2021

AUDITED SUMMARY FINAL RESULTS ANNOUNCEMENT AND CASH DIVIDEND DECLARATION

for the year ended 30 June

FOCUS • COLLABORATE • GROW

RMI

CONTENTS

Basis of preparation

This announcement covers the audited summary financial results of Rand Merchant Investment Holdings Limited (RMI or the group), based on International Financial Reporting Standards (IFRS) for the year ended 30 June 2021.

The primary results and accompanying commentary are presented on a normalised basis as we believe this most accurately reflects the group's underlying economic performance. The normalised earnings have been derived from the audited IFRS financial results. A reconciliation of the adjustments made to derive normalised earnings is presented in the accompanying schedules. Refer to **page 28**.

Schalk Human MCom (Acc) CA(SA) prepared these financial results under the supervision of Herman Bosman LLM CFA.

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office.

The directors take full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying annual financial statements.

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

NAVIGATION WITHIN THIS ANNOUNCEMENT

Indicates further information available on our website, **www.rmih.co.za.**

Directs readers to the **page** in this announcement with supplementary information.

VALUE CREATED

for the year ended 30 June 2021

RMI measures the execution of its strategy through the creation of discernible value. Notwithstanding the challenging macro-economic environment, as well as the ongoing COVID-19 pandemic and its impact on our businesses, the group has been able to produce pleasing earnings results, which reflect the growth in the underlying value of our investments.

COMPOUND SHAREHOLDERS' RETURN

15.7% per annum

since listing in 2011

GROWTH IN TOTAL SHAREHOLDERS' EQUITY

9.2% per annum

since listing in 2011

NORMALISED EARNINGS

↑ 15%

R3 545 million

(2020: R3 086 million)

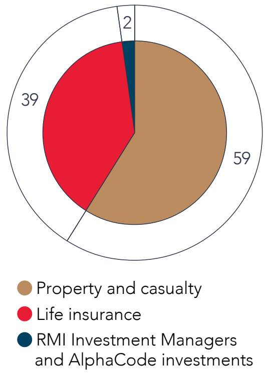
HEADLINE EARNINGS

↑ 50%

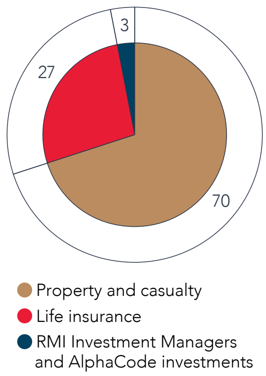
R2 929 million

(2020: R1 956 million)

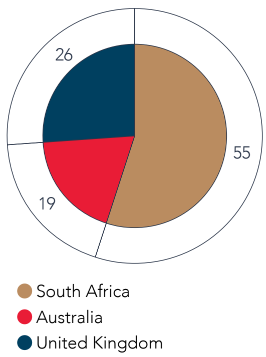
SECTORAL COMPOSITION OF GROSS PORTFOLIO VALUE



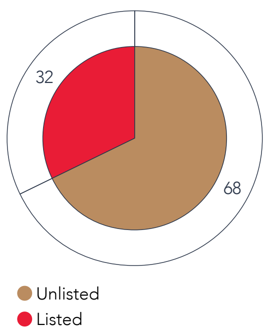
SECTORAL COMPOSITION OF NORMALISED EARNINGS



GEOGRAPHIC REACH OF INVESTMENTS



LISTED/UNLISTED SOURCE OF NORMALISED EARNINGS



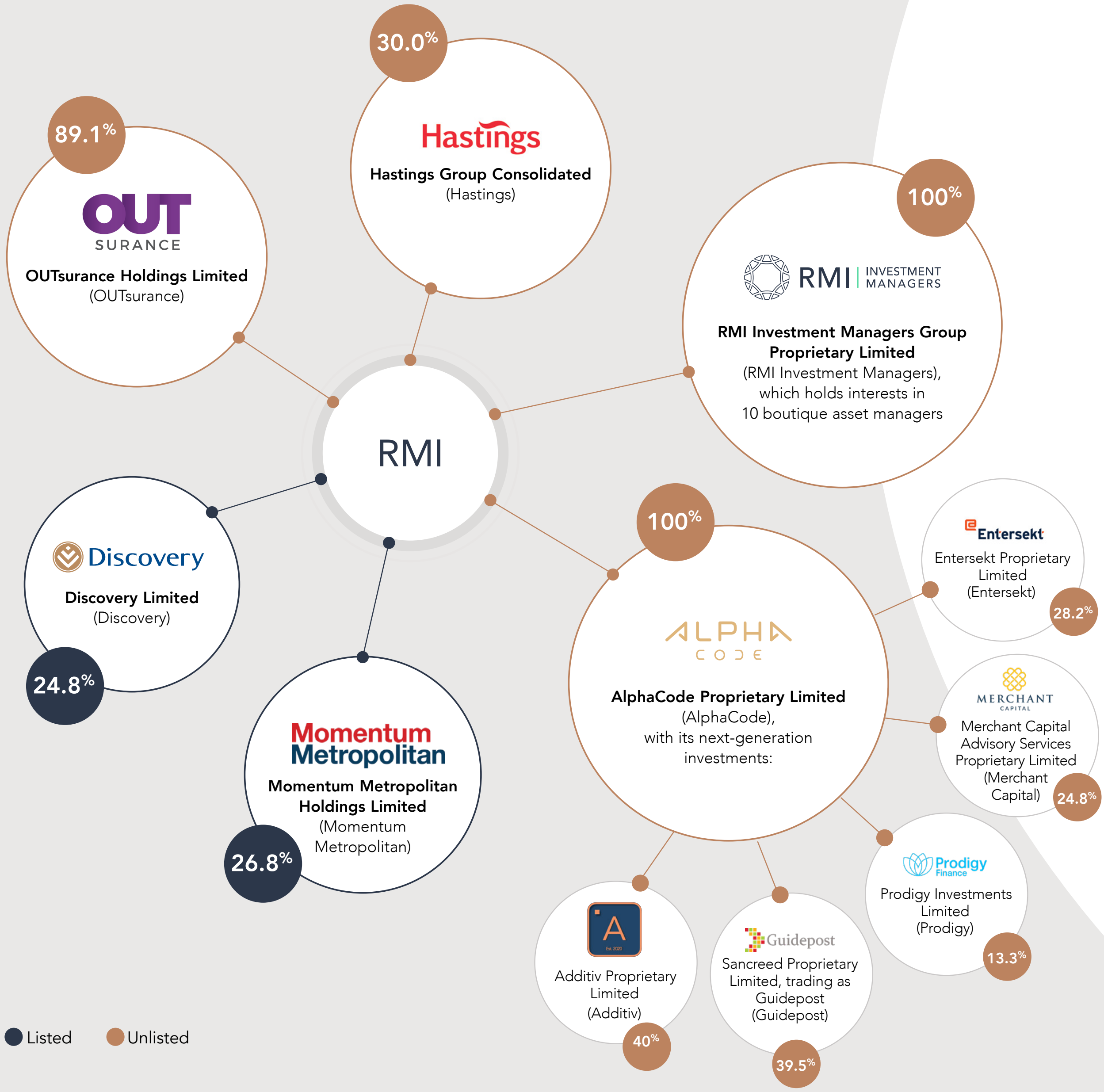
ABOUT RMI

RMI is an investment holding company listed on the JSE Limited (JSE) with a proud track record of investing in dynamic, disruptive financial services businesses, underpinned by our core values and culture of partnership, excellence, impact and creativity.

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

As an active and responsible owner, RMI contributes to the development of responsible, competitive companies and enables growth and societal development. We practise active ownership through our participation in the boards and board committees of our investee companies and by engaging in ongoing dialogue with our investees.

RMI's portfolio comprises the following investments in financial services businesses:



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 25**.

RMI'S INVESTMENTS

RMI's significant investments as at 30 June 2021:

	OUTsurance	Hastings	Discovery	Momentum Metropolitan
Listed or unlisted	**Unlisted**	**Unlisted**	**JSE-listed**	**JSE-listed**
MARKET CAPITALISATION/ INTERNAL VALUATION (100%)	R39.1 billion[1]	R32.6 billion	R84.1 billion	R29.2 billion
RMI's INTEREST	89.1%	30.0%	24.8%	26.8%
RMI's RANKING AS SHAREHOLDER	1st	2nd	1st	1st
MARKET VALUE/ INTERNAL VALUATION OF RMI's INTEREST	R35.4 billion	R9.3 billion[2]	R20.8 billion	R7.8 billion
SHARE OF RMI PORTFOLIO BASED ON MARKET/ INTERNAL VALUE	47%	12%	28%	11%
NORMALISED EARNINGS (100%)	R2 779 million	R2 066 million	R3 406 million	R1 007 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).

Unlisted investments

OUTsurance provides life- and property and casualty (P&C) insurance products in South Africa and P&C 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 reward system pioneered by OUTsurance in South Africa.

Youi is a sister P&C insurance company of OUTsurance that operates in Australia. It follows the same client-orientated approach that has made OUTsurance successful in South Africa and is underwritten by OUTsurance. Youi is primarily geared to selling insurance for cars, buildings, contents and business liability directly to consumers through an interactive website. It also operates a call centre to offer prospective and current clients professional personal advice.

Youi.Rewards is a loyalty bonus that rewards policyholders with a cash payout after being a client for three years and every three years thereafter, even if they claim.

Refer to **page 19** for further information on OUTsurance's performance in the past year.

Hastings is a technology-led challenger to traditional insurers in the United Kingdom (UK) car, van, bike and home insurance market. It is an expert in digital and price comparison distribution, and relies on high digitisation of the customer experience in order to drive client retention.

Hastings provides a simple financial model with low cost, stable and diversified underwriting and retail income and is a highly cash-generative business. It has more than three million live client policies and is a multi-award-winning business.

