

Summarised,  
**unaudited interim results**  
announcement and  
cash dividend declaration

for the six months ended 31 December 2012



“A gratifying outcome – not only have we successfully weathered some “storms” but our investments are on a strong trajectory for future growth....”

GT Ferreira

#### KEY HIGHLIGHTS

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Normalised earnings

**+5%**  
to 76.5 cents

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Dividend

**+33%**  
to 40.0 cents

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Intrinsic value

**+35%**  
to 1 955 cents

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## Introduction

This report covers the unaudited financial results for the six months ended 31 December 2012 of Rand Merchant Insurance Holdings Limited ("RMI" or the "group"), which were prepared in accordance with:

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

The primary results and accompanying commentary are presented on a normalised basis (which excludes non-operational items and accounting anomalies), as we believe this most accurately reflects underlying economic performance. Of relevance:

- The normalised earnings have been derived from the unaudited IFRS financial results.
- The accounting policies applied in the preparation of the summarised financial results for the six months ended 31 December 2012 are consistent with those applied in the financial year ended 30 June 2012. However, following a change in accounting policy by OUTsurance in the second half of the financial year ended 30 June 2012, the prior period comparatives for the six months ended 31 December 2011 have been restated to conform to the accounting policy now in force.
- A reconciliation of the adjustments made to restate the prior period comparatives and to derive normalised earnings is presented in the accompanying schedules.

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

## The RMI group at a glance

After the March 2011 re-structuring and further subsequent acquisitions, the interests of RMI comprise an investment portfolio of South Africa's premier insurance brands:

- **Discovery Limited** ("Discovery") (effective interest: 26.7%)  
Discovery services the healthcare funding and insurance markets in South Africa, the United Kingdom, United States and China. As a pre-eminent developer of integrated financial services products, it operates under a number of brand names, the more important of which are **Discovery Health, Discovery Life, Discovery Invest, Discovery Insure, Discovery Card, Vitality, PruHealth, PruProtect and Ping An Health.**
- **MMI Holdings Limited** ("MMI") (effective interest: 25.2%)  
MMI was formed from the merger of Momentum and Metropolitan, both sizeable insurance-based financial services players in South Africa to create South Africa's third largest insurer. 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.
- **OUTsurance Holdings Limited** ("OUTsurance") (effective interest: 85.3%)  
**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. **Youi**, its direct personal lines initiative in Australia, and its South African direct life insurance business have reached critical mass and are fast gaining traction.
- **RMB Structured Insurance Limited** ("RMBSI") (effective interest: 79.1%)  
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 part owns a portfolio of underwriting management agencies.

## Operating environment

For the six months to 31 December 2012 the South African macro and socio economic environment remained challenging:

- Initially, potential global macro-economic concerns such as the breakup of the euro zone, a hard landing in China and the possibility of significant fiscal contraction in the USA weighed heavily on sentiment.
- As these subsided, South African issues, including labour market action, growing domestic economic imbalances and sovereign rating downgrades introduced a new set of uncertainties.

Our economy showed signs of slowing in the early part of the period, prompting the SARB to lower the repo rate by a further 50 bps. Industrial action also exacerbated the downward pressure on economic activity. This, and reports indicating that South Africa's current account deficit had widened markedly, resulted in a weaker Rand and inflation started to trend upwards. The combination of these developments resulted in a number of rating agencies downgrading South Africa's sovereign rating.

Equity markets rose strongly during the reporting period while long bond interest rates closed slightly lower. Overall consumer confidence remained fragile and employment levels continued to be under pressure. Despite some positive economic signals, local operating conditions remained challenging.

At the 30 June 2012 year-end we cautioned that for our short-term insurance interests "the exceptionally favourable claims experience of the recent past can be expected to normalise" without realising how prescient such view would prove to be. In the last six months our short-term insurance operations experienced the most severe weather related catastrophes in their history.

## Overview of results

Notwithstanding such uncertain backdrop, all of the businesses in which RMI is invested produced gratifying results for the half year, with strong positive growth in normalised earnings being recorded by Discovery, MMI and RMBSI:

### Normalised earnings

	31 December Unaudited	Restated 31 December Unaudited		30 June Audited
R million	2012	2011	% change	2012
Discovery	1 349	1 125	20	2 316
MMI	1 501	1 294	16	2 955
OUTsurance	493	548	(10)	1 157
RMBSI	55	5	>100	96

RMI's attributable share of this outcome for the six months ended 31 December 2012 was as follows:

