001**	1 384	1 709
Deferred taxation	**35**	55	76
Taxation	**162**	4	73
Total liabilities	**24 997**	21 301	23 836
Total equity and liabilities	**53 221**	48 065	51 381

Summary consolidated statement of changes in equity

UNAUDITED R MILLION	Share capital	Equity accounted reserves	Transactions with non-controlling interests	Other reserves	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 July 2019	15 359	7 107	(3 637)	275	5 435	1 602	26 141
Change in accounting policy – *IFRS 16*	–	(8)	–	–	–	–	(8)
Income statement	–	–	–	–	1 679	168	1 847
Other comprehensive income	–	125	–	(31)	–	(2)	92
Dividends paid	–	–	–	–	(996)	(202)	(1 198)
Income of associates retained	–	466	–	–	(466)	–	–
Movement in treasury shares	(16)	1	–	–	–	–	(15)
Transactions with non-controlling interests	–	(9)	(80)	–	(1)	(30)	(120)
Issue of share capital to non-controlling interests by subsidiaries	–	–	–	–	–	8	8
Share-based payment reserve	–	15	–	3	3	1	22
Reserve adjustment of associate entities	–	(5)	–	–	–	–	(5)
Balance as at 31 December 2019	15 343	7 692	(3 717)	247	5 654	1 545	26 764
Balance as at 1 July 2020	**15 342**	**7 463**	**(3 856)**	**727**	**6 172**	**1 697**	**27 545**
Income statement	**–**	**–**	**–**	**–**	**1 609**	**174**	**1 783**
Other comprehensive income	**–**	**(546)**	**–**	**(397)**	**–**	**(59)**	**(1 002)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(145)**	**(145)**
Income of associates retained	**–**	**421**	**–**	**–**	**(421)**	**–**	**–**
Movement in treasury shares	**(24)**	**–**	**–**	**–**	**–**	**14**	**(10)**
Transactions with non-controlling interests	**–**	**1**	**11**	**–**	**(1)**	**(10)**	**1**
Issue of share capital to non-controlling interests by subsidiaries	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Share-based payment reserve	**–**	**26**	**–**	**3**	**1**	**–**	**30**
Issue of equity financial instrument	**–**	**–**	**–**	**5**	**–**	**1**	**6**
Sale of financial asset through other comprehensive income	**–**	**–**	**–**	**(47)**	**47**	**–**	**–**
Reserve adjustment of associate entities	**–**	**15**	**–**	**–**	**–**	**–**	**15**
Balance as at 31 December 2020	**15 318**	**7 380**	**(3 845)**	**291**	**7 407**	**1 673**	**28 224**

Summary consolidated statement of changes in equity

AUDITED R MILLION	Share capital	Equity accounted reserves	Transactions with non-controlling interests	Other reserves	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 July 2019	15 359	7 107	(3 637)	275	5 435	1 602	26 141
Change in accounting policy – *IFRS 16*	–	(18)	–	–	–	–	(18)
Income statement	–	–	–	–	1 592	318	1 910
Other comprehensive income	–	1 146	–	437	–	176	1 759
Dividends paid	–	–	–	–	(1 685)	(315)	(2 000)
Income of associate companies retained	–	(828)	–	–	828	–	–
Movement in treasury shares	(17)	(1)	–	–	–	–	(18)
Transactions with non-controlling interest	–	(5)	(219)	–	(1)	(98)	(323)
Issue of share capital to non-controlling interests by subsidiaries	–	–	–	–	–	11	11
Share-based payment reserve	–	31	–	4	3	1	39
Share of equity financial instrument	–	-	–	11	–	1	12
Reserve adjustment of associates	–	31	–	–	–	1	32
Balance as at 30 June 2020	15 342	7 463	(3 856)	727	6 172	1 697	27 545

Dividend per share

R MILLION	Six months ended 31 December **2020 Unaudited**	Six months ended 31 December 2019 Unaudited	% change	Year ended 30 June 2020 Audited
Dividend per share				
Interim	**22.5**	45.0	(50)	45.0
Final				–
Total dividend per share	**22.5**	45.0	(50)	45.0
Dividend cover (relative to headline earnings)	**4.6**	2.4		2.8
Dividend cover (relative to normalised earnings)	**5.9**	2.7[1]		4.5

