

SUMMARISED,
AUDITED RESULTS
ANNOUNCEMENT AND
CASH DIVIDEND
DECLARATION

'14

for the year ended 30 June 2014



KEY HIGHLIGHTS

Normalised
earnings

+18%

to 203.4
cents

Ordinary
dividend

+14%

to 108.0
cents

Market
value

+30%

to 3 278
cents

Economic environment

The operating environment remained difficult throughout the financial year. This was largely as a consequence of uncertainty in the global macro-economic arena combined with subdued domestic demand growth and protracted industrial action in the mining sector.

Economic activity in the United States experienced a gradual recovery. This allowed the US Federal Reserve to taper its asset purchases. The expected increase in US interest rates impacted on foreign capital flows to emerging markets. South Africa, with its large current account deficit, was negatively impacted by the slow-down in capital flows. This led to the further weakening of the Rand, which translated into higher domestic inflation and triggered the start of a higher interest rate cycle.

Local operating conditions were economically challenging and highly competitive. Equity markets increased strongly throughout the year, while interest rate volatility continued. Consumer confidence remained fragile with ongoing labour challenges, unemployment, indebtedness and inflation reducing disposable and investible income.

While some of these headwinds also affected the rest of the sub-Saharan region, GDP growth in many African countries, however, is proving to be resilient, with some economies continuing to expand at a brisk pace. In those countries, domestic demand – fuelled by credit growth and investment in infrastructure development – remained the major catalyst.

Overview of results

Notwithstanding such a challenging background, all of the businesses in which RMI are invested produced satisfying results, with strong growth in normalised earnings being recorded by Discovery and OUTsurance, driven largely by the performance of their offshore operations.

NORMALISED EARNINGS			
<i>for the year ended 30 June</i>			
<i>R million</i>	2014 Audited	Restated 2013 Audited	% change
Discovery	3 457	2 787	24
MMI	3 621	3 241	12
OUTsurance	1 448	1 209	20
RMBSI	101	89	13

As a result, the earnings derived by RMI from its investments in these companies were as follows:

<i>R million</i>	<i>For the year ended 30 June</i>		
	2014 Audited	Restated 2013 Audited	% change
Normalised earnings from:			
Discovery	866	699	24
MMI	899	803	12
OUTsurance	1 219	1 031	18
RMBSI	78	70	11
	3 062	2 603	18
Funding and holding company costs	(40)	(37)	(8)
Normalised earnings	3 022	2 566	18
Normalised earnings per share (cents)	203.4	172.6	18

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

A reconciliation of the adjustments made to derive normalised earnings is presented in the accompanying schedules.

Market value of investments

Both Discovery and MMI benefited from a significant market re-rating during the year to 30 June 2014, with their JSE market capitalisation increasing by 16% and 18% respectively.

Over the year RMI's market capitalisation increased by 30% to R48.7 billion.

On a "look-through" basis, the market value attributed to RMI's interest in OUTsurance (84.7% held) and RMBSI (78.6% held) increased by 47% to R24.1 billion, reflecting market recognition of the continued progress made in building out OUTsurance's Australian initiative and the strength of its South African franchise.

<i>as at 30 June R million</i>	2014	2013	% change
Market value of interest in:			
– Discovery	14 383	12 445	16
– MMI	10 302	8 701	18
Market value of listed investments	24 685	21 146	17
Implied market value of unlisted investments	24 075	16 337	47
Gross market value of portfolio	48 760	37 483	30
Net liabilities of the holding company	(59)	(44)	(34)
RMI market capitalisation	48 701	37 439	30
RMI closing share price (cents)	3 278	2 520	30

Dividend payment

The board is of the opinion that RMI is adequately capitalised at this stage and that the company will be able to meet its obligations in the foreseeable future after payment of the dividend declared below. The board is also of the view that, at present, the level of borrowings that the group carries at the center is appropriate.