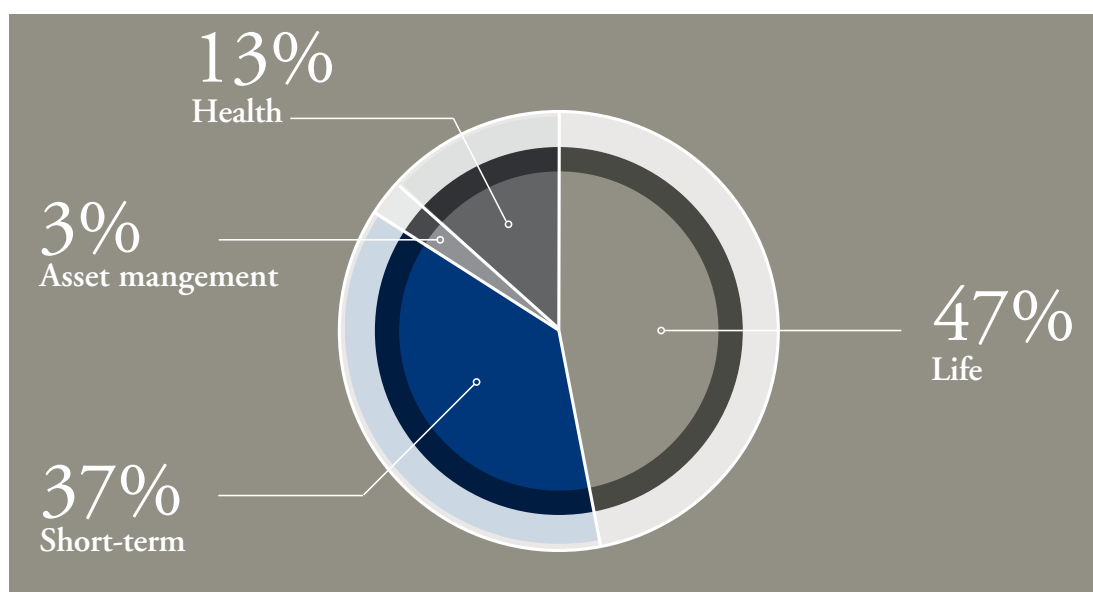
	31 December Unaudited	Restated 31 December Unaudited		30 June Audited
R million	2012	2011	% change	2012
<b>Normalised earnings from:</b>				
Discovery	337	281	20	579
MMI	368	323	14	746
OUTsurance	412	494	(17)	1 010
RMBSI	42	4	>100	74
	1 159	1 102	5	2 409
Funding and holding company costs	(22)	(22)		(39)
<b>Normalised earnings</b>	<b>1 137</b>	<b>1 080</b>	<b>5</b>	<b>2 370</b>

The relative under contribution from OUTsurance is due to the sale by RMI of a 7% interest to the OUTsurance management team between the two periods. Thus, in the current period some 83% of OUTsurance's normalised earnings are attributable to RMI while in the prior period 90% of its normalised earnings accrued to RMI.

The gross interim dividend of 40.0 cents per ordinary share increased by 33% and is covered 1.9 times by the normalised earnings (2011: 2.4 times).

### Sources of income

Predominantly sourced from Southern Africa, RMI's well-diversified income stream is drawn from the full spectrum of insurance business.



## Intrinsic value

The group's intrinsic value reflected the recovery in financial sector equity values experienced over the period.

As at	31 December			30 June
R million	2012	2011	% change	2012
Market value of interest in:				
– Discovery	9 207	6 440	43	7 699
– MMI	8 701	6 697	30	7 050
Directors' valuation of interests in unlisted subsidiaries	11 223	8 736	28	10 506
Total market and directors' valuation	29 131	21 873	33	25 255
Net (liabilities)/assets of holding company	(90)	(353)	75	214
<b>Total intrinsic value</b>	<b>29 041</b>	<b>21 520</b>	<b>35</b>	<b>25 469</b>
Intrinsic value per RMI share (cents)	1 955	1 448	35	1 714
RMI share price (cents)	2 058	1 340	54	1 737
RMI market capitalisation	30 575	19 908	54	25 806
Premium/(discount) to intrinsic value	5.3%	(7.5%)		1.3%

## Interim dividend payment

RMI follows a stated intention of returning net dividends (after providing for funding and operational costs incurred at the centre) received by it in the ordinary course of business to shareholders.

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

Having due regard to the interim dividends receivable from our underlying investments and applying the dividend practice outlined above, the board of RMI has resolved to declare a gross interim dividend of 40.0 cents per ordinary share (2011: 30.0 cents). Such dividend is covered 1.9 times by normalised earnings per share (2011: 2.4 times).