1. Restated to align with Discovery's calculation of normalised earnings for the year ended 30 June 2020.

Summary consolidated statement of cash flows

R MILLION	Six months ended 31 December 2020 Unaudited	Six months ended 31 December 2019 Unaudited	Year ended 30 June 2020 Audited
Cash flows from operating activities			
Cash generated from operations	**1 436**	1 467	3 188
Interest income	**177**	272	537
Dividends received	**298**	657	1 236
Cash flows on assets backing policyholder liabilities	**210**	(106)	(201)
Purchase of financial assets	**(6 103)**	(6 302)	(7 935)
Proceeds on disposal of financial assets	**5 982**	6 715	8 020
Income tax paid	**(519)**	(601)	(936)
Net cash generated from operating activities	**1 481**	2 102	3 909
Cash flows from investing activities			
Purchase of property and equipment	**(66)**	(35)	(98)
Proceeds on disposal of property and equipment	**–**	2	3
Purchase of financial assets	**(96)**	(400)	(519)
Proceeds on disposal of financial assets	**184**	140	124
Investments in associates	**(15)**	(115)	(127)
Proceeds on sale of associates	**3**	–	–
Convertible loan to associate	**–**	(12)	–
Proceeds on disposal of insurance business	**–**	119	78
Net cash inflow/(outflow) from investing activities	**10**	(301)	(539)
Cash flows from financing activities			
Proceeds from issue of preference share debt	**–**	934	934
Borrowings repaid	**(100)**	(951)	(935)
Borrowings raised	**–**	–	100
Repayment of lease liability	**(20)**	–	(37)
Cost of funding	**(30)**	(42)	(80)
Dividends paid on preference shares in issue	**(287)**	(296)	(612)
Dividends paid by subsidiaries to non-controlling interests	**(145)**	(202)	(315)
Cash dividends paid to shareholders	**–**	(996)	(1 685)
Proceeds on issue of equity financial instrument	**5**	–	–
Proceeds on issue of shares to non-controlling interests	**1**	8	11
Net cash outflow into financing activities	**(576)**	(1 545)	(2 619)
Net increase in cash and cash equivalents for the period	**915**	256	751
Unrealised foreign currency translation adjustment on cash and cash equivalents	**(38)**	2	61
Cash and cash equivalents at the beginning of the period	**2 414**	1 602	1 602
Cash and cash equivalents at the end of the period	**3 291**	1 860	2 414

Segmental report

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

UNAUDITED R MILLION	Discovery	Momentum Metropolitan	OUTsurance	Hastings	Other[1]	RMI
Six months ended 31 December 2020						
Net income	–	–	9 276	–	119	9 395
Policyholder benefits and transfer to policyholder liabilities	–	–	(4 664)	–	–	(4 664)
Depreciation	–	–	(112)	–	(2)	(114)
Amortisation	–	–	(6)	–	–	(6)
Other expenses	–	–	(2 455)	–	(73)	(2 528)
Finance costs	–	–	(2)	–	(310)	(312)
Fair value adjustment to financial liabilities	–	–	(54)	–	–	(54)
Share of after-tax results of associates	465	251	(59)	(48)	51	660
Profit/(loss) before taxation	465	251	1 924	(48)	(215)	2 377
Taxation	–	–	(574)	–	(20)	(594)
Profit/(loss) for the period	465	251	1 350	(48)	(235)	1 783
Hastings included in OUTsurance (net of GBP funding costs)	–	–	64	(64)	–	–
Profit/(loss) for the period	465	251	1 414	(112)	(235)	1 783
Normalised earnings	578	272	1 437	97	(336)	2 048
Hastings included in OUTsurance (net of GBP funding costs)	–	–	(86)	86	–	–
Normalised earnings	578	272	1 351	183	(336)	2 048
As at 31 December 2020						
Assets	–	–	20 680	–	3 168	23 848
Investments in associates	12 163	6 418	3 619	6 155	857	29 212
Intangible assets	–	–	161	–	–	161
	12 163	6 418	24 460	6 155	4 025	53 221
Hastings included in OUTsurance	–	–	(3 535)	3 535	–	–
Total assets	12 163	6 418	20 925	9 690	4 025	53 221
Total liabilities	–	–	13 015	–	11 982	24 997