In 2013, RMI indicated to the market that it would consider a more active investment strategy following the appointment of Herman Bosman. In July 2014, an investment team was appointed to assist with the changed strategy. The board has now also considered the impact of the investment activity on dividend policy. The stated practice of paying out all dividends received from our underlying investments after servicing any funding commitments largely remains in place. Going forward, in determining dividends, RMI's debt funding capacity and investment pipeline will be considered. For 2014, the board has decided to retain the special dividend of R196 million to be received from MMI in October 2014.

FINAL DIVIDEND FOR THE 2014 FINANCIAL YEAR

The board resolved to declare a final dividend of 62.0 cents per ordinary share.

Such final dividend, together with the interim dividend of 46.0 cents per ordinary share, brings the total dividend for the year ended 30 June 2014 to 108.0 cents per ordinary share (2013: 95.0 cents), a year-on-year increase of 14%.

The total dividend is covered 1.9 times (2013: 1.8 times) by the normalised earnings of 203.4 cents per share.

The apparent divergence in the growth in dividends relative to the growth in underlying earnings can be ascribed to OUTsurance re-investing a larger portion of its earnings in its Australian and New Zealand growth initiatives.

Shareholders are referred to the dividend declaration forming part of this announcement regarding the applicability of dividend withholding tax to the ordinary dividend.

Outlook

The South African consumer will be placed under further pressure due to the current interest rate hiking cycle. Growth in insurance new business volumes will remain largely dependent upon the economic environment, including a recovery in employment and stronger disposable income levels.

All of the groups in which RMI are invested face both opportunities and threats posed by the highly regulated environment in which they operate, including evolving capital regimes as well as social security reform proposals.

Notwithstanding these challenges, RMI expects to benefit from continued organic growth during the coming year.

Board changes

During the current year the following board appointments were made:

- Mr HL Bosman as executive director/chief executive officer designate (2 April 2014).
- Mr JP Burger as independent non-executive director (30 June 2014).
- Mr P Lagerström as independent non-executive director (30 June 2014).

Mr MM Morobe was appointed as independent non-executive director on 1 August 2014.

We extend a warm welcome to all the new appointees.

Mr TV Mokgatla resigned as an independent non-executive director on 30 June 2014.

As part of a process to achieve compliance with the various prescriptions regarding board structures and corporate governance, Mr L Crouse resigned as non-executive director effective 30 June 2014 and was appointed as an alternate to Mr JJ Durand on the same date.

Mr Cooper retires, effective 11 September 2014, as chief executive officer and financial director. He will continue to serve on the board in a non-executive capacity. We would like to express a word of gratitude to Mr Cooper for the value he has created for the equityholders during his career. We wish him well as he scales back his corporate involvement.

The board has confirmed Mr Bosman as chief executive officer and financial director of RMI effective 11 September 2014. We wish him well in his career with RMI and look forward to support him in his strategic initiatives.

For and on behalf of the board

GT Ferreira

Chairman

Sandton

11 September 2014

HL Bosman

Chief executive officer

CASH DIVIDEND DECLARATION

Final cash dividend

Notice is hereby given that a gross final dividend of 62.0 cents per ordinary share payable out of income reserves was declared on 11 September 2014 in respect of the year ended 30 June 2014.

The company has utilised Secondary Tax on Companies credits amounting to 0.82996 cents per ordinary share. The balance of the dividend will be subject to Dividend Withholding Tax at a rate of 15%, which will result in a net dividend of 52.82449 cents per ordinary share for those shareholders who are not exempt.

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

Shareholders' attention is drawn to the following important dates:

- Last day to trade in order to participate in the dividend Friday, 3 October 2014
- Shares commence trading "ex dividend" on Monday, 6 October 2014
- The record date for the dividend payment will be Friday, 10 October 2014
- Dividend payment date Monday, 13 October 2014

No de-materialisation or re-materialisation of share certificates may be done between Monday, 6 October 2014 and Friday, 10 October 2014 (both days inclusive).

By order of the board

JS Human

Company secretary

11 September 2014

REVIEW OF INVESTMENT PERFORMANCE

Discovery

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

The year to 30 June 2014 was a satisfying period for Discovery:

- New business grew 15% to R12.2 billion;
- Normalised headline earnings increased by 24% to R3.5 billion;
- Embedded value grew 21% to R43.1 billion; while
- Return on capital amounted to 22.9%.