Dividend Withholding Tax ("DWT") at a rate of 15% is levied on dividends paid to shareholders who are not exempt from DWT. RMI has accumulated Secondary Tax on Companies ("STC") credits amounting to 0.18278 cents per ordinary share that can be used to reduce the DWT liability arising. The net dividend after DWT for shareholders who are not exempt from DWT is therefore 34.02742 cents per ordinary share.

## Outlook for the coming year

The difficult macro-economic environment is expected to continue for the rest of the financial year ending 30 June 2013. Growth in new insurance business volumes will remain dependent on the economic environment, including a recovery in employment and stronger disposable income levels.

- Discovery believes that its efforts over the last six months strongly positions it for continued growth into the future.
- At MMI the merger integration process is largely complete and the shift of focus to growth initiatives bodes well for the future.
- OUTsurance has literally weathered the proverbial storm. It suffered further significant weather claims in Australia after the end of the current reporting period resulting from tropical storm Oswald. While earnings growth in the second half of the year is likely to be subdued, it is well positioned for the future.

The quality of RMI's investments and their respective strategies should underpin the group's ability to provide us, as shareholders, with sustainable superior returns in future.

During the period Niall Carroll resigned from the board as an alternate director. We thank him for his input during the period that he served on the RMI board and wish him well. Royal Bafokeng Holdings recently proposed Obakeng Phetwe as its representative on the board. We extend a warm welcome to him as well as to Albertinah Kekana, his alternate, and look forward to working with them in future.

For and on behalf of the board



GT Ferreira  
Chairman

Sandton

7 March 2013



P Cooper  
Chief executive officer

## Cash dividend declaration

Notice is hereby given that a gross interim dividend of 40.0 cents per ordinary share payable out of income reserves was declared on 7 March 2013 in respect of the six months ended 31 December 2012.

RMI has utilised STC credits amounting to 0.18278 cents per ordinary share. The balance of the dividend will be subject to DWT at a rate of 15%, which will result in a net dividend of 34.02742 cents per ordinary share for those shareholders who are not exempt from DWT. RMI'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 1 049 001 redeemable preference shares.

Shareholders' attention is drawn to the following important dates:

Last day to trade in order to participate in this dividend	Wednesday, 27 March 2013
Shares commence trading "ex dividend" on	Thursday, 28 March 2013
The record date for the dividend payment will be	Friday, 5 April 2013
Dividend payment date	Monday, 8 April 2013

No de-materialisation or re-materialisation of share certificates may be done between Thursday, 28 March 2013 and Friday, 5 April 2013 (both days inclusive).

*By order of the board*

JS Human

Company secretary

7 March 2013

## REVIEW OF INVESTMENT PERFORMANCE

### Discovery

Discovery's performance over the six months to 31 December 2012 was excellent and saw:

- growth in new business annualised premium income of 12% to R5.11 billion; and
- normalised headline earnings increasing by 20% to R1.35 billion.

The period was noteworthy for its greater diversification of new business and earnings underpinned by the outstanding performance from the United Kingdom (UK) businesses which contributed 14% (R283 million) to Discovery's normalised profit before taxation. The group's embedded value grew by 18% to R33.4 billion on the back of the strong new business growth in the UK and positive experience variances across all businesses.

RMI included R337 million (2011: R 281 million) of Discovery's earnings in its normalised earnings for the six month period.

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

### MMI

The operating environment for the period under review remained fragile for MMI. Notwithstanding this, it produced satisfying results, with:

- 4% growth in new business annualised premium income to R2.43 billion;
- core headline earnings increasing by 16% to R1.5 billion; and
- group embedded value of R33.5 billion, generating an annualised return of 20%.

The Momentum / Metropolitan merger integration is progressing well with the strategic focus of the group having shifted from integration to growth initiatives. To date merger savings of R256 million have been recorded and the targeted savings of R500 million per annum remain on track.

RMI included R368 million (2011: R323 million) of MMI's earnings in its normalised earnings for the six month period.

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

### OUTsurance

During the six months under review OUTsurance experienced the most severe weather related catastrophes in its history. However, a well structured re-insurance strategy resulted in some 80% of the R180 million hail storm related claims being ceded to re-insurers. Considering the impact of these catastrophes, OUTsurance produced a satisfactory financial performance with:

- gross written premium increasing 23% to R3.95 billion; while
- the decline in normalised earnings was limited to 10%;
- the interim dividend increased by 20%; and
- OUTsurance achieved a 36% return on equity.