RMI holds the Hastings interest through Main Street 1353 Proprietary Limited (Main Street), an entity jointly owned by RMI and OUTsurance. The privatisation of Hastings in partnership with Sampo was completed in November 2020.

Refer to **page 21** for further information on Hastings' performance in the past year.

RMI Investment Managers is now in its fifth year of partnering with a select group of independent South African boutique asset management firms.

During December 2020, the business reached agreement to dispose of its 30% interest in Tantalum Capital to Laurium Capital. It continues to hold an economic interest in the merged entity through an agreed 24-month agterskot mechanism.

RMI Investment Managers and its shareholders recognise the importance of empowerment and playing a meaningful and active role in transforming the asset management industry in South Africa, through partnering and growing the next generation of significant investment management businesses. The strategic intent is therefore to solve for both distribution and empowerment through strategic partnerships with Momentum Metropolitan and Royal Bafokeng Holdings (RBH). Accordingly, agreement was reached with RBH to extend its empowerment partnership to a wider group of RMI Investment Managers' underlying affiliates. The business believes that this transaction will provide an important growth catalyst to its affiliates and assist them with becoming leading players in the South African asset management industry.

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

Royal Investment Managers is a joint venture between RMI Investment Managers and RBH.

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;
- **Prodigy,** an international fintech platform that offers loans to postgraduate students attending top universities; and
- **Additiv,** an accredited enterprise and supplier development vehicle, which facilitates business growth and provides seed funding to early-stage fintech (and related vertical) businesses. RMI was the seed investor in Additiv as part of its transformational objectives to support South Africa's entrepreneurial eco-system.

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, through **Additiv**, is actively seeking to fund early-stage new and dynamic, sustainable and scalable business models in the South African 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, including AlphaCode Incubate and AlphaCode Explore.

Listed investments

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

It operates in 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 demonstrated superior actuarial outcomes for the insurer and has driven behavioural changes that result in a healthier client base.

Refer to **page 22** for further information on Discovery's performance in the past year.

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

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 life and P&C 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 23** for further information on Momentum Metropolitan's performance in the past year.

PROPOSED STRATEGIC RESTRUCTURE OF RMI

Proposed unbundling and rights issue

RMI shareholders are referred to the separate SENS announcement, released simultaneously with this results announcement.

RMI's strategy is focused on being an active shareholder to a portfolio of principally life and P&C insurance businesses, which have an entrepreneurial and aspirational culture. More recently, RMI has deliberately focused on evolving its geographic and earnings mix to become an international P&C-biased insurance investor. In line with the ongoing execution of this strategy and consistent with RMI's objective of continuing to maximise shareholder value via optimal corporate structures, shareholders are advised that the board of RMI has resolved to restructure RMI's portfolio.

The restructure comprises the following indivisible elements:

- The distribution of all the shares held by RMI in its two listed, life insurance-focused assets, Discovery and Momentum Metropolitan, to RMI shareholders; and
- An equity capital raise of up to R6.5 billion by way of a *pro rata* rights issue by RMI to optimise its capital structure.

The RMI board believes that this restructure:

- Provides structural alignment to RMI's evolved strategy by creating a focused P&C investment group with exposure to, and influence over, unlisted insurers in South Africa, Australia and the United Kingdom via OUTsurance, Youi and Hastings, respectively;
- Will create an efficient and agile corporate structure with regulatory robustness which optimises the capital structure and enhances the dividend yield; and
- Will unlock material shareholder value through a reduction in the discount at which RMI currently trades to its underlying intrinsic value.

History of our relationship with Discovery and Momentum Metropolitan

RMI's association with Discovery and Momentum Metropolitan (historically through our sister company RMH and prior to the separate listing of the group's insurance businesses in 2011, that created RMI) dates back to the early 1990s. The group acquired a controlling interest in Momentum in 1992 and also provided Adrian Gore and Barry Swartzberg with the seed funding and life insurance license to build Discovery in 1993.

Throughout this journey, RMI has achieved significant success with Discovery and Momentum Metropolitan by acting as the cornerstone shareholder, enjoying a close partnership with Adrian Gore, Barry Swartzberg and Hillie Meyer and their respective management teams and boards.

RMI believes that this approach has driven growth and innovation at Discovery and Momentum Metropolitan which has, in turn, created some of the most iconic financial services brands and products in South Africa and delivered strong financial returns. Discovery and Momentum Metropolitan have delivered approximately 308% and 115% total return respectively since RMI's listing in 2011.

Discovery and Momentum Metropolitan are well-established businesses under the stewardship of leading management teams and boards. Both businesses have demonstrated the resilience of their underlying operations over many years, particularly over the course of the devastating COVID-19 pandemic. The unbundlings will have no impact on the respective solvency positions of these businesses.

RMI is working with the management partners in these businesses to ensure a co-ordinated and managed process to enable the businesses to continue to focus on their core growth strategies, while providing more efficient ownership for RMI shareholders.

PERFORMANCE AND OUTLOOK

Post the restructure, RMI will continue to position itself as a strategic, active and value-adding specialised investor focused on the P&C insurance segment. RMI will build on its track record of investing in dynamic companies with unique and disruptive business models and working with its management partners on long-term strategy, capital allocation, incentive structures, orderly succession planning, facilitating M&A, investment in growth opportunities and fostering collaboration, where appropriate.

RMI's focus post the unbundling, will exhibit a preference for unlisted businesses that are not otherwise accessible to investors which, over time, should result in a market capitalisation more reflective of the underlying intrinsic value of the portfolio as its management partners are able to flexibly drive long-term strategic opportunities outside of public market constraints and investment horizons.

Any future investment by RMI will be assessed against its strategy, undertaken within its capital management framework and in line with its financial return requirements. Further detail on RMI's future growth strategy and these criteria will be provided prior to the completion of the restructuring.

External environment

Our operating model, investment decisions and the results of our underlying portfolio companies are influenced by exogenous factors in our external environment which are characterised by the following trends:

The COVID-19 pandemic	The COVID-19 pandemic worsened in recent months, as the Delta variant of the virus spread to more countries and the total number of infections and deaths soared. Greater vaccine availability in some Western countries has raised hopes that renewed restrictions can be avoided. Health authorities and governments are, however, struggling to gain the cooperation of the wilfully unvaccinated. Meanwhile, in developing countries, vaccines are scarce and most populations are not properly protected.
Economic recovery	The International Monetary Fund (IMF) expects global economic growth to rebound to 5.5 % in 2021 and 4.2% in 2022, buoyed by additional policy stimulus and the continued roll-out of COVID-19 vaccines. The effects of the latest COVID-19 wave on the global economy remain to be seen and measured. Economic data has been positive on the whole, as economies have reopened. Consumer confidence indicators strengthened globally, with retail spending approaching pre-pandemic levels. Manufacturing continues to lead the recovery, but lately services have been expanding too. Trade momentum continues, especially as supply bottlenecks continue to open. Inflation is on the rise, stoked by renewed economic activity, government stimulus and residual supply dislocations from the pandemic restrictions in 2020. The consumer inflation rate is high and generally above the targets of central banks, except in the eurozone and China. The prices of commodities and industrial metals are high compared to prices in the pre-pandemic period. Official unemployment rates decreased in the eurozone. In the financial markets, stock indexes in the US and Europe continue to set record-high marks. Volatility indices have maintained a downward trajectory in recent weeks. The US dollar gained against other currencies.

Recovery in South Africa	GDP contracted by 7.2% in 2020. The recovery will be slow, with the National Treasury predicting real economic growth of 3.3% for 2021 moderating to 2.2% in 2022. The economy suffered a further setback with the recent civil unrest and looting that took place in July 2021. Although the economic recovery is expected to continue in 2021, output and employment are expected to remain well below pre-pandemic levels until 2023. Ratings agencies affirmed South Africa's long-term sovereign credit rating at BB-, which is three notches below investment grade. Structural constraints, the slow pace of economic reforms and low vaccination rates will continue to constrain medium-term economic growth and limit South African's ability to contain the debt-to-GDP ratio.
Recovery in the United Kingdom	The Organisation for Economic Co-operation and Development (OECD) projects strong GDP growth of 7.2% in 2021 and 5.5% in 2022 as a large share of the population is vaccinated and restrictions to economic activity are progressively eased. Growth is driven by a rebound of consumption, notably of services. GDP is expected to return to its pre-pandemic level in early 2022. Increased border costs following the exit from the EU Single Market will, however, continue to weigh on foreign trade. Unemployment is expected to peak at the end of 2021 as the Coronavirus Job Retention Scheme is withdrawn. Inflation is set to increase due to past increases in commodity prices and strong GDP growth, but should remain below the 2% inflation target.
Recovery in Australia	The OECD projects GDP to grow by 5.1% in 2021 and 3.4% in 2022, driven by domestic demand. Confidence is high and labour demand is strong. Rising incomes and a declining savings rate will support consumption. The unemployment rate is expected to fall further. Until widespread vaccination is achieved, outbreaks may necessitate further restrictions.
Climate change	The threat to human life and economic activity posed by climate change is underscored by recent severe weather events: Extreme rainfall and destructive flooding struck Western Europe and central China, unusually damaging monsoon rains fell in India and the Philippines and severe drought and massive wildfires are gripping western North America. Climate scientists warn that these events will become more frequent and severe in the coming decade.

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.

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

As outlined above, RMI's operating environment during the 2021 financial year was once again dominated by the COVID-19 pandemic, with elevated mortality experience materially impacting on the group's life insurance operations. Notwithstanding the adverse impact of COVID-19, the group delivered a strong overall operational performance, with pleasing growth in normalised earnings being achieved by OUTsurance and Hastings, its two large P&C investments. This, together with the positive impact of the lower interest rate environment on the group's funding costs and excellent performance by RMI Investment Managers, enabled the group to deliver a 15% increase in normalised earnings to R3.5 billion.