All businesses are competitively positioned in their respective markets.

The healthcare environment remains complex, characterised by an increasing disease burden, a deepening shortage of physicians, continued upward cost pressure and legislative reform. Against this backdrop, **Discovery Health's** performance exceeded expectation: operating profit before tax increased 10% to R1 854 million, after continued efficiencies were passed onto the medical scheme through a planned scale-related discount; new business increased 4% to R5 billion; and lives under management grew to 2.9 million.

Discovery Life demonstrated exceptional earnings before tax growth of 23% to R2 591 million over the year, driven by new business growth of 6% to R2 013 million, better than expected claims and lapse results, improved renewal efficiencies and disciplined expense control.

The performance of **Discovery Invest** over the year exceeded expectation. Earnings before tax increased by 50% to R331 million, driven by high growth of products sold and strong performance of the market. Assets under management increased to R42 billion.

The scale and relevance of Discovery's UK businesses reflect the benefits of a decade of investment. The combined **PruHealth** and **PruProtect** businesses grew earnings before tax by 33% to R628 million; new business grew 35% to R2 129 million and the combined customer base measured almost 800 000 at the end of the year.

In the year under review, **Ping An Health** entrenched its position as the top health insurance player in China and more than doubled new business volumes to R339 million.

Discovery Insure's new business was exceptional, with 73% growth to R632 million. It is now the fastest growing short-term insurer in South Africa.

RMI included R866 million of Discovery's earnings in its normalised earnings (2013: R699 million).

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

MMI Holdings

South Africa's third largest insurer, MMI, was formed from the merger of Momentum and Metropolitan. The core businesses of MMI are long-term insurance, asset management, investment, healthcare administration and employee benefits. Product solutions are provided to all market segments. MMI operates in 12 countries outside of South Africa. It provides for the insurance needs of individuals in the lower, middle and upper income markets, principally under the *Momentum* and *Metropolitan* brand names.

MMI delivered strong financial results for the year under review:

- Embedded value increased to R40 billion, driven by an excellent 19% return on embedded value;
- Diluted core headline earnings of R3.6 billion reflected a 12% increase on the prior year;
- The contribution from operating divisions rose 22% to R3.0 billion; and
- Targeted merger expense savings of R500 million were achieved ahead of time.

MMI invested or committed in excess of R2.5 billion in growth initiatives during the year. Each of its business segments is implementing plans to grow the group through client-centricity. MMI believes that the group has identified and is implementing innovative strategies to unlock value and generate the required return on capital for shareholders over time.

RMI included R899 million of MMI's earnings in its normalised earnings (2013: R803 million).

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

OUTsurance

OUTsurance is a direct personal lines and small business short-term insurer. Pioneers of the OUTbonus concept, it has grown rapidly by applying a scientific approach to risk selection, product design and claims management. Its South African direct life insurance business continues to gain traction.

Youi, the group's direct personal lines initiative in Australia, has achieved scale and is trading profitably. *Youi* New Zealand was launched in July 2014 and provides personal lines insurance cover directly to the New Zealand public.

OUTsurance delivered another strong financial and operational performance for the year under review. The group achieved 20% growth in headline earnings to R1 448 million and a return on equity of 38.4%. The significant driver behind the growth in OUTsurance's earnings is attributed to the profitability of *Youi*, which generated R231 million in headline earnings.

OUTsurance achieved 35% growth in the annualised new business written.

- *Youi* delivered excellent new business growth as the business continues to gain traction and solidify its presence in the Australian market.
- The South African business delivered an encouraging increase in new business written in an environment where premium inflation continues to track below consumer inflation.

The strong new business volume growth translated into 25% growth in the group's gross written premium income to R10.4 billion.

Since its launch in 2008, Youi has through good operational execution, the creation of a powerful brand and management focus, grown to be a notable and profitable player in the Australian market. Youi now contributes 39% of the group's turnover and 15% of the group's profits.