Notwithstanding the weak economy and elevated levels of competition in South Africa, new business volumes showed improvement.



Youi, the start-up venture in Australia (launched in 2008), delivered an excellent operational performance and its strong premium growth contributed significantly to the 23% increase in the group's premium income, while its claims ratios were maintained within long-term target ratios.

RMI included R412 million (restated 2011: R494 million) of OUTsurance's earnings in its normalised earnings for the six month period.

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

## **RMBSI**

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 is beginning to bear fruit and the business mix is trending in the right direction.

Normalised earnings for the period amounted to R55 million (2011: R5 million) as a result of a significant realisation on the unwinding of a customer portfolio.

RMI included R42 million (2011: R4 million) of RMBSI's earnings in its normalised earnings for the six month period.

## SUMMARISED CONSOLIDATED INCOME STATEMENT

	31 December Unaudited	Restated 31 December Unaudited		30 June Audited
R million	2012	2011	% change	2012
Earned premiums net of reinsurance	3 670	3 286	12	6 661
Fee income	67	59	14	119
Investment income	234	201	16	569
Realised gains	42	—		—
Net fair value gains on financial assets	479	128	>100	209
Income	4 492	3 674	22	7 558
Net claims paid	(2 157)	(1 508)	43	(2 581)
Investment contract benefits and insurance provisions	(259)	(189)	37	(677)
Fair value adjustment to financial liabilities	(85)	(106)	(20)	(220)
Acquisition, marketing and administration expenses	(1 151)	(955)	21	(1 971)
Operating profit	840	916	(8)	2 109
Finance costs	(66)	(66)		(138)
Share of after tax results from associate companies	685	503	36	975
Profit before taxation	1 459	1 353	8	2 946
Taxation	(224)	(337)	(34)	(517)
<b>Profit for the period</b>	<b>1 235</b>	<b>1 016</b>	<b>22</b>	<b>2 429</b>
Attributable to:				
Equity holders of RMI	1 146	969	18	2 248
Non-controlling interests	89	47	89	181
<b>Profit for the period</b>	<b>1 235</b>	<b>1 016</b>	<b>22</b>	<b>2 429</b>

## COMPUTATION OF HEADLINE EARNINGS

	31 December Unaudited	Restated 31 December Unaudited		30 June Audited
R million	2012	2011	% change	2012
Earnings attributable to equity holders	1 146	969	18	2 248
RMI's share of headline earnings adjustments made by associates:	(1)	(17)		(57)
Realised profit on sale of available-for-sale financial assets	(1)	(22)		(19)
Goodwill and other impairments	—	5		17
Profit on step-up of associate	—	—		(54)
Profit on sale of business	—	—		(1)
Profit on sale of subsidiary	(26)	—		—
Loss on dilution of shareholding	4	—		208
Realised loss on sale of available-for-sale financial assets	—	—		4
Impairment of available-for-sale reserve	—	—		7
<b>Headline earnings attributable to equity holders</b>	<b>1 123</b>	<b>952</b>	<b>18</b>	<b>2 410</b>

## SOURCES OF HEADLINE EARNINGS

	31 December Unaudited	Restated 31 December Unaudited		30 June Audited
R million	2012	2011	% change	2012
<b>Headline earnings from:</b>				
Discovery	330	274	20	569
MMI	350	208	68	550
OUTsurance	421	488	(14)	1 261
RMBSI	44	4	>100	76
	1 145	974	18	2 456
Funding and holding company costs	(22)	(22)		(46)
<b>Headline earnings</b>	<b>1 123</b>	<b>952</b>	<b>18</b>	<b>2 410</b>

## COMPUTATION OF NORMALISED EARNINGS

The group believes that normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non-operational items and accounting anomalies.

	31 December Unaudited	Restated 31 December Unaudited		30 June Audited
R million	2012	2011	% change	2012
Headline earnings attributable to equity holders	1 123	952	18	2 410
RMI's share of normalised adjustments made by associates:	38	136		230
Amortisation of intangible assets relating to business combinations	87	79		152
Basis and other changes and investment variances	(3)	40		76
Finance costs raised on puttable non-controlling interest financial liability	20	19		38
Net realised and fair value gains on excess	(58)	(24)		(65)
BEE costs and share based expenses	–	6		–
STC	–	23		37
Other	(8)	(7)		(8)
Recognition of deferred tax asset on assessed losses	–	24		(214)
Earnings of subsidiary held for sale	–	(6)		(10)
STC	–	–		7
Group treasury shares	(24)	(26)		(53)
<b>Normalised earnings attributable to equity holders</b>	<b>1 137</b>	<b>1 080</b>	<b>5</b>	<b>2 370</b>