OUT SURANCE

Normalised earnings, including **OUTsurance**'s stake in Hastings, increased by 15% to R2.8 billion. Excluding its share in Hastings, OUTsurance's normalised earnings increased by 14% to R2.5 billion, driven by strong equity market returns and an excellent 18% increase in gross written premiums to R20.6 billion.

Youi contributed most to the gross written premium growth due to good organic growth in the direct personal lines operation coupled with the positive contributions from the Youi CTP and Youi BZI initiatives.

OUTsurance's claims ratio increased from 51.1% to 51.7% due to the more restrictive lockdown conditions in the prior year, lower average premiums in the current year due to the impact of work-from-home patterns, an increase in the property claims ratio resulting from power surge and dip claims and increased geyser replacements due to colder weather conditions.

The cost-to-income ratio increased from 29.4% to 31.0%:

- In South Africa, this was mainly driven by the increase in size of the OUTsurance Broker distribution force over the course of the financial year; and
- In Australia, by the increased costs related to systems modernisation, increased regulatory and compliance costs and the start-up cost associated with Youi CTP and Youi BZI.

As the second and third wave of the pandemic resulted in increased mortality experience, the life insurance segment remained a challenging environment. An additional R46 million in COVID-19-related provisions were raised in the 2021 financial year compared to R36 million in the prior year. Premium growth at **OUTsurance Life** was aided by the Shoprite partnership which commenced in May 2020.

Hastings

Normalised earnings from **Hastings** increased by 20% to R2.1 billion for the year ended 30 June 2021.

The claims ratio for the six months ended 30 June 2021 was 63.4%, compared to 75.6% in the comparative period. Claims frequencies increased from the lows in 2020 but remain below 2019 levels as a result of the ongoing pandemic.

Reserving caution continues to be applied as a result of increased pandemic-related uncertainty on bodily injury claims.

Gross written premiums decreased by 7% to £480.9 million compared to the comparative period of £514.9 million, with the reduction reflecting a mix change towards lower risk market segments.

Live customer policies increased by 4% year-on-year to 3.1 million policies with continued strong retention ratios and stable retail income. Home insurance policies increased by 27% to 300 000 in-force policies. New products, pricing models and sources of data have been added since 2021, laying the foundations for continued profitable growth.

RMI | INVESTMENT MANAGERS

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.

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 (AUM) growth and strong performance fee earnings.

AUM increased by 24% (R32.9 billion) in 2021, reflecting the strong bull market in SA equities (up 25%), global equities (up 16%) and SA bonds (up 14%). Total net inflows across the portfolio amounted to R5 billion for the period, with R5.8 billion invested into retail portfolios, resulting in a 37% increase in total retail AUM (R51 billion at year-end), whereas alternative strategies (hedge fund and private equity) increased by 38% with R35 billion under management.

The **Royal Investment Managers** portfolio performed marginally below expectations, largely due to the difficult year where the impact of COVID-19 affected some businesses more than others. During the year, 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.

ALPHA CODE

The **AlphaCode** investments have delivered results in line with expectations, taking the impact of COVID-19 on the operating environment into account.

The investment portfolio performed well with a number of the businesses achieving significant milestones:

- **Merchant Capital** was named South Africa's best small business funder in the UK-based Wealth & Finance magazine's 2020 Fintech Awards;
- **Entersekt** was awarded 'Most Innovative Company in 2020' by Fast Company; and
- **Prodigy Finance** was named as one of the UK's top fintech companies by Traxn.com.

Discovery's normalised earnings decreased by 9% to R3.4 billion for the year ended 30 June 2021, mainly due to a negative R2.4 billion COVID-19-related impact on **Discovery Life** and pre-tax foreign currency losses of R389 million, compared to pre-tax foreign currency gains of R578 million included in the comparative year. Normalised profit from operations increased by 7% to R6.5 billion for the year under review.

- **Discovery Health** remained the largest contributor to this number with a 7% increase in normalised operating profit to R3.4 billion, driven by continued operational excellence, growth in lives and providing support to members and society;
- A successful execution of the management plan at **VitalityLife** contributed to a strong recovery in results with a contribution of R644 million to normalised profit from operations; and
- The loss incurred by **Discovery Bank** decreased by 7% to R1.1 billion. The focus remained on strong, high-quality client and deposit growth while deliberately pursuing a prudent, quality-focused credit strategy.

Overall, group new business annualised premium income increased by 11% to R21.3 billion and retention levels across the group were strong.

Despite its robust capital position and in line with the prior year, due to the continued uncertainty and potentially volatile economic environment caused by the COVID-19 pandemic, Discovery has not declared an ordinary final dividend for the period.

Discovery has announced that, in order to fund future growth prospects at **Ping An Health**, Ping An requires a capital raising. Discovery's contribution to this raising is approximately R1.5 billion. To the extent that Discovery funds this growth opportunity through equity rather than debt, RMI will support and intends to participate in such capital raising.

Momentum Metropolitan

Momentum Metropolitan recorded a 34% decrease in diluted normalised earnings to R1.0 billion for the year under review. This was largely attributable to the prolonged negative impact that COVID-19 had on mortality claims experience, including the anticipated impact of the ongoing third and possible fourth wave in the 2022 financial year. The group increased its COVID-19 provision by R2.2 billion in the 2021 financial year, of which R2.1 billion related to mortality. Together with a R702 million negative mortality variance, total mortality losses amounted to R2.8 billion.

The South African insurance businesses paid R10.7 billion in mortality claims (gross of reinsurance and tax) during the 2021 financial year, compared to an average of R5.6 billion per annum over the three years preceding the pandemic. Excluding the impact of COVID-19 on mortality, disability, termination and business interruption experience, as well as investment variances impacted by yield curve movements, the group's normalised earnings would have been R3.5 billion.

Investment returns increased by R934 million and were supported by the recovery of investment markets, fair value gains from the revaluation of the group's investment in venture capital funds and the recovery of previously written-off loans. This was partly offset by lower returns on the shareholder investment portfolio due to the lower short-dated interest rates compared to the comparative year.

The present value of new business premiums increased by 31% to R65.9 billion, driven by an excellent performance from **Momentum Investments** and **Metropolitan Life** which continued to deliver exceptional growth in protection new business throughout the year. The value of new business growth to R725 million was outstanding and was driven by strong new business volumes, excellent expense management across the group, a sustained focus on improving the quality of new business written and an improved mix towards higher margin products. This resulted in a significant improvement in new business margins from 0.6% to 1.1%.

Momentum Metropolitan has declared a final ordinary dividend of 15 cents per ordinary share. The total dividend for the 12 months ended 30 June 2021 is 40 cents per ordinary share, which is flat relative to the ordinary dividend declared in the prior period.

RMI

The **net funding and holding company costs** decreased by 19% to R597 million. This decrease is mainly due to the decline in the prime lending rate, 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.

Investor call

Herman Bosman (chief executive officer) invites you to join him in a conversation about RMI's performance for the year ended 30 June 2021. This investor call will take place on **Monday, 20 September 2021 at 12:00 (SAST)**.

To join, click here.

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

	For the year ended 30 June		
R million	2021	2020	% change
OUTsurance (excluding Hastings)	**2 535**	2 218	14
– OUTsurance (including Hastings)	**2 779**	2 411	15
– Hastings included in OUTsurance	**(244)**	(193)	26
Hastings	**2 066**	1 720	20
RMI Investment Managers and AlphaCode investments	**142**	(10)	>100
Discovery	**3 406**	3 747	(9)
Momentum Metropolitan	**1 007**	1 521	(34)

A detailed reconciliation between reported headline earnings and normalised earnings has been provided in the annual financial statements of the respective portfolio companies. The annual financial statements of these investee companies are available on their respective websites.

RMI's consolidated normalised earnings for the year under review are listed in the table below:

	For the year ended 30 June		
R million	2021	2020	% change
OUTsurance (excluding Hastings)	**2 296**	2 008	14
– OUTsurance (including Hastings)	**2 513**	2 180	15
– Hastings included in OUTsurance	**(217)**	(172)	(26)
Hastings	**585**	486	20
RMI Investment Managers and AlphaCode investments	**142**	(10)	>100
Discovery	**850**	933	(9)
Momentum Metropolitan	**269**	407	(34)
Funding and holding company costs	**(597)**	(738)	19
Normalised earnings	**3 545**	3 086	15
Normalised earnings per share (cents)	**231.4**	201.5	15

A reconciliation of the adjustments made to headline earnings to derive normalised earnings is presented on **page 28**.

Market value of investments

The intrinsic value of RMI's portfolio increased by 19% during the year ended 30 June 2021. RMI's share price increased by 7% (2020: decreased by 14%), compared to a 9% increase in the life insurance index (2020: decreased by 26%) and a 3% decrease in the non-life insurance index (2020: decreased by 7%). RMI has delivered a total annual compound return to shareholders of 15.7% since its listing in March 2011.

The individual investment performances during the 2021 financial year are outlined below:

- The internal valuation of OUTsurance (excluding its stake in Hastings) increased by 11%;
- The internal valuation of RMI's effective stake in Hastings increased by 20%;
- The value of RMI's investments in RMI Investment Managers and AlphaCode investments increased by 6%;
- Discovery's share price increased by 21% (2020: decreased by 30%); and
- Momentum Metropolitan's share price increased by 11% (2020: decreased by 7%).

R million	As at 30 June 2021	2020	% change
Internal valuation of unlisted investments	**46 295**	41 223	12
OUTsurance (excluding Hastings)[1]	**35 429**	32 024	11
Hastings[2]	**9 258**	7 684	20
RMI Investment Managers and AlphaCode[3]	**1 608**	1 515	6
Market value of listed investments	**28 631**	24 293	18
Discovery[4]	**20 811**	17 231	21
Momentum Metropolitan[4]	**7 820**	7 062	11
Gross value of portfolio	**74 926**	65 516	14
Net liabilities of holding company[5]	**(8 485)**	(9 808)	13
Net value of portfolio[6]	**66 441**	55 708	19
Net value of portfolio per share (cents)	**4 337**	3 637	19

The valuations are based on:

1 Based on an internal discounted cash flow management model that has been independently verified.

2 A discounted cash flow valuation was performed as at 30 June 2021. The 30 June 2020 valuation represents the closing market price of Hastings on the London Stock Exchange (Hastings was subsequently delisted on 16 November 2020). The ZAR:GBP exchange rate as at year-end was used to translate the GBP valuation into ZAR.