RMI included R1 219 million of OUTsurance's earnings in its normalised earnings (2013: R1 031 million).

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

RMB Structured Insurance

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

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

Shareholder profit after tax for the year to June 2014 amounted to R101 million (2013: R89 million).

RMI included R78 million of RMBSI's earnings in its normalised earnings (2013: R70 million).

BASIS OF PREPARATION OF RESULTS

The accompanying audited summarised financial results for the year ended 30 June 2014 reflect:

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

The annual financial statements for the year ended 30 June 2014, to which this summarised results announcement relates, were prepared in accordance with:

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

Schalk Human CA(SA) prepared these consolidated financial results under the supervision of Peter Cooper CA(SA).

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

- the change in accounting policy governing the treatment of deferred acquisition costs for short-term and long-term insurance contracts as set out in the accompanying schedules; and
- changes required by the mandatory adoption of new and revised IFRS. The adoption of IFRS 10: Consolidated financial statements had resulted in the consolidation and non-consolidation of certain entities by RMI's associates without any impact on the profit or net asset value of these associates in previous accounting periods. As a result of this, the restatements made by RMI's associates as required by IFRS 10 had no impact on RMI's results as previously reported. RMI has included the disclosures required by IAS 34.16A(j) in respect of IFRS 13: Fair value measurement in this results announcement.

The summarised consolidated financial statements for the year ended 30 June 2014 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. Unless the financial information is specifically stated as audited, it should be assumed it is unaudited. The forward looking information has not been commented or reported on by RMI's auditors.

The auditors' report does not necessarily cover all the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report together with the accompanying financial statements. RMI's board of directors take full responsibility for the preparation of this announcement.

The auditors expressed an unmodified opinion dated 11 September 2014 on the financial statements from which these summarised consolidated financial statements were derived. A copy of the auditors' report on the summarised consolidated financial statements and of the auditors' report on the consolidated financial statements are available for inspection at RMI's registered office, 3rd Floor, 2 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, together with the financial statements identified in the respective auditors' reports.

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

At 30 June 2014 the effective interest held by RMI can be compared to the actual interest in the statutory issued share capital of the companies as follows:

	<i>30 June 2014</i>		<i>30 June 2013</i>	
	Effective Audited	Actual Audited	Effective Audited	Actual Audited
Discovery	25.8%	25.0%	26.7%	25.0%
MMI	25.2%	25.0%	25.2%	25.0%
OUTsurance	84.7%	83.4%	85.3%	83.4%
RMBSI	78.6%	76.4%	79.1%	76.4%

SUMMARISED CONSOLIDATED INCOME STATEMENT			
	<i>for the year ended 30 June</i>		
<i>R million</i>	2014 Audited	Restated 2013 Audited	% change
Earned premiums net of reinsurance	10 020	7 869	27
Fee and other income	138	146	(5)
Investment income	625	631	(1)
Profit on sale of subsidiary	–	38	(100)
Net fair value gains on financial assets	804	560	44
Income	11 587	9 244	25
Net claims paid	(4 938)	(3 873)	27
Fair value adjustment to investment contracts and insurance contract provisions	(880)	(1 010)	(13)
Fair value adjustment to financial liabilities	(191)	(201)	(5)
Acquisition, marketing and administration expenses	(3 096)	(2 367)	31
Profit before finance costs, share of after tax results of associates and taxation	2 482	1 793	38
Finance costs	(79)	(125)	(37)
Share of after tax results of associates	1 776	1 179	51
Profit before taxation	4 179	2 847	47
Taxation	(870)	(391)	>100
PROFIT FOR THE YEAR	3 309	2 456	35
Attributable to:			
Equity holders of RMI	3 053	2 255	35
Non-controlling interests	256	201	27
PROFIT FOR THE YEAR	3 309	2 456	35