## SOURCES OF NORMALISED EARNINGS

	31 December Unaudited	Restated 31 December Unaudited		30 June Audited
R million	2012	2011	% change	2012
<b>Normalised earnings from:</b>				
Discovery	337	281	20	579
MMI	368	323	14	746
OUTsurance	412	494	(17)	1 010
RMBSI	42	4	>100	74
	1 159	1 102	5	2 409
Funding and holding company costs	(22)	(22)		(39)
<b>Normalised earnings</b>	<b>1 137</b>	<b>1 080</b>	<b>5</b>	<b>2 370</b>

## COMPUTATION OF EARNINGS PER SHARE

	31 December Unaudited	Restated 31 December Unaudited		30 June Audited
R million	2012	2011	% change	2012
Earnings attributable to equity holders	1 146	969	18	2 248
Headline earnings attributable to equity holders	1 123	952	18	2 410
Number of shares in issue (millions)	1 486	1 486		1 486
Weighted average number of shares in issue (millions)	1 483	1 481		1 481
Earnings per share (cents)	77.3	65.4	18	151.8
Diluted earnings per share (cents)*	77.0	65.3	18	150.7
Headline earnings per share (cents)	75.7	64.3	18	162.8
Diluted headline earnings per share (cents)*	75.4	64.2	17	161.8
<b>Dividend per share (cents)</b>				
Interim	40.0	30.0	33	30.0
Final	–	–		105.0
– Normal	–	–		50.0
– Special	–	–		55.0
<b>Total</b>	<b>40.0</b>	<b>30.0</b>	<b>33</b>	<b>135.0</b>
Dividend cover (normal dividend relative to headline earnings)	1.9	2.1		2.0

\* The diluted earnings calculations give cognisance to the adjustments made by Discovery and MMI in similar calculations. These adjustments have no impact on RMI's diluted weighted average number of shares.

**COMPUTATION OF NORMALISED EARNINGS PER SHARE**

	31 December Unaudited	Restated 31 December Unaudited		30 June Audited
	2012	2011	% change	2012
Weighted average number of shares in issue (millions)	1 486	1 486		1 486
Normalised earnings per share (cents)	76.5	72.7	5	159.5
Diluted normalised earnings per share (cents)	76.3	72.2	6	157.8
Dividend cover (normal dividend relative to normalised earnings)	1.9	2.4		2.0

**SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	31 December Unaudited	Restated 31 December Unaudited		30 June Audited
R million	2012	2011	% change	2012
Profit for the period	1 235	1 016	22	2 429
Other comprehensive income, net of taxation				
Items that may be subsequently reclassified to income:				
Currency translation differences	42	80	(48)	77
Fair value movement on available-for-sale financial assets	26	25	4	7
Share of other comprehensive income of associates:				
Items that may be subsequently reclassified to income	64	86	(26)	121
Items that will not be reclassified to income	13	8	63	13
Other comprehensive income for the period	145	199	(27)	218
<b>Total comprehensive income for the period</b>	<b>1 380</b>	<b>1 215</b>	<b>14</b>	<b>2 647</b>
Total comprehensive income attributable to:				
Equity holders of RMI	1 281	1 159	11	2 459
Non-controlling interests	99	56	77	188
<b>Total comprehensive income for the period</b>	<b>1 380</b>	<b>1 215</b>	<b>14</b>	<b>2 647</b>

## SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	31 December Unaudited	Restated 31 December Unaudited	30 June Audited
R million	2012	2011	2012
<b>Assets</b>			
Property and equipment	442	290	413
Goodwill and other intangible assets	55	20	50
Investments in associate companies	10 061	9 600	9 864
Financial assets	7 244	7 266	7 603
Loans and receivables including insurance receivables	1 208	386	998
Taxation	7	–	–
Deferred acquisition cost	30	38	32
Reinsurance contracts	335	287	273
Deferred taxation	444	162	441
Disposal group held for sale	–	–	211
Cash and cash equivalents	2 457	2 463	2 462
<b>Total assets</b>	<b>22 283</b>	<b>20 512</b>	<b>22 347</b>
<b>Equity</b>			
Share capital and premium	13 615	13 619	13 614
Reserves	(693)	(1 558)	(430)
Capital and reserves attributable to equity holders of the company	12 922	12 061	13 184
Non-controlling interests	545	343	626
<b>Total equity</b>	<b>13 467</b>	<b>12 404</b>	<b>13 810</b>
<b>Liabilities</b>			
Insurance contracts	4 532	3 812	3 710
Financial liabilities	3 246	3 523	3 730
Payables and provisions	710	529	700
Deferred taxation	311	190	324
Taxation	17	54	14
Disposal group held for sale	–	–	59
<b>Total liabilities</b>	<b>8 816</b>	<b>8 108</b>	<b>8 537</b>
<b>Total equity and liabilities</b>	<b>22 283</b>	<b>20 512</b>	<b>22 347</b>