1. Other includes RMI, RMI Investment Managers, AlphaCode investments and consolidation entries.

UNAUDITED R MILLION	Discovery	Momentum Metropolitan	OUTsurance	Hastings	Other[1]	RMI
Six months ended 31 December 2019						
Net income	–	–	8 186	–	64	8 250
Policyholder benefits and transfer to policyholder liabilities	–	–	(4 242)	–	–	(4 242)
Depreciation	–	–	(77)	–	(1)	(78)
Amortisation	–	–	(48)	–	–	(48)
Other expenses	–	–	(2 118)	–	(90)	(2 208)
Finance costs	–	–	(2)	–	(344)	(346)
Fair value adjustment to financial liabilities	–	–	(74)	–	–	(74)
Share of after-tax results of associates	510	418	34	79	(57)	984
Profit/(loss) before taxation	510	418	1 659	79	(428)	2 238
Taxation	–	–	(487)	–	(8)	(495)
Profit/(loss) for the period from continuing operations	510	418	1 172	79	(436)	1 743
Profit from discontinued operation	–	–	104	–	–	104
Profit/(loss) for the period	510	418	1 276	79	(436)	1 847
Hastings included in OUTsurance (net of GBP funding costs)	–	–	(33)	33	–	–
Profit/(loss) for the period	510	418	1 243	112	(436)	1 847
Normalised earnings	576[2]	479	1 169	104	(475)	1 853
Hastings included in OUTsurance (net of GBP funding costs)	–	–	(66)	66	–	–
Normalised earnings	576	479	1 103	170	(475)	1 853
As at 31 December 2019						
Assets	–	–	16 395	–	2 445	18 840
Investments in associates	12 048	6 675	3 618	5 856	951	29 148
Intangible assets	–	–	77	–	–	77
	12 048	6 675	20 090	5 856	3 396	48 065
Hastings included in OUTsurance	–	–	(3 520)	3 520	–	–
Total assets	12 048	6 675	16 570	9 376	3 396	48 065
Total liabilities	–	–	9 598	–	11 703	21 301

1. Other includes RMI, RMI Investment Managers, AlphaCode investments and consolidation entrie.
2. Restated to align with Discovery's calculation of normalised earnings for the year ended 30 June 2020.

Geographical segments

UNAUDITED R MILLION	South Africa	Australia	United Kingdom	Total
Six months ended 31 December 2020				
Net income	**5 325**	**4 070**	**–**	**9 395**
Policyholder benefits and transfer to policyholder liabilities	**(2 506)**	**(2 158)**	**–**	**(4 664)**
Other expenses	**(1 673)**	**(1 314)**	**(27)**	**(3 014)**
Share of after-tax results of associates	**646**	**–**	**14**	**660**
Profit before taxation	**1 792**	**598**	**(13)**	**2 377**
Taxation	**(402)**	**(192)**	**–**	**(594)**
Profit for the period	**1 390**	**406**	**(13)**	**1 783**
As at 31 December 2020				
Assets				
Property and equipment	**379**	**754**	**–**	**1 133**
Investments in associates	**19 522**	**–**	**9 690**	**29 212**
Financial assets	**6 329**	**6 191**	**–**	**12 520**
Other assets	**5 468**	**4 888**	**–**	**10 356**
Total assets	**31 698**	**11 833**	**9 690**	**53 221**
Liabilities				
Insurance contract liabilities	**2 728**	**7 919**	**–**	**10 647**
Other liabilities	**10 403**	**1 941**	**2 006**	**14 350**
Total liabilities	**13 131**	**9 860**	**2 006**	**24 997**
Six months ended 31 December 2019				
Net income	4 891	3 359	–	8 250
Policyholder benefits and transfer to policyholder liabilities	(2 324)	(1 918)	–	(4 242)
Other expenses	(1 626)	(1 088)	(40)	(2 754)
Share of after-tax results of associates	799	–	185	984
Profit before taxation	1 740	353	145	2 238
Taxation	(385)	(110)	–	(495)
Profit for the period from continuing operations	1 355	243	145	1 743
Profit for the period from discontinued operation	–	104	–	104
Profit for the period	1 355	347	145	1 847
As at 31 December 2019				
Assets				
Property and equipment	273	738	–	1 011
Investments in associates	19 772	–	9 376	29 148
Financial assets	6 870	4 474	–	11 344
Other assets	2 915	3 647	–	6 562
Total assets	29 830	8 859	9 376	48 065
Liabilities				
Insurance contract liabilities	2 794	5 268	–	8 062
Other liabilities	10 161	1 221	1 857	13 239
Total liabilities	12 955	6 489	1 857	21 301

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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 to which observable prices and/or data 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); and

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

The following table presents the group's financial assets and liabilities that are measured at fair value:

UNAUDITED R MILLION	Level 1	Level 2	Level 3	Total carrying amount
As at 31 December 2020				
Financial assets				
Equity securities				
– Exchange traded funds	1 153	–	–	1 153
– Listed preference shares	310	–	–	310
– Collective investment schemes	–	122	–	122
– Listed equity securities	78	–	–	78
– Unlisted equity securities	–	–	225	225
Debt securities				
– Unsecured loans	–	–	42	42
– Unlisted preference shares	–	18	–	18
– Zero-coupon deposits	–	655	–	655
– Government, municipal and public utility securities	–	316	–	316
– Money market securities	–	2 852	–	2 852
– Collective investment schemes	–	34	382	416
– Other debt securities	–	–	14	14
Derivative asset	–	78	–	78
Total financial assets recognised at fair value	1 541	4 075	663	6 279
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	93	93
Derivative liability	–	217	–	217
Investment contracts	–	34	–	34
Total financial liabilities recognised at fair value	–	251	93	344

UNAUDITED R MILLION	As at 31 December 2020	 2019
Reconciliation of movement in Level 3 assets		
Balance at the beginning of the period	**910**	696
Additions in the current period	**45**	403
Disposal (sales and redemptions)	**(97)**	(46)
Fair value movement	**(198)**	(22)
Investment income accrued	**14**	17
Dividends received from the OUTsurance share trusts	**(11)**	(42)
Balance at the end of the period	**663**	1 006
Reconciliation of movement in Level 3 liabilities		
Balance at the beginning of the period	**104**	104
Preference dividends charged to the income statement	**54**	74
Preference dividends paid	**(65)**	(65)
Balance at the end of the period	**93**	113

UNAUDITED R MILLION	Level 1	Level 2	Level 3	Total carrying amount
As at 31 December 2019				
Financial assets				
Equity securities				
– Exchange traded funds	912	–	–	912
– Listed preference shares	391	–	–	391
– Collective investment schemes	–	117	–	117
– Listed equity securities	175	–	–	175
– Unlisted equity securities	–	–	554	554
Debt securities	–	–		
– Unsecured loans	–	–	40	40
– Unlisted preference shares	–	–	18	18
– Zero-coupon deposits	–	698	–	698
– Government, municipal and public utility securities	–	293	–	293
– Money market securities	–	2 591	–	2 591
– Collective investment schemes	–	11	–	11
– Other debt securities	–	9	394	403
Derivative asset	–	37	–	37
Total financial assets recognised at fair value	1 478	3 756	1 006	6 240
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	113	113
Derivative liability	–	118	–	118
Investment contracts	–	9	–	9
Total financial liabilities recognised at fair value	–	127	113	240

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

Level 1

The fair value of financial instruments traded in an active market is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The listed preference share investments comprise instruments which are listed on a securities exchange. The fair values of these investments are calculated based on the quoted closing prices of the individual investments on reporting date. These instruments are included in Level 1 and comprise mainly equity and debt instruments classified as trading securities. The investment in the exchange traded funds track the performance of the top fifty companies listed on the JSE Limited.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are market observable, the instrument is included in Level 2.

Level 2 instruments comprise derivatives, debt and short-term money market instruments where the value is determined by using a market observable input, e.g. JIBAR, prime rate, foreign currency rates, listed bond rates of similar instruments, without significant adjustments.

The fair value of money market instruments and government, municipal and public utility securities is determined based on observable market inputs. These instruments consist of fixed and floating rate notes held in segregated portfolios and are typically listed on the JSE Interest Rate Derivatives Market. These listed instruments are not as actively traded as Level 1 instruments. Despite this, the fair values of these instruments can be readily determined as the inputs utilised in the fair value calculation are available in the open market and on the coupon face at issue date.

The collective investment scheme is fair valued monthly by multiplying the number of units held by the closing market price which is based on the most recently available observable inputs.

Zero-coupon deposits are not traded actively during a financial reporting period and are classified as Level 2 financial instruments.

The group uses zero-coupon deposits to offset the interest rate risk inherent in some of the life insurance products underwritten by OUTsurance Life. The counterparties to these deposits are the large South African banks. The zero-coupon deposits have been structured to allow for the payment of the notional initial deposit to be spread over the specified term to enable cash flow matching. The maturity dates of the accreting zero-coupon deposits are long-term, with maturity dates at the various trading dates not exceeding 15 years. The fair values of the accreting zero-coupon deposits are determined monthly based on observable market inputs. To determine the fair values of the accreting zero-coupon deposits, a risk-free Swap Yield Curve produced every business day by the JSE Limited is referenced.