COMPUTATION OF HEADLINE EARNINGS			
	<i>for the year ended 30 June</i>		
<i>R million</i>	2014 Audited	Restated 2013 Audited	% change
Earnings attributable to equity holders	3 053	2 255	35
Adjustment for:			
(Profit)/loss on dilution of shareholding	(135)	11	
Realised profit on sale of available-for-sale financial assets	(49)	(1)	
Intangible asset impairments	8	1	
Loss on disposal of property and equipment	2	–	
Profit on sale of subsidiary	–	(24)	
HEADLINE EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS	2 879	2 242	28

SOURCES OF HEADLINE EARNINGS			
<i>R million</i>	<i>for the year ended 30 June</i>		
	2014 Audited	Restated 2013 Audited	% change
Headline earnings from:			
– Discovery	802	551	46
– MMI	807	628	29
– OUTsurance	1 229	1 031	19
– RMBSI	81	69	17
	2 919	2 279	28
Funding and holding company costs	(40)	(37)	(8)
HEADLINE EARNINGS	2 879	2 242	28

COMPUTATION OF NORMALISED EARNINGS			
<i>R million</i>	<i>for the year ended 30 June</i>		
	2014 Audited	Restated 2013 Audited	% change
Headline earnings attributable to equity holders	2 879	2 242	28
RMI's share of normalised adjustments made by associates:	189	341	
Amortisation of intangible assets relating to business combinations	173	171	
Net realised and fair value gains on shareholders' assets	(136)	(85)	
Fair value adjustment to puttable non-controlling interest financial liability	50	33	
Corporate restructuring expenses	43	15	
Basis and other changes and investment variances	40	92	
Finance costs raised on puttable non-controlling interest financial liability	39	41	
Non-controlling interest adjustment if no put options	(20)	(10)	
Recapture of reinsurance	–	84	
Group treasury shares	(46)	(17)	
NORMALISED EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS	3 022	2 566	18

COMPUTATION OF EARNINGS PER SHARE			
<i>R million</i>	<i>for the year ended 30 June</i>		
	2014 Audited	Restated 2013 Audited	% change
Earnings attributable to equity holders	3 053	2 255	35
Headline earnings attributable to equity holders	2 879	2 242	28
Number of shares in issue (millions)	1 486	1 486	–
Weighted average number of shares in issue (millions)	1 484	1 483	–
Earnings per share (cents)	205.8	152.0	35
Diluted earnings per share (cents)	203.6	151.0	35
Headline earnings per share (cents)	194.0	151.1	28
Diluted headline earnings per share (cents)	191.9	150.1	28
Computation of normalised earnings per share			
Weighted average number of shares in issue (millions)	1 486	1 486	
Normalised earnings per share (cents)	203.4	172.6	18
Diluted normalised earnings per share (cents)	201.3	171.3	18
Dividend cover (relative to normalised earnings)	1.9	1.8	
Dividend per share (cents)			
Interim dividend	46.0	40.0	15
Final dividend	62.0	55.0	13
TOTAL DIVIDEND	108.0	95.0	14

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
	<i>for the year ended 30 June</i>		
<i>R million</i>	2014 Audited	Restated 2013 Audited	% change
Profit for the year	3 309	2 456	35
Other comprehensive income for the year			
Items that may subsequently be reclassified to income			
Currency translation differences	125	71	76
Fair value movement on available-for-sale financial assets	41	19	>100
Deferred taxation relating to fair value movement on available-for-sale financial assets	(16)	–	–
Share of other comprehensive income of associates	108	173	(38)
Items that may subsequently be reclassified to income, after taxation	74	173	(57)
Items that will not be reclassified to income, after taxation	34	–	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR	258	263	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3 567	2 719	31
Total comprehensive income attributable to:			
Equity holders of RMI	3 288	2 505	31
Non-controlling interests	279	214	30
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3 567	2 719	31