**SUMMARISED STATEMENT OF CHANGES IN EQUITY**

Unaudited R million	Share capital and premium	Equity accounted reserves	Trans- actions with non- controlling interests	Other non- distributable reserves	Retained earnings	Non- controlling interest	Total equity
<b>Balance as at 1 July 2011</b>							
– As originally stated	13 571	(117)	(2 657)	23	202	281	11 303
– Change in accounting policy	–	–	305	–	17	29	351
<b>Balance as at 1 July 2011 as restated</b>	13 571	(117)	(2 352)	23	219	310	11 654
Total comprehensive income for the period	–	94	–	96	969	56	1 215
Dividends paid	–	–	–	–	(501)	(37)	(538)
Sale of shares in subsidiary	–	–	10	–	–	5	15
Reserve movements relating to subsidiaries	–	–	–	22	(23)	9	8
Reserve movements relating to associates	–	(3)	–	–	–	–	(3)
Income of associate companies retained	–	183	–	–	(183)	–	–
Movement in treasury shares	48	5	–	–	–	–	53
<b>Balance at 31 December 2011</b>	13 619	162	(2 342)	141	481	343	12 404
<b>Balance at 1 July 2012</b>	13 614	420	(2 071)	88	1 133	626	13 810
Total comprehensive income for the period	–	77	–	57	1 146	99	1 379
Dividends paid	–	–	–	–	(1 560)	(123)	(1 683)
Sale of subsidiary	–	–	–	(1)	(1)	(76)	(78)
Reserve movements relating to subsidiaries	–	–	–	6	(16)	19	9
Reserve movements relating to associates	–	23	–	–	–	–	23
Income of associate companies retained	–	79	–	–	(79)	–	–
Movement in treasury shares	1	6	–	–	–	–	7
<b>Balance at 31 December 2012</b>	13 615	605	(2 071)	150	623	545	13 467

## SEGMENT REPORT

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

R million	Discovery Unaudited	MMI Unaudited	OUTsurance Unaudited	RMBSI Unaudited	Other (1) Unaudited	RMI group Unaudited
<b>Six months ended 31 December 2012</b>						
Share of after tax results from associate companies	331	369	6	–	(21)	685
Operating profit	–	–	776	67	(3)	840
Finance costs	–	–	–	(11)	(55)	(66)
<b>Profit before taxation</b>	331	369	782	56	(79)	1 459
Taxation	–	–	(220)	(1)	(3)	(224)
<b>Profit for the period</b>	331	369	562	55	(82)	1 235
<b>Normalised earnings</b>	337	368	493	55	(116)	1 137
Assets	–	–	6 975	4 618	574	12 167
Investments in associates	4 235	5 798	18	10	–	10 061
Intangible assets	–	–	51	1	3	55
<b>Total assets</b>	4 235	5 798	7 044	4 629	577	22 283
<b>Total liabilities</b>	–	–	3 518	4 226	1 072	8 816
<b>Six months ended 31 December 2011 – Restated</b>						
Share of after tax results from associate companies	293	212	4	–	(6)	503
Operating profit	–	–	898	41	(23)	916
Finance costs	–	–	(1)	(28)	(37)	(66)
<b>Profit before taxation</b>	293	212	901	13	(66)	1 353
Taxation	–	–	(339)	(8)	10	(337)
<b>Profit for the period</b>	293	212	562	5	(56)	1 016
<b>Normalised earnings</b>	281	323	548	5	(77)	1 080
Assets	–	–	6 252	4 272	368	10 892
Investments in associates	3 687	5 899	14	–	–	9 600
Intangible assets	–	–	17	1	2	20
<b>Total assets</b>	3 687	5 899	6 283	4 273	370	20 512
<b>Total liabilities</b>	–	–	2 642	3 964	1 502	8 108

(1) "Other" includes RMI, consolidation of treasury shares and other consolidation entries.