3 The investments in RMI Investment Managers and AlphaCode are shown at the internal management valuation. RMI sold its stake in Luno in September 2020, the proceeds of which are included in the net liabilities of the holding company.

4 Market capitalisation on 30 June 2021.

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.

Events after the reporting period

On 20 September 2021, RMI announced its intention to unbundle its shareholdings in Discovery and Momentum Metropolitan. A consequence of the unbundling is that RMI will require an equity raise of up to R6.5 billion via a *pro rata* rights issue to optimise the capital structure.

Changes to the board of directors

There were no changes to the board of directors during the year ended 30 June 2021.

Final dividend for the 2021 financial year

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 of 22.5 cents per share in March 2021 and a final dividend of 22.5 cents per share on 20 September 2021. The board believes RMI is adequately capitalised and that the group will be able to meet its obligations in the foreseeable future after payment of the final dividend.

The total dividend per ordinary share for the year of 45.0 cents (2020: 45.0 cents) is covered 5.1 times (2020: 4.5 times) by the normalised earnings of 231.4 cents (2020: 201.5 cents) per share.

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

Outlook and future value creation

OUT SURANCE

OUTsurance's world-class service proposition is enabled by the dedication of its employees, a business culture that strives for operational excellence with a pivotal focus on treating customers fairly. Customer complaint ratios continue to decline across all service interactions. OUTsurance again delivered the lowest Insurance Ombudsman complaint and overturned ratios of all the major insurers, a position it has held over the past six years.

Following a foundational year in 2021, **OUTsurance** and **Youi** are well-positioned to deliver on their growth ambitions, which are expected to deliver a strong growth cadence with improved profitability over the medium term.

At the core of OUTsurance's strategy is the incremental improvement of operational performance to deliver pricing discipline, a relentless focus on brand trust and awesome service outcomes. Its systems transformation journey will ensure its agility to grow its competitive positioning and respond actively to changing market dynamics.

OUTsurance will continue to invest in local growth and opportunities to deliver a world-class insurance service to the communities it serves.

Hastings

Hastings continues to make good progress on its strategic initiatives, including:

- Improvements in customer service through systems enhancements, digital improvements and process and supplier changes, leading to continued high customer NPS scores;
- New products, pricing models and sources of data have been added during the first half of 2021, laying the foundations for continued profitable growth;
- New functionality continues to be added on its mobile app, supporting increased usage with customer engagement and feedback also remaining positive;
- Claims transformation initiatives continue to make good progress, including optimising and digitalising repair journeys for customers; and
- New internal home claims management capabilities are due to launch later in 2021.

Hastings is well-prepared for the recently introduced whiplash reforms, with early results being monitored closely, and the FCA's review of general insurance pricing practices, due to be implemented by the end of 2021.

RMI Investment Managers' view is that the portfolio is largely complete, however, they 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.

The RMI Investment Managers 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 benefited from marketing support provided by the team. This has enabled the affiliates to expand their branding, marketing and public relations efforts in order to enhance their brand presence and credibility in the market.

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.

AlphaCode identifies, partners and grows the next-generation of financial services entrepreneurs through incubation, acceleration, collaboration and investment. The entry-level programme, AlphaCode Explore, hosted numerous virtual events and workshops, connecting entrepreneurs with global partners who provide enabling infrastructure, investment expertise and a peer network. The AlphaCode Incubate programme continues to go from strength to strength with the 10 businesses on the programme experiencing more than 50% revenue growth since the beginning of the year and they have created 22 new jobs between them. We continue to be impressed with the resilience and innovative thinking displayed by South Africa's entrepreneurial talent.

AlphaCode has recognised the need for very-early-stage and seed funding in the South African entrepreneurial landscape and has launched its maiden seed fund. The fund is a fully-accredited Enterprise Supplier Development beneficiary and will provide funding of R1 to 2 million for early-stage financial services (and related) entrepreneurs. The fund works closely with the Incubate programme which offers an exciting pipeline of start-ups and provides a proven base of mentor and entrepreneurial support to investees.

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 post-graduate students at the world's leading universities. Prodigy has facilitated over $1 billion in loans and recently launched its maiden securitisation, which was heavily oversubscribed, which is a testament to the quality of the business.

All the businesses in the portfolio are on a path to profitability and have strong growth prospects for the upcoming financial year.

Discovery

Discovery's business model has proven to be highly relevant during the COVID-19 pandemic and the consolidating trends are likely to accentuate this relevance going forward. It is confident in its ability to capitalise on emerging opportunities and Discovery's Shared-value Insurance model positions it well to deliver continued growth and operational resilience despite the challenging macro environment.

Discovery Life has provided for the expected future mortality impacts of COVID-19 given the expected retail claims. Group life provisions have been made up to the next policy renewal date to the extent that existing contracts are deemed to be onerous. The effect of continued interest rate and currency volatility in South Africa is expected to remain a feature of the reported results.

Discovery is considering an additional capital contribution for **Ping An Health** and intends to follow its rights in this regard, given the excellent long-term prospects for private healthcare and private health insurance in China.

Momentum Metropolitan

Momentum Metropolitan continues to improve its market share in most market segments. The Reset and Grow strategy, which was the cornerstone of the operational turnaround evident in its results over the past three years, has now come to an end. The group is in a significantly healthier position and has built a foundation and capabilities that improved its competitive position and created a strong foundation from where it can continue to grow.

It launched its Reinvent and Grow strategy for the next three years, indicating its intent. The key elements of the Reinvent and Grow strategy include:

- Significant focus on an investment in digital initiatives to generate efficiencies and to improve the ease of doing business for its clients and advisers;
- Further focus and growth of existing distribution channels, complimented by the development of alternative distribution opportunities
- Targeting normalised headline earnings for the group of between R4.6 to 5.0 billion by 2024;
- Dynamic and disciplined management of group capital, with the objective of improving the return on equity to 18% to 20% by 2024.

Considering the uncertainty in the operating environment, it would be inappropriate to provide firm guidance on near-term earnings expectations.

Momentum Metropolitan 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 selectively invest in its core operations to take advantage of the opportunities for growth brought about by the current crisis.

Appreciation

We express our appreciation for the ongoing commitment of all our stakeholders in navigating the COVID-19 pandemic and subsequent recovery. We are confident that our updated strategy of focus, collaborate and grow will enable RMI to continue to deliver value in the short, medium and long term.

Jannie Durand
Chairman

Herman Bosman
Chief executive officer

Rosebank
20 September 2021

CASH DIVIDEND DECLARATION

Notice is hereby given that a gross final cash dividend of 22.5 cents per ordinary share, payable out of income reserves, was declared on 20 September 2021 in respect of the year ended 30 June 2021.

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.

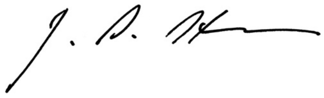
The company's tax reference number is 9469/826/16/9. Its issued share capital at the declaration date comprises 1 531 807 770 ordinary shares.

Shareholders' attention is drawn to the following important dates:

- Last day to trade in order to participate in this dividend will be Tuesday, 19 October 2021.
- Shares commence trading ex-dividend on Wednesday, 20 October 2021.
- The record date for the dividend payment will be Friday, 22 October 2021.
- Dividend payment date will be on Monday, 25 October 2021.

No dematerialisation or rematerialisation of share certificates may be done between Wednesday, 20 October 2021 and Friday, 22 October 2021 (both days inclusive).

By order of the RMI board.



Schalk Human
Company secretary

Rosebank
20 September 2021

PORTFOLIO OVERVIEW

SURANCE

VALUATION	NORMALISED EARNINGS	NORMAL DIVIDENDS PAID
R42.5 billion	R2 779 million	59.0 cents per share
2020: R38.1 billion	2020: R2 411 million	2020: 53.7 cents per share
+12%	+15%	+10%

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

2021 Performance

- OUTsurance's operating profit improved by 3%, driven by improved operational profitability. Lower investment yields earned on policyholder liabilities dampened the positive impact of improved premium growth on operating performance;
- Normalised earnings increased by 15% to R2.8 billion, assisted by significant unrealised gains on equity investments coupled with an improved performance from Hastings;
- Gross written premiums increased by 18% to R20.6 billion and net earned premiums by 12% to R18.1 billion;
- The claims ratio increased slightly from 51.1% to 51.7%, a pleasing outcome considering the impact of expansionary strategies;
- The cost-to-income ratio increased from 29.4% to 31.0%, also affected by expansion and Youi's higher contribution to the cost base; and
- The total dividend for the year increased by 10% to 59.0 cents per share.

OUTsurance SA's operational and financial results were pleasing considering the difficult local economic conditions. It continued to expand its unit count in the core OUTsurance Personal book and achieved a significant growth recovery in OUTsurance Business owing to the expansion of OUTsurance Brokers. Investment income was impacted by lower interest rates, offset by a major change in fair value of the equity portfolio. The claims ratio increased from 49.2% to 49.9% due to the impact of work-from-home patterns on average premiums as well as an increase in the property claims ratio resulting from power surge and dip claims, and increased geyser replacements related to colder weather conditions. The cost-to-income ratio increased from 24.5% to 24.6% due to the rapid expansion in the OUTsurance Broker footprint as OUTsurance Personal continued to deliver a reducing cost-to-income ratio.

OUTsurance Personal grew premium income by 5% to R7.0 billion, supported by increased unit growth as premium inflation remained depressed on account of pandemic-related driving patterns and the ageing insured motor fleet. Property premiums have continued its positive inflationary trajectory. The claims ratio increased from 46.4% to 48.3% due to the continued normalisation of reduced motor accident frequencies.