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
<i>R million</i>	<i>as at 30 June</i>		
	2014 Audited	Restated 2013 Audited	Restated 1 July 2012 Audited
Assets			
Property and equipment	520	460	413
Goodwill and other intangible assets	110	43	50
Investments in associates	11 582	10 442	9 864
Financial assets	6 861	7 781	7 603
Loans and receivables including insurance receivables	3 078	1 668	998
Deferred acquisition cost	357	250	180
Reinsurance contracts	301	275	273
Deferred taxation	232	334	385
Disposal group held for sale	–	–	211
Cash and cash equivalents	4 725	2 664	2 462
TOTAL ASSETS	27 766	23 917	22 439
Equity			
Share capital and premium	13 592	13 632	13 614
Reserves	1 886	95	(316)
Capital and reserves attributable to equity holders of the company	15 478	13 727	13 298
Non-controlling interests	899	614	645
TOTAL EQUITY	16 377	14 341	13 943
Liabilities			
Insurance contracts	5 948	4 797	3 669
Share-based payment liability	145	50	–
Financial liabilities	3 704	3 601	3 730
Payables and provisions	1 189	913	700
Deferred taxation	379	176	324
Taxation	24	39	14
Disposal group held for sale	–	–	59
TOTAL LIABILITIES	11 389	9 576	8 496
TOTAL EQUITY AND LIABILITIES	27 766	23 917	22 439

STATEMENT OF CHANGES IN EQUITY

<i>Audited R million</i>	Share capital and premium	Equity accounted reserves	Transactions with non-controlling interests	Other reserves	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 July 2012							
– As originally stated	13 614	420	(2 071)	88	1 133	626	13 810
– Change in accounting policy	–	–	–	3	111	19	133
Restated balance as at 1 July 2012	13 614	420	(2 071)	91	1 244	645	13 943
Total comprehensive income for the year	–	173	–	77	2 255	214	2 719
Dividend paid	–	–	–	–	(2 154)	(189)	(2 343)
Income of associates retained	–	271	–	–	(271)	–	–
Movement in treasury shares	18	21	–	–	–	–	39
Transactions with non-controlling interests	–	22	–	–	–	–	22
Profit on preference share buy-back	–	28	–	–	–	–	28
Sale of subsidiary	–	–	–	(1)	–	(75)	(76)
Share-based payment reserve	–	–	–	1	–	–	1
Change from equity-settled to cash-settled scheme	–	–	–	(9)	(2)	(2)	(13)
Change in reserves due to a change in holding	–	–	–	13	(13)	21	21
Balance as at 30 June 2013	13 632	935	(2 071)	172	1 059	614	14 341
Total comprehensive income for the year	–	108	–	127	3 053	279	3 567
Dividend paid	–	–	–	–	(1 500)	(149)	(1 649)
Income of associates retained	–	1 043	–	–	(1 043)	–	–
BEE cost	–	1	–	–	–	–	1
Movement in treasury shares	(40)	7	–	–	–	–	(33)
Transactions with non-controlling interests	–	–	(5)	–	–	(2)	(7)
Issue of share capital to non-controlling interests by a subsidiary	–	–	–	–	–	122	122
Change in reserves due to a change in holding	–	–	–	44	(44)	35	35
BALANCE AS AT 30 JUNE 2014	13 592	2 094	(2 076)	343	1 525	899	16 377

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS		
	<i>for the year ended 30 June</i>	
<i>R million</i>	2014 Audited	2013 Audited
Cash available from operating activities	2 214	3 076
Dividends paid	(1 500)	(2 154)
Investment activities	1 471	351
Financing activities	(307)	(1 164)
Net increase in cash and cash equivalents	1 878	109
Unrealised foreign currency translation adjustments	183	93
Cash and cash equivalents at the beginning of the year	2 664	2 462
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4 725	2 664