**GEOGRAPHICAL SEGMENTS**

R million	South Africa Unaudited	Australia Unaudited	Total Unaudited
<b>Six months ended 31 December 2012</b>			
Profit before taxation	1 529	(70)	1 459
Taxation	(245)	21	(224)
<b>Profit for the period</b>	<b>1 284</b>	<b>(49)</b>	<b>1 235</b>
<b>Total assets</b>	<b>19 956</b>	<b>2 327</b>	<b>22 283</b>
<b>Total liabilities</b>	<b>7 282</b>	<b>1 534</b>	<b>8 816</b>
<b>Six months ended 31 December 2011 – Restated</b>			
Profit before taxation	1 439	(86)	1 353
Taxation	(343)	6	(337)
<b>Profit for the period</b>	<b>1 096</b>	<b>(80)</b>	<b>1 016</b>
<b>Total assets</b>	<b>19 106</b>	<b>1 406</b>	<b>20 512</b>
<b>Total liabilities</b>	<b>7 311</b>	<b>797</b>	<b>8 108</b>

**SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS**

R million	31 December Unaudited	Restated 31 December Unaudited	30 June Audited
	2012	2011	2012
Cash available from operating activities	2 056	1 661	1 957
Dividends paid	(1 560)	(501)	(946)
Investment activities	261	(1 050)	(936)
Financing activities	(789)	(179)	(205)
Net decrease in cash and cash equivalents	(32)	(69)	(130)
Unrealised foreign currency translation adjustments	27	76	143
Cash and cash equivalents included under disposal group held for sale	–	–	(7)
Cash and cash equivalents at the beginning of the period	2 462	2 456	2 456
<b>Cash and cash equivalents at the end of the period</b>	<b>2 457</b>	<b>2 463</b>	<b>2 462</b>

## CHANGE IN ACCOUNTING POLICY

The accounting policies applied in the preparation of the summarised financial results for the six months ended 31 December 2012 are consistent with those applied in the financial year ended 30 June 2012. However, OUTsurance had changed its accounting policy in respect of the provision for non-claims bonuses in the second half of the financial year ended 30 June 2012. As a result of the timing of this change in accounting policy, the comparative numbers for the six months ended 31 December 2011 were restated in line with the new accounting policy.

The previous accounting policy for the provision of non-claims bonuses used the historic and expected claims frequencies in deriving the best estimate for the provision. Due to the fact that OUTsurance had built up a long track record of client cancellation data, an analysis had been performed in the second half of the financial year ended 30 June 2012 to determine the impact of client cancellations on the non-claims bonus provision. A risk margin had also been incorporated into the estimate of the provision to allow for the inherent uncertainty of a provision of this nature.

The effect of this change in accounting policy is as follows:

### Statement of financial position

R million	31 December 2011
<b>Assets</b>	
Decrease in deferred taxation	(151)
<b>Total restatement of assets</b>	<b>(151)</b>
<b>Equity and liabilities</b>	
Increase in retained earnings	52
Increase in transactions with non-controlling interests reserve	305
Increase in non-controlling interest	33
Decrease in insurance contract liabilities	(541)
<b>Total restatement of equity and liabilities</b>	<b>(151)</b>
<b>Income statement</b>	
Decrease in cash bonuses on insurance contracts expense	54
Increase in deferred taxation	(15)
Increase in non-controlling interest	(4)
<b>Increase in profit attributable to equity holders for the period</b>	<b>35</b>

## INTEREST IN GROUP ENTITIES

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 31 December 2012 the effective interest held by RMI can be compared to the actual interest in the statutory issued share capital of the companies as follows:

	Effective 31 December 2012	Actual	Effective 31 December 2011	Actual
Discovery	26.7%	25.0%	26.7%	25.0%
MMI	25.2%	25.0%	26.3%	26.0%
OUTsurance	85.3%	83.4%	92.3%	89.9%
RMBSI	79.1%	76.4%	80.5%	76.4%

## ADMINISTRATION

### Rand Merchant Insurance Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number: 2010/005770/06)

JSE ordinary share code: RMI

ISIN code: ZAE000153102

### Directors

GT Ferreira (Chairman), P Cooper (CEO), L Crouse (appointed 17 September 2012), LL Dippenaar, JW Dreyer, JJ Durand, PM Goss, PK Harris, TV Mokgatlha, O Phetwe (appointed 6 February 2013), (Ms) SEN Sebotsa and KC Shubane.

Alternates: NDJ Carroll (resigned 31 October 2012) and (Ms) A Kekana (appointed 6 February 2013).