The instruments are designated at fair value through profit or loss, with both the interest accrual and fair value accounted for in profit or loss. The zero-coupon deposits have specifically remained classified as fair value through profit or loss under the 'accounting mismatch' rule as these financial assets have specifically been acquired to match the non-claims bonus portion of the policyholder liability.

The group makes use of an interest rate swap as well as a collateralised swap arrangement to manage the interest rate risk contained in the non-bonus portion of the policyholder liability. The interest rate swap is a fixed for floating instrument. The fixed leg is priced at a fixed percentage plus a contractually agreed basis point adjustment and the floating leg is priced at 3-month JIBAR. The fair value of the collateralised swap arrangement, whereby the R2048 government bond serves as collateral and is the underlying instrument, is determined in the same manner as other money market instruments held by the group.

The group makes use of forward exchange contracts to reduce the impact of the currency risk contained in its open foreign currency exposure. The fair values of forward exchange contracts are determined using the spot closing exchange rate at the statement of financial position date.

While the above instruments are not traded on an active market, the variable inputs relating to their valuation are readily available in the market place. The remaining inputs have been contractually agreed and are reflective of market-related terms and conditions.

Level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. The financial instruments at fair value through profit or loss represent the following:

- Profits arising out of the profit-sharing arrangements that accrue on a monthly basis and which are distributed as preference dividends biannually to FirstRand Bank Limited. The only significant unobservable input in the calculation of the preference dividend is the historic profit of the profit-sharing arrangements and there are no other inputs that determine the value of these instruments. Should the profit of the profit-sharing arrangement increase or decrease, the preference dividend will increase or decrease in direct proportion.
- B-BBEE Supplier Development Scheme loan.
- The loan with AutoGuru Australia Proprietary Limited (AutoGuru). The only significant unobservable input in the calculation is the market value of the AutoGuru shares, as this is an unlisted private company.
- Unlisted equity

A specific valuation technique is used to value the Level 3 financial instrument which represents an accrued profit related to the FirstRand Bank Limited Homeowners profit-sharing arrangement:

- The fair value is determined based on valuation techniques where the input is determined by management, and is not readily available in the market or where market observable input is significantly adjusted, i.e. profits arising out of profit-sharing arrangements.
- Inputs are determined by the profits arising and calculations are made in accordance with the profit-share percentages, stipulated within the profit-sharing arrangement. No assumptions or adjustments or any other inputs are made to the profits before or after distribution. Distribution of the profits arising are made in the form of preference dividends.

The profit or loss of these profit-sharing arrangements is sensitive to:

- claims ratio of the pool of business;
- expense ratio of the pool of business; and
- investment income on this pool of business.

A specific valuation technique is used to value the AutoGuru convertible loan:

- The fair value is determined based on valuation techniques where the input is determined by management, and is not readily available in the market or where market observable input is significantly adjusted, i.e. market value of the AutoGuru ordinary shares as well as a risk-adjusted market interest rate.

Included as a Level 3 financial asset is the loan made to the ASISA Enterprise Development Fund to the value of R49 million. This loan relates to funding provided for a B-BBEE supplier development scheme that the group is taking part in. The loan has a five-year term with no contractual interest rate. In calculating the fair value of the loan at 31 December 2020, the interest rate attached to a risk-free government bond with a term based on the remaining contract period at the date of fair value measurement was utilised as the discount rate. This resulted in the value of R49 million being discounted at 5.04% (2019: 7.75%), arriving at a fair value of R42.3 million (2019: R36.9 million). This discount will unwind over the remaining maturity period.

Administration

RAND MERCHANT INVESTMENT HOLDINGS LIMITED (RMI)

Registration number:	2010/005770/06
JSE ordinary share code:	RMI
ISIN code:	ZAE000210688

DIRECTORS

JJ Durand (chairman), HL Bosman (chief executive officer and financial director), JP Burger, P Cooper, (Ms) SEN De Bruyn, LL Dippenaar, PK Harris, (Ms) A Kekana, P Lagerström, (Ms) MM Mahlare, MM Morobe, RT Mupita, O Phetwe and JA Teeger

ALTERNATES

DA Frankel, F Knoetze and UH Lucht

SECRETARY AND REGISTERED OFFICE

JS Human

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

SPONSOR

(in terms of JSE 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

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