SEGMENT REPORT

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

<i>R million</i>	Discovery Audited	MMI Audited	OUTsurance Audited	RMBSI Audited	Other ⁽¹⁾ Audited	RMI group Audited
Year ended 30 June 2014						
Operating profit	–	–	2 080	358	44	2 482
Finance costs	–	–	(1)	(15)	(63)	(79)
Share of after tax results of associates	971	793	10	2	–	1 776
Profit/(loss) before taxation	971	793	2 089	345	(19)	4 179
Taxation	–	–	(623)	(244)	(3)	(870)
PROFIT/(LOSS) FOR THE YEAR	971	793	1 466	101	(22)	3 309
NORMALISED EARNINGS	866	899	1 448	101	(292)	3 022
Assets	–	–	9 765	5 667	642	16 074
Associates	5 291	6 212	26	53	–	11 582
Intangible assets	–	–	107	1	2	110
TOTAL ASSETS	5 291	6 212	9 898	5 721	644	27 766
TOTAL LIABILITIES	–	–	5 445	5 239	705	11 389
Year ended 30 June 2013 – Restated						
Operating profit	–	–	1 814	(36)	15	1 793
Finance costs	–	–	(1)	(20)	(104)	(125)
Share of after tax results of associates	542	628	10	(1)	–	1 179
Profit/(loss) before taxation	542	628	1 823	(57)	(89)	2 847
Taxation	–	–	(535)	146	(2)	(391)
PROFIT/(LOSS) FOR THE YEAR	542	628	1 288	89	(91)	2 456
NORMALISED EARNINGS	699	803	1 209	89	(234)	2 566
Assets	–	–	7 686	5 111	635	13 432
Associates	4 456	5 935	23	28	–	10 442
Intangible assets	–	–	39	1	3	43
TOTAL ASSETS	4 456	5 935	7 748	5 140	638	23 917
TOTAL LIABILITIES	–	–	3 965	4 722	889	9 576

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

GEOGRAPHICAL SEGMENTS					
<i>R million</i>	South Africa Audited	Australia Audited	New Zealand Audited	UK Audited	Total Audited
Year ended 30 June 2014					
Profit/(loss)	2 068	357	(22)	–	2 403
Share of after tax results of associates	1 656	–	–	120	1 776
Profit/(loss) before taxation	3 724	357	(22)	120	4 179
Taxation	(766)	(104)	–	–	(870)
PROFIT/(LOSS) FOR THE YEAR	2 958	253	(22)	120	3 309
TOTAL ASSETS	22 509	4 672	585	–	27 766
TOTAL LIABILITIES	7 760	3 608	21	–	11 389
		South Africa Audited	Australia Audited	UK Audited	Total Audited
<i>R million</i>					
Year ended 30 June 2013 – Restated					
Profit		1 663	5	–	1 668
Share of after tax results of associates		1 172	–	7	1 179
Profit before taxation		2 835	5	7	2 847
Taxation		(389)	(2)	–	(391)
PROFIT FOR THE YEAR		2 446	3	7	2 456
TOTAL ASSETS		20 929	2 988	–	23 917
TOTAL LIABILITIES		7 566	2 010	–	9 576

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The group's activities expose it to a variety of financial risks. The table below analyses financial instruments carried at fair value by level in the fair value hierarchy. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments. These levels are defined as follows:

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

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

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

<i>Audited R million</i>	Level 1	Level 2	Level 3	Total carrying amount
30 June 2014				
Financial assets				
Equity securities				
– available-for-sale	725	–	–	725
– at fair value through profit or loss	2 070	34	–	2 104
Debt securities				
– available-for-sale	–	540	–	540
– at fair value through profit or loss	126	2 855	415	3 396
Derivative asset	–	17	–	17
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	2 921	3 446	415	6 782
Financial liabilities				
Convertible debentures	–	15	–	15
Financial liabilities at fair value through profit or loss	–	–	105	105
Derivative liability	–	20	–	20
Investment contracts	979	402	–	1 381
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE	979	437	105	1 521

<i>Audited</i> <i>R million</i>	<i>Year ended 30 June</i>	
	2014	2013
Reconciliation of movement in level 3 assets		
Balance at the beginning of the year	441	477
Amount received in the current year	(5)	–
Investment income accrued	33	34
Dividends received from the OUturance Investment Trust	(54)	(70)
BALANCE AT THE END OF THE YEAR	415	441
Reconciliation of movement in level 3 liabilities		
Balance at the beginning of the year	110	115
Preference dividends charged to the income statement in respect of profit sharing arrangements	191	201
Preference dividends paid	(196)	(206)
BALANCE AT THE END OF THE YEAR	105	110