The cost-to-income ratio decreased from 21.3% to 20.0% on account of cost-containment measures and improved premium growth.

OUTsurance Business has recovered well following the period of lockdown-related new business disruption in 2020. Gross written premiums increased by 13% to R1.7 billion. The OUTsurance Broker channel grew gross written premiums by 63% to R607 million. New business activity accelerated in the second half of the year, in line with the growing headcount of OUTsurance Brokers. The Direct channel experienced a 3% decrease in premiums to R1.1 billion as the small and medium business sectors continued to suffer the effects of the lockdown, with policy count remaining stable. The claims ratio reduced from 63.1% to 57.4%, with fewer business interruption claims. The cost-to-income ratio increased from 36.2% to 37.8%, reflecting the ramp-up in the size of the OUTsurance Broker distribution force.

Youi delivered a strong set of results, with gross written premium up 32% to R10.5 billion (up 22% to A$919 million). The stronger growth is attributed to good organic growth and premium inflation, which reflected the impact of higher reinsurance costs and catastrophe events of the prior year. The claims ratio at 53.9% (2020: 53.8%) remained below the historic average. Despite reduced natural catastrophe exposure, there was less reinsurance cover available for natural event losses. The cost-to-income ratio increased from 33.6% to 33.7% as the positive effect of premium growth on the cost ratio was offset by increased costs related to systems modernisation, increased regulatory and compliance costs and the start-up cost associated with Youi CTP and Youi BZI. Youi's operating profit was also negatively impacted by the lower investment yield.

OUTsurance Life delivered strong premium growth as new business accelerated on the back of growth in the funeral segment, supported by both the direct and Shoprite channels, which commenced trading in May 2020. The asset-liability matching approach followed by OUTsurance Life has proven to be effective to offset the economic impact of significant yield movements over the year. The 10% growth in the embedded value and the value of new business margin of 8.6% are reflective of the expansion in the in-force book and the mix change towards more profitable funeral policies.

OUTsurance Namibia's headline earnings reduced by 28% on the back of an increase in the claims ratio from 48.7% to 54.9% following flooding events in Namibia. The 7% reduction in the gross written premium reflects increased pricing discipline to ensure profitable new business acquisition. The negative impact of the increased claims ratio was offset by reduced acquisition costs.

OUTsurance's capital position has remained resilient throughout the pandemic, with a solvency coverage ratio of 2.2 times at year-end (2020: 2.5 times).

RMI included R2 513 million of OUTsurance's earnings in its normalised earnings (2020: R2 180 million).

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

Hastings

VALUATION	NORMALISED EARNINGS	DIVIDENDS PAID
R32.6 billion	£69.2 million	3 pence per share
2020: R27.3 billion	Six months ended 30 June 2020: £55.7 million	Six months ended 30 June 2020: 4.5 pence per share
+19%	+24%	(33%)

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

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.

2021 Performance

As Hastings has a 31 December year-end, these results relate to the six months ended 30 June 2021, with comparatives for the six months ended 30 June 2020.

- Gross written premiums were down 7% to £481 million (2020: £515 million), reflecting a mix change towards lower risk market segments;
- Live client policies were up 4% to 3.1 million (2020: 3.0 million), with continued strong retention ratios and stable retail income;
- Home insurance policies increased by 27% to 300 000 in force;
- The claims ratio was 63.4%, down from 75.6% in the prior year. Reserving caution continues to be applied as a result of increased pandemic-related uncertainty on bodily injury claims. Claims frequencies increased from the lows in 2020 but remains below 2019 levels as a result of the ongoing pandemic;
- Operating profit increased by 19% to £93 million (2020: £78 million), predominantly driven by policy growth and the improvement in loss ratio, offset by an increase in the expense ratio from 15.8% to 20.0%; and
- Normalised earnings were up 24% to £69.2 million (2020: £55.7 million).

RMI included R585 million of Hastings' earnings in its normalised earnings (2020: R486 million).

Discovery

MARKET CAPITALISATION	NORMALISED EARNINGS	DIVIDENDS PAID
R84.1 billion	R3 406 million	0 cents per share
2020: R68.8 billion	2020: R3 747 million	2020: 101 cents per share
+22%	(9%)	(100%)

WHY RMI INVESTS IN DISCOVERY

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

2021 Performance

- Gross inflows under management increased by 5% to R162.0 billion;
- Insurance premium revenue of R56.8 billion represents an increase of 12%;
- Total new business annualised premium income increased 11% to R22.6 billion, while retention levels across the group were strong;
- Normalised profit from operations increased 7% to R6.5 billion, notwithstanding a R2.4 billion COVID-19-related impact for Discovery Life (R1.1 billion in prior year);
- Normalised headline earnings decreased by 9% to R3.4 billion and was impacted by R389 million pre-tax mark-to-market foreign currency losses (R578 million pre-tax gains in prior year) arising from a recovery of the Rand during the year under review;
- Headline earnings grew more than nine-fold to R3.0 billion as the long-term interest rates stabilised in South Africa and the United Kingdom, which resulted in materially lower economic basis changes than the prior period;
- Embedded value decreased by 5% to R74.6 billion;
- Each of Discovery's businesses is strongly capitalised with capital metrics above set targets, with an excess of liquid assets above minimum regulatory capital requirements of R13.4 billion; and
- No final dividend was declared due to the uncertain and potentially volatile economic environment caused by the COVID-19 pandemic. The reintroduction of dividends will be considered when appropriate.

RMI included R850 million of Discovery's earnings in its normalised earnings (2020: R933 million).

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

Momentum Metropolitan

MARKET CAPITALISATION	NORMALISED EARNINGS	DIVIDENDS PAID
R29.2 billion	R1 007 million	40 cents per share
2020: R26.4 billion	2020: R1 521 million	2020: 40 cents per share
+11%	(34%)	unchanged

WHY RMI INVESTS IN MOMENTUM METROPOLITAN

- Well-known and trusted brands
- High level of cash generation
- Traditionally produced a high dividend yield
- Revitalised strategy
- Established businesses which provide stability to the RMI portfolio

2021 Performance

- New business volumes improved by 31% to R65.9 billion on a present value of new business premiums basis. This growth was driven by excellent performance from Momentum Investments on the Momentum Wealth investment platform business. Metropolitan Life continued to deliver exceptional growth in protecting new business throughout the year. Momentum Life saw an increase in both protecting and savings new business volumes. Momentum Metropolitan Africa also saw pleasing new business volume growth;
- Value of new business growth to R725 million was outstanding and was driven by strong new business volumes, excellent expense management across the group, a sustained focus on improving the quality of new business written and an improved mix towards higher margin products;
- The year-on-year decline of 93% in operating profit from R1 001 million to R73 million was largely attributable to the negative impacts related to COVID-19 in the current year, as well as anticipated future impacts from the third and possible fourth wave of the pandemic that are expected to emerge in the next financial year. This also led to a decline in normalised headline earnings of 34% to R1 007 million;
- Momentum Metropolitan remains well capitalised, with the regulatory solvency positions of all the entities within the target ranges. Group SCR cover of 1.5 times is down from 1.6 times;
- The embedded value increased 9% to R41.3 billion, while the return on embedded value was 7.3%, strongly supported by a recovery of the investment markets; and
- All necessary approvals from existing shareholders were received for the establishment of a broad-based employee share ownership scheme. The iSabelo employee share ownership programme has been set up and units were granted during the year.

RMI included R269 million of Momentum Metropolitan's earnings in its normalised earnings (2020: R407 million).

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

FINANCIAL REVIEW

Basis of presentation of results

The summary consolidated financial statements contained in this booklet are prepared in accordance with the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

This report is prepared in accordance with:

- The framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS), including interpretations issued by the IFRS Interpretations Committee;
- Financial Reporting Pronouncements as issued by Financial Reporting Standards Council;
- SAICA Financial Reporting Guide as issued by the Accounting Practices Committee; and
- As a minimum, the information required by *IAS 34: Interim Financial Reporting*.

The directors take full responsibility and confirm that this information has been correctly extracted from the audited consolidated annual financial statements from which the summary consolidated financial statements were derived.

Accounting policies

These summary results incorporate accounting policies that are consistent with those used in preparing the financial results for the previous financial year.

The audited consolidated annual financial statements, from which these summary consolidated financial statements are extracted, are prepared in accordance with the going concern principle under the historical cost basis, as modified by the fair value accounting of certain assets and liabilities, where required or permitted by IFRS.

No new or amended IFRS became effective for the year ended 30 June 2021 that impacted the group's reported earnings, financial position, reserves or accounting policies.

Auditor's report

The auditor also expressed an unmodified opinion on the consolidated annual financial statements from which the summary consolidated financial statements were derived. Unless the financial information in this booklet is specifically stated as audited, it should be assumed to be unaudited.

A copy of the auditor's report on the consolidated annual financial statements is available for inspection at RMI's registered office, 12th Floor, The Bank, corner of Tyrwhitt and Cradock avenues, Rosebank, together with the financial statements identified in the auditor's reports.

The auditor's report does not necessarily report on all of the information contained in these summary consolidated financial statements. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should review the auditor's report together with the accompanying financial information from the issuer's registered office.

The forward-looking information has not been commented or reported on by the group's external auditor. RMI's board of directors takes full responsibility for the preparation of this booklet.

Normalised results

RMI believes that normalised earnings more accurately reflect operational performance.

Headline earnings in terms of Circular 4/2018: Headline Earnings are adjusted to exclude non-operational items and accounting anomalies.

A reconciliation between headline earnings and normalised earnings is provided on **page 28**.

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 broad-based black economic empowerment (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 30 June 2021		As at 30 June 2020	
Audited	**Effective**	**Actual**	Effective	Actual
OUTsurance	**90.6%**	**89.1%**	91.1%	89.1%
Hastings Group Consolidated	**30.0%**	**30.0%**	–	–
Hastings Group Holdings	**–**	**–**	29.7%	29.7%
Discovery	**25.1%**	**24.8%**	25.1%	25.0%
Momentum Metropolitan	**28.2%**	**26.8%**	27.7%	27.3%
RMI Investment Managers	**100.0%**	**100.0%**	100.0%	100.0%
Merchant Capital	**24.8%**	**24.8%**	24.8%	24.8%
Entersekt	**28.2%**	**28.2%**	28.2%	28.2%
Guidepost	**39.5%**	**39.5%**	25.1%	25.1%

SUMMARY CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE

Audited R million	2021	2020	% change
Gross insurance premiums	**20 570**	17 349	19
Less: Reinsurance premiums	**(1 658)**	(774)	
Net insurance premiums	**18 912**	16 575	14
Gross change in provision for unearned premiums	**(1 043)**	(452)	
Reinsurance relating to provision for unearned premiums	**182**	30	
Net insurance premiums earned	**18 051**	16 153	12
Fee and other income	**85**	64	
Investment income	**152**	252	
Interest income on financial assets using the effective interest rate method	**333**	458	
Realised losses	**(6)**	–	
Net fair value gains/(losses) on financial assets	**406**	(421)	
Expected credit losses on financial assets	**(2)**	(20)	
Net income	**19 019**	16 486	15
Gross claims paid	**(10 019)**	(9 310)	
Reinsurance recoveries received	**1 276**	1 664	
Provision for non-claims bonuses	**(509)**	(500)	
Transfer to policyholder liabilities under insurance contracts	**(249)**	(34)	
Acquisition expenses	**–**	(41)	
Fair value adjustment to financial liabilities	**(140)**	(139)	
Marketing and administration expenses	**(5 598)**	(4 859)	
Profit before finance costs, results of associates and taxation	**3 780**	3 267	16
Finance costs	**(626)**	(689)	
Share of after-taxation results of associates	**1 207**	259	
Profit before taxation	**4 361**	2 837	54
Taxation	**(1 139)**	(1 031)	
Profit for the year from continuing operations	**3 222**	1 806	78
Profit for the year from discontinued operations	**–**	104	
Profit for the year	**3 222**	1 910	69
Attributable to:			
Equity holders of the company	**2 893**	1 592	82
Non-controlling interests	**329**	318	3
Profit for the year	**3 222**	1 910	69
Earnings per share	**189.2**	104.1	82
Diluted earnings per share	**188.5**	102.7	84

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

Audited R million	2021	2020	% change
Profit for the year	**3 222**	1 910	69
Other comprehensive income for the year			
Exchange differences on translation of foreign operations[1]	**(502)**	731	
Fair value losses on other comprehensive income financial instruments[2]	**(67)**	(134)	
Deferred tax on fair value losses on other comprehensive income financial instruments	**–**	3	
Share of comprehensive (loss)/income of associates	**(761)**	1 159	
Items that may subsequently be reclassified to profit or loss, after taxation	**(901)**	1 548	
Movement in liabilities accounted for as net investment hedge[1]	**215**	(460)	
Items that will not be reclassified to profit or loss, after taxation	**(75)**	71	
Other comprehensive (loss)/income for the year	**(1 330)**	1 759	
Total comprehensive income for the year	**1 892**	3 669	(48)
Attributable to:			
Equity holders of the company	**1 682**	3 175	(47)
Non-controlling interests	**210**	494	(57)
Total comprehensive income for the year	**1 892**	3 669	(48)

1 This amount may subsequently be reclassified to profit or loss.

2 (R75 million) of this amount (2020: (R94 million)) may subsequently be reclassified to profit or loss and R8 million of this amount (2020: (R40 million)) will not be reclassified to profit or loss.

COMPUTATION OF HEADLINE EARNINGS

FOR THE YEAR ENDED 30 JUNE

Audited R million	2021	2020	% change
Earnings attributable to equity holders	**2 893**	1 592	82
Adjustment for:			
Impairment of intangible assets by associates	**138**	192	
(Gain)/loss on dilution and disposal of equity accounted investments	**(84)**	62	
Profit on sale of subsidiary	**(41)**	(111)	
Derecognition of intangible assets and property and equipment	**10**	38	
Adjustments within equity accounted earnings	**9**	–	
Loss on disposal of property and equipment	**4**	1	
FCTR reversal on sale of foreign subsidiary	**(4)**	12	
Impairment of owner-occupied building to below cost	**3**	152	
Loss on dilution of joint venture	**1**	–	
Impairment relating to held for sale entities	**–**	14	
Impairment of goodwill	**–**	2	
Loss on step-up of joint venture	**–**	2	
Headline earnings attributable to equity holders	**2 929**	1 956	50

COMPUTATION OF NORMALISED EARNINGS

FOR THE YEAR ENDED 30 JUNE

R million	2021	2020	% change
Headline earnings attributable to equity holders	**2 929**	1 956	50
RMI's share of normalised adjustments made by associates	**610**	1 153	
Amortisation of intangible assets relating to business combinations	**289**	305	
Restructuring costs	**219**	20	
Economic assumption adjustments net of discretionary margin and interest rate derivative	**95**	897	
Unrealised losses/(gains) on foreign exchange contracts not designated as a hedge	**54**	(47)	
Deferred tax raised on assessed losses	**(38)**	(69)	
Time value of money movement of swap contract in VitalityLife	**(28)**	24	
Adjustments for iSabelo	**11**	–	
B-BBEE cost	**7**	–	
Transaction costs related to VitalityLife interest rate derivatives	**1**	9	
Initial expenses related to Prudential Book transfer	**–**	14	
Group treasury shares	**6**	(23)	
Normalised earnings attributable to equity holders	**3 545**	3 086	15

COMPUTATION OF EARNINGS AND DIVIDEND PER SHARE

FOR THE YEAR ENDED 30 JUNE

Audited R million	2021	2020	% change
Earnings attributable to equity holders	**2 893**	1 592	82
Headline earnings attributable to equity holders	**2 929**	1 956	50
Number of shares in issue (millions)	**1 532**	1 532	
Weighted average number of shares in issue (millions)	**1 529**	1 529	
Continuing and discontinued operations			
Earnings per share (cents)	**189.2**	104.1	82
Diluted earnings per share (cents)	**188.5**	102.7	84
Headline earnings per share (cents)	**191.6**	127.9	50
Diluted headline earnings per share (cents)	**190.9**	126.2	51
Continuing operations			
Earnings per share (cents)	**189.2**	98.9	91
Diluted earnings per share (cents)	**188.5**	97.5	93
Headline earnings per share (cents)	**191.6**	127.8	50
Diluted headline earnings per share (cents)	**190.9**	126.1	51
Dividend per share			
Interim dividend (cents)	**22.5**	45.0	(50)
Final dividend (cents)	**22.5**	–	>100
Total dividend	**45.0**	45.0	–

COMPUTATION OF NORMALISED EARNINGS PER SHARE

FOR THE YEAR ENDED 30 JUNE

R million	2021	2020	% change
Normalised earnings attributable to equity holders	**3 545**	3 086	15
Number of shares in issue (millions)	**1 532**	1 532	–
Weighted average number of shares in issue (millions)	**1 532**	1 532	–
Continuing and discontinued operations			
Normalised earnings per share (cents)	**231.4**	201.5	15
Diluted normalised earnings per share (cents)	**231.1**	199.9	16
Continuing operations			
Normalised earnings per share (cents)	**231.4**	201.4	15
Diluted normalised earnings per share (cents)	**231.1**	199.8	16

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

R million	**2021**	2020
ASSETS		
Property and equipment	**1 056**	1 160
Intangible assets	**213**	117
Right-of-use assets	**104**	83
Investments in associates	**29 301**	29 288
Financial assets		
– Equity securities		
– fair value through profit or loss	**1 741**	1 563
– fair value through other comprehensive income	**365**	464
– Debt securities		
– fair value through profit or loss	**3 090**	1 323
– fair value through other comprehensive income	**3 338**	3 205
– amortised cost	**6 122**	6 089
– Derivative asset	**133**	–
Insurance and other receivables	**3 803**	3 546
Deferred acquisition cost	**513**	463
Reinsurance contracts	**1 140**	1 338
Deferred taxation	**502**	304
Taxation	**25**	24
Cash and cash equivalents	**2 618**	2 414
Total assets	**54 064**	51 381
EQUITY		
Share capital and premium	**15 353**	15 342
Reserves	**11 885**	10 506
Total shareholders' equity	**27 238**	25 848
Non-controlling interests	**1 776**	1 697
Total equity	**29 014**	27 545
LIABILITIES		
Financial liabilities		
– Preference shares	**11 514**	9 514
– Interest-bearing loans	**–**	2 242
– Financial liabilities at fair value through profit or loss	**125**	104
– Derivative liability	**130**	283
– Investment contracts at fair value through profit or loss	**37**	24
Lease liabilities	**118**	89
Share-based payment liability	**258**	121
Employee benefit liability	**237**	191
Deferred taxation	**270**	76
Insurance and other payables	**1 909**	1 518
Insurance contracts	**10 311**	9 601
Taxation	**141**	73
Total liabilities	**25 050**	23 836
Total equity and liabilities	**54 064**	51 381

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

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 30 June 2019	15 359	7 089	(3 637)	275	5 435	1 602	26 123
Profit for the year	–	–	–	–	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**
Profit for the year	**–**	**–**	**–**	**–**	**2 893**	**329**	**3 222**
Other comprehensive income	**–**	**(755)**	**–**	**(456)**	**–**	**(119)**	**(1 330)**
Dividends paid	**–**	**–**	**–**	**–**	**(345)**	**(226)**	**(571)**
Income of associate companies retained	**–**	**651**	**–**	**–**	**(651)**	**–**	**–**
Movement in treasury shares	**11**	**(1)**	**–**	**–**	**–**	**(10)**	**–**
Transactions with non-controlling interest	**–**	**3**	**(76)**	**–**	**(2)**	**54**	**(21)**
Issue of share capital to non-controlling interests by subsidiaries	**–**	**–**	**–**	**–**	**–**	**50**	**50**
Share-based payment reserve	**–**	**83**	**–**	**2**	**7**	**1**	**93**
Share of equity financial instrument	**–**	**–**	**–**	**5**	**–**	**–**	**5**
Conversion of equity financial instrument	**–**	**–**	**–**	**(6)**	**–**	**–**	**(6)**
Sale of financial assets through other comprehensive income	**–**	**–**	**–**	**(47)**	**47**	**–**	**–**
Reserve adjustment of associates	**–**	**59**	**–**	**–**	**(32)**	**–**	**27**
Balance as at 30 June 2021	**15 353**	**7 503**	**(3 932)**	**225**	**8 089**	**1 776**	**29 014**

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

R million	2021	2020
Cash flows from operating activities		
Cash generated from operations	**4 424**	3 188
Interest income	**308**	537
Dividends received	**653**	1 236
Cash flows on assets backing policyholder liabilities	**(244)**	(201)
Purchase of financial assets	**(7 986)**	(7 935)
Proceeds on disposal of financial assets	**7 558**	8 020
Income tax paid	**(1 116)**	(936)
Net cash generated from operating activities	**3 597**	3 909
Cash flows from investing activities		
Purchase of property and equipment	**(81)**	(98)
Disposal of property and equipment	**1**	3
Purchase of financial assets	**(3 112)**	(519)
Proceeds on disposal of financial assets	**1 395**	124
Proceeds from sale of New Zealand insurance business	**–**	78
Additional acquisition of associates	**(226)**	(127)
Disposal of associate	**11**	–
Net cash outflow from investing activities	**(2 012)**	(539)
Cash flows from financing activities		
Proceeds from the issue of preference share debt	**2 000**	934
Borrowings repaid	**(2 108)**	(935)
Borrowings raised	**–**	100
Repayment of lease liability	**(41)**	(37)
Cost of funding	**(68)**	(80)
Dividends paid on preference shares in issue	**(560)**	(612)
Dividends paid by subsidiaries to non-controlling interests	**(226)**	(315)
Cash dividends paid to shareholders	**(345)**	(1 685)
Proceeds on issue of shares to non-controlling interest	**40**	11
Net cash outflow from financing activities	**(1 308)**	(2 619)
Net increase in cash and cash equivalents for the year	**277**	751
Unrealised foreign currency translation adjustment on cash and cash equivalents	**(73)**	61
Cash and cash equivalents at the beginning of the year	**2 414**	1 602
Cash and cash equivalents at the end of the year	**2 618**	2 414

SEGMENTAL REPORT

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

Audited R million	OUTsurance	Hastings	Discovery	Momentum Metropolitan	Other[1]	RMI
Year ended 30 June 2021						
Net income	18 568	–	–	–	75	18 643
Interest received	284	–	–	–	92	376
Policyholder benefits and transfer to policyholder liabilities	(9 501)	–	–	–	–	(9 501)
Depreciation	(129)	–	–	–	(7)	(136)
Amortisation	(20)	–	–	–	–	(20)
Other expenses	(5 302)	–	–	–	(140)	(5 442)
Finance costs	(9)	–	–	–	(617)	(626)
Fair value adjustment to financial liabilities	(140)	–	–	–	–	(140)
Share of after-tax results of associates	68	184	790	108	57	1 207
Profit/(loss) before taxation	3 819	184	790	108	(540)	4 361
Taxation	(1 115)	–	–	–	(24)	(1 139)
Profit/(loss) for the year	2 704	184	790	108	(564)	3 222
Hastings included in OUTsurance	(61)	61	–	–	–	–
Profit/(loss) for the year	2 643	245	790	108	(564)	3 222
Normalised earnings	2 779	341	850	269	(694)	3 545
Hastings included in OUTsurance	(244)	244	–	–	–	–
Normalised earnings	2 535	585	850	269	(694)	3 545
As at 30 June 2021						
Assets	20 853	–	–	–	3 697	24 550
Investments in associates	3 716	6 184	12 482	6 149	770	29 301
Intangible assets	213	–	–	–	–	213
Total assets	24 782	6 184	12 482	6 149	4 467	54 064
Hastings included in OUTsurance	(3 627)	3 627	–	–	–	–
Total assets	21 155	9 811	12 482	6 149	4 467	54 064
Total liabilities	13 186	–	–	–	11 864	25 050

1 Other includes RMI, RMI Investment Managers, Merchant Capital, Entersekt, Prodigy, Guidepost and consolidation entries.

Audited R million	OUTsurance	Hastings	Discovery	Momentum Metropolitan	Other[1]	RMI
Year ended 30 June 2020						
Net income	16 405	–	–	–	81	16 486
Policyholder benefits and transfer to policyholder liabilities	(8 180)	–	–	–	–	(8 180)
Depreciation	(124)	–	–	–	(1)	(125)
Amortisation	(10)	–	–	–	–	(10)
Other expenses	(4 641)	–	–	–	(124)	(4 765)
Finance costs	(8)	–	–	–	(681)	(689)
Fair value adjustment to financial liabilities	(139)	–	–	–	–	(139)
Share of after-tax results of associates	120	231	49	24	(165)	259
Profit/(loss) before taxation	3 423	231	49	24	(890)	2 837
Taxation	(988)	–	–	–	(43)	(1 031)
Profit/(loss) for the year from continuing operations	2 435	231	49	24	(933)	1 806
Profit for the year from discontinued operations	104	–	–	–	–	104
Profit/(loss) for the year	2 539	231	49	24	(933)	1 910
Hastings included in OUTsurance	(116)	116	–	–	–	–
Profit/(loss) for the year	2 423	347	49	24	(933)	1 910
Normalised earnings	2 411	293	933	407	(958)	3 086
Hastings included in OUTsurance	(193)	193	–	–	–	–
Normalised earnings	2 218	486	933	407	(958)	3 086
As at 30 June 2020						
Assets	19 462	–	–	–	2 514	21 976
Investments in associates	3 732	6 388	12 017	6 305	846	29 288
Intangible assets	117	–	–	–	–	117
Total assets	23 311	6 388	12 017	6 305	3 360	51 381
Hastings included in OUTsurance	(3 640)	3 640	–	–	–	–
Total assets	19 671	10 028	12 017	6 305	3 360	51 381
Total liabilities	11 825	–	–	–	12 011	23 836

1 Other includes RMI, RMI Investment Managers, Merchant Capital, Entersekt, Prodigy, Guidepost, Luno and consolidation entries.

GEOGRAPHICAL SEGMENTS

Audited R million	South Africa	Australasia	United Kingdom	RMI
Year ended 30 June 2021				
Net income	**10 751**	**8 268**	**–**	**19 019**
Policyholder benefits and transfer to policyholder liabilities	**(5 074)**	**(4 427)**	**–**	**(9 501)**
Other expenses	**(3 585)**	**(2 779)**	**–**	**(6 364)**
Share of after-tax results of associates	**633**	**–**	**574**	**1 207**
Profit before taxation	**2 725**	**1 062**	**574**	**4 361**
Taxation	**(796)**	**(343)**	**–**	**(1 139)**
Profit for the year	**1 929**	**719**	**574**	**3 222**
As at 30 June 2021				
Assets				
Property and equipment	**364**	**692**	**–**	**1 056**
Investments in associates	**19 490**	**–**	**9 811**	**29 301**
Financial assets	**6 788**	**6 104**	**–**	**12 892**
Other assets	**3 977**	**6 838**	**–**	**10 815**
Total assets	**30 619**	**13 634**	**9 811**	**54 064**
Liabilities				
Insurance contract liabilities	**2 785**	**7 526**	**–**	**10 311**
Other liabilities	**12 825**	**1 914**	**–**	**14 739**
Total liabilities	**15 610**	**9 440**	**–**	**25 050**
Year ended 30 June 2020				
Net income	9 475	7 011	–	16 486
Policyholder benefits and transfer to policyholder liabilities	(4 454)	(3 726)	–	(8 180)
Other expenses	(3 413)	(2 315)	–	(5 728)
Share of after-tax results of associates	538	–	(279)	259
Profit/(loss) before taxation	2 146	970	(279)	2 837
Taxation	(742)	(289)	–	(1 031)
Profit/(loss) for the year from continuing operations	1 404	681	(279)	1 806
Profit for the year from discontinued operations	–	104	–	104
Profit/(loss) for the year	1 404	785	(279)	1 910
As at 30 June 2020				
Assets				
Property and equipment	336	824	–	1 160
Investments in associates	19 260	–	10 028	29 288
Financial assets	6 650	5 994	–	12 644
Other assets	2 263	6 026	–	8 289
Total assets	28 509	12 844	10 028	51 381
Liabilities				
Insurance contract liabilities	2 617	6 984	–	9 601
Other liabilities	10 471	1 621	2 143	14 235
Total liabilities	13 088	8 605	2 143	23 836

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE

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 that 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).

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:

Audited R million	Level 1	Level 2	Level 3	Total carrying amount
As at 30 June 2021				
Financial assets				
Equity securities				
– Exchange traded funds	952	253	–	1 205
– Listed preference shares	310	–	–	310
– Collective investment schemes	–	135	–	135
– Listed equity securities	81	–	–	81
– Unlisted equity securities	–	–	375	375
Debt securities				
– Unsecured loans	–	18	47	65
– Zero-coupon deposits	–	708	–	708
– Convertible loan	–	–	13	13
– Government, municipal and public utility securities	–	260	–	260
– Money market securities	–	4 995	–	4 995
– Other debt securities at fair value through profit or loss	–	37	372	409
Derivative assets	–	133	–	133
Total financial assets recognised at fair value	1 343	6 539	807	8 689
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	125	125
Investment contract liability	–	37	–	37
Derivative liability	–	130	–	130
Total financial liabilities recognised at fair value	–	167	125	292

R million	2021	2020
Reconciliation of movement in Level 3 assets		
Balance at the beginning of the year	**912**	696
Additions in the current year	**90**	396
Disposals (sales and redemptions)	**(118)**	(46)
Fair value movement	**(77)**	(134)
Balance at the end of the year	**807**	912
The Level 3 financial assets at fair value through profit or loss represent loans and preference share investments, 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.		
Reconciliation of movement in Level 3 liabilities		
Balance at the beginning of the year	**104**	104
Preference dividends charged to profit or loss	**140**	139
Preference dividends paid	**(119)**	(139)
Balance at the end of the year	**125**	104

The Level 3 financial liabilities at fair value through profit or loss represent profits arising out of profit-sharing arrangements on ring-fenced insurance business that accrue on a monthly basis.

Audited R million	Level 1	Level 2	Level 3	Total carrying amount
As at 30 June 2020				
Financial assets				
Equity securities				
– Exchange traded funds	1 023	–	–	1 023
– Listed preference shares	303	–	–	303
– Collective investment schemes	–	114	–	114
– Listed equity securities	112	–	–	112
– Unlisted equity securities	–	–	475	475
Debt securities				
– Unsecured loans	–	18	42	60
– Zero-coupon deposits	–	858	–	858
– Convertible loan	–	–	11	11
– Government, municipal and public utility securities	–	128	–	128
– Money market securities	–	3 077	–	3 077
– Collective investment schemes	–	10	–	10
– Other debt securities at fair value through profit or loss	–	–	384	384
Total financial assets recognised at fair value	1 438	4 205	912	6 555
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	104	104
Investment contract liability	–	24	–	24
Derivative liability	–	283	–	283
Total financial liabilities recognised at fair value	–	307	104	411

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.

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 the following, with a description of their valuation techniques provided:

- Collective investment schemes: These instruments are 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: These instruments are not traded actively during a financial reporting period. 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 Johannesburg Securities Exchange 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 entire balance of the zero-coupon deposits is exposed to credit risk. The zero-coupon deposit has 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.
- Government, municipal and public utility securities and money market securities: 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 Market. These listed instruments are not as actively traded as Level 1 instruments. The fair value of these instruments are determined by using market observable inputs. The fair value yield, term-to-maturity, coupon payments and maturity value are used to discount the expected cash flows of these instruments to their present value in determining the fair value at the financial year-end.
- Zero-coupon deposits backing endowment policies and the investment contract liability backing the asset: These instrument related a linked endowment policy. The fair value is based on the quoted interest rates provided in each contract. The Group is not the ultimate counterparty to these endowment policies but rather acts as an agent to the arrangement between the client and third party. As such the asset and liability are designed to set off against each other.
- Interest rate swaps: These swap arrangements consists of fixed for floating instruments. 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.
- Collateralised swaps: The fair value of collateralised swap arrangement, whereby the R2 048 government bond serves as collateral and is the underlying, is determined in the same manner as other money market instruments described above.

- Forward exchange contracts: 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 value of forward exchange contracts is determined using the difference between the spot closing exchange rate and the forward exchange rate at the statement of financial position date multiplied by the number of currency units purchased.

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 policyholder liability.

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:

- Unlisted equity: The fair of the equity investment is determined based on standard valuation techniques where the net asset value is a key input.
- Unsecured loan: This is a loan made to the ASISA Enterprise Development Fund to the value of R49 million. This loan relates to funding provided for a BBBEE supplier development scheme that the Group is partaking in. The loan has a five-year term with no contractual interest rate. In calculating the fair value of the loan at 30 June 2021, 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 5.33% (2020: 5.04%), arriving at a fair value of R44 million (2020: R42 million). This discount will unwind over the remaining maturity period.

The fair value of the loan is sensitive to movements in the interest rate of the risk-free government bond utilised in the calculation. A 1% movement in the interest rate would result in the following fair value being recognised at 30 June 2021:

R million	Current	1% increase in interest rate	1% decrease in interest rate
30 June 2021			
Fair value	**44**	**43**	**45**
30 June 2020			
Fair value	42	41	44

- Convertible loan: The loan with AutoGuru Australia Pty Limited (AutoGuru). The only significant unobservable inputs in the calculation are the market value of the AutoGuru shares, as this is an unlisted private company, and the underlying interest rate. Due to the fact that the loan is convertible into shares of AutoGuru, it exposes the Group to equity price risk. As a result of the absence of quoted prices for the shares when the convertible bond was issued it fails the SPPI criteria, therefore the loan is designated as fair value through profit or loss.

R million	Current	1% increase in interest rate	1% decrease in interest rate
30 June 2021			
Fair value	**13**	**14**	**13**
30 June 2020			
Fair value	11	11	11

The fair value is determined based on a present value calculation taking into account the term to maturity, underlying interest rate and the share price of AutoGuru. The fair value of R13 million (2020: R11 million) at 30 June 2021 is derived from an interest rate of 6.6% (2020: 6.7%). This interest rate has been contractually agreed and is adjusted for the prevailing BBSR applicable at valuation date. A 1% movement in the interest rate would result in the following fair value being recognised at 30 June 2021:

- For other debt securities through profit or loss a discounted cash flow valuation was used.
- Financial liabilities at fair value through profit and loss: A specific valuation technique is used to value this Level 3 financial instrument which represents an accrued profit related to the FirstRand Limited Homeowners profit sharing arrangement.

Profits arising out of the profit-sharing arrangements that accrue on a monthly basis and which are distributed as preference dividends bi-annually to FirstRand Limited Group. 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 by 10%, for instance, the preference dividend will also increase or decrease by 10%.

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.

Discontinued operations

On 25 September 2019, OUTsurance Holdings Limited agreed to transfer the New Zealand insurance portfolio business to Tower Insurance Limited, New Zealand's third largest general insurer, for a consideration of N$12.6 million. Following regulatory approval by the Reserve Bank of New Zealand, the transfer was effected on 31 December 2019.

The insurance business was not previously classified as held for sale or as a discontinued operation. The comparative consolidated income statement has been represented to show the discontinued operation separately from continuing operations.

The sale provides an opportunity for Youi to unlock value on favourable terms and, going forward, will allow the Youi group to focus on its Australian business where the greater scale and diversity of the market offers more growth opportunities for a challenger brand like Youi.

Audited R million	2020
Income statement	
Gross insurance premium	106
Outward reinsurance premiums	(89)
Net premiums	17
Change in provision for unearned premiums	8
Earned premiums, net of reinsurance	25
Commission income	33
Interest income on financial assets using the effective interest rate method	1
Income	59
Policyholder benefits on insurance contract net of reinsurance	(14)
Gross policyholder benefits under insurance contract	(54)
Reinsurers' share of insurance contract claims	40
Marketing and administration expenses	(44)
Result of operating activities	1
Profit on sale of business unit	103
Net profit for the year from discontinued operations	104

There were no items that affected other comprehensive income and therefore the reconciliation of other comprehensive income has not been disclosed.

Carrying value amounts of assets and liabilities as at date of sale were:

R million	2019
Statement of financial position	
Assets	
Reinsurance share of insurance contract provisions	23
Financial assets – Amortised cost	42
Insurance and other receivables	92
Total assets	157
Liabilities	
Insurance contract liabilities	145
Insurance and other payables	12
Total liabilities	157

Contingencies and commitments

The purchase agreement between RMI and Merchant Capital Advisory Services Proprietary Limited (Merchant Capital) stipulates that RMI would be a debt and equity investor that comprise the following:

- RMI acquired a 25.1% equity stake in Merchant Capital in September 2015.
- A junior loan facility to Merchant Capital of not more than R9 228 000.
- A senior loan facility to Merchant Capital of not more than R200 000 000.

The long-term growth from the equity investment in Merchant Capital is expected to offset the cost of debt to Merchant Capital.

As at 30 June 2021, R95 million of the senior loan facility and R5 million of the junior loan facility has been issued to Merchant Capital.

RMI guarantees a liability of one of its associates, limited to a maximum amount of R28 million.

LEASE COMMITMENTS

The group had the following lease commitments as at 30 June 2021:

R million	**2021**	2020
Within 1 year	**32**	37
1 to 5 years	**43**	46
More than 5 years	**43**	6
Lease liability	**118**	89
Within 1 year	**4**	8
Short-term leases	**4**	8

Subsequent events

Proposed strategic restructure of RMI

On 20 September 2021, RMI announced its intention to unbundle its shareholdings in Discovery and Momentum Metropolitan. A consequence of the unbundling is that RMI will require an equity raise of up to R6.5 billion via a *pro rata* rights issue to optimise the capital structure. This is a non-adjusting event.

Dividend

RMI declared a dividend of 22.5 cents per share on 20 September 2021, payable on 25 October 2021. This is a non-adjusting event.

Acquisition of shares in Youi Holdings

The group has exercised its call option to purchase 109 375 000 Youi Holdings original shares from Howard Aron, a former executive of Youi Holdings. The option was exercised on 5 August 2021 and will be payable in October 2021. The strike price per share is A$0.55 per share and fixed at R10.71 per Australian Dollar with an FEC instrument. The group's effective ownership in Youi Holdings will increase from 84.5% to 89.6% as a result of this transaction. The financial effect of this transaction will be the inclusion of a loss of R194 million being recorded in the transactions with non-controlling interests reserve in the statement of changes in equity. This is a non-adjusting event.

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

Physical address:	12th Floor, The Bank Corner Cradock and Tyrwhitt Avenues Rosebank, Johannesburg, 2196
Postal address:	Private Bag X1000, Saxonwold, 2132
Telephone:	+27 10 753 2430
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

Computershare Investor Services Proprietary Limited

Physical address:	Rosebank Towers, 15 Biermann Avenue, Rosebank
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RMI

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