### Secretary and registered office

JS Human CA(SA)

#### Physical address:

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

#### Postal address:

PO Box 786273, Sandton, 2146 Telephone: +27 11 282 8166 Telefax: +27 11 282 4210

#### Web address:

[www.rminsurance.co.za](http://www.rminsurance.co.za)

### Sponsor

(in terms of JSE Limited Listings Requirements)

#### Rand Merchant Bank (a division of FirstRand Bank Limited)

#### Physical address:

1 Merchant Place, corner of Fredman Drive and Rivonia Road, Sandton, 2196

### Transfer secretaries

#### Computershare Investor Services Proprietary Limited

#### Physical address:

Ground Floor, 70 Marshall Street, Johannesburg, 2001

#### Postal address:

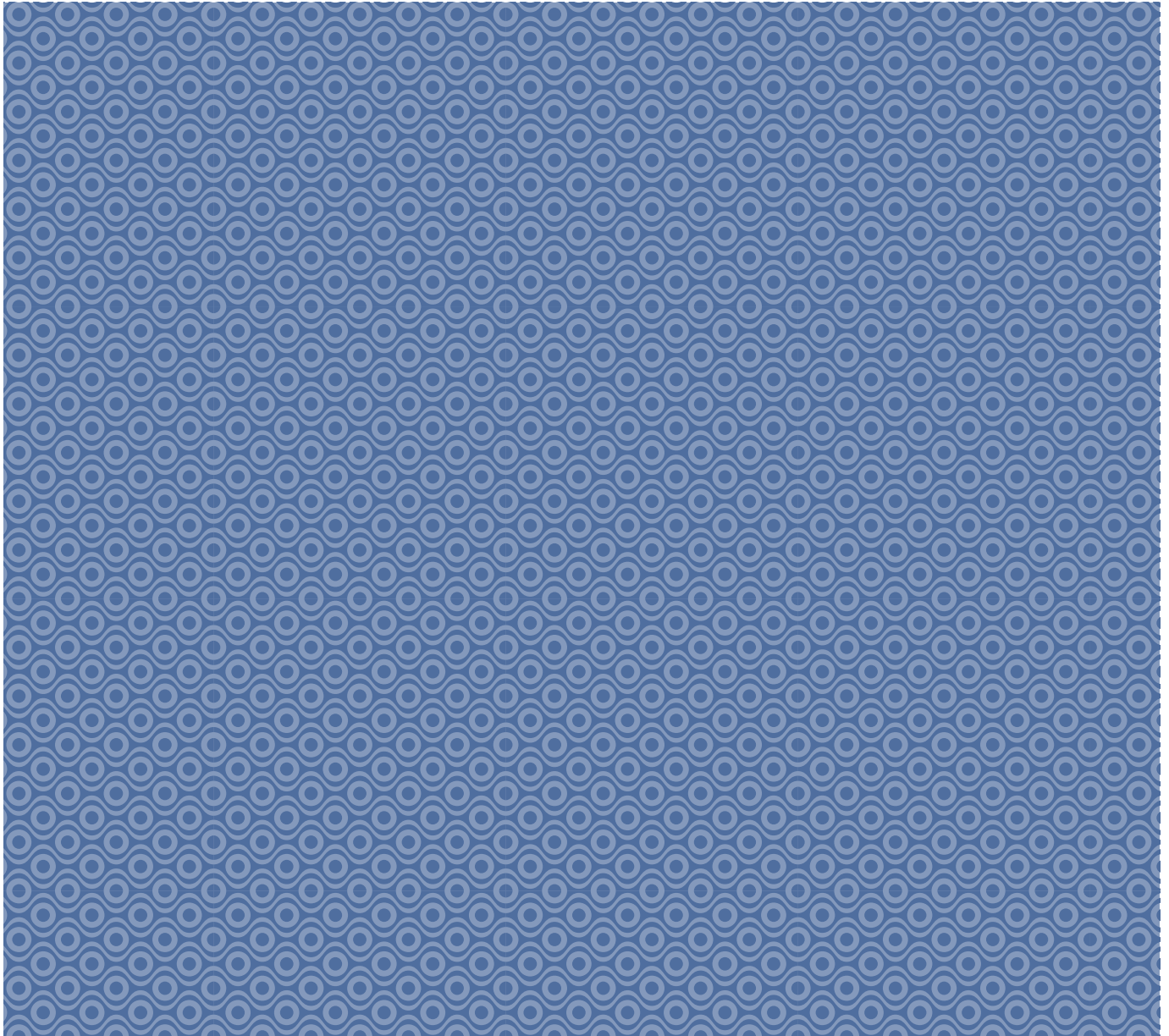
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