<i>Audited</i> <i>R million</i>	Level 1	Level 2	Level 3	Total carrying amount
30 June 2013				
Financial assets				
Equity securities				
– available-for-sale	676	–	–	676
– at fair value through profit or loss	2 159	74	–	2 233
Debt securities				
– available-for-sale	–	453	–	453
– at fair value through profit or loss	851	3 039	441	4 331
Derivative asset	–	9	–	9
TOTAL FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	3 686	3 575	441	7 702
Financial liabilities				
Convertible debentures	–	15	–	15
Financial liabilities at fair value through profit or loss	–	–	110	110
Derivative liability	–	11	–	11
Investment contracts	951	407	–	1 358
TOTAL FINANCIAL LIABILITIES RECOGNISED AT FAIR VALUE	951	433	110	1 494

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

LEVEL 1

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

LEVEL 2

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

LEVEL 3

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

CHANGE IN ACCOUNTING POLICY

During the year, the group changed its policy in respect of acquisition costs to allow for the deferral thereof on short-term policies with a term greater than a month and long-term policies.

This change in accounting policy has been accounted for retrospectively and the comparatives have been restated. The effect of the change is as follows:

RESTATEMENTS			
<i>R million</i>	<i>for the year ended 30 June 2013</i>		
	Original amount Audited	Restated amount Audited	Difference Audited
Statement of financial position			
Assets			
Deferred acquisition costs	38	250	212
Deferred taxation	414	334	(80)
INCREASE IN ASSETS	452	584	132
Equity and liabilities			
Retained earnings	907	1 059	152
Currency translation reserve	124	134	10
Non-controlling interests	586	614	28
Insurance contracts	4 855	4 797	(58)
INCREASE IN EQUITY AND LIABILITIES	6 472	6 604	132
Income statement			
Marketing and administration expenses	(2 252)	(2 201)	51
Transfer to policyholder liabilities under insurance contracts	(28)	(11)	17
Deferred taxation	93	73	(20)
INCREASE IN PROFIT FOR THE YEAR	(2 187)	(2 139)	48
Attributable to:			
Equity holders of RMI			41
Non-controlling interests			7
INCREASE IN PROFIT FOR THE YEAR			48

RESTATEMENTS			
	<i>for the year ended 30 June 2012</i>		
<i>R million</i>	Original amount Audited	Restated amount Audited	Difference Audited
Statement of financial position			
Assets			
Deferred acquisition costs	32	180	148
Deferred taxation	441	385	(56)
INCREASE IN ASSETS	473	565	92
Equity and liabilities			
Retained earnings	1 133	1 244	111
Currency translation reserve	70	73	3
Non-controlling interests	626	645	19
Insurance contracts	3 710	3 669	(41)
INCREASE IN EQUITY AND LIABILITIES	5 539	5 631	92
Income statement			
Marketing and administration expenses	(1 799)	(1 668)	131
Transfer to policyholder liabilities under insurance contracts	(12)	7	19
Deferred taxation	159	109	(50)
INCREASE IN PROFIT FOR THE YEAR	(1 652)	(1 552)	100
Attributable to:			
Equity holders of RMI			85
Non-controlling interests			15
INCREASE IN PROFIT FOR THE YEAR			100

ADMINISTRATION

RAND MERCHANT INSURANCE HOLDINGS LIMITED

(RMI)

Registration number: 2010/005770/06

JSE ordinary share code: RMI

ISIN code: ZAE000153102

Directors

GT Ferreira (Chairman), HL Bosman (CEO) (appointed 2 April 2014), JP Burger (appointed 30 June 2014), P Cooper, LL Dippenaar, JW Dreyer, JJ Durand, PM Goss, PK Harris, P Lagerström (appointed 30 June 2014), MM Morobe (appointed 1 August 2014), O Phetwe, (Ms) SEN Sebotsa and KC Shubane.

Alternates: L Crouse and (Ms) A Kekana

Secretary and registered office

JS Human

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Sponsor

(in terms of the JSE Limited Listings Requirements)

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(a division of FirstRand Bank Limited